CRANE CO /DE/
Form 10-K
February 25, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2014
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-1657
CRANE CO.

State of incorporation: Delaware	I.R.S. Employer identification No. 13-1952290

Principal executive office:
100 First Stamford Place, Stamford, CT 06902
Registrant's telephone number, including area code: (203) 363-7300
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $1.00	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act
Yes ý No ¨
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act
Yes ¨ No ý
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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act). (Check one):
Large accelerated filer x Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No ý

Based on the closing stock price of $74.36 on June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting common equity held by nonaffiliates of the registrant was $4,384,346,652

The number of shares outstanding of the registrant's common stock, par value $1.00, was 58,179,987 at January 31, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual shareholders' meeting to be held on April 27, 2015 are incorporated by reference into Part III of this Form 10-K.

Index

FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains information about us, some of which includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical information or statements about our current condition. You can identify forward-looking statements by the use of terms such as “believes”, “contemplates”, “expects”, “may”, “will”, “could”, “should “would”, or “anticipates”, other similar phrases, or the negatives of these terms.

We have based the forward-looking statements relating to our operations on our current expectations, estimates and projections about us and the markets we serve. We caution you that these statements are not guarantees of future performance and involve risks and uncertainties. These statements should be considered in conjunction with the discussion in Part I, the information set forth under Item 1A, “Risk Factors” and with the discussion of the business included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” We have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

- The effect of changes in economic conditions in the markets in which we operate, including financial market conditions, fluctuations in raw material prices and the financial condition of our customers and suppliers;
- Economic, social and political instability, currency fluctuation and other risks of doing business outside of the United States;
- Competitive pressures, including the need for technology improvement, successful new product development and introduction and any inability to pass increased costs of raw materials to customers;
- Our ability to successfully integrate acquisitions and to realize synergies and opportunities for growth and innovation;
- Our ability to successfully value acquisition candidates;
- Our ongoing need to attract and retain highly qualified personnel and key management;
- A reduction in congressional appropriations that affect defense spending;
- The ability of the U.S. government to terminate our government contracts;
- The outcomes of legal proceedings, claims and contract disputes;
- Adverse effects on our business and results of operations, as a whole, as a result of increases in asbestos claims or the cost of defending and settling such claims;
- The outcome of restructuring and other cost savings initiatives;
- Adverse effects as a result of further increases in environmental remediation activities, costs and related claims;
- Investment performance of our pension plan assets and fluctuations in interest rates, which may affect the amount and timing of future pension plan contributions; and
- The effect of changes in tax, environmental and other laws and regulations in the United States and other countries in which we operate.

Part I
Reference herein to “Crane”, “we”, “us”, and “our” refer to Crane Co. and its subsidiaries unless the context specifically states or implies otherwise. Amounts in the following discussion are presented in millions, except employee, share and per share data, or unless otherwise stated.

Item 1. Business.
We are a diversified manufacturer of highly engineered industrial products. Comprised of four segments – Fluid Handling, Payment & Merchandising Technologies, Aerospace & Electronics and Engineered Materials – our businesses give us a substantial presence in focused niche markets, allowing us to pursue attractive returns and excess cash flow. Our primary markets are chemical & pharmaceutical processing, oil and gas refining, power, nuclear, building services and utilities, automated payment and merchandising, aerospace, defense electronics, recreational vehicle (“RV”), non-residential construction and transportation.
Since our founding in 1855, when R.T. Crane resolved “to conduct my business in the strictest honesty and fairness; to avoid all deception and trickery; to deal fairly with both customers and competitors; to be liberal and just toward employees, and to put my whole mind upon the business,” we have been committed to the highest standards of business conduct.
Our strategy is to grow the earnings and cash flows of niche businesses with leading market shares, make strategic acquisitions, successfully develop new products, aggressively pursue operational and strategic linkages among our businesses, build a performance culture focused on productivity and continuous improvement, continue to attract and retain a committed management team whose interests are directly aligned with those of our shareholders and maintain a focused, efficient corporate structure.
We use a comprehensive set of business processes and operational excellence tools that we call the Crane Business System to drive continuous improvement throughout our businesses. Beginning with a core value of integrity, the Crane Business System incorporates “Voice of the Customer” teachings (specific processes designed to capture our customers’ requirements) and a broad range of operational excellence tools into a disciplined strategy deployment process that drives profitable growth by focusing on continuously improving safety, quality, delivery and cost.
We employ approximately 11,300 people in North and South America, Europe, the Middle East, Asia and Australia. Revenues from outside the United States were approximately 41% in both 2014 and 2013. For more information regarding our sales and assets by geographical region, see Part II, Item 8 under Note 14, “Segment Information,” to the Consolidated Financial Statements.
Business Segments
For additional information on recent business developments and other information about us and our business, you should refer to the information set forth under the captions, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Part II, Item 7 of this report, as well as in Part II, Item 8 under Note 14, “Segment Information,” to the Consolidated Financial Statements for sales, operating profit and assets employed by each segment.
Fluid Handling
The Fluid Handling segment is a provider of highly engineered fluid handling equipment, including valves, pumps, lined pipe and instrumentation, for critical performance applications that require high reliability. The segment operates through vertically focused end-market businesses including the Crane Valve Group (“Valve Group”), Crane Pumps & Systems and Crane Supply.
The Valve Group business includes Crane ChemPharma & Energy Flow Solutions, Valve Services and Building Services & Utilities. The Valve Group is a global manufacturer of critical on/off process valves for demanding applications in industrial end markets, as well as innovative valves, couplings and gas components for non-residential construction end markets. Products and services include a wide variety of valves, corrosion-resistant plastic-lined pipe, pipe fittings, couplings, connectors, actuators and valve testing. Markets served include the chemical processing petrochemical, pharmaceutical, oil and gas, refining, power, nuclear, mining, general industrial and non-residential construction industries. Products are sold under the trade names Crane, Saunders, Jenkins, Pacific, Xomox, Krombach, DEPA, ELRO, REVO, Flowseal, Centerline, Stockham, Wask, Viking Johnson, IAT, Hattersley, NABIC,

Sperryn, Wade, Rhodes, Brownall, Resistoflex, Duochek, Barksdale and WTA. Facilities and sales/service centers are located across the globe in the United States, as well as in Australia, Austria, Belgium, Canada, China, England, Finland, France, Germany, Hungary, India, Indonesia, Italy, Japan, Mexico, the Netherlands, Northern Ireland, Russia, Singapore, Slovenia, South Korea, Spain, Sweden, Taiwan, United Arab Emirates and Wales.

Crane Pumps & Systems manufactures pumps under the trade names Deming, Weinman, Burks and Barnes. Pumps are sold to a broad customer base that includes the industrial, municipal, commercial water and wastewater and commercial heating, ventilation and air-conditioning industries as well as original equipment manufacturers and military applications. Crane Pumps & Systems has facilities in Piqua, Ohio; Bramalea, Ontario, Canada; and Zhejiang, China.

Crane Supply, a distributor of valves, fittings and piping, sells predominately to the non-residential construction and industrial markets and maintains 29 distribution facilities throughout Canada.

The Barksdale business provides valves and regulators with its ShearSeal technology for transportation applications and hazardous environments in the oil and gas vertical along with pressure, temperature and level sensors for industrial applications.

The Fluid Handling segment employed approximately 5,100 people and had assets of $963 million at December 31, 2014. Order backlog totaled $311 million and $334 million at December 31, 2014 and 2013, respectively. Backlog as of December 31, 2013 included $6 million pertaining to a business divested in 2014, .

Payment & Merchandising Technologies

The Payment & Merchandising Technologies segment is comprised of two businesses, Crane Payment Innovations and Merchandising Systems.

In December 2013, we completed the acquisition of MEI Conlux Holdings (U.S.), Inc. and its affiliate MEI Conlux Holdings (Japan), Inc. (together, “MEI”), a leading provider of payment solutions for unattended transaction systems, which serves customers in the transportation, gaming, retail, service payment and vending markets, for a purchase price of $804 million for all of the outstanding equity interests of MEI.

Our Crane Payment Innovations ("CPI") business, which combines the former Payment Solutions business of Crane Co. and MEI, provides high technology products serving five global vertical markets: retail, vending, gaming, financial services and transportation. Our payment systems solutions for these markets include coin accepters and dispensers, coin hoppers, coin recyclers, bill validators and bill recyclers, and cashless systems. CPI facilities are located in Malvern, Pennsylvania; Queretaro, Mexico; Tokyo, Japan; Geneva, Switzerland; Reading and Manchester, England; Buxtehude, Germany; Concord, Ontario, Canada; Kiev, Ukraine; and Salem, New Hampshire.

Our Merchandising Systems business, which is primarily engaged in the design and manufacture of vending equipment and related solutions, creates customer value through innovation by improving consumer experience and store profitability. Our products, which include a full line of vending options, including those for food, snack, coffee and cold beverages, are sold to vending operators and food and beverage companies throughout the world. Our solutions include vending management software, cashless and online solutions to help customers operate their businesses more profitably, become more competitive and increase cash flow for continued business investment. Facilities are located in Williston, South Carolina and Chippenham, England.

The Payment & Merchandising Technologies segment employed approximately 2,800 people and had assets of $1,210 million at December 31, 2014. Order backlog totaled $68 million and $52 million at December 31, 2014 and 2013, respectively.

Aerospace & Electronics

The Aerospace & Electronics segment has two groups, the Aerospace Group and the Electronics Group. This segment supplies critical components and systems, including original equipment and aftermarket parts, for the commercial aerospace and military aerospace and defense electronics industries. The commercial market accounted for approximately 70% of segment sales in 2014, while sales to the military market were approximately 30% of total sales.

The Aerospace Group’s products are organized into the following solution sets which are designed, manufactured and sold under their respective brand names: Landing Systems (Hydro-Aire), Sensing and Utility Systems (ELDEC), Fluid Management (Lear Romec, Eldec, and Hydro-Aire) and Cabin Systems (P.L. Porter). The Electronics Group products are organized into the following solution sets: Power Solutions (ELDEC, Keltec and Interpoint), Microwave Systems (Signal Technology and Merrimac) and Microelectronics (Interpoint).

The Landing Systems solution set includes aircraft brake control and anti-skid systems, including electro-hydraulic servo valves and manifolds, embedded software and rugged electronic controls, hydraulic control valves, landing gear sensors, and electrical braking as original equipment to the commercial transport, business, regional, general aviation, military and government aerospace, repair and overhaul markets. This solution set also includes similar systems for the retrofit of aircraft with improved systems as well as replacement parts for systems installed as original equipment by aircraft manufacturers. All of these solution sets are proprietary to us and are custom designed to the requirements and specifications of the aircraft manufacturer or program contractor. These systems and replacement parts are sold directly to aircraft manufacturers, Tier 1 integrators (companies which make products specifically for an aircraft manufacturer), airlines, governments and aircraft maintenance, repair and overhaul ("MRO") organizations. Our Landing Systems facility is located in Burbank, California.

The Sensing and Utility Systems solution set includes custom landing gear control and indication systems, door control and indication systems, nose wheel steering systems, on-board and hand-held wireless tire pressure monitoring systems, proximity sensors and switches, and pressure sensors for the commercial business, regional and general aviation, military, MRO and electronics markets. Facilities are located in Lynwood, Washington and Lyon, France.

Our Fluid Management solution set includes lubrication pumps, fuel pumps, coolant/water pumps, and fuel flow transmitters for commercial and military aerospace applications. Facilities are located in Elyria, Ohio; Burbank, California; and Lynwood, Washington.

Our Cabin Systems solution set includes motion control products for airline seating. We manufacture both electromechanical actuation and hydraulic/mechanical actuation solutions for aircraft seating, selling directly to seat manufacturers and to the airlines. The facility for Cabin Systems is located in Burbank, California.

Our Power solution set includes custom low voltage and high voltage power supplies, miniature (hybrid) power modules, battery charging systems, transformer rectifier units, high power traveling wave tube ("TWT") transmitters and power for TWT and solid state transmitters and amplifiers for a broad array of applications predominantly in the defense, commercial aerospace and space markets. These products are used to provide power for avionics, weapons systems, radar, electronic warfare suites, communications systems, data links, aircraft utilities systems, emergency power, bulk ac/dc power conversion and motor pulse power. Products range from standard modules to full custom designed power management and distribution systems. We supply our products to commercial aerospace and space prime contractors, Tier 1 integrators and U.S. Department of Defense prime contractors and foreign allied defense organizations. Facilities are located in Redmond and Lynwood, Washington; Fort Walton Beach, Florida; and Kaohsiung, Taiwan.

Our Microwave Systems solution set includes sophisticated electronic radio frequency components and subsystems and specialty components and materials. These products are used in defense and space electronics applications that include radar, electronic warfare suites, communications systems and data links. We supply many U.S. Department of Defense prime contractors and foreign allied defense organizations with products that enable missile seekers and guidance systems, aircraft sensors for tactical and intelligence applications, electronic warfare, surveillance and reconnaissance missions, communications and self-protect capabilities for naval vessels. Facilities are located in Beverly, Massachusetts; Chandler, Arizona; West Caldwell, New Jersey; and Norwalk, Connecticut.

Our Microelectronics solution set, headquartered in Redmond, Washington, designs, manufactures and sells custom miniature (hybrid) electronic circuits for applications in medical, military and commercial aerospace industries.

The Aerospace & Electronics segment employed approximately 2,640 people and had assets of $512 million at December 31, 2014. The order backlog totaled $422 million and $361 million at December 31, 2014 and 2013, respectively.

Engineered Materials

The Engineered Materials segment manufactures fiberglass-reinforced plastic panels for the transportation industry, in refrigerated and dry-van trailers and truck bodies, RVs, industrial building applications and the commercial construction industry for food processing, restaurants and supermarket applications. Engineered Materials sells the majority of its products directly to trailer and RV manufacturers and uses distributors and retailers to serve the commercial construction market. Manufacturing facilities are located in Joliet, Illinois; Jonesboro, Arkansas; Florence, Kentucky and Goshen, Indiana.

The Engineered Materials segment employed approximately 700 people and had assets of $229 million at December 31, 2014. The order backlog totaled $17 million and $15 million at December 31, 2014 and 2013, respectively.

Acquisitions

We have completed four acquisitions in the past five years.

In December 2013, we completed the acquisition of MEI, a leading provider of payment solutions for unattended transaction systems, which serves customers in the transportation, gaming, retail, service payment and vending markets, for a purchase price of $804 million for all of the outstanding equity interests of MEI. MEI had sales of $399 million in 2012 and was integrated into our CPI business within our Payment & Merchandising Technologies segment. The amount allocated to goodwill reflects the benefits we expect to realize from the acquisition, as the acquisition is expected to strengthen and broaden our product offering and will allow us to strengthen our global position in all sectors of the market. Goodwill for this acquisition amounted to $438 million.

In July 2011, we completed the acquisition of W. T. Armatur GmbH & Co. KG ("WTA"), a manufacturer of bellows sealed globe valves, as well as certain types of specialty valves, for chemical, fertilizer and thermal oil applications, for a purchase price of $37 million in cash and $1 million of assumed debt. WTA's 2010 sales were approximately $21 million, and WTA has been integrated into Crane ChemPharma & Energy Flow Solutions within our Fluid Handling segment. Goodwill for this acquisition amounted to $12 million.

In December 2010, we completed the acquisition of Money Controls, a leading producer of a broad range of payment systems and associated products for the gaming, amusement, transportation and retail markets. Money Controls' 2010 full-year sales were approximately $64 million, and the purchase price was approximately $90 million, net of cash acquired of $3 million. Money Controls has been integrated into the Crane Payment Innovations business within our Payment & Merchandising Technologies segment. Goodwill for this acquisition amounted to $33 million.

In February 2010, we completed the acquisition of Merrimac Industries, Inc. ("Merrimac"), a designer and manufacturer of radio frequency Microwave components, subsystem assemblies and micro-multifunction modules. Merrimac's 2009 sales were approximately $32 million, and the aggregate purchase price was $54 million in cash, including $3 million of assumed debt. Merrimac has been integrated into the Electronics Group within our Aerospace & Electronics segment. Goodwill for this acquisition amounted to $18 million.

Divestitures

We have completed five divestitures in the past five years.

In 2014, we sold Crane Water which was formerly part of our Fluid Handling segment for $2.1 million. The business had sales of approximately $15 million in 2013.

In December 2013, as part of the execution of regulatory remedies associated with the MEI acquisition, we sold a product line, which was formerly part of our Payment & Merchandising Technologies segment, to Suzo-Happ Group for $6.8 million and recorded a $2 million gain. Sales of this product line were $15.1 million in 2013.

In June 2012, we sold certain assets and operations of the Company's valve service center in Houston, Texas, which was formerly part of the Fluid Handling segment, to Furmanite Corporation for $9.3 million. The service center had sales of $14 million in 2011 and is reported as discontinued operations on our Consolidated Statement of Operations.

In June 2012, we also sold Azonix Corporation ("Azonix"), which was part of our former Controls segment, to Cooper Industries for $44.8 million. Azonix had sales of $32 million in 2011 and is reported as discontinued operations on our Consolidated Statement of Operations.

In July 2010, we sold Wireless Monitoring Systems ("WMS") to Textron Systems for $3 million. WMS was included in our former Controls segment. WMS had sales of $3 million in 2009.

Competitive Conditions

Our lines of business are conducted under highly competitive conditions in each of the geographic and product areas they serve. Because of the diversity of the classes of products manufactured and sold, they do not compete with the same companies in all geographic or product areas. Accordingly, it is not possible to estimate the precise number of competitors or to identify our competitive position, although we believe that we are a principal competitor in many of our markets. Our principal method of competition is production of quality products at competitive prices delivered in a timely and efficient manner.

Our products have primary application in the chemical & pharmaceutical processing, oil and gas refining, power, nuclear, building services and utilities, automated payment and merchandising, aerospace, defense electronics, recreational vehicle ("RV"), non-residential construction and transportation end markets. As such, our revenues are dependent upon numerous unpredictable factors, including changes in market demand, general economic conditions and capital spending. Because these products are also sold in a wide variety of markets and applications, we do not believe we can reliably quantify or predict the possible effects upon our business resulting from such changes.

Our engineering and product development activities are directed primarily toward improvement of existing products and adaptation of existing products to particular customer requirements as well as the development of new products.

We own numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property, no one of which is of such importance that termination would materially affect our business. From time to time, however, we do engage in litigation to protect our intellectual property.

Research and Development

Research and development costs are expensed when incurred. These costs were $68.0 million, $52.7 million and $66.9 million in 2014, 2013 and 2012, respectively, and were incurred primarily by the Aerospace & Electronics and Payment & Merchandising Technologies segments.

Our Customers

No customer accounted for more than 10% of our consolidated revenues in 2014, 2013 or 2012.

Raw Materials

Our manufacturing operations employ a wide variety of raw materials, including steel, copper, cast iron, electronic components, aluminum, plastics and various petroleum-based products. We purchase raw materials from a large number of independent sources around the world. Although market forces have at times caused increases in the costs of steel, copper and petroleum-based products, there have been no raw materials shortages that have had a material adverse impact on our business, and we believe that we will generally be able to obtain adequate supplies of major raw material requirements or reasonable substitutes at reasonable costs.

Seasonal Nature of Business

Our business does not experience significant seasonality.

Government Contracts

We have agreements relating to the sale of products to government entities, primarily involving products in our Aerospace & Electronics segment and our Fluid Handling segment. As a result, we are subject to various statutes and regulations that apply to companies doing business with the government. The laws and regulations governing government contracts differ from those governing private contracts. For example, some government contracts require disclosure of cost and pricing data and impose certain sourcing conditions that are not applicable to private contracts. Our failure to comply with these laws could result in suspension of these contracts, criminal or civil sanctions, administrative penalties and fines or suspension or debarment from government contracting or subcontracting for a period of time. For a further discussion of risks related to compliance with government contracting requirements; please refer to “Item 1A. Risk Factors.”

Financing

In December 2013, we issued 10 year notes having an aggregate principal amount of $300 million. The notes are unsecured, senior obligations that mature on December 15, 2023 and bear interest at 4.45% per annum, payable semi-annually on June 15 and December 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or part, at our option. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of Crane, and if as a consequence, the notes are rated below investment grade by both Moody’s Investors Service and Standard & Poor’s, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization, these notes have an effective annualized interest rate of 4.56%.

Also in December 2013, we issued five year notes having an aggregate principal amount of $250 million. The notes are unsecured, senior obligations that mature on December 15, 2018 and bear interest at 2.75% per annum, payable semi-annually on June 15 and December 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or part, at our option. These notes do not contain any material debt covenants or cross-default provisions. If there is a change in control of Crane, and if as a consequence, the notes are rated below investment grade by both Moody’s Investors Service and Standard & Poor’s, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization, these notes have an effective annualized interest rate of 2.92%.

In December 2012, we obtained $600 million of bank loan commitments in support of our acquisition of MEI. The commitments included a $200 million expansion of the $300 million credit facility as further described below, and an additional $400 million 364 day credit facility. The 364 day credit facility was terminated on December 13, 2013 after being used to fund the MEI acquisition.

In May 2012, we entered into a five year, $300 million Amended and Restated Credit Agreement (as subsequently amended, and increased to $500 million, the “facility”), which is due to expire in May 2017. The facility allows us to borrow, repay, or to the extent permitted by the agreement, prepay and re-borrow funds at any time prior to the stated maturity date, and the loan proceeds may be used for general corporate purposes including financing for acquisitions. Interest is based on, at our option, (1) a LIBOR-based formula that is dependent in part on the Company's credit rating (LIBOR plus 105 basis points as of the date of this Report; up to a maximum of LIBOR plus 147.5 basis points), or (2) the greatest of (i) the JPMorgan Chase Bank, N.A.'s prime rate, (ii) the Federal Funds rate plus 50 basis points, or (iii) an adjusted LIBOR rate plus 100 basis points, plus a spread dependent on the Company’s credit rating (5 basis points as of the date of this Report; up to a maximum of 47.5 basis points). At December 31, 2014, outstanding borrowings under the facility totaled $100 million. The facility contains customary affirmative and negative covenants for credit facilities of this type, including the absence of a material adverse effect and limitations on us and our subsidiaries with respect to indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sales of all or substantially all assets, transactions with affiliates and hedging arrangements. The facility also provides for customary events of default, including failure to pay principal, interest or fees when due, failure to comply with covenants, the fact that any representation or warranty made by us is false in any material respect, default under certain other indebtedness, certain insolvency or receivership events affecting us and our subsidiaries, certain ERISA events, material judgments and a change in control of Crane. The facility contains a leverage ratio covenant requiring a ratio of total debt to total capitalization of less than or equal to 65%. At December 31, 2014, our ratio was 45%.

In November 2006, we issued 30 year notes having an aggregate principal amount of $200 million. The notes are unsecured, senior obligations that mature on November 15, 2036 and bear interest at 6.55% per annum, payable semi-annually on May 15 and November 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or part, at our option. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of Crane, and if as a consequence, the notes are rated below investment grade by both Moody’s Investors Service and Standard & Poor’s, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest.

Available Information

We file annual, quarterly and current reports and amendments to these reports, proxy statements and other information with the United States Securities and Exchange Commission (“SEC”). You may read and copy any materials we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers, like us, that file electronically with the SEC. The address of the SEC’s website is www.sec.gov.

We also make our filings available free of charge through our Internet website, as soon as reasonably practicable after filing such material electronically with, or furnishing such material to the SEC. Also posted on our website are our Corporate Governance Guidelines, Standards for Director Independence, Crane Co. Code of Ethics and the charters and a brief description of each of the Audit Committee, the Management Organization and Compensation Committee and the Nominating and Governance Committee. These items are available in the “Investors – Corporate Governance” section of our website at www.craneco.com. The content of our website is not part of this report.

Executive Officers of the Registrant

Name	Position	Business Experience During Past Five Years	Age	Executive Officer Since
Max H. Mitchell	President and Chief Executive Officer	Chief Executive Officer since January 2014. President since January 2013. Chief Operating Officer from May 2011 through January 2013. Group President, Fluid Handling from 2005 to October 2012.	51	2004
Curtis A. Baron, Jr.	Vice President, Controller	Vice President, Controller since December 2011. Assistant Controller from 2007 to December 2011.	45	2011
Thomas J. Craney	Group President, Engineered Materials	Group President, Engineered Materials since 2007.	59	2007
Brendan J. Curran	President, Aerospace & Electronics	President, Aerospace & Electronics since February 2015. Group President, Aerospace of Aerospace & Electronics from May 2013 through February 2015. Pratt Whitney: Vice President, Business Development, Strategy & Partnerships, Commercial Engines from July 2012 through June 2013 and Vice President, Commercial Engines & Global Services from April 2011 through June 2012. Hamilton Sundstrand, United Technologies Corporation: VP and General Manager, Repair & Supply Chain from May 2009 through March 2011.	52	2013
Augustus I. duPont	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary since 1996.	63	1996
Bradley L. Ellis	Senior Vice President	Senior Vice President since December 2014. Group President, Merchandising Systems from 2003 through December 2014. Vice President, Crane Business System from 2009 to December 2011.	46	2000
Andrea L. Frohning	Vice President, Human Resources	Vice President, Human Resources since November 2013. Vice President, Human Resources at Hubbell Inc. from 2006 through October 2013.	45	2013
Richard A. Maue	Vice President - Finance and Chief Financial Officer	Vice President - Finance and Chief Financial Officer since January 2013. Principal Accounting Officer since 2007 and Vice President, Controller from 2007 to December 2011.	44	2007
Anthony D. Pantaleoni	Vice President, Environment, Health and Safety	Vice President, Environment, Health and Safety since 1989.	60	1989
Louis V. Pinkham	Senior Vice President	Senior Vice President since December 2014. Group President, Fluid Handling from October 2012 through December 2014. Senior Vice President, General Manager at	43	2012

		Eaton Corp. (diversified power management company) from June 2011 to October 2012. Vice President, General Manager Eaton Corp. from 2008 to 2011.		
Tazewell S. Rowe	Vice President, Treasurer	Vice President, Treasurer since August 2013. Assistant Treasurer, ITT Corporation from January 2010 through August 2013. Managing Director, Corporate Strategy, Ally Financial from 2006 through January 2010.	43	2013
Kristian R. Salovaara	Vice President of Business Development and Strategy	Vice President of Business Development and Strategy since March 214. Vice President, Business Development from May 2011 to March 2014. Managing Director at FBR Capital Markets & Co. from 2009 to May 2011.	54	2011
Edward S. Switter	Vice President, Tax	Vice President, Tax since 2011. Director Global Tax from 2010 to 2011. Director of Tax from 2006 to 2010.	40	2011

Item 1A. Risk Factors.
The following is a description of what we consider the key challenges and risks confronting our business. This discussion should be considered in conjunction with the discussion under the caption "Forward-Looking Information" preceding Part I, the information set forth under Item 1, "Business" and with the discussion of the business included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations." These risks comprise the material risks of which we are aware. If any of the events or developments described below or elsewhere in this Annual Report on Form 10-K, or in any documents that we subsequently file publicly were to occur, it could have a material adverse effect on our business, financial condition or results of operations.
Risks Relating to Our Business
We are subject to numerous lawsuits for asbestos-related personal injury, and costs associated with these lawsuits may adversely affect our results of operations, cash flow and financial position.
We are subject to numerous lawsuits for asbestos-related personal injury. Estimation of our ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims. Our estimate of the future expense of these claims is derived from assumptions with respect to future claims, settlement and defense costs which are based on experience during the last few years and which may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would substantial adverse verdicts at trial or on appeal. A legislative solution or a structured settlement transaction could also change the estimated liability. These uncertainties may result in us incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if the number of claims and settlements and defense costs escalates or if legislation or another alternative solution is implemented; however, we are currently unable to predict such future events. The resolution of these claims may take many years, and the effect on results of operations, cash flow and financial position in any given period from a revision to these estimates could be material.

As of December 31, 2014, we were one of a number of defendants in cases involving 47,507 pending claims filed in various state and federal courts that allege injury or death as a result of exposure to asbestos. See Note 11, "Commitments and Contingencies" of the Notes to Consolidated Financial Statements for additional information on:
- Our pending claims;
- Our historical settlement and defense costs for asbestos claims;
- The liability we have recorded in our financial statements for pending and reasonably anticipated asbestos claims through 2021;
- The asset we have recorded in our financial statements related to our estimated insurance coverage for asbestos claims; and
- Uncertainties related to our net asbestos liability.

We have recorded a liability for pending and reasonably anticipated asbestos claims through 2021, and while it is probable that this amount will change and that we may incur additional liabilities for asbestos claims after 2021, which additional liabilities may be significant, we cannot reasonably estimate the amount of such additional liabilities at this time. The liability was $614 million as of December 31, 2014.
Macroeconomic fluctuations may harm our business, results of operations and stock price.
Our business, financial condition, operating results and cash flows may be adversely affected by changes in global economic conditions and geopolitical risks, including credit market conditions, levels of consumer and business confidence, commodity prices, exchange rates, levels of government spending and deficits, political conditions and other challenges that could affect the global economy. These economic conditions could affect businesses such as ours in a number of ways. Such conditions could have an adverse impact on our flexibility to react to changing economic and business conditions and on our ability to fund our operations or refinance maturing debt balances at attractive interest rates. In addition, restrictions on credit availability could adversely affect the ability of our customers to obtain financing for significant purchases and could result in decreases in or cancellation of orders for our products and

services as well as impact the ability of our customers to make payments. Similarly, credit restrictions may adversely affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. See "Specific Risks Related to Our Business Segments".

Our operations expose us to the risk of environmental liabilities, costs, litigation and violations that could adversely affect our financial condition, results of operations, cash flow and reputation.
Our operations are subject to environmental laws and regulations in the jurisdictions in which they operate, which impose limitations on the discharge of pollutants into the ground, air and water and establish standards for the generation, treatment, use, storage and disposal of solid and hazardous wastes. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations. Failure to comply with any of these laws could result in civil and criminal, monetary and non-monetary penalties and damage to our reputation. In addition, we cannot provide assurance that our costs related to remedial efforts or alleged environmental damage associated with past or current waste disposal practices or other hazardous materials handling practices will not exceed our estimates or adversely affect our financial condition, results of operations and cash flow. For example, in 2014, the U.S. Environmental Protection Agency ("EPA") issued a Record of Decision amendment requiring, among other things, additional source area remediation resulting in us recording a charge of $49.0 million pertaining to the Phoenix-Goodyear Airport North Superfund Site, extending the accrued costs through 2022. In addition, also in 2014, we recorded a $6.8 million charge for expected remediation costs associated with an environmental site in Roseland, New Jersey (the "Roseland Site").

We may be unable to identify or to complete acquisitions, or to successfully integrate the businesses we acquire.
We have evaluated, and expect to continue to evaluate, a wide array of potential acquisition transactions. Our acquisition program attempts to address the potential risks inherent in assessing the value, strengths, weaknesses, contingent or other liabilities, systems of internal control and potential profitability of acquisition candidates, as well as other challenges such as retaining the employees and integrating the operations of the businesses we acquire. Integrating acquired operations, such as MEI, involves significant risks and uncertainties, including:

- Maintenance of uniform standards, controls, policies and procedures;
- Diversion of management’s attention from normal business operations during the integration process;
- Unplanned expenses associated with the integration efforts;
- Inability to achieve planned synergies; and
- Unidentified issues not discovered in the due diligence process, including legal contingencies.

There can be no assurance that suitable acquisition opportunities will be available in the future, that we will continue to acquire businesses or that any business acquired will be integrated successfully or prove profitable, which could adversely impact our growth rate. Our ability to achieve our growth goals depends in part upon our ability to identify and successfully acquire and integrate companies and businesses at appropriate prices and realize anticipated cost savings.
Our businesses are subject to extensive governmental regulation; failure to comply with those regulations could adversely affect our financial condition, results of operations, cash flow and reputation.
We are required to comply with various import and export control laws, which may affect our transactions with certain customers, particularly in our Aerospace & Electronics and Fluid Handling segments, as discussed more fully under “Specific Risks Relating to Our Business Segments”. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies, and in other circumstances we may be required to obtain an export license before exporting the controlled item. A failure to comply with these requirements might result in suspension of these contracts and suspension or debarment from government contracting or subcontracting. In addition, we are subject to the Foreign Corrupt Practices Act, which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business, or securing any improper advantage and the anti-bribery laws of other jurisdictions. Failure to comply with any of these regulations could result in civil and criminal, monetary and non-monetary penalties, fines, disruptions to our business, limitations on our ability to export products and services, and damage to our reputation.
Additional tax expense or exposures could affect our financial condition, results of operations and cash flow

We are subject to income taxes in the United States and various international jurisdictions. Our future results of operations could be adversely affected by changes in our effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, regulations and judicial rulings, changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore and the results of audits and examinations of previously file tax returns.

The prices of our raw materials can fluctuate dramatically, which may adversely affect our profitability.

The costs of certain raw materials that are critical to our profitability are volatile. This volatility can have a significant impact on our profitability. In our Engineered Materials segment, for example, profits were adversely impacted by increased resin and styrene material costs in 2014. The costs in our Fluid Handling and Payment & Merchandising Technologies segments similarly are affected by fluctuations in the price of metals such as steel and copper. While we have taken actions aimed at securing an adequate supply of raw materials at prices which are favorable to us, if the prices of critical raw materials increase, our operating costs could be negatively affected.

Our ability to obtain parts and raw materials from our suppliers is uncertain, and any disruptions or delays in our supply chain could negatively affect our results of operations.

Our operations require significant amounts of important parts and raw materials. We are engaged in a continuous, company-wide effort to concentrate our purchases of parts and raw materials on fewer suppliers, and to obtain parts from suppliers in low-cost countries where possible. If we are unable to procure these parts or raw materials, our operations may be disrupted, or we could experience a delay or halt in certain of our manufacturing operations. We believe that our supply management and production practices are based on an appropriate balancing of the foreseeable risks and the costs of alternative practices. Nonetheless, supplier capacity constraints, supplier production disruptions, supplier financial condition, price volatility or the unavailability of some raw materials could have an adverse effect on our operating results and financial condition.

Demand for our products is variable and subject to factors beyond our control, which could result in unanticipated events significantly impacting our results of operations.

A substantial portion of our sales is concentrated in industries that are cyclical in nature or subject to market conditions which may cause customer demand for our products to be volatile. These industries often are subject to fluctuations in domestic and international economies as well as to currency fluctuations and inflationary pressures. Reductions in demand by these industries would reduce the sales and profitability of the affected business segments. In our Fluid Handling segment, a slower recovery of the economy or major markets could reduce sales and profits, particularly if projects for which these businesses are suppliers or bidders are canceled or delayed. Results at our Payment & Merchandising Technologies segment could be affected by sustained low employment levels, office occupancy rates and factors affecting vending operator profitability such as higher fuel, food and equipment financing costs; results could also be impacted by unforeseen advances in payment processing technologies.

In our Aerospace & Electronics segment, a significant decline in demand for air travel, or a decline in airline profitability generally, could result in reduced orders for aircraft and could also cause airlines to reduce their purchases of repair parts from our businesses. Our Aerospace businesses could also be impacted to the extent that major aircraft manufacturers encountered production problems, or if pricing pressure from aircraft customers caused the manufacturers to press their suppliers to lower prices; in addition, demand for military and defense products is dependent upon government spending, which remains uncertain. In our Engineered Materials segment, sales and profits could be affected by declines in demand for truck trailers, RVs, or building products.

We could face potential product liability or warranty claims, we may not accurately estimate costs related to such claims, and we may not have sufficient insurance coverage available to cover such claims.

Our products are used in a wide variety of commercial applications and certain residential applications. We face an inherent business risk of exposure to product liability or other claims in the event our products are alleged to be defective or that the use of our products is alleged to have resulted in harm to others or to property. We may in the future incur liability if product liability lawsuits against us are successful. Moreover, any such lawsuits, whether or not successful, could result in adverse publicity to us, which could cause our sales to decline.

In addition, consistent with industry practice, we provide warranties on many of our products and we may experience costs of warranty or breach of contract claims if our products have defects in manufacture or design or they do not meet contractual specifications. We estimate our future warranty costs based on historical trends and product sales, but we may fail to accurately estimate those costs and thereby fail to establish adequate warranty reserves for them. We maintain insurance coverage to protect us against product liability claims, but that coverage may not be adequate to cover all claims that may arise or we may not be able to maintain adequate insurance coverage in the future at an acceptable cost. Any liability not covered by insurance or that exceeds our established reserves could materially and adversely impact our financial condition and results of operations.

We may be unable to improve productivity, reduce costs and align manufacturing capacity with customer demand.

We are committed to continuous productivity improvement and continue to evaluate opportunities to reduce costs, simplify or improve global processes, and increase the reliability of order fulfillment and satisfaction of customer needs. In order to operate more efficiently and control costs, from time to time we execute restructuring activities, which include workforce reductions and facility consolidations. For example, in 2014, we recorded pre-tax restructuring and related charges of $22.7 million associated with repositioning actions intended to improve profitability in our Fluid Handling and Aerospace & Electronics segments. In addition, also in 2014, the Company recorded $10.3 million associated with incremental MEI integration synergies in Payment & Merchandising Technologies. However, our failure to respond to potential declines in global demand for our products and services and properly align our cost base would have an adverse effect on our financial condition, results of operations and cash flow.

We may be unable to successfully develop and introduce new products, which would limit our ability to grow and maintain our competitive position and adversely affect our financial condition, results of operations and cash flow.
Our growth depends, in part, on continued sales of existing products, as well as the successful development and introduction of new products, which face the uncertainty of customer acceptance and reaction from competitors. Any delay in the development or launch of a new product could result in our not being the first to market, which could compromise our competitive position. Further, the development and introduction of new products may require us to make investments in specialized personnel and capital equipment, increase marketing efforts and reallocate resources away from other uses. We also may need to modify our systems and strategy in light of new products that we develop. If we are unable to develop and introduce new products in a cost-effective manner or otherwise manage effectively the operations related to new products, our results of operations and financial condition could be adversely impacted.
Pension expense and pension contributions associated with the Company’s retirement benefit plans may fluctuate significantly depending upon changes in actuarial assumptions and future market performance of plan assets.
A significant portion of our current and retired employee population is covered by pension and post-retirement benefit plans, the costs of which are dependent upon various assumptions, including estimates of rates of return on benefit related assets, discount rates for future payment obligations, rates of future cost growth and trends for future costs. In addition, funding requirements for benefit obligations of our pension and post-retirement benefit plans are subject to legislative and other government regulatory actions. Variances from these estimates could have an impact on our consolidated financial position, results of operations and cash flow.
We face significant competition which may adversely impact our results of operations and financial position in the future.
While we are a principal competitor in most of our markets, all of our markets are highly competitive. The competitors in many of our business segments can be expected in the future to improve technologies, reduce costs and develop and introduce new products, and the ability of our business segments to achieve similar advances will be important to our competitive positions. Competitive pressures, including those discussed above, could cause one or more of our business segments to lose market share or could result in significant price erosion, either of which could have an adverse effect on our results of operations.
We conduct a substantial portion of our business outside the United States and face risks inherent in non-domestic operations.
Net sales and assets related to our operations outside the United States were 41% of our consolidated amounts in both 2014 and 2013. These operations and transactions are subject to the risks associated with conducting business internationally, including the risks of currency fluctuations, slower payment of invoices, adverse trade regulations and possible social, economic and political instability in the countries and regions in which we operate. In addition, we expect that non-U.S. sales will continue to account for a significant portion of our revenues for the foreseeable future. Accordingly, fluctuations in foreign currency exchange rates, primarily the euro, the British pound, the Canadian dollar and the Japanese yen, could adversely affect our reported results, primarily in our Fluid Handling and Payment & Merchandising Technologies segments, as amounts earned in other countries are translated into U.S. dollars for reporting purposes.
We are dependent on key personnel, and we may not be able to retain our key personnel or hire and retain additional personnel needed for us to sustain and grow our business as planned.
Certain of our business segments and corporate offices are dependent upon highly qualified personnel, and we generally are dependent upon the continued efforts of key management employees. We may have difficulty retaining such personnel or locating and hiring additional qualified personnel. The loss of the services of any of our key personnel or our failure to attract and retain other qualified and experienced personnel on acceptable terms could impair our ability to successfully sustain and grow our business, which could impact our results of operations in a materially adverse manner.
If our internal controls are found to be ineffective, our financial results or our stock price may be adversely affected.
We believe that we currently have adequate internal control procedures in place for future periods, including processes related to newly acquired businesses; however, increased risk of internal control breakdowns generally exists in a business environment that is decentralized. In addition, if our internal control over financial reporting is found to be

ineffective, investors may lose confidence in the reliability of our financial statements, which may adversely affect our stock price.

Failure to maintain the security of our information systems and technology networks, including personally identifiable and other information, non-compliance with our contractual or other legal obligations regarding such information, or a violation of the Company’s privacy and security policies with respect to such information, could adversely affect us.

We are dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information, and, in the normal course of our business, we collect and retain certain types of personally identifiable and other information pertaining to our customers, stockholders and employees. The legal, regulatory and contractual environment surrounding information security and privacy is constantly evolving and companies that collect and retain such information are under increasing attack by cyber-criminals around the world. A theft, loss, fraudulent use or misuse of customer, stockholder, employee or our data by cybercrime or otherwise, non-compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could adversely impact our reputation and could result in costs, fines, litigation or regulatory action against us. Security breaches can create system disruptions and shutdowns that could result in disruptions to our operations. We cannot be certain that advances in criminal capabilities, new vulnerabilities or other developments will not compromise or breach the security solutions protecting the systems that access our products and services.

Specific Risks Relating to Our Business Segments

Fluid Handling

The markets for our Fluid Handling businesses' products and services are fragmented and highly competitive. We compete against large and well established global companies, as well as smaller regional and local companies. While we compete based on technical expertise, timeliness of delivery, quality and reliability, the competitive influence of pricing has broadened as a result of sustained weakness in the European economy and general uncertainty in other major economies, such as China. Demand for most of our products and services depends on the level of new capital investment and planned maintenance expenditures by our customers. The level of capital expenditures by our customers depends in turn on general economic conditions, availability of credit and expectation of future market behavior. Additionally, a global economic slowdown and continued volatility in commodity prices, most importantly oil, could negatively affect the level of these activities and result in continued postponement of capital spending decisions or the delay or cancellation of projects. While we experienced a generally strong first half of 2014, order rates slowed considerably through the third and fourth quarters due to project delays and uncertainty with oil prices.

A portion of this segment's business is subject to government rules and regulations. Failure to comply with these requirements might result in suspension or debarment from government contracting or subcontracting. Failure to comply with any of these regulations could result in civil and criminal, monetary and non-monetary penalties, disruptions to our business, limitations on our ability to export products and services, and damage to our reputation. In addition, at our foreign operations, reported results in U.S. dollar terms could be eroded by a weakening of the local currency of the respective businesses, particularly where we operate using the euro, British pound, Canadian dollar and Indian rupee.

Payment & Merchandising Technologies

Results at our Payment & Merchandising Technologies businesses could be reduced by sustained weakness in the European economy and general uncertainty in other major economies such as China and Russia. Our results could also be affected by sustained or increased levels of manufacturing unemployment and office vacancies and inflation for key raw materials. Demand for most of our products and services depend on the level of new capital investment and planned maintenance expenditures by our customers. The level of capital expenditures by our customers depends in turn on general economic conditions, availability of credit and expectation of future market behavior. In addition, delays in launching or supplying new products or an inability to achieve new product sales objectives, or unfavorable changes in gaming regulations affecting certain of our CPI customers would adversely affect our profitability. Results at our foreign locations have been and will continue to be affected by fluctuations in the value of the euro, the British pound, the Japanese yen, the Mexican peso and the Canadian dollar versus the U.S. dollar. We also may not be able to successfully integrate and realize the expected benefits of our recent acquisition of MEI.

Aerospace & Electronics

Our Aerospace & Electronics segment is particularly affected by economic conditions in the commercial and military aerospace industries which are cyclical in nature and affected by periodic downturns that are beyond our control. The principal markets for manufacturers of commercial aircraft are large commercial airlines, which could be adversely affected by a number of factors, including current and predicted traffic levels, load factors, aircraft fuel pricing, worldwide airline profits, terrorism, pandemic health issues and general economic conditions. Our commercial business is also affected by the market for business jets which could be adversely impacted by a decline in business travel due to lower corporate profitability. In addition, a portion of this segment's business is conducted under U.S.

government contracts and subcontracts; therefore, a reduction in Congressional appropriations that affect defense spending or the ability of the U.S. government to terminate our contracts could impact the performance of this business. Any decrease in demand for new aircraft or equipment or use of existing aircraft and equipment will likely result in a decrease in demand of our products and services, and correspondingly, our revenues, thereby adversely affecting our business, financial condition and results of operation. Our sales to military customers are also affected by continued pressure on U.S. and global defense spending and the level of activity in military flight operations. Furthermore, due to the lengthy research and development cycle involved in bringing commercial and military products to market, we cannot predict the economic conditions that will exist when any new product is complete. In addition, if we are unable to develop and introduce new products in a cost-effective manner or otherwise manage effectively the operations related to new products and/or programs, our results of operations and financial condition could be adversely impacted.

In addition, we are required to comply with various export control laws, which may affect our transactions with certain customers. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies, and in other circumstances we may be required to obtain an export license before exporting the controlled item. We are also subject to investigation and audit for compliance with the requirements governing government contracts, including requirements related to procurement integrity, export control, employment practices, the accuracy of records and the recording of costs. A failure to comply with these requirements might result in suspension of these contracts and suspension or debarment from government contracting or subcontracting. Failure to comply with any of these regulations could result in civil and criminal, monetary and non-monetary penalties, fines, disruptions to our business, limitations on our ability to export products and services, and damage to our reputation.

Engineered Materials

In our Engineered Materials segment, sales and profits could fall if there were a decline in demand or a loss in market share for products used for trucks, trailers, RVs and building product applications for which our business produces fiberglass-reinforced plastic panels. In addition, profits could also be adversely affected by increases in resin and styrene material costs, by the loss of a principal supplier or by an inability on the part of the business to maintain product cost and functionality advantages when compared to competing materials.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

Number of Facilities - Owned

Location	Aerospace & Electronics		Engineered Materials		Payment & Merchandising Technologies		Fluid Handling		Corporate		Total	
	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)
Manufacturing												
United States	8	829,000	4	644,000	2	568,000	6	784,000	—	—	20	2,825,000
Canada	—	—	—	—	—	—	—		—	—	—	—
Europe	—	—	—	—	3	338,000	9	1,556,000	—	—	12	1,894,000
Other international	—	—	—	—	2	295,000	6	850,000	—	—	8	1,145,000
	8	829,000	4	644,000	7	1,201,000	21	3,190,000	—	—	40	5,864,000
Non-Manufacturing												
United States	—	—	—	—	1	15,000	3	138,000	—	—	4	153,000
Canada	—	—	—	—	—	—	7	155,000	—	—	7	155,000
Europe	—	—	—	—	—	—	2	78,000	—	—	2	78,000
Other international	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	1	15,000	12	371,000	—	—	13	386,000

Number of Facilities - Leased

Location	Aerospace & Electronics		Engineered Materials		Payment & Merchandising Technologies		Fluid Handling		Corporate		Total	
	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft
Manufacturing												
United States	1	16,000	1	19,000	1	15,000	2	105,000	—	—	5	155,00
Canada	—	—	—	—	1	61,000	1	21,000	—	—	2	82,000
Europe	1	12,000	—	—	1	10,000	4	686,000	—	—	6	708,00
Other international	2	89,000	—	—	—	—	2	112,000	—	—	4	201,00
	4	117,000	1	19,000	3	86,000	9	924,000	—	—	17	1,146,
Non-Manufacturing												
United States	1	4,000	2	59,000	10	205,000	4	42,000	3	42,000	20	352,00
Canada	—	—	—	—	—	—	23	436,000	—	—	23	436,00
Europe	4	7,000	—	—	6	80,000	8	52,000	—	—	18	139,00
Other international	—	—	—	—	7	33,000	19	186,000	—	—	26	219,00
	5	11,000	2	59,000	23	318,000	54	716,000	3	42,000	87	1,146,

In our opinion, these properties have been well maintained, are in good operating condition and contain all necessary equipment and facilities for their intended purposes.

Item 3. Legal Proceedings.

Discussion of legal matters is incorporated by reference to Part II, Item 8, Note 11, “Commitments and Contingencies,” in the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Crane Co. common stock is traded on the New York Stock Exchange ("NYSE") under the symbol CR. The following are the high and low sale prices as reported on the NYSE Composite Tape and the quarterly dividends declared per share for each quarter of 2014 and 2013.

MARKET AND DIVIDEND INFORMATION — CRANE CO. COMMON SHARES

	New York Stock Exchange Composite Price per Share				Dividends per Share	
Quarter	2014 High	2014 Low	2013 High	2013 Low	2014	2013
First	$73.08	$60.14	$55.94	$46.00	$0.30	$0.28
Second	$76.33	$68.43	$59.51	$51.43	0.30	0.28
Third	$74.72	$63.21	$63.41	$57.10	0.33	0.30
Fourth	$63.11	$53.63	$67.25	$58.72	0.33	0.30
					$1.26	$1.16

On December 31, 2014, there were approximately 2,424 holders of record of Crane Co. common stock.

The following table summarizes our share repurchases during the year ended December 31, 2014:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
October 1-31	96,581	$61.72	—	—
November 1-30	716,212	$61.49	—	—
December 1-31	—	—	—	—
Total October 1 — December 31, 2014	812,793	$61.52	—	—

The table above only includes the open-market repurchases of our common stock during the year ended December 31, 2014. We routinely receive shares of our common stock as payment for stock option exercises and the withholding taxes due on stock option exercises and the vesting of restricted stock awards from stock-based compensation program participants.

Due to administrative error, we inadvertently failed to timely file a registration statement on Form S-8 with the Securities and Exchange Commission ("SEC") regarding the issuance of shares of our common stock pursuant to the Crane Co. 2013 Stock Incentive Plan (the "Plan"). We intend to file a registration statement on Form S-8 with the SEC as promptly as practicable to register shares issuable pursuant to the Plan. From the date of the adoption of the Plan in April 2013 through December 31, 2014, a total of 310 shares of our common stock were issued upon exercise of stock options granted pursuant to the Plan, a total of 4,309 shares of our common stock were issued pursuant to the Plan upon vesting of restricted share units, and 2,888 shares of our common stock were issued pursuant to the Plan upon vesting of deferred stock units. We believe that any potential liability resulting from the failure to timely register shares of common stock issuable pursuant to the Plan is not material to our financial condition or results of operations.

Item 6. Selected Financial Data.

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

	For the year ended December 31,				
(in thousands, except per share data)	2014	2013	2012	2011	2010
Net sales	$2,924,997	$2,595,281	$2,579,068	$2,500,369	$2,179,319
Operating profit from continuing operations(a)	316,290	347,876	310,441	36,571	233,300
Interest expense	(39,222)	(26,460)	(26,831)	(26,255)	(26,841)
Income from continuing operations before taxes(a)	281,156	326,016	284,605	14,761	209,067
Provision (benefit) for income taxes(b)	87,587	105,065	88,416	(8,055)	56,087
Income from continuing operations	193,569	220,951	196,189	22,816	152,980
Discontinued operations, net of tax (c)	—	—	21,632	3,700	1,210
Net income attributable to common shareholders(b)	$192,672	$219,502	$216,993	$26,315	$154,170
Earnings per basic share(b)					
Income from continuing operations attributable to common shareholders	$3.28	$3.79	$3.40	$0.39	$2.61
Discontinued operations, net of tax	—	—	0.38	0.06	0.02
Net income attributable to common shareholders	$3.28	$3.79	$3.78	$0.45	$2.63
Earnings per diluted share(b)					
Income from continuing operations attributable to common shareholders	$3.23	$3.73	$3.35	$0.38	$2.57
Discontinued operations, net of tax	—	—	0.37	0.06	0.02
Net income attributable to common shareholders	$3.23	$3.73	$3.72	$0.44	$2.59
Cash dividends per common share	$1.26	$1.16	$1.08	$0.98	$0.86
Total assets	$3,450,785	$3,559,607	$2,889,878	$2,843,531	$2,706,697
Long-term debt	$749,213	$749,170	$399,092	$398,914	$398,736
Accrued pension and postretirement benefits	$278,253	$151,133	$233,603	$178,382	$98,324
Long-term asbestos liability	$534,515	$610,530	$704,195	$792,701	$619,666
Long-term insurance receivable — asbestos	$126,750	$148,222	$171,752	$208,952	$180,689

(a) Includes i) acquisition related inventory and backlog amortization of $4,790 and $4,654 in 2014 and 2013, respectively ii) acquisition related integration costs of $9,753 in 2014; iii) acquisition related transaction costs of $22,765, $3,874 and $1,276 in 2013, 2012 and 2010, respectively, iv) restructuring and related charges of $22,687, $20,632 and $6,676 in 2014, 2012, and 2010, respectively, v) acquisition related restructuring costs of $10,322 in 2014, vi) an asbestos provision, net of insurance recoveries, of $241,647 in 2011, vii) environmental liability provisions of $55,800 and $30,327 in 2014 and 2011, respectively, and viii) a lawsuit settlement of $6,500 in 2014.

(b) Includes the tax effect of items cited in note (a) as well as $2,892 withholding taxes related to acquisition funding and a $2,006 gain on sale of product line in 2013, a $5,625 tax benefit caused by the reinvestment of non-U.S. earnings associated with the acquisition of Money Controls in 2010.

(c) Includes a $19,176 gain on divestiture, net of tax, in 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included under Item 8 of this Annual Report on Form 10-K.

We are a diversified manufacturer of highly engineered industrial products. Our business consists of four segments: Fluid Handling, Payment & Merchandising Technologies, Aerospace & Electronics and Engineered Materials. Our primary markets are chemical & pharmaceutical processing, oil and gas refining, power, nuclear, building services and utilities, automated payment and merchandising, aerospace, defense electronics, recreational vehicle ("RV"), non-residential construction and transportation.

Our strategy is to grow the earnings of niche businesses with leading market shares, make strategic acquisitions, aggressively pursue operational and strategic linkages among our businesses, build a performance culture focused on continuous improvement and a committed management team whose interests are directly aligned with those of the shareholders and maintain a focused, efficient corporate structure.

Items Affecting Comparability of Reported Results

The comparability of our operating results from continuing operations for the years ended December 31, 2014, 2013 and 2012 is affected by the following significant items:

Acquisition-Related Costs

During 2014, we recorded the following costs associated with the acquisition of MEI: 1) pre-tax integration costs of $9.8 million and 2) pre-tax acquisition related inventory and backlog amortization of $4.8 million. During 2013, we recorded the following costs associated with the acquisition of MEI: 1) pre-tax transaction costs of $22.8 million, 2) pre-tax inventory step-up and backlog amortization of $4.7 million and 3) withholding taxes of $2.9 million related to cash marshaling activities supporting payment for the acquisition. During 2012, we recorded pre-tax transaction costs associated with the acquisition of MEI of $3.9 million.

Gain on Sale of Product Line

In 2013, as part of the execution of regulatory remedies associated with the MEI acquisition, we sold a product line, which was formerly part of our Payment & Merchandising Technologies segment, to Suzo-Happ Group for $6.8 million and recorded a $2 million gain. Sales of this product line were $15.1 million in 2013.

Divestiture Loss

In 2014, we sold Crane Water which was formerly part of our Fluid Handling segment for $2.1 million and recorded $1.6 million pre-tax loss. The business had sales of approximately $15 million in 2013.

Restructuring and Related Costs

In 2014, we recorded pre-tax restructuring charges and related costs of $33.0 million, of which $22.7 million was related to the repositioning activities in our Fluid Handling and Aerospace & Electronics segments and $10.3 million was related to the acquisition of MEI. In 2012, we recorded pre-tax restructuring charges and related costs of $20.6 million, of which $18.5 million was associated with repositioning actions designed to improve profitability beginning in 2013, primarily in the European portion of the Fluid Handling segment. Included in the repositioning actions are $2.0 million of non-cash charges related to the completion of previous restructuring actions.

Lawsuit Settlement

The Roseland Site was operated by Resistoflex Corporation ("Resistoflex"), which became an indirect subsidiary of the Company in 1985 when the Company acquired Resistoflex's parent company, UniDynamics Corporation. Resistoflex manufactured specialty lined pipe and fittings at the site from the 1950s until it was closed in the mid-1980s. In 2009, at the request of the New Jersey Department of Environmental Protection ("NJDEP"), the Company performed certain tests of the indoor air quality of approximately 40 homes in a residential area surrounding the Roseland Site to determine if any contaminants (volatile organic compound vapors from groundwater) from the Roseland Site were present in those homes. The test results showed that three homes had volatile organic compound vapors above NJ DEP's recommended concentration levels, and the Company installed vapor mitigation equipment in those homes. On April 15, 2011, those three homeowners, and the tenants in one of those homes, filed separate suits against the Company seeking unspecified compensatory and punitive damages for their lost property value and nuisance. In addition, a homeowner in the testing area, whose home tested negative for the presence of contaminants, filed a class action suit against the Company on behalf of himself and 138 other homeowners in the surrounding area, claiming damages in the nature of loss of value on their homes due to their proximity to the Roseland Site. The plaintiffs in these cases amended their complaints to assert claims under New Jersey's Environmental Rights Act for the Company's alleged failure to properly report its waste discharge practices in the late 1960s and early 1970s, and for natural resource damages. In late December 2013, the plaintiffs moved to have a class of 139 homeowners certified, and the motion was granted in early February 2014. At the same time the Court also entered partial summary judgment on liability for the three homes where the Company had installed vapor mitigation equipment. The Company reached an agreement to settle all current claims with the class and individual plaintiffs for a one-time payment of $6.5 million. This agreement was approved by the Court on July 23, 2014 and the Company completed all obligations required of it to complete the settlement on October 10, 2014.

Environmental Charge

For environmental matters, the Company records a liability for estimated remediation costs when it is probable that the Company will be responsible for such costs and they can be reasonably estimated. Generally, third party specialists assist in the estimation of remediation costs. The environmental remediation liability as of December 31, 2014 and 2013 is substantially related to the former manufacturing site in Goodyear, Arizona (the “Goodyear Site”) discussed below.

The Goodyear Site was operated by UniDynamics/Phoenix, Inc. (“UPI”), which became an indirect subsidiary of the Company in 1985 when the Company acquired UPI’s parent company, UniDynamics Corporation. UPI manufactured explosive and pyrotechnic compounds at the Goodyear Site, including components for critical military programs, from 1962 to 1993, under contracts with the U.S. Department of Defense and other government agencies and certain of their prime contractors. No manufacturing operations have been conducted at the Goodyear Site since 1994. The Goodyear Site was placed on the National Priorities List in 1983, and is now part of the Phoenix-Goodyear Airport North Superfund Goodyear Site. In 1990, the EPA issued administrative orders requiring UPI to design and carry out certain remedial actions, which UPI has done. On July 26, 2006, the Company entered into a consent decree with the EPA with respect to the Goodyear Site providing for, among other things, a work plan for further investigation and remediation activities at the Goodyear Site. The remediation activities have changed over time due in part to the changing groundwater flow rates and contaminant plume direction, and required changes and upgrades to the remediation equipment in operation at the Goodyear Site. These changes have resulted in the Company revising its liability estimate from time to time. During the third quarter of 2014, the EPA issued a Record of Decision amendment requiring, among other things, additional source area remediation resulting in the Company recording a charge of $49.0 million, extending the accrued costs through 2022.

The Company undertook an extensive soil remediation effort at the Goodyear Site following its closure, and had been monitoring the Goodyear Site’s condition in the years that followed. In response to changes in remediation standards, the Company has conducted further site characterization and delineation studies. In September 2014, the Company, in consultation with its advisors, substantially completed its assessment of soil and groundwater contaminants at the Roseland Site, and developed an enhanced remediation plan for the site, which includes further soil removal, groundwater treatment, and soil vapor extraction, resulting in a charge of $6.8 million for remediation activities which are expected to be completed by 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results From Continuing Operations — For the Years Ended December 31, 2014, 2013 and 2012

	For the year ended December 31,			2014 vs 2013 Favorable / (Unfavorable) Change		2013 vs 2012 Favorable / (Unfavorable) Change	
(in millions, except %)	2014	2013	2012	$	%	$	%
Net Sales							
Fluid Handling	$1,264	$1,289	$1,289	(25)	(2)%	(1)	—%
Payment & Merchandising Technologies	712	381	372	331	87%	9	2%
Aerospace & Electronics	696	694	701	$2	—%	$(7)	(1)%
Engineered Materials	253	232	217	21	9%	16	7%
Total Net Sales	$2,925	$2,595	$2,579	$330	13%	$16	1%
Sales Growth:							
Core business				$9	—%	$1	—%
Acquisitions/dispositions				332	13%	25	1%
Foreign exchange				(11)	—%	(9)	—%
Total Sales Growth				$330	13%	$16	1%
Operating Profit from Continuing Operations							
Fluid Handling	$182	$195	$161	$(13)	(7)%	$34	21%
Payment & Merchandising Technologies	69	35	34	34	98%	1	3%
Aerospace & Electronics	138	160	156	(22)	(14)%	4	3%
Engineered Materials	37	34	25	2	7%	10	40%
Total Segment Operating Profit from Continuing Operations*	$426	$424	$375	$2	—%	$49	13%
Corporate Expense	$(54)	$(76)	$(65)	$23	(30)%	$(11)	(17)%
Corporate — Environmental charge	(56)	—	—	(56)	NM	—	—
Total Operating Profit from Continuing Operations	$316	$348	$310	$(32)	(9)%	$37	12%
Operating Margin %							
Fluid Handling	14.4%	15.1%	12.5%				
Payment & Merchandising Technologies	9.7%	9.1%	9.1%				
Aerospace & Electronics	19.9%	23.1%	22.2%				
Engineered Materials	14.5%	14.8%	11.3%				
Total Segment Operating Profit Margin % from Continuing Operations*	14.6%	16.3%	14.6%				
Total Operating Margin % from Continuing Operations	10.8%	13.4%	12.0%				

* The disclosure of total segment operating profit and total segment operating profit margin provides supplemental information to assist management and investors in analyzing our profitability but is considered a non-GAAP financial measure when presented in any context other than the required reconciliation to operating profit in accordance with ASC 280 "Disclosures about Segments of an Enterprise and Related Information." Management believes that the disclosure of total segment operating profit and total segment operating profit margin, non-GAAP financial measures, present additional useful comparisons between current results and results in prior operating periods, providing investors with a clearer view of the underlying trends of the business. Management

also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating our performance. Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed in addition to, and not as a substitute for, our reported results prepared in accordance with GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2014 compared with 2013

Sales in 2014 increased $330 million, or 13%, to $2.925 billion compared with $2.595 billion. The sales increase was driven by a net increase in revenue from acquisitions and dispositions of $332 million and an increase in core business sales of $9 million, partially offset by unfavorable foreign exchange of $11 million. Payment & Merchandising Technologies segment revenue increased $331 million, or 87%, in 2014 reflecting an increase in sales of $340 million related to the acquisition of MEI and $18 million of higher sales from our Merchandising Systems group, partially offset by a core sales decline of $4 million and $4 million of unfavorable foreign exchange. In our Engineered Materials segment, sales increased $21 million, reflecting $20 million of higher sales to RV manufacturers and $2 million of higher sales to our transportation-related customers, partially offset by $2 million of lower sales to our building product customers. Our Aerospace & Electronics segment reported a sales increase of $2 million, or 0.3%. Our Aerospace Group had a 3% sales increase in 2014 compared to the prior year, reflecting $13 million of higher original equipment manufacturer ("OEM") sales and $2 million of higher aftermarket product sales. The Electronics Group experienced a $13 million sales decrease, or 5%, due to weaker sales of defense-related products. Our Fluid Handling segment reported a sales decrease of $25 million, primarily reflecting a decrease of $16 million in our Crane Valve Group and a $13 million sales decrease in Crane Supply driven by unfavorable foreign exchange. These declines were partially offset by an $11 million sales increase in our Barksdale business and a $2 million sales increase in our Crane Pumps and Systems business.

Total segment operating profit increased $2 million, or 0.4%, to $426 million in 2014 compared to $424 million in 2013. The increase in segment operating profit was driven by increases in our Payment & Merchandising Technologies and Engineered Materials segments, partially offset by decreases in our Aerospace & Electronics and Fluid Handling segments. Our Payment & Merchandising Technologies segment operating profit was $34 million, or 98%, higher in 2014 compared to the prior year and our Engineered Materials segment operating profit was $2 million, or 7%, higher in 2014 compared to the prior year; our Aerospace & Electronics segment operating profit was $22 million, or 14%, lower in 2014 compared to the prior year and our Fluid Handling segment operating profit was $13 million, or 7%, lower in 2014 compared to the prior year. The operating profit increase in our Payment & Merchandising Technologies was primarily driven by the impact of the MEI acquisition, partially offset by an $18 million increase in acquisition, integration and restructuring-related charges in 2014 compared to 2013. The primary drivers of the increase in our Engineered Materials segment operating profit were a $6 million impact from the higher sales and strong productivity gains, partially offset by an unfavorable product mix and higher raw material costs (primarily resin and substrates). The Aerospace & Electronics segment operating profit decrease primarily reflected an increase in engineering and new product development spending supporting new program wins and higher costs associated with new product launches in our cabin business. The decrease also reflected restructuring charges of $8 million recorded in 2014 associated with repositioning actions designed to improve profitability in 2015 and 2016. The Fluid Handling operating profit decrease reflected an unfavorable sales mix, a restructuring charge of $15 million recorded in 2014 and a $2 million impact from the lower sales, partially offset by productivity gains and lower pension expense. Total segment operating margins decreased to 14.6% in 2014 compared to 16.3% in 2013.

2013 compared with 2012

Sales in 2013 increased $16 million, or 1%, to $2.595 billion compared with $2.579 billion. The sales increase was driven by an increase in core business sales of $1 million and a net increase in revenue from acquisitions and dispositions of $25 million, partially offset by unfavorable foreign exchange of $9 million. In our Engineered Materials segment, sales increased $16 million, reflecting $20 million of higher sales to RV manufacturers, partially offset by $2 million of lower sales to our transportation-related customers, $1 million of lower sales to our international customers and $1 million of lower sales to our building product customers. Merchandising Systems segment revenue increased $9 million, or 2%, in 2013 reflecting an increase in sales of $25 million related to the acquisition of MEI and $12 million of higher sales from our Payment Solution business, partially offset by $27 million of lower sales from our Vending Solutions business and $2 million of unfavorable foreign exchange. Our Aerospace & Electronics segment reported a sales decrease of $7 million, or 1%. Our Aerospace Group had a 1%

sales decrease in 2013 compared to the prior year, reflecting $12 million of lower aftermarket product sales, partially offset by $10 million of higher OEM sales. The Electronics Group experienced a $5 million sales decrease, or 2%, due to lower sales of our Microwave and Power Solutions products for military and defense applications. Our Fluid Handling segment reported a sales decrease of $0.8 million, primarily reflecting a $19 million decrease in Crane Supply, partially offset by an increase of $16 million in our Crane Valve Group driven by strength in the power and nuclear end markets, partially offset by weakness in our chemical business. In addition, sales in our Crane Pumps and Systems business increased by $5 million driven by share gains.

Total segment operating profit increased $49 million, or 13%, to $424 million in 2013 compared to $375 million in 2012. The increase in segment operating profit over the prior year was driven by increases in operating profit in all segments. Our Fluid Handling segment operating profit was $34 million, or 21% higher in 2013 compared to the prior year; our Engineered Materials segment operating profit was $10 million, or 40% higher in 2013 compared to the prior year; our Aerospace & Electronics segment operating profit was $4 million, or 3% higher in 2013 compared to the prior year and our Merchandising Systems segment was $1 million, or 3.1%, higher in 2013 compared to prior year. The Fluid Handling operating profit increase primarily reflects the absence of repositioning charges of $13 million recorded in 2012 and $10 million of repositioning savings realized in 2013. The primary drivers of the increase in our Engineered Materials segment operating profit were $5 million from higher sales, the absence of a $2 million repositioning charge taken in 2012 and $4 million of repositioning savings realized in 2013. Productivity gains related to improving material yield coupled with targeted pricing actions offset higher raw material costs (primarily resin and styrene). The improvement in the Aerospace & Electronics segment operating profit primarily reflected productivity gains and solid cost management. The operating profit increase in our Merchandising Systems segment is primarily due to the impact of the higher sales in our legacy Payment Solutions business, productivity gains of $8 million driven by focused efforts to reduce material costs across the business, the absence of repositioning charges recorded in 2012 of $4 million and $2 million of repositioning savings realized in 2013. These favorable changes were partially offset by a $6 million impact from the lower sales volume, acquisition and transaction related costs and unfavorable mix in our Vending business. Total segment operating margins increased to 16.3% in 2013 compared to 14.6% in 2012.

Results From Discontinued Operations — For the Years Ended December 31, 2014, 2013 and 2012

(in millions)	2014	2013	2012
Income from Continuing Operations	$194	$221	$196
Discontinued Operations:			
Income from Discontinued Operations, net of tax	—	—	2
Gain from Sales of Discontinued Operations, net of tax	—	—	19
Discontinued Operations, net of tax	—	—	22
Net income before allocation to noncontrolling interests	$194	$221	$218
Net income attributable to common shareholders	$193	$220	$217

For the years 2014, 2013 and 2012, we reported two divested businesses as discontinued operations in our Statements of Operations. The sale of Azonix in 2012 resulted in an after-tax gain of $14.5 million. Azonix had sales of $17.1 million and pre-tax profit from operations of $2.4 million in 2012. The sale of our valve service center in Houston, Texas in 2012 resulted in an after-tax gain of $4.6 million. Our valve service center in Houston, Texas, had sales of $8.4 million and pre-tax profit from operations of $1.3 million in 2012. There were no sales reported in 2013 and 2014 for Azonix or our valve service center in Houston, Texas.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FLUID HANDLING

(in millions, except %)	2014	2013	2012
Net Sales	$1,264	$1,289	$1,289
Operating Profit	182	195	161
Restructuring and Related Charges*	15	—	13
Assets	963	996	993
Operating Margin	14.4 %	15.1 %	12.5 %

* The restructuring and related charges are included in operating profit and operating margin.

2014 compared with 2013. Fluid Handling sales were lower by $25 million compared to the prior year. Operating profit decreased by $13 million from $195 million in 2013 to $182 million in 2014. Operating profit in 2014 included restructuring and related charges of $15 million. Operating margins were 14.4% in 2014 compared with 15.1% in 2013.

Sales decreased $25 million, or 1.9%, driven by a core sales decrease of $10 million, or 0.8%, unfavorable foreign currency translation of $7 million, or 0.5%, and the impact of the divestiture of Crane Water of $8 million, or 0.6%. Backlog was $311 million at December 31, 2014, a decrease of 7% from $334 million at December 31, 2013. Backlog at December 31, 2013 included $5.5 million pertaining to a business divested in 2014.

Crane Valve Group ("Valve Group") includes the following businesses: Crane ChemPharma & Energy Flow Solutions, Building Services & Utilities and Valve Services. Valve Group sales decreased 2% to $888 million in 2014 from $904 million in 2013, including a core sales decrease of $23 million, or 3%, partially offset by favorable foreign currency translation of $7 million, 0.8%, as both the British pound and euro strengthened against the U.S. dollar. The decrease in core sales was primarily driven by lower sales in our Crane ChemPharma & Energy Flow Solutions business, primarily driven by project delays and lower investments in chemical and refining applications for our severe service valves; and a decrease in our Valve Services business reflecting a decreased number of planned maintenance shutdowns at U.S. nuclear plants compared to 2013. The Building Services & Utilities business experienced a slight increase primarily reflecting modest improvement in the commercial building construction end market in the United Kingdom.

Crane Pumps & Systems sales increased 3% to $91 million in 2014 from $89 million in 2013, with market growth and share gains in the municipal, residential and industrial markets.

Crane Supply revenue decreased 6% to $192 million in 2014 from $205 million in 2013 due to $13 million of unfavorable foreign exchange as the Canadian dollar weakened against the U.S. dollar.

Barksdale sales increased $11 million reflecting an increase in demand for our oil and gas and transportation products, driven by stronger end market conditions and increased North American market share.

Fluid Handling operating profit decreased $13 million, or 7%, compared to 2013 reflecting an unfavorable sales mix, the restructuring charge of $15 million recorded in 2014 and a $2 million impact from the lower sales, partially offset by productivity gains and lower pension expense.

2013 compared with 2012. Fluid Handling sales were lower by $0.8 million compared to the prior year. Operating profit increased by $34 million from $161 million in 2012 to $195 million in 2013. Operating profit in 2012 included restructuring charges of $13 million. Operating margins were 15.1% in 2013 compared with 12.5% in 2012.

Sales decreased $0.8 million, driven by unfavorable foreign currency translation of $7.6 million, partially offset by a core sales increase of $6.8 million. Backlog was $334 million at December 31, 2013, a decrease of 3% from $343 million at December 31, 2012.

Valve Group sales increased 2% to $904 million in 2013 from $888 million in 2012, including a core sales increase of $17 million, or 2%, partially offset by unfavorable foreign currency translation of $2 million, as both the British pound and Indian rupee weakened against the U.S. dollar. The increase in core sales was driven by higher sales in our Valve Services business, reflecting an increased number of nuclear outages when compared to 2012, and moderately higher volumes in our Building Services & Utilities business, primarily reflecting an improving commercial building construction end market in the United Kingdom. The Crane ChemPharma & Energy Flow Solutions business experienced a slight decrease in core sales, primarily driven by project delays and lower investments in downstream chemical applications for our severe service valves.

Crane Pumps & Systems sales increased 6% to $89 million in 2013 from $83 million in 2012, with market growth and share gains in the municipal, residential and industrial markets. Share gains were driven by new product introductions as well as expanding channel access for existing products.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Crane Supply revenue decreased 9% to $205 million in 2013 from $224 million in 2012 due to $13 million of lower sales volume reflecting softer commercial construction and mining markets in Canada and $6 million of unfavorable foreign exchange as the Canadian dollar weakened against the U.S. dollar.
Barksdale sales decreased $2 million, or 2%, reflecting a decline in demand for our industrial and hazardous products, driven by weaker end market conditions.
Fluid Handling operating profit increased $34 million, or 21%, compared to 2012, primarily reflecting the absence of repositioning charges of $13 million recorded in 2012, $10 million of repositioning savings realized in 2013, and the impact of higher pricing.

PAYMENT & MERCHANDISING TECHNOLOGIES

(in millions, except %)	2014	2013	2012
Net Sales	$712	$381	$372
Operating Profit	69	35	34
Acquisition, integration and restructuring related charges*	24	6	4
Assets	1,210	1,383	409
Operating Margin	9.7 %	9.1 %	9.1 %

* The acquisition, integration and restructuring related charges are included in operating profit and operating margin.
2014 compared with 2013. Payment & Merchandising Technologies sales increased by $331 million from $381 million in 2013 to $712 million in 2014. Operating profit increased by $34 million from $35 million in 2013 to $69 million in 2014. Operating margins were 9.7% in 2014 compared to 9.1% in 2013.
Sales increased $331 million, or 87%, reflecting sales related to the acquisition of MEI of $340 million, or 89%, partially offset by a core sales decline of $4 million, or 1%, and unfavorable foreign currency translation of $4 million, or 1%. The decrease in core sales reflected lower sales in our legacy Payment Solutions business, partially offset by higher sales in our Merchandising Systems group. Sales decreased in our legacy Payment Solutions business reflecting lower sales in the retail and gaming end markets, partially offset by higher sales in the financial services vertical market. Sales increased in our Merchandising Systems group reflecting strong sales to certain large bottler customers and full-line operator customers.
Operating profit of $69 million increased 98% in 2014 compared to 2013. The operating profit increase was primarily driven by the impact of the MEI acquisition, partially offset by an $18 million increase in acquisition, integration and restructuring-related charges in 2014 compared to 2013.
2013 compared with 2012. Merchandising Systems sales increased by $9 million from $372 million in 2012 to $381 million in 2013. Operating profit increased by $1 million from $34 million in 2012 to $35 million in 2013. Operating margins were 9.1% in both 2013 and 2012.
Sales increased $9 million, or 2%, including sales from the acquisition of MEI of $25 million, or 7%, partially offset by a core sales decline of $14 million, or 4%, and unfavorable foreign currency translation of $2 million, or 1%. The decrease in core sales reflected lower sales in our Vending Solutions businesses, partially offset by higher sales in our legacy Payment Solutions business. Sales decreased in our Vending Solutions business reflecting lower capital spending by certain U.S. bottler customers, as well as, continued weak market conditions in Europe. Sales increased in our legacy Payment Solutions business reflecting higher sales in the retail, vending, transportation and casino gaming vertical markets. The increase in the retail market was driven by higher sales to self check-out OEM customers. The increase in the vending market was driven primarily by share gains, particularly in Europe and Asia. The increase in the transportation market was driven by share gains in the mass transit market. The increase in casino gaming was due to higher sales to key gaming OEM customers resulting from improving casino operations, primarily in the U.S.
Operating profit of $35 million increased 3% in 2013 compared to 2012. The operating profit increase was primarily driven by productivity gains of $8 million, the absence of repositioning charges recorded in 2012 of $4 million and $2 million of repositioning savings realized in 2013. These favorable changes were partially offset by a $6 million impact from the lower core sales, acquisition-related costs, which included inventory step-up and backlog amortization of $5

million and transaction-related costs of $1 million, and unfavorable mix in our Vending business.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

AEROSPACE & ELECTRONICS

(in millions, except %)	2014	2013	2012
Net Sales	$696	$694	$701
Operating Profit	138	160	156
Restructuring and Related Charges *	8	—	—
Assets	512	512	510
Operating Margin	19.9 %	23.1 %	22.2 %

* The restructuring and related charges are included in operating profit and operating margin.

2014 compared with 2013. Sales of our Aerospace & Electronics segment increased $2 million, or 0.3%, in 2014 to $696 million, reflecting a sales increase of $15 million in the Aerospace Group, partially offset by a sales decrease of $13 million in the Electronics Group. The Aerospace & Electronics segment’s operating profit decreased $22 million, or 14%, in 2014. The decrease in operating profit was due to a $7 million decrease in operating profit in the Aerospace Group and a $15 million decrease in the Electronics Group. The operating margin for the segment was 19.9% in 2014 compared to 23.1% in 2013. Backlog was $422 million at December 31, 2014, an increase of 17% from $361 million at December 31, 2013.

Aerospace Group sales in 2014 by the four solution sets were as follows: Landing Systems, 34%; Sensing and Utility Systems, 34%; Fluid Management, 22%; and Cabin Systems, 10%. The commercial market accounted for 81% of Aerospace Group sales in 2014, while sales to the military market were 19% of total Aerospace Group sales. During 2014, sales to OEMs and aftermarket customers were 63% and 37%, respectively.

Aerospace Group sales increased $15 million, or 3%, from $435 million in 2013 to $450 million in 2014. OEM product sales increased $13 million, or 5%, primarily reflecting an increase in commercial and military OEM sales. The increase in commercial OEM sales was driven by strong sales to large aircraft manufacturers as passenger air travel continues to increase causing OEMs to increase build rates in response to demand for more aircraft. Aftermarket sales increased $2 million, or 1%, compared to the prior year driven by an increase in sales of commercial and military spares and commercial repair and overhaul ("R&O") sales, partially offset by weaker modernization and upgrade ("M&U") sales. Commercial aftermarket sales increased $1 million, or 1%, reflecting higher spares and R&O sales, partially offset by a decrease in M&U sales. The increase in military aftermarket sales of $1 million, or 1%, was primarily driven by higher spares sales.

Aerospace Group operating profit decreased $7 million, or 5%, over the prior year, primarily due to an increase in engineering and new product development spending supporting new program wins and higher costs associated with new product launches in our cabin business. Engineering expense will increase or decrease depending on the nature and timing of program wins requiring engineering resources. Aerospace engineering expense was $41 million, or 9% of sales in 2014 compared to $32 million, or 7%, in 2013.

Electronics Group sales by market in 2014 were as follows: military/defense, 51% and commercial aerospace, 49%. Sales in 2014 by the Group’s solution sets were as follows: Power, 70%; Microwave Systems, 21%; and Microelectronics, 9%.

Electronics Group sales decreased 5% from $259 million in 2013 to $246 million in 2014. The decrease in core sales primarily reflects lower sales of our Microwave Solutions products primarily due to delays in defense-related programs. This decrease was partially offset by an increase in Power Solutions product sales primarily due to higher demand from commercial customers.

Electronics Group operating profit decreased $15 million, or 42%, driven primarily by restructuring and related charges of $8 million recorded in 2014 associated with repositioning actions designed to improve profitability in 2015 and 2016. These charges are related to our decision to consolidate two facilities in response to lower defense spending by the U.S. government. The lower operating profit also reflects the impact of the lower sales and an unfavorable sales mix driven by stronger demand in early commercial programs which tend to carry lower margins as well as increased engineering investments in bid and proposal efforts, partially offset by productivity gains and other cost savings.

2013 compared with 2012. Sales of our Aerospace & Electronics segment decreased $7 million, or 1%, in 2013 to $694 million, reflecting sales decreases of $2 million and $5 million in our Aerospace Group and Electronics Group, respectively. The Aerospace & Electronics segment's operating profit increased $4 million, or 3%, in 2013. The increase in operating profit was due to a $5 million increase in operating profit in the Aerospace Group, partially offset by a $1 million decrease in the Electronics Group. The operating margin for the segment was 23.1% in 2013 compared to 22.2% in 2012. Backlog was $361 million at December 31, 2013, a decrease of 4% from $378 million at December 31, 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Aerospace Group sales in 2013 by the four solution sets were as follows: Landing Systems, 33%; Sensing and Utility Systems, 35%; Fluid Management, 22%; and Cabin Systems, 10%. The commercial market accounted for 81% of Aerospace Group sales in 2013, while sales to the military market were 19% of total Aerospace Group sales. During 2013, sales to OEMs and aftermarket customers were 62% and 38%, respectively.

Aerospace Group sales decreased $2 million, or 1%, from $437 million in 2012 to $435 million in 2013. The decrease was largely attributable to a $12 million, or 7%, decline in aftermarket product sales, partially offset by a $10 million, or 4%, increase in OEM product sales. The aftermarket product sales decrease primarily reflects a decline in military aftermarket sales of $13 million, or 25%, partially offset by an increase in commercial aftermarket sales of $1 million, or 1%. The decrease in military aftermarket sales was primarily driven by lower M&U product sales reflecting the completion in 2012 of a carbon brake control upgrade program for the U.S. Air Force C-130 aircraft which accounted for $12 million of sales in 2012. The higher OEM sales were primarily due to the higher commercial product sales associated with large commercial transport and business jets, both of which have benefited from increased passenger air travel and higher air cargo volumes.

Aerospace Group operating profit increased $5 million, or 4%, over the prior year, primarily due to productivity gains and solid cost management including $4 million of lower pension expense, as well as $5 million of lower engineering spending resulting in part from the timing of certain development programs, partially offset by the impact of the lower sales volume and the unfavorable OEM and aftermarket product mix. Engineering expense will increase or decrease depending on the nature and timing of program wins requiring engineering resources. Aerospace engineering expense was $32 million, or 7% of sales in 2013 compared to 8% in 2012.

Electronics Group sales by market in 2013 were as follows: military/defense, 53% and commercial aerospace, 47%. Sales in 2013 by the Group's solution sets were as follows: Power, 64%; Microwave Systems, 26%; and Microelectronics, 10%.

Electronics Group sales decreased 2% from $264 million in 2012 to $259 million in 2013. The decrease in core sales reflects lower sales of our Microwave and Power Solutions products, partially offset by an increase in Microelectronic product sales. The decrease in Microwave and Power Solutions product sales primarily reflects delays and lower demand in defense-related programs. The increase in Microelectronics product sales reflects higher sales to medical device customers, driven by increased end user demand for implantable devices.

Electronics Group operating profit decreased $1 million, or 3%, over the prior year reflecting a $3 million unfavorable sales mix shift toward engineering sales targeted on new programs and medical device sales, both of which are sold at lower margins, and a $2 million impact on the lower sales volume, partially offset by certain cost reductions.

ENGINEERED MATERIALS

(in millions, except %)	2014	2013	2012
Net Sales	$253	$232	$217
Operating Profit	37	34	25
Restructuring and Related Charges*	—	—	4
Assets	229	233	237
Operating Margin	14.5 %	14.8 %	11.3 %

* The restructuring and related charges are included in operating profit and operating margin.

2014 compared with 2013. Engineered Materials sales increased by $21 million to $253 million in 2014, from $232 million in 2013. Operating profit of $37 million increased $2 million in 2014 compared to 2013. Operating margins were 14.5% in 2014 compared with 14.8% in 2013.

Sales increased $21 million, or 9%, reflecting higher sales to our RV and transportation-related customers, partially offset by lower sales to our building products customers. We experienced a $20 million, or 18%, sales increase to our traditional RV manufacturers, reflecting higher demand for our RV-related applications as RV OEM build rates remained strong, with both dealer and retail demand continuing through 2014. Sales to our transportation-related customers increased by $2 million, or 8%, reflecting higher sales in Latin America, timing of a large fleet build with one customer in North America and higher sales of aerodynamic side skirts for trailers. Sales to our building products customers decreased $2 million, or 2%, reflecting a slow recovery in commercial construction end markets in the

United States. Sales to our international customers remained relatively flat.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Operating profit in our Engineered Materials segment increased $2 million, or 7%. The primary drivers of this increase were a $6 million impact from the higher sales and strong productivity gains, partially offset by an unfavorable product mix and higher raw material costs (primarily resin and substrates).

2013 compared with 2012. Engineered Materials sales increased by $16 million to $232 million in 2013, from $217 million in 2012. Operating profit of $34 million in 2013 increased $10 million in 2013 compared to 2012. Operating margins were 14.8% in 2013 compared with 11.3% in 2012.

Sales increased $16 million, or 7%, reflecting higher sales to our RV customers, partially offset by lower sales to our transportation-related, international and building products customers. We experienced a $20 million, or 22%, sales increase to our traditional RV manufacturers reflecting higher demand for our RV-related applications as RV OEM build rates remained strong throughout 2013, with strength in both dealer and retail demand. We believe this to be in direct response to increased consumer confidence in North America as the U.S. economy continues to recover. Sales to our building product customers decreased $1 million, or 1%, reflecting continued soft commercial construction markets. Sales to our transportation-related customers decreased by $2 million, or 6%, reflecting soft markets and difficult competitive conditions. Sales to our international customers decreased by $1 million, or 10%, primarily due to softness in Europe.

Operating profit in our Engineered Materials segment increased $10 million, or 40%. The primary drivers of this increase were $5 million from the higher sales, the absence of a $4 million repositioning charge taken in 2012 and $2 million of repositioning savings realized in 2013. Productivity gains related to improving material yield coupled with targeted pricing actions offset higher raw material costs (primarily resin and styrene).

CORPORATE

(in millions, except %)	2014	2013	2012
Corporate expense	$(54)	$(76)	$(65)
Corporate expense — Asbestos	—	—	
Corporate expense — Environmental	(56)	—	—
Total Corporate	(109)	(76)	(65)
Interest income	2	2	2
Interest expense	(39)	(26)	(27)
Miscellaneous	2	3	(1)

2014 compared with 2013. Total Corporate expenses increased by $33 million in 2014 primarily due to a $49 million charge related to an increase in the Company's liability at its Goodyear Site, a $6.8 million charge for expected remediation costs associated with our environmental site in Roseland, New Jersey and a $6.5 million charge related to a lawsuit settlement. These increases were partially offset by $20.4 million lower MEI acquisition related costs in 2014 compared to 2013.

Our effective tax rate is affected by a number of items, both recurring and discrete, including the amount of income we earn in different jurisdictions and their respective statutory tax rates, acquisitions and dispositions, changes in the valuation of our deferred tax assets and liabilities, changes in tax laws, regulations and accounting principles, the continued availability of statutory tax credits and deductions, the continued reinvestment of our overseas earnings, and examinations initiated by tax authorities around the world.

See Application of Critical Accounting Policies included later in this Item 7 for additional information about our provision for income taxes.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following table presents our income from continuing operations before taxes, provision for income taxes from continuing operations, and effective tax rate from continuing operations for the last three years:

(in millions, except %)	2014	2013	2012
Income before tax — U.S.	$142	$177	$175
Income before tax — non-U.S.	139	149	110
Income before tax — worldwide	281	326	285
Provision for income taxes	88	105	88
Effective tax rate	31.2 %	32.2 %	31.1 %

Our effective tax rate from continuing operations was lower in 2014 than in 2013 primarily because our 2013 effective tax rate included the unfavorable effects of non-deductible transaction costs and withholding taxes related to the MEI acquisition. However, this was partially offset by less benefit from the U.S. federal research credit in 2014. While our 2014 effective tax rate includes one year's worth of benefit for the credit because it was extended during 2014 with retroactive effect to January 1, 2014, our 2013 effective tax rate included two years' worth of credit because it was extended during 2013 with retroactive effect to January 1, 2012.

A reconciliation of the statutory U.S. federal tax rate to our effective tax rate is set forth in Note 3 of the Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

2013 compared with 2012. Total Corporate expense increased $11 million in 2013, which included $22 million of acquisition related transaction costs recorded in 2013 compared to $4 million of acquisition related transaction costs recorded in 2012. This increase was partially offset by $6 million of lower pension expense resulting from the freezing of our domestic pension plan effective January 1, 2013. The transaction costs were primarily comprised of professional fees associated with obtaining various regulatory approvals and, to a lesser extent, fees and costs associated with financing arrangements.

Our effective tax rate from continuing operations was higher in 2013 than in 2012 primarily due to non-deductible transaction costs and withholding taxes related to the MEI acquisition, partially offset by the U.S. federal research credit, which lapsed during 2012 and was retroactively extended in January 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

LIQUIDITY AND CAPITAL RESOURCES

Our operating philosophy is to deploy cash provided from operating activities, when appropriate, to provide value to shareholders by reinvesting in existing businesses, by making acquisitions that will complement our portfolio of businesses and by paying dividends and/or repurchasing shares. Consistent with our philosophy of balanced capital deployment, in 2014, we repurchased shares for $50 million and paid dividends of $74 million (quarterly dividends per share increased 10% from $0.30 to $0.33 in July 2014).

Our current cash balance of $346 million, together with cash we expect to generate from future operations and the $400 million available under our existing committed revolving credit facility, is expected to be sufficient to finance our short- and long-term capital requirements, as well as to fund payments associated with our asbestos and environmental liabilities, restructuring and acquisition integration activities and expected pension contributions. In addition, we believe our credit ratings afford us adequate access to public and private markets for debt. We have borrowings totaling $100 million outstanding under our $500 million Amended and Restated Credit Agreement which expires in May 2017. There are no other significant debt maturities coming due until 2018.

We have an estimated liability of $637 million for pending and reasonably anticipated asbestos claims through 2021, and while it is probable that this amount will change and we may incur additional liabilities for asbestos claims after 2021, which additional liabilities may be material, we cannot reasonably estimate the amount of such additional liabilities at this time. Similarly, we have an estimated liability of $83 million related to environmental remediation costs projected through 2022 related to our Goodyear Site and a $6.8 million liability related to environmental remediation costs at our Roseland Site. In the third quarter of 2014, we paid $6.5 million to settle all current claims by class and individual plaintiff homeowners adjacent to the Roseland Site.

Our cash totaled $346 million as of December 31, 2014. Of this amount, approximately $330 million is held by our non-U.S. subsidiaries and is subject to additional tax upon repatriation to the U.S. Our intent is to permanently reinvest the earnings of our non-U.S. operations, and current plans do not anticipate that we will need funds generated from our non-U.S. operations to fund our U.S. operations. In the event we were to repatriate the cash balances of our non-U.S. subsidiaries, we would provide for and pay additional U.S. and non-U.S. taxes in connection with such repatriation.

Operating Activities

Cash provided by operating activities, a key source of our liquidity, was $264 million in 2014, an increase of $25 million, or 10%, compared to 2013. The increase resulted primarily from lower working capital requirements, partially offset by higher defined benefit plan and postretirement contributions. Net asbestos-related payments in 2014 and 2013 were $61 million and $63 million, respectively. In 2015, we expect to make payments related to asbestos settlement and defense costs, net of related insurance recoveries, of approximately $59 million, and contributions to our defined benefit plans of approximately $17 million.

Investing Activities

Cash flows relating to investing activities consist primarily of cash provided by divestitures of businesses or assets and cash used for acquisitions and capital expenditures. Cash used for investing activities was $26 million in 2014, compared to cash used for investing activities of $824 million in 2013. The decrease in cash used for investing activities was primarily related to the absence of cash paid in 2013 for the acquisition of MEI of $802 million, and to a lesser extent, proceeds received from the disposition of capital assets, partially offset by an increase in cash used for capital expenditures. Capital expenditures were $44 million in 2014 compared to $29 million in 2013 primarily related to incremental spending associated with the newly acquired MEI business as well as incremental investments for new product development, in particular, in our Fluid Handling and Aerospace & Electronics segments. Capital expenditures are made primarily for replacing equipment, supporting new product development, improving information systems and increasing capacity. We expect our capital expenditures to approximate $50 million in 2015, reflecting anticipated increases in new product development initiatives, primarily in our Aerospace & Electronics and Fluid Handling segments.

Financing Activities

Financing cash flows consist primarily of payments of dividends to shareholders, share repurchases, repayments of indebtedness and proceeds from the issuance of common stock. Cash used by financing activities was $133 million in 2014, compared to cash provided by financing activities of $433 million in 2013. The higher levels of cash used for financial activities was primarily due to the absence of proceeds received in 2013 from the issuance of long-term notes of $550 million related to the acquisition of MEI, the absence of proceeds received from a credit facility of $125 million, the increase in cash used for open market share repurchases (we repurchased 812,793 shares of our common stock at a cost of $50 million in

2014) and $17 million of lower net proceeds received from employee stock option exercises during the period, an increase in dividend payments of $7 million and a net decrease in short-term debt.

Financing Arrangements

At December 31, 2014 and 2013, we had total debt of $850 million and $875 million, respectively. Net debt decreased by $101 million to $504 million at December 31, 2014, primarily reflecting strong cash flow from operations. The net debt to net capitalization ratio was 32.0% at December 31, 2014, compared to 33.2% at December 31, 2013.

In December 2013, we issued 10 year notes having an aggregate principal amount of $300 million. The notes are unsecured, senior obligations that mature on December 15, 2023 and bear interest at 4.45% per annum, payable semi-annually on June 15 and December 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or part, at our option. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of Crane, and if as a consequence, the notes are rated below investment grade by both Moody's Investors Service and Standard & Poor's, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization, these notes have an effective annualized interest rate of 4.56%.

Also in December 2013, we issued five year notes having an aggregate principal amount of $250 million. The notes are unsecured, senior obligations that mature on December 15, 2018 and bear interest at 2.75% per annum, payable semi-annually on June 15 and December 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or part, at our option. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of Crane, and if as a consequence, the notes are rated below investment grade by both Moody's Investors Service and Standard & Poor's, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization, these notes have an effective annualized interest rate of 2.92%.

In December 2012, we obtained $600 million of bank loan commitments in support of our acquisition of MEI. The commitments supported a $200 million expansion of the $300 million credit facility referred to in the next paragraph, and an additional $400 million 364 day credit facility. The 364 day credit facility was terminated on December 13, 2013 after being used to fund the MEI acquisition.

In May 2012, we entered into a five year, $300 million Amended and Restated Credit Agreement (as subsequently amended, and increased to $500 million, the "facility"), which is due to expire in May 2017. The facility allows us to borrow, repay, or to the extent permitted by the agreement, prepay and re-borrow funds at any time prior to the stated maturity date, and the loan proceeds may be used for general corporate purposes including financing for acquisitions. Interest is based on, at our option, (1) a LIBOR-based formula that is dependent in part on the Company's credit rating (LIBOR plus 105 basis points as of the date of this Report; up to a maximum of LIBOR plus 147.5 basis points), or (2) the greatest of (i) the JPMorgan Chase Bank, N.A.'s prime rate, (ii) the Federal Funds rate plus 50 basis points, or (iii) an adjusted LIBOR rate plus 100 basis points, plus a spread dependent on the Company's credit rating (5 basis points as of the date of this Report; up to a maximum of 47.5 basis points). At December 31, 2014, outstanding borrowings under the facility totaled $100 million. The facility contains customary affirmative and negative covenants for credit facilities of this type, including the absence of a material adverse effect and limitations on us and our subsidiaries with respect to indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sales of all or substantially all assets, transactions with affiliates and hedging arrangements. The facility also provides for customary events of default, including failure to pay principal, interest or fees when due, failure to comply with covenants, the fact that any representation or warranty made by us is false in any material respect, default under certain other indebtedness, certain insolvency or receivership events affecting us and our subsidiaries, certain ERISA events, material judgments and a change in control of Crane. The facility contains a leverage ratio covenant requiring a ratio of total debt to total capitalization of less than or equal to 65%. At December 31, 2014, our ratio was 45%.

In November 2006, we issued 30 year notes having an aggregate principal amount of $200 million. The notes are unsecured, senior obligations that mature on November 15, 2036 and bear interest at 6.55% per annum, payable semi-annually on May 15 and November 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or in part, at our option. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of Crane, and if as a consequence the notes are rated below investment grade by both Moody's Investors Service and Standard & Poor's, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization, these notes have an effective annualized interest rate of 6.67%.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The 2018 and 2023 notes were issued under an indenture dated as of December 13, 2013. The 2036 notes were issued under an indenture dated as of April 1, 1991. Both indentures contain certain limitations on liens and sale and lease-back transactions.

At December 31, 2014, we had open standby letters of credit of $28 million issued pursuant to $125 million uncommitted Letter of Credit Reimbursement Agreements and certain other credit lines.

Credit Ratings

As of December 31, 2014, our senior unsecured debt was rated BBB by Standard & Poor's with a Stable outlook and Baa2 with a Stable outlook by Moody's Investors Service. We believe that these ratings afford us adequate access to the public and private markets for debt.

Contractual Obligations

Under various agreements, we are obligated to make future cash payments in fixed amounts. These include payments under our long-term debt agreements and rent payments required under operating lease agreements. The following table summarizes our fixed cash obligations as of December 31, 2014:

	Payment due by Period				
(in thousands)	Total	2015	2016 -2017	2018 -2019	After 2020
Long-term debt(1)	$750,000	$—	$—	$250,000	$500,000
Fixed interest payments	435,850	33,325	66,650	59,775	276,100
Operating lease payments	65,915	18,146	26,921	14,251	6,597
Purchase obligations	103,366	97,234	5,313	782	37
Pension and postretirement benefits(2)	492,474	42,474	87,489	94,225	268,286
Other long-term liabilities reflected on Consolidated Balance Sheets(3)	—	—	—	—	—
Total	$1,847,605	$191,179	$186,373	$419,033	$1,051,020

(1) Excludes original issue discount.

(2) Pension benefits are funded by the respective pension trusts. The postretirement benefit component of the obligation is approximately $1 million per year for which there is no trust and will be directly funded by us. Pension and postretirement benefits are included through 2023.

(3) As the timing of future cash outflows is uncertain, the following long-term liabilities (and related balances) are excluded from the above table: Long-term asbestos liability ($535 million), long-term environmental liability ($64 million) and gross unrecognized tax benefits ($41 million) and related gross interest and penalties ($5 million).

Capital Structure

The following table sets forth our capitalization:

(in millions, except %) December 31,	2014	2013
Short-term borrowings	$100,806	$125,826
Long-term debt	$749,213	$749,170
Total debt	850,019	874,996
Less cash and cash equivalents	346,266	270,643
Net debt *	503,753	604,353
Equity	1,070,601	1,214,673
Net capitalization*	$1,574,354	$1,819,026
Net debt to Equity*	47.1 %	49.8 %
Net debt to net capitalization*	32.0 %	33.2 %

* Net debt, a non-GAAP measure, represents total debt less cash and cash equivalents. We report our financial results in accordance with U.S. generally accepted accounting principles (U.S. GAAP). However, management believes that certain non-GAAP financial measures, which include the presentation of net debt, provide useful

information about our ability to satisfy our debt obligation with currently available funds. Management also uses these non-GAAP financial measures in making financial, operating, planning and compensation decisions and in evaluating the Company's performance.

Non-GAAP financial measures, which may be inconsistent with similarly captioned measures presented by other companies, should be viewed in the context of the definitions of the elements of such measures we provide and in addition to, and not as a substitute for, our reported results prepared and presented in accordance with U.S. GAAP.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In 2014, equity decreased $144 million, primarily as a result of changes in pension and postretirement plan assets and benefit obligations, net of tax, of $136 million, changes in currency translation adjustment of $114 million, cash dividends of $74 million and open-market share repurchases of $50 million, partially offset by net income attributable to common shareholders of $193 million and stock option exercises of $16 million.

Off Balance Sheet Arrangements

We do not have any majority-owned subsidiaries that are not included in the consolidated financial statements, nor do we have any interests in or relationships with any special purpose off-balance sheet financing entities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Outlook

Overall

Our sales depend heavily on industries that are cyclical in nature, or are subject to market conditions which may cause customer demand for our products to be volatile. These industries are subject to fluctuations in domestic and international economies as well as to currency fluctuations, inflationary pressures, and commodity costs.

While there are signs of continued strength in the North American economy, we remain cautious about the global economic outlook and the impact on demand for our products, particularly in our Fluid Handling segment. Specifically, in 2015, we expect a total year-over-year sales decline of 2.5%, based on a 2% to 4% adverse impact from foreign exchange and a 0.5% adverse impact from divestitures, partially offset by organic sales growth of 0% to 2%.

Reflecting on our continued focus on productivity, we undertook certain repositioning actions at our Fluid Handling segment and Aerospace & Electronics segments in 2014. We expect to complete additional repositioning actions in our Fluid Handling segment in 2015. The costs associated with these repositioning actions were $22.7 million in 2014 and are expected to be an additional $4 million to $6 million in 2015. Savings associated with these repositioning actions are estimated to be $10 million in 2015 and to increase to $19 million on an annual basis in 2016.

In connection with the acquisition of MEI, we recorded $20.1 million of integration and restructuring costs in 2014 and we expect to incur $6 million to $8 million of integration and restructuring costs in 2015. We realized approximately $10 million of acquisition-related synergies in 2014, and we expect an incremental $9 million of synergies with a $33 million annualized run rate by the end of 2016.

Fluid Handling

In 2015, in our Fluid Handling segment, we expect a sales decline driven primarily by unfavorable foreign currency translation and, to a lesser extent, a modest core sales decline. The expected core sales decline is primarily driven by weakening end market conditions for our core process valve business across the power, refining and chemical vertical end markets. This decline is partially offset by expected improvement in our general industrial process valve end markets, particularly in the United States, although we expect continued softness in Europe. With respect to our commercial valve businesses, we expect modest improvement in the Canadian, United Kingdom and Middle East non-residential construction end markets as well as improvement in the municipal markets in United States and United Kingdom. We expect a modest decline in operating profit, driven by the impact of lower sales, including the impact of unfavorable foreign exchange, partially offset by our productivity, savings from our repositioning initiatives and lower repositioning costs.

Payment & Merchandising Technologies

In 2015, we anticipate Payment & Merchandising Technologies sales to decrease modestly as a result of unfavorable foreign currency translation which is expected to more than offset an increase in core sales. We expect core sales to increase modestly from increased volume in both the Crane Payment Innovations and Merchandising Systems businesses, partially offset by the impact of the conclusion of a transition services agreement related to a divested product line. We expect an increase in operating profit primarily as a result of the impact of higher core sales, integration synergies and lower integration related costs partially offset by the impact of unfavorable foreign exchange.

Aerospace & Electronics

In 2015, we expect market conditions in the aerospace industry will remain generally positive. Accordingly, we expect an increase in Aerospace group sales as a result of OEM sales growth as we benefit from increasing build rates across a broad range of platforms, primarily for large aircraft manufacturers. We remain cautiously optimistic about the aerospace aftermarket. Although we expect defense markets to remain relatively flat, we expect our military sales to increase as a result of initial sales related to a large multi-year contract. Considering all of the foregoing, we expect total segment sales to be modestly higher in 2015. We expect segment operating profit in 2015 to increase reflecting the impact of the higher core sales and savings from 2014 repositioning actions.

Engineered Materials

In 2015, we expect the Engineered Materials segment will show continued improvement in sales, driven by modest growth in RV-related applications and a gradual improvement in building products shipments over the course of the year, partially offset by a decline in sales of our transportation-related products. We expect to be able to leverage this growth together with additional productivity initiatives to drive operating profit and margin improvement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are more fully described in Note 1, "Nature of Operations and Significant Accounting Policies" to the Notes to the Consolidated Financial Statements. Certain accounting policies require us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. On an ongoing basis, we evaluate our estimates and assumptions, and the effects of revisions are reflected in the financial statements in the period in which they are determined to be necessary. The accounting policies described below are those that most frequently require us to make estimates and judgments and, therefore, are critical to understanding our results of operations. We have discussed the development and selection of these accounting estimates and the related disclosures with the Audit Committee of our Board of Directors.

Revenue Recognition. Sales revenue is recorded when title (risk of loss) passes to the customer and collection of the resulting receivable is reasonably assured. Revenue on long-term, fixed-price contracts is recorded on a percentage of completion basis using units of delivery as the measurement basis for progress toward completion. Sales under cost-reimbursement-type contracts are recorded as costs are incurred.

Accounts Receivable. We continually monitor collections from customers, and in addition to providing an allowance for uncollectible accounts based upon a customer's financial condition, we record a provision for estimated credit losses when customer accounts exceed 90 days past due. We aggressively pursue collection on these overdue accounts. The allowance for doubtful accounts was \$4.9 million and \$4.8 million at December 31, 2014 and 2013, respectively.

Inventories. Inventories include the costs of material, labor and overhead and are stated at the lower of cost or market. We regularly review inventory values on hand and record a provision for excess and obsolete inventory primarily based on historical performance and our forecast of product demand over the next two years. As actual future demand or market conditions vary from those projected by us, adjustments will be required. Domestic inventories are stated at either the lower of cost or market using the last-in, first-out ("LIFO") method or the lower of cost or market using the first-in, first-out ("FIFO") method. Inventories held in foreign locations are primarily stated at the lower of cost or market using the FIFO method. The LIFO method is not being used at our foreign locations as such a method is not allowable for tax purposes. Changes in the levels of LIFO inventories have reduced costs of sales by \$0.7 million, increased cost of sales by \$1.1 million and reduced cost of sales by \$3.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. The portion of inventories costed using the LIFO method was 28% and 29% of consolidated inventories at December 31, 2014 and 2013, respectively. If inventories that were valued using the LIFO method had been valued under the FIFO method, they would have been higher by \$15.0 million and \$14.3 million at December 31, 2014 and 2013, respectively.

Valuation of Long-Lived Assets. We review our long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Examples of events or changes in circumstances could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset or asset group, or a current expectation that an asset or asset group will be sold or disposed of before the end of its previously estimated useful life. Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the long-lived asset (or asset group), as well as specific appraisal in certain instances. Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other long-lived assets or asset groups. If the future undiscounted cash flows are less than the carrying value, then the long-lived asset is considered impaired and a loss is recognized based on the amount by which the carrying amount exceeds the estimated fair value. Judgments we make which impact these assessments relate to the expected useful lives of long-lived assets and our ability to realize any undiscounted cash flows in excess of the carrying amounts of such assets, and are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows. Since judgment is involved in determining the fair value of long-lived assets, there is risk that the carrying value of our long-lived assets may require adjustment in future periods due to either changing assumptions or changing facts and circumstances.

Income Taxes. We account for income taxes in accordance with Accounting Standards Codification ("ASC") Topic 740 "Income Taxes" ("ASC 740"), which requires an asset and liability approach for the financial accounting and reporting of income taxes. Under this method, deferred income taxes are recognized for the expected future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. These balances are measured using the enacted tax rates expected to apply in the year(s) in which these temporary differences are expected to reverse. The effect of a change in tax rates on deferred income taxes is recognized in income in the period when the change is enacted.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Based on consideration of all available evidence regarding their utilization, we record net deferred tax assets to the extent that it is more likely than not that they will be realized. Where, based on the weight of all available evidence, it is more likely than not that some amount of a deferred tax asset will not be realized, we establish a valuation allowance for the amount that, in our judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized. The evidence we consider in reaching such conclusions includes, but is not limited to, (1) future reversals of existing taxable temporary differences, (2) future taxable income exclusive of reversing taxable temporary differences, (3) taxable income in prior carryback year(s) if carryback is permitted under the tax law, (4) cumulative losses in recent years, (5) a history of tax losses or credit carryforwards expiring unused, (6) a carryback or carryforward period that is so brief it limits realization of tax benefits, and (7) a strong earnings history exclusive of the loss that created the carryforward and support showing that the loss is an aberration rather than a continuing condition.

We account for unrecognized tax benefits in accordance with ASC 740, which prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation, based solely on the technical merits of the position. The tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

We recognize interest and penalties related to unrecognized tax benefits within the income tax expense line of the Consolidated Statement of Operations, while accrued interest and penalties are included within the related tax liability line of the Consolidated Balance Sheets.

In determining whether the earnings of our non-U.S. subsidiaries are permanently reinvested overseas, we consider the following:

- Our history of utilizing non-U.S. cash to acquire non-U.S. businesses,
- Our current and future needs for cash outside the U.S. (e.g., to fund capital expenditures, business operations, potential acquisitions, etc.),
- Our ability to satisfy U.S.-based cash needs (e.g., domestic pension contributions, interest payment on external debt, dividends to shareholders, etc.) with cash generated by our U.S. businesses, and
- The effect U.S. tax reform proposals calling for reduced corporate income tax rates and/or "repatriation" tax holidays would have on the amount of the tax liability.

Goodwill and Other Intangible Assets. As of December 31, 2014, we had $1.191 billion of goodwill. Our business acquisitions typically result in the acquisition of goodwill and other intangible assets. We follow the provisions under ASC Topic 350, "Intangibles – Goodwill and Other" ("ASC 350") as it relates to the accounting for goodwill in our Consolidated Financial Statements. These provisions require that we, on at least an annual basis, evaluate the fair value of the reporting units to which goodwill is assigned and attributed and compare that fair value to the carrying value of the reporting unit to determine if impairment exists. Impairment testing takes place more often than annually if events or circumstances indicate a change in the impairment status. A reporting unit is an operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment (a "component"), in which case the component would be the reporting unit. At December 31, 2014, we had eight reporting units.

When performing our annual impairment assessment, we compare the fair value of each of our reporting units to their respective carrying value. Goodwill is considered to be potentially impaired when the net book value of a reporting unit exceeds its estimated fair value. Fair values are established primarily by discounting estimated future cash flows at an estimated cost of capital which varies for each reporting unit and which, as of our most recent annual impairment assessment, ranged between 9.5% and 13.5% (a weighted average of 10.7%), reflecting the respective inherent business risk of each of the reporting units tested. This methodology for valuing the Company's reporting units (commonly referred to as the Income Method) has not changed since the prior year. The determination of discounted cash flows is based on the businesses' strategic plans and long-range planning forecasts, which change from year to year. The revenue growth rates included in the forecasts represent our best estimates based on current and forecasted market conditions, and the profit margin assumptions are projected by each reporting unit based on the current cost structure and anticipated net cost increases/reductions. There are inherent uncertainties related to these assumptions, including changes in market conditions, and management's judgment in applying them to the analysis of goodwill impairment. In addition to the foregoing, for each reporting unit, market multiples are used to corroborate our discounted cash flow results where fair value is estimated based on earnings before income taxes, depreciation, and amortization (EBITDA) multiples determined by available public information of comparable businesses. While we believe we have made reasonable estimates and assumptions to calculate the fair value of our reporting units, it is possible a material change could occur. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings. Furthermore, in order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test, we applied a hypothetical, reasonably possible 10% decrease to the fair values of each reporting unit. The results of this hypothetical 10% decrease would still result in a fair value calculation exceeding our carrying value for each of our reporting units. No impairment charges have been required during 2014, 2013 and 2012.

As of December 31, 2014, we had $353 million of net intangible assets, of which $29 million were intangibles with indefinite useful lives, consisting of trade names. We amortize the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Indefinite lived intangibles are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. If the carrying amount of the indefinite lived intangible exceeds the fair value, the intangible asset is written down to its fair value. Fair value is calculated using discounted cash flows.

In addition to annual testing for impairment of indefinite-lived intangible assets, we review all of our long-lived assets, including intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Examples of events or changes in circumstances could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset or asset group, or a current expectation that an asset or asset group will be sold or disposed of before the end of its previously estimated useful life. Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the long-lived asset (or asset group), as well as specific asset appraisal in certain instances. Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other long-lived assets or asset groups and include consideration of estimated future revenues, gross profit margins, operating profit margins and capital expenditures which are based on the businesses' strategic plans and long-range planning forecasts, which change from year to year. The revenue growth rates included in the forecasts represent our best estimates based on current and forecasted market conditions, and the profit margin assumptions are based on the current cost structure and anticipated net cost increases/reductions. There are inherent uncertainties related to these assumptions, including changes in market conditions, and management's judgment in applying them to the analysis. If the future undiscounted cash flows are less than the carrying value, then the long-lived asset is considered impaired and a charge would be taken against net earnings based on the amount by which the carrying amount exceeds the estimated fair value. Judgments that we make which impact these assessments relate to the expected useful lives of long-lived assets and our ability to realize any undiscounted cash flows in excess of the carrying amounts of such assets. Such judgments are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows. Since judgment is involved in determining the fair value of long-lived assets, there is risk that the carrying value of our long-lived assets may require adjustment in future periods. Historical results to date have generally approximated expected cash flows for the identifiable cash flow generating level. We believe that there have been no events or circumstances which would more likely than not reduce the fair value of our indefinite-lived and amortizable intangible assets below their carrying value.

Contingencies. The categories of claims for which we have estimated our liability, the amount of our liability accruals, and the estimates of our related insurance receivables are critical accounting estimates related to legal proceedings and other contingencies. Please refer to Note 11, "Commitments and Contingencies", of the Notes to the Consolidated Financial Statements.

Asbestos Liability and Related Insurance Coverage and Receivable. As of December 31, 2014, we had an aggregate asbestos liability of $614 million for pending claims and future claims projected to be filed against us through December 31, 2021. Estimation of our exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims and the manner of their resolution. We have retained the firm of Hamilton, Rabinovitz & Associates, Inc. ("HR&A"), a nationally recognized expert in the field, to assist management in estimating our asbestos liability in the tort system. HR&A reviews information provided by us concerning claims filed, settled and dismissed, amounts paid in settlements and relevant claim information such as the nature of the asbestos-related disease asserted by the claimant, the jurisdiction where filed and the time lag from filing to disposition of the claim. The methodology used by HR&A to project future asbestos costs is based largely on our experience during a base reference period of eleven quarterly periods (consisting of the two full preceding calendar years and three additional quarterly periods to the estimate date) for claims filed, settled and dismissed. Our experience is then compared to the results of widely used previously conducted epidemiological studies estimating the number of individuals likely to develop asbestos-related diseases. Using that information, HR&A estimates the number of future claims that would be filed against us through our forecast period and estimates the aggregate settlement or indemnity costs that would be incurred to resolve both pending and future claims based upon the average settlement costs by disease during the reference period. After discussions with us, HR&A augments our liability estimate for the costs of defending asbestos claims in the tort system using a forecast from us which is based upon discussions with our defense counsel. Based on this information, HR&A compiles an estimate of our asbestos liability for pending and future claims

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

expected to be filed through the indicated forecast period. The most significant factors affecting the liability estimate are (1) the number of new mesothelioma claims filed against us, (2) the average settlement costs for mesothelioma claims, (3) the percentage of mesothelioma claims dismissed against us and (4) the aggregate defense costs incurred by us. These factors are interdependent, and no one factor predominates in determining the liability estimate. Although the methodology used by HR&A can be applied to show claims and costs for periods subsequent to the indicated period (up to and including the endpoint of the epidemiological studies referred to above), management believes that the level of uncertainty regarding the various factors used in estimating future asbestos costs is too great to provide for reasonable estimation of the number of future claims, the nature of such claims or the cost to resolve them for years beyond the indicated estimate. Through December 31, 2014, our actual experience during the updated reference period for mesothelioma claims filed and dismissed generally approximated the assumptions in our liability estimate. In addition to this claims experience, we considered additional quantitative and qualitative factors such as the nature of the aging of pending claims, significant appellate rulings and legislative developments, and their respective effects on expected future settlement values. Based on this evaluation, we determined that no change in the estimate was warranted for the period ended December 31, 2014. Nevertheless, if certain factors show a pattern of sustained increase or decrease, the liability could change materially; however, all the assumptions used in estimating the asbestos liability are interdependent and no single factor predominates in determining the liability estimate. Because of the uncertainty with regard to and the interdependency of such factors used in the calculation of our asbestos liability, and since no one factor predominates, we believe that a range of potential liability estimates beyond the indicated forecast period cannot be reasonably estimated.

In conjunction with developing the aggregate liability estimate referenced above, we also developed an estimate of probable insurance recoveries for our asbestos liabilities. As of December 31, 2014, we had an aggregate asbestos receivable of $147 million. In developing this estimate, we considered our coverage-in-place and other settlement agreements, as well as a number of additional factors. These additional factors include the financial viability of the insurance companies, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, how settlement and defense costs will be covered by the insurance policies and interpretation of the effect on coverage of various policy terms and limits and their interrelationships.

Environmental. For environmental matters, we record a liability for estimated remediation costs when it is probable that we will be responsible for such costs and they can be reasonably estimated. Generally, third party specialists assist in the estimation of remediation costs. The environmental remediation liability at December 31, 2014 is substantially all for the Goodyear Site. As of December 31, 2014, the total estimated gross liability for the Goodyear Site was $79 million.

On July 31, 2006, we entered into a consent decree with the U.S. Department of Justice on behalf of the Department of Defense and the Department of Energy pursuant to which, among other things, the U.S. Government reimburses us for 21% of qualifying costs of investigation and remediation activities at the Goodyear Site. As of December 31, 2014, the total estimated receivable from the U.S. Government related to the environmental remediation liabilities of the Goodyear Site was $17 million.

Pension Plans. In the United States, we sponsor a defined benefit pension plan that covers approximately 21% of all U.S. employees. In the fourth quarter of 2012, we announced that pension eligible employees will no longer earn future benefits in the domestic defined benefit pension plan effective January 1, 2013. The benefits are based on years of service and compensation on a final average pay basis, except for certain hourly employees where benefits are fixed per year of service. This plan is funded with a trustee in respect to past and current service. Charges to expense are based upon costs computed by an independent actuary. Contributions are intended to provide for future benefits earned to date. A number of our non-U.S. subsidiaries sponsor defined benefit pension plans that cover approximately 11% of all non-U.S. employees. The benefits are typically based upon years of service and compensation. These plans are generally funded with trustees in respect to past and current service.

The net periodic pension (benefit) cost was $(12) million, $5 million and $20 million in 2014, 2013 and 2012, respectively. Employer cash contributions were $24 million, $15 million and $4 million in 2014, 2013 and 2012, respectively, to our U.S. defined benefit pension plan. We expect, based on current actuarial calculations, to contribute cash of approximately $17 million to our pension plans in 2015. Cash contributions in subsequent years will depend on a number of factors including the investment performance of plan assets.

For the pension plan, holding all other factors constant, a decrease in the expected long-term rate of return of plan assets by 0.25 percentage points would have increased U.S. 2014 pension expense by $1.0 million for U.S. pension plans and $1.1 million for non-U.S. pension plans. Also, holding all other factors constant, a decrease in the discount rate used to determine net periodic pension cost by 0.25 percentage points would have increased 2014 pension expense by $0.2 million for U.S. pension plans and $0.8 million for non-U.S. pension plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following key assumptions were used to calculate the benefit obligation and net periodic cost for the periods indicated:

	Pension Benefits		
December 31,	2014	2013	2012
Benefit Obligations			
U.S. Plans:			
Discount rate	4.10 %	4.90 %	4.20 %
Rate of compensation increase	N/A	3.50 %	3.50 %
Non-U.S. Plans:			
Discount rate	3.01 %	4.05 %	3.93 %
Rate of compensation increase	2.40 %	2.56 %	3.14 %
Net Periodic Benefit Cost			
U.S. Plans:			
Discount rate	4.90 %	4.20 %	5.00 %
Expected rate of return on plan assets	7.75 %	7.75 %	8.25 %
Rate of compensation increase	N/A	3.50 %	3.50 %
Non-U.S. Plans:			
Discount rate	4.05 %	3.93 %	4.56 %
Expected rate of return on plan assets	7.01 %	7.01 %	7.00 %
Rate of compensation increase	2.56 %	3.14 %	3.89 %

The long term expected rate of return on plan assets assumptions were determined with input from independent investment consultants and plan actuaries, utilizing asset pricing models and considering historic returns. The discount rates we used for valuing pension liabilities are based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligation.

Postretirement Benefits Other than Pensions. We and certain of our subsidiaries provide postretirement health care and life insurance benefits to current and former employees hired before January 1, 1990, who meet minimum age and years of service requirements. We do not pre-fund these benefits and retain the right to modify or terminate the plans. We expect, based on current actuarial calculations, to contribute cash of $1.2 million to our postretirement benefit plans in 2015. The weighted average discount rates assumed to determine postretirement benefit obligations were 3.9%, 3.9% and 3.2% for 2014, 2013, and 2012, respectively. The health care cost trend rates assumed were 6.5%, 7.0% and 8.0% in 2014, 2013, and 2012, respectively. See Note 7, "Pension and Postretirement Benefits," to the Notes to the Consolidated Financial Statements for details of the impact of a one percentage point change in assumed health care trend rates on the postretirement health care benefit expense and obligation.

Recent Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 1 to the Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our cash flows and earnings are subject to fluctuations from changes in interest rates and foreign currency exchange rates. We manage our exposures to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of interest-rate swap agreements and forward exchange contracts. We do not enter into derivatives or other financial instruments for trading or speculative purposes.

Total debt outstanding was $850 million at December 31, 2014, the majority of which was at fixed rates of interest ranging from 2.75% to 6.55%.

The following is an analysis of the potential changes in interest rates and currency exchange rates based upon sensitivity analysis that models effects of shifts in rates. These are not forecasts.

•

Our year-end portfolio is comprised primarily of fixed-rate debt; therefore, the effect of a market change in interest rates would not be significant.

- Based on a sensitivity analysis at December 31, 2014, a 10% change in the foreign currency exchange rates for the year ended December 31, 2014 would have impacted our net earnings by approximately $10 million, due primarily to the euro, British pound and Canadian dollar. This calculation assumes that all currencies change in the same direction and proportion relative to the US dollar and there are no indirect effects, such as changes in non-US dollar sales volumes or prices.

Item 8. Financial Statements and Supplementary Data.

MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Crane Co. and subsidiaries have been prepared by management in conformity with accounting principles generally accepted in the United States of America and, in the judgment of management, present fairly and consistently the Company's financial position and results of operations and cash flows. These statements by necessity include amounts that are based on management's best estimates and judgments and give due consideration to materiality.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making its assessment, management has utilized the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in its Internal Control—Integrated Framework, released in 2013. Based on our assessment we believe that, as of December 31, 2014, the Company's internal control over financial reporting is effective based on those criteria.

Deloitte & Touche LLP, the independent registered public accounting firm that also audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, audited the internal control over financial reporting as of December 31, 2014, and issued their related attestation report which is included herein.

/s/ Max H. Mitchell
Max H. Mitchell
President and Chief Executive Officer

/s/ Richard A. Maue
Richard A. Maue
Vice President - Finance and Chief Financial Officer
(Principal Financial Officer)

The Section 302 certifications of the Company's Chief Executive Officer and its Principal Financial Officer have been filed as Exhibit 31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Crane Co.
Stamford, CT

We have audited the accompanying consolidated balance sheets of Crane Co. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), cash flows and changes in equity for each of the three years in the period then ended December 31, 2014. These financial statements are the responsibility of the Company'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. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements referred to above present fairly, in all material respects, the financial position of Crane Co. and subsidiaries as of December 31, 2014 and 2013, the results of their operations and their cash flows for each of three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control- Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Stamford, CT
February 24, 2015

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the year ended December 31,		
(in thousands, except per share data)	2014	2013	2012
Net sales	$2,924,997	$2,595,281	$2,579,068
Operating costs and expenses:			
Cost of sales	1,908,694	1,711,759	1,709,949
Selling, general and administrative	605,223	535,646	540,215
Environmental provision	55,800	—	—
Restructuring charges	29,237	—	18,463
Acquisition integration related charges	9,753	—	—
	2,608,707	2,247,405	2,268,627
Operating profit from continuing operations	316,290	347,876	310,441
Other income (expense):			
Interest income	1,713	1,867	1,879
Interest expense	(39,222)	(26,460)	(26,831)
Miscellaneous (expense) income	2,375	2,733	(884)
	(35,134)	(21,860)	(25,836)
Income from continuing operations before income taxes	281,156	326,016	284,605
Provision for income taxes	87,587	105,065	88,416
Income from continuing operations	193,569	220,951	196,189
Discontinued Operations:			
Income from Discontinued Operations, net of tax	—	—	2,456
Gain from Sales of Discontinued Operations, net of tax	—	—	19,176
Discontinued Operations, net of tax	—	—	21,632
Net income before allocation to noncontrolling interests	193,569	220,951	217,821
Less: Noncontrolling interest in subsidiaries' earnings	897	1,449	828
Net income attributable to common shareholders	$192,672	$219,502	$216,993
Earnings per share - basic:			
Income from continuing operations attributable to common shareholders	$3.28	$3.79	$3.40
Discontinued operations, net of tax	—	—	0.38
Net income attributable to common shareholders	$3.28	$3.79	$3.78
Average basic shares outstanding	58,679	57,896	57,443
Earnings per share - diluted:			
Income from continuing operations attributable to common shareholders	$3.23	$3.73	$3.35
Discontinued operations, net of tax	—	—	0.37
Net income attributable to common shareholders	$3.23	$3.73	$3.72
Average diluted shares outstanding	59,603	58,839	58,293

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)	2014	2013	2012
Net income before allocation to noncontrolling interests	$193,569	$220,951	$217,821
Other comprehensive income (loss), net of tax:			
Currency translation adjustment	(114,006)	2,850	4,481
Changes in pension and postretirement plan assets and benefit obligation, net of tax	(136,496)	76,488	(39,384)
Other comprehensive income (loss)	(250,502)	79,338	(34,903)
Comprehensive income (loss) before allocation to noncontrolling interests	(56,933)	300,289	182,918
Less: Noncontrolling interests in comprehensive income	897	1,449	828
Comprehensive income (loss) attributable to common shareholders	$(57,830)	$298,840	$182,090

See Notes to Consolidated Financial Statements

CONSOLIDATED BALANCE SHEETS

(in thousands, except shares and per share data)	Balance at December 31, 2014	2013
Assets		
Current assets:		
Cash and cash equivalents	$346,266	$270,643
Current insurance receivable — asbestos	20,500	22,783
Accounts receivable, net	410,852	437,541
Inventories	369,719	368,886
Current deferred tax assets	33,002	31,651
Other current assets	14,845	17,588
Total current assets	1,195,184	1,149,092
Property, plant and equipment, net	290,264	305,055
Insurance receivable — asbestos	126,750	148,222
Long-term deferred tax assets	196,245	186,734
Other assets	97,583	112,265
Intangible assets, net	353,454	408,923
Goodwill	1,191,305	1,249,316
Total assets	$3,450,785	$3,559,607
Liabilities and equity		
Current liabilities:		
Short-term borrowings	$100,806	$125,826
Accounts payable	228,822	229,828
Current asbestos liability	79,000	88,038
Accrued liabilities	225,773	223,148
U.S. and foreign taxes on income	5,624	2,062
Total current liabilities	640,025	668,902
Long-term debt	749,213	749,170
Accrued pension and postretirement benefits	278,253	151,133
Long-term deferred tax liability	46,301	76,041
Long-term asbestos liability	534,515	610,530
Other liabilities	131,877	89,158
Commitments and Contingencies (Note 11)		
Equity		
Preferred shares, par value $.01; 5,000,000 shares authorized	—	—
Common shares, par value $1.00; 200,000,000 shares authorized; 72,426,139 shares issued; 58,121,791 shares outstanding (58,185,287 in 2013)	72,426	72,426
Capital surplus	249,190	228,537
Retained earnings	1,521,990	1,403,202
Accumulated other comprehensive loss	(298,751)	(48,651)
Treasury stock; 14,304,348 treasury shares (14,240,852 in 2013)	(485,103)	(451,195)
Total shareholders' equity	1,059,752	1,204,319
Noncontrolling interest	10,849	10,354
Total equity	1,070,601	1,214,673
Total liabilities and equity	$3,450,785	$3,559,607

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For year ended December 31,		
(in thousands)	2014	2013	2012
Operating activities:			
Net income attributable to common shareholders	$192,672	$219,502	$216,993
Noncontrolling interest in subsidiaries' earnings	897	1,449	828
Net income before allocations to noncontrolling interests	193,569	220,951	217,821
Asbestos Provision	—	—	—
Environmental provision	55,800	—	—
Gain on divestiture	(4,111)	(2,727)	(29,445)
Restructuring - Non Cash	954	—	3,855
Depreciation and amortization	75,766	54,837	57,263
Stock-based compensation expense	20,858	22,791	17,319
Defined benefit plans and postretirement (credit) expense	(11,491)	4,779	20,090
Deferred income taxes	37,906	48,964	55,000
Cash provided by (used for) operating working capital	22,462	(26,672)	1,824
Defined benefit plans and postretirement contributions	(25,511)	(15,929)	(5,504)
Environmental payments, net of reimbursements	(10,405)	(15,403)	(13,371)
Payments for asbestos-related fees and costs, net of insurance recoveries	(61,297)	(62,827)	(77,957)
Other	(30,549)	10,668	(12,139)
Total provided by operating activities	263,951	239,432	234,756
Investing activities:			
Capital expenditures	(43,732)	(29,461)	(29,308)
Proceeds from disposition of capital assets	9,694	455	6,438
Proceeds from divestiture	2,081	6,836	54,079
Proceeds from (payments for) acquisitions	6,100	(801,781)	—
Total (used for) provided by investing activities	(25,857)	(823,951)	31,209
Financing activities:			
Dividends paid	(73,884)	(67,272)	(61,974)
Reacquisition of shares on open market	(50,000)	—	(49,991)
Stock options exercised - net of shares reacquired	8,186	24,922	13,056
Excess tax benefit from stock-based compensation	7,701	6,353	3,603
Proceeds received from credit facility	—	125,000	—
Change in short-term debt	(25,000)	(321)	—
Proceeds received from issuance of long-term notes	—	550,000	—
Debt issuance costs	—	(6,006)	—
Repayment of long-term debt	—	(200,000)	—
Total provided by (used for) financing activities	(132,997)	432,676	(95,306)
Effect of exchange rates on cash and cash equivalents	(29,474)	(1,461)	8,199
Increase (decrease) in cash and cash equivalents	75,623	(153,304)	178,858
Cash and cash equivalents at beginning of period	270,643	423,947	245,089
Cash and cash equivalents at end of period	$346,266	$270,643	$423,947
Detail of cash provided by (used for) working capital:			
Accounts receivable	$25,161	$(42,857)	$(2,578)
Inventories	(17,342)	28,116	8,551
Other current assets	1,822	2,977	(1,656)

Accounts payable	7,685	17,962	(11,724)
Accrued liabilities	2,748	(28,924)	(5,830)
U.S. and foreign taxes on income	2,388	(3,946)	15,061
Total	$22,462	$(26,672)	$1,824
Supplemental disclosure of cash flow information:			
Interest paid	$39,375	$28,164	$26,690
Income taxes paid	$39,591	$53,695	$26,270

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands, except share data)	Common Shares Issued at Par Value	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Shareholders' Equity	Noncontrolling Interest	Total Equity
BALANCE JANUARY 1, 2012	72,426	$189,294	$1,095,953	$(93,512)	$(450,608)	$813,553	$8,503	$822,056
Net income			216,993			216,993	828	217,821
Cash dividends ($1.08 per share)			(61,974)			(61,974)		(61,974)
Reacquisition on open market 1,271,592 shares					(49,991)	(49,991)		(49,991)
Exercise of stock options, net of shares reacquired, 672,960					16,566	16,566		16,566
Stock option amortization		8,571				8,571		8,571
Tax benefit — stock options and restricted stock		3,603				3,603		3,603
Restricted stock, net		3,004			2,623	5,627		5,627
Changes in pension and postretirement plan assets and benefit obligation, net of tax				(39,384)		(39,384)		(39,384)
Currency translation adjustment				4,819		4,819	(338)	4,481
BALANCE DECEMBER 31, 2012	72,426	$204,472	$1,250,972	$(128,077)	$(481,410)	$918,383	$8,993	$927,376
Net income			219,502			219,502	1,449	220,951
Cash dividends ($1.16 per share)			(67,272)			(67,272)		(67,272)
Exercise of stock options, net of shares reacquired, 979,090					27,801	27,801		27,801
Stock option amortization		10,074				10,074		10,074
		6,353				6,353		6,353

Tax benefit — stock options and restricted stock								
Restricted stock, net		7,638			2,414	10,052		10,052
Changes in pension and postretirement plan assets and benefit obligation, net of tax				76,488		76,488		76,488
Currency translation adjustment				2,938		2,938	(88)	2,850
BALANCE DECEMBER 31, 2013	72,426	$228,537	$1,403,202	$(48,651)	$(451,195)	$1,204,319	$10,354	$1,214,673
Net income			192,672			192,672	897	193,569
Cash dividends ($1.26 per share)			(73,884)			(73,884)		(73,884)
Reacquisition on open market 812,793 shares					(50,000)	(50,000)		(50,000)
Exercise of stock options, net of shares reacquired, 606,486					16,038	16,038		16,038
Stock option amortization		8,944				8,944		8,944
Tax benefit — stock options and restricted stock		7,701				7,701		7,701
Restricted stock, net		4,008			54	4,062		4,062
Changes in pension and postretirement plan assets and benefit obligation, net of tax				(136,496)		(136,496)		(136,496)
Currency translation adjustment				(113,604)		(113,604)	(402)	(114,006)
BALANCE DECEMBER 31, 2014	72,426	$249,190	$1,521,990	$(298,751)	$(485,103)	$1,059,752	$10,849	$1,070,601

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Nature of Operations and Significant Accounting Policies

Nature of Operations

Crane Co. (the “Company”) is a diversified manufacturer of highly engineered industrial products.

The Company’s business consists of four reporting segments: Fluid Handling, Payment & Merchandising Technologies, Aerospace & Electronics and Engineered Materials.

The Fluid Handling segment manufactures and sells various types of industrial and commercial valves, actuators and instrumentation products; provides valve testing, parts and services; manufactures and sells pumps; distributes pipe, pipe fittings, couplings and connectors; and designs, manufactures and sells corrosion-resistant plastic-lined pipe and fittings.

The Payment & Merchandising Technologies segment consists of two groups: Merchandising Systems and Crane Payment Innovations ("CPI"). CPI products include coin accepters and dispensers, coin hoppers, coin recyclers, bill validators and bill recyclers. Merchandising Systems products include food, snack and beverage vending machines and vending machine software and online solutions.

The Aerospace & Electronics segment consists of two groups: the Aerospace Group and the Electronics Group. Aerospace products include pressure, fuel flow and position sensors and subsystems; brake control systems; coolant, lube and fuel pumps; and seat actuation. Electronics products include high-reliability power supplies and custom microelectronics for aerospace, defense, medical and other applications; and electrical power components, power management products, electronic radio frequency and microwave frequency components and subsystems for the defense, space and military communications markets.

The Engineered Materials segment manufactures fiberglass-reinforced plastic panels for the truck trailer and recreational vehicle (“RV”) markets, industrial markets and the commercial construction industry.

See Note 14, “Segment Information” for the relative size of these segments in relation to the total Company (both net sales and total assets).

Significant Accounting Policies

Use of Estimates The Company’s consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those estimated. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period in which they are determined to be necessary. Estimates are used when accounting for such items as asset valuations, allowance for doubtful accounts, depreciation and amortization, impairment assessments, restructuring provisions, employee benefits, taxes, asbestos liability and related insurance receivable, environmental liability and contingencies.

Currency Translation Assets and liabilities of subsidiaries that prepare financial statements in currencies other than the U.S. dollar are translated at the rate of exchange in effect on the balance sheet date; results of operations are translated at the average rates of exchange prevailing during the year. The related translation adjustments are included in accumulated other comprehensive income (loss) in a separate component of equity.

Revenue Recognition Sales revenue is recorded when title (risk of loss) passes to the customer and collection of the resulting receivable is reasonably assured. Revenue on long-term, fixed-price contracts is recorded on a percentage of completion basis using units of delivery as the measurement basis for progress toward completion. Sales under cost reimbursement type contracts are recorded as costs are incurred.

Cost of Goods Sold Cost of goods sold includes the costs of inventory sold and the related purchase and distribution costs. In addition to material, labor and direct overhead, inventoried cost and, accordingly, cost of goods sold include allocations of other expenses that are part of the production process, such as inbound freight charges, purchasing and receiving costs, inspection costs, warehousing costs, amortization of production related intangible assets and depreciation expense. The Company also includes costs directly associated with products sold, such as warranty provisions.

Selling, General and Administrative Expenses Selling, general and administrative expense is charged to income as incurred. Such expenses include the costs of promoting and selling products and include such items as compensation, advertising, sales commissions and travel. In addition, compensation for other operating activities such as executive office administrative and engineering functions are included, as well as general operating expenses such as office supplies, non-income taxes, insurance and office equipment rentals.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Income Taxes The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") Topic 740 "Income Taxes" ("ASC 740") which requires an asset and liability approach for the financial accounting and reporting of income taxes. Under this method, deferred income taxes are recognized for the expected future tax consequences of differences between the tax bases of assets and liabilities and their reported amounts in the financial statements. These balances are measured using the enacted tax rates expected to apply in the year(s) in which these temporary differences are expected to reverse. The effect of a change in tax rates on deferred income taxes is recognized in income in the period when the change is enacted.

Based on consideration of all available evidence regarding their utilization, the Company records net deferred tax assets to the extent that it is more likely than not that they will be realized. Where, based on the weight of all available evidence, it is more likely than not that some amount of a deferred tax asset will not be realized, the Company establishes a valuation allowance for the amount that, in management's judgment, is sufficient to reduce the deferred tax asset to an amount that is more likely than not to be realized. The evidence the Company considers in reaching such conclusions includes, but is not limited to, (1) future reversals of existing taxable temporary differences, (2) future taxable income exclusive of reversing taxable temporary differences, (3) taxable income in prior carryback year(s) if carryback is permitted under the tax law, (4) cumulative losses in recent years, (5) a history of tax losses or credit carryforwards expiring unused, (6) a carryback or carryforward period that is so brief it limits realization of tax benefits, and (7) a strong earnings history exclusive of the loss that created the carryforward and support showing that the loss is an aberration rather than a continuing condition.

The Company accounts for unrecognized tax benefits in accordance with ASC 740, which prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation, based solely on the technical merits of the position. The tax benefit recognized is the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The Company recognizes interest and penalties related to unrecognized tax benefits within the income tax expense line of its Consolidated Statement of Operations, while accrued interest and penalties are included within the related tax liability line of its Consolidated Balance Sheets.

In determining whether the earnings of its non-U.S. subsidiaries are permanently reinvested overseas, the Company considers the following:

- Its history of utilizing non-U.S. cash to acquire non-U.S. businesses,
- Its current and future needs for cash outside the U.S. (e.g., to fund capital expenditures, business operations, potential acquisitions, etc.),
- Its ability to satisfy U.S.-based cash needs (e.g., domestic pension contributions, interest payment on external debt, dividends to shareholders, etc.) with cash generated by its U.S. businesses, and
- The effect U.S. tax reform proposals calling for reduced corporate income tax rates and/or "repatriation" tax holidays would have on the amount of the tax liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Earnings Per Share The Company's basic earnings per share calculations are based on the weighted average number of common shares outstanding during the year. Shares of restricted stock are included in the computation of both basic and diluted earnings per share. Potentially dilutive securities include outstanding stock options, restricted share units, deferred stock units and performance-based restricted share units. The dilutive effect of potentially dilutive securities is reflected in diluted earnings per common share by application of the treasury method. Diluted earnings per share gives effect to all potential dilutive common shares outstanding during the year.

(in thousands, except per share data) For the year ended December 31,	2014	2013	2012
Income from continuing operations	$193,569	$220,951	$196,189
Less: Non-controlling interest in subsidiaries' earnings	897	1,449	828
Income from continuing operations attributable to common shareholders	192,672	219,502	195,361
Discontinued operations, net of tax	—	—	21,632
Net income attributable to common shareholders	$192,672	$219,502	$216,993
Average basic shares outstanding	58,679	57,896	57,443
Effect of dilutive stock options	924	943	850
Average diluted shares outstanding	59,603	58,839	58,293
Earnings per share - basic:			
Income from continuing operations attributable to common shareholders	$3.28	$3.79	$3.40
Discontinued operations, net of tax	—	—	0.38
Net income attributable to common shareholders	$3.28	$3.79	$3.78
Earnings per share - diluted:			
Income from continuing operations attributable to common shareholders	$3.23	$3.73	$3.35
Discontinued operations, net of tax	—	—	0.37
Net income attributable to common shareholders	$3.23	$3.73	$3.72

Cash and Cash Equivalents Cash and cash equivalents include highly liquid investments with original maturities of three months or less that are readily convertible to cash and are not subject to significant risk from fluctuations in interest rates. As a result, the carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable Receivables are carried at net realizable value.

A summary of allowance for doubtful accounts activity follows:

(in thousands) December 31,	2014	2013	2012
Balance at beginning of year	$4,814	$6,691	$7,317
Provisions	3,681	1,500	5,878
Deductions	(3,576)	(3,377)	(6,504)
Balance at end of year	$4,919	$4,814	$6,691

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and relatively small account balances within the majority of the Company's customer base and their dispersion across different businesses. The Company periodically evaluates the financial strength of its customers and believes that its credit risk exposure is limited.

Inventories Inventories consist of the following:

(in thousands) December 31,	2014	2013
Finished goods	$111,794	$108,409
Finished parts and subassemblies	42,510	36,645
Work in process	53,246	55,434
Raw materials	162,169	168,398
Total inventories	$369,719	$368,886

Inventories include the costs of material, labor and overhead and are stated at the lower of cost or market. Domestic inventories are stated at either the lower of cost or market using the last-in, first-out ("LIFO") method or the lower of cost or market using the first-in, first-out ("FIFO") method. Inventories held in foreign locations are primarily stated at the lower of cost or market using the FIFO method. The LIFO method is not being used at the Company's foreign locations as such a method is not allowable for tax purposes. Changes in the levels of LIFO inventories have reduced cost of sales by $0.7 million, increased cost

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

of sales by $1.1 million and reduced cost of sales by $3.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. The portion of inventories costed using the LIFO method was 28% and 29% of consolidated inventories at December 31, 2014 and 2013, respectively. If inventories that were valued using the LIFO method had been valued under the FIFO method, they would have been higher by $15.0 million and $14.3 million at December 31, 2014 and 2013, respectively.

Property, Plant and Equipment, net Property, plant and equipment, net consist of the following:

(in thousands) December 31,	2014	2013
Land	$73,268	$71,250
Buildings and improvements	179,822	181,228
Machinery and equipment	571,852	588,753
Gross property, plant and equipment	824,942	841,231
Less: accumulated depreciation	534,678	536,176
Property, plant and equipment, net	$290,264	$305,055

Property, plant and equipment are stated at cost and depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets, which range from 10 to 25 years for buildings and improvements and three to ten years for machinery and equipment. Depreciation expense was $41.7 million, $38.7 million and $40.4 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Goodwill and Intangible Assets The Company's business acquisitions have typically resulted in the recognition of goodwill and other intangible assets. The Company follows the provisions under ASC Topic 350, "Intangibles – Goodwill and Other" ("ASC 350") as it relates to the accounting for goodwill in the Consolidated Financial Statements. These provisions require that the Company, on at least an annual basis, evaluate the fair value of the reporting units to which goodwill is assigned and attributed and compare that fair value to the carrying value of the reporting unit to determine if an impairment has occurred. The Company performs its annual impairment testing during the fourth quarter. Impairment testing takes place more often than annually if events or circumstances indicate a change in status that would indicate a potential impairment. The Company believes that there have been no events or circumstances which would more likely than not reduce the fair value for its reporting units below its carrying value. A reporting unit is an operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment (a "component"), in which case the component would be the reporting unit. At December 31, 2014, the Company had eight reporting units.

When performing its annual impairment assessment, the Company compares the fair value of each of its reporting units to its respective carrying value. Goodwill is considered to be potentially impaired when the net book value of the reporting unit exceeds its estimated fair value. Fair values are established primarily by discounting estimated future cash flows at an estimated cost of capital which varies for each reporting unit and which, as of the Company's most recent annual impairment assessment, ranged between 9.5% and 13.5% (a weighted average of 10.7%), reflecting the respective inherent business risk of each of the reporting units tested. This methodology for valuing the Company's reporting units (commonly referred to as the Income Method) has not changed since the adoption of the provisions under ASC 350. The determination of discounted cash flows is based on the businesses' strategic plans and long-range planning forecasts, which change from year to year. The revenue growth rates included in the forecasts represent best estimates based on current and forecasted market conditions. Profit margin assumptions are projected by each reporting unit based on the current cost structure and anticipated net cost increases/reductions. There are inherent uncertainties related to these assumptions, including changes in market conditions, and management's judgment in applying them to the analysis of goodwill impairment. In addition to the foregoing, for each reporting unit, market multiples are used to corroborate its discounted cash flow results where fair value is estimated based on earnings multiples determined by available public information of comparable businesses. While the Company believes it has made reasonable estimates and assumptions to calculate the fair value of its reporting units, it is possible a material change could occur. If actual results are not consistent with management's estimates and assumptions, goodwill and other intangible assets may then be determined to be overstated and a charge would need to be taken against net earnings. Furthermore, in order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test performed during the fourth quarter of 2014, the Company applied a hypothetical, reasonably possible 10%

decrease to the fair values of each reporting unit. The effects of this hypothetical 10% decrease would still result in the fair value calculation exceeding the carrying value for each reporting unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes to goodwill are as follows:

(in thousands) December 31,	2014	2013
Balance at beginning of period	$1,249,316	$813,792
Additions	—	442,170
Disposals	(813)	(2,834)
Adjustments to purchase price allocations	(13,940)	—
Currency translation	(43,258)	(3,812)
Balance at end of period	$1,191,305	$1,249,316

For the year ended December 31, 2014, the adjustments to purchase price allocations primarily included $6.1 million related to cash received by the Company as part of the final working capital adjustment of the December 2013 acquisition of MEI and $7.8 million of adjustments to preliminary asset valuations. The disposal represents goodwill associated with the pre-tax loss on sale of a small business divested in June 2014. For the year ended December 31, 2013, the addition to goodwill represents the initial purchase price allocation related to the December 2013 acquisition of MEI Conlux Holdings (U.S.), Inc. and its affiliate MEI Conlux Holdings (Japan), Inc. (together, “MEI”) and the disposal represents the goodwill associated with the Company's sale of a product line as part of the execution of regulatory remedies associated with the MEI acquisition. See discussion in Note 12, "Acquisitions and Divestitures" for further details. See discussion in Note 2, "Discontinued Operations" for further details.

Changes to intangible assets are as follows:

(in thousands) December 31,	2014	2013
Balance at beginning of period, net of accumulated amortization	$408,923	$125,913
Additions	—	301,800
Disposals	—	(311)
Amortization expense	(37,882)	(18,795)
Currency translation and other	(17,587)	316
Balance at end of period, net of accumulated amortization	$353,454	$408,923

For the year ended December 31, 2013, the additions represent the initial purchase price allocation related to the December 2013 acquisition of MEI and the disposals represent the intangible assets associated with the Company's sale of a product line as part of the execution of regulatory remedies associated with the MEI acquisition. See discussion in Note 12, "Acquisitions and Divestitures" for further details.

As of December 31, 2014, the Company had $353.5 million of net intangible assets, of which $28.9 million were intangibles with indefinite useful lives, consisting of trade names. The Company amortizes the cost of other intangibles over their estimated useful lives unless such lives are deemed indefinite. Intangibles with indefinite useful lives are tested annually for impairment, or when events or changes in circumstances indicate the potential for impairment. If the carrying amount of the intangibles with indefinite useful lives exceeds the fair value, the intangible asset is written down to its fair value. Fair value is calculated using discounted cash flows.

In addition to annual testing for impairment of indefinite-lived intangible assets, the Company reviews all of its long-lived assets, including intangible assets subject to amortization, for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Examples of events or changes in circumstances could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset or asset group, or a current expectation that an asset or asset group will be sold or disposed of before the end of its previously estimated useful life. Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the long-lived asset (or asset group), as well as specific appraisal in certain instances. Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other long-lived assets or asset groups and include estimated future revenues, gross profit margins, operating profit margins and capital expenditures which are based on the businesses’ strategic plans and long-range planning forecasts, which change from year to year. The revenue growth rates included in the forecasts represent our best estimates based on current and forecasted market conditions, and the profit margin assumptions are based on the current cost structure and anticipated net cost increases/reductions. There are inherent uncertainties related to these assumptions, including changes in market conditions, and management’s judgment in applying them to the analysis. If the future undiscounted cash flows are less than the carrying value, then the long-lived asset is considered impaired and a charge

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

would be taken against net earnings based on the amount by which the carrying amount exceeds the estimated fair value. Judgments that the Company makes which impact these assessments relate to the expected useful lives of long-lived assets and its ability to realize any undiscounted cash flows in excess of the carrying amounts of such assets, and are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows. Since judgment is involved in determining the fair value of long-lived assets, there is risk that the carrying value of our long-lived assets may require adjustment in future periods. Historical results to date have generally approximated expected cash flows for the identifiable cash flow generating level. The Company believes that there have been no events or circumstances which would more likely than not reduce the fair value of its indefinite-lived and amortizing intangible assets below their carrying value.

A summary of intangible assets follows:

(in thousands)	Weighted Average Amortization Period of Finite Lived Assets (in years)	December 31, 2014 Gross Asset	Accumulated Amortization	Net	December 31, 2013 Gross Asset	Accumulated Amortization	Net
Intellectual property rights	16.5	$91,291	$50,435	$40,856	$95,052	$ 48,960	$46,092
Customer relationships and backlog	15.5	402,639	112,527	290,112	420,951	86,556	334,395
Drawings	37.9	11,149	10,052	1,097	11,149	9,951	1,198
Other	12.9	63,169	41,780	21,389	64,800	37,562	27,238
Total	15.8	$568,248	$214,794	$353,454	$591,952	$ 183,029	$408,923

Amortization expense for these intangible assets is currently estimated to be approximately $32.1 million in 2015, $30.8 million in 2016, $30.1 million in 2017 and $27.3 million in 2018, $204.4 million in 2019 and thereafter.

Valuation of Long-Lived Assets The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Examples of events or changes in circumstances could include, but are not limited to, a prolonged economic downturn, current period operating or cash flow losses combined with a history of losses or a forecast of continuing losses associated with the use of an asset or asset group, or a current expectation that an asset or asset group will be sold or disposed of before the end of its previously estimated useful life. Recoverability is based upon projections of anticipated future undiscounted cash flows associated with the use and eventual disposal of the long-lived asset (or asset group), as well as specific appraisal in certain instances. Reviews occur at the lowest level for which identifiable cash flows are largely independent of cash flows associated with other long-lived assets or asset groups. If the future undiscounted cash flows are less than the carrying value, then the long-lived asset is considered impaired and a loss is recognized based on the amount by which the carrying amount exceeds the estimated fair value. Judgments that the Company makes which impact these assessments relate to the expected useful lives of long-lived assets and its ability to realize any undiscounted cash flows in excess of the carrying amounts of such assets, and are affected primarily by changes in the expected use of the assets, changes in technology or development of alternative assets, changes in economic conditions, changes in operating performance and changes in expected future cash flows. Since judgment is involved in determining the fair value of long-lived assets, there is risk that the carrying value of our long-lived assets may require adjustment in future periods.

Financial Instruments The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company periodically uses forward foreign exchange contracts as economic hedges of anticipated transactions and firm purchase and sale commitments. These contracts are marked to fair value on a current basis and the respective gains and losses are recognized in other income (expense). The Company also periodically enters into interest-rate swap agreements to moderate its exposure to interest rate changes. Interest-rate swaps are agreements to exchange fixed and variable rate payments based on the notional principal amounts. The changes in the fair value of these derivatives are recognized in other comprehensive income for qualifying cash flow hedges.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accumulated Other Comprehensive Income (Loss)
The tables below provides the accumulated balances for each classification of accumulated other comprehensive income (loss), as reflected on the Consolidated Balance Sheets.

(in thousands)	Defined Benefit Pension and Other Postretirement Items*	Currency Translation Adjustment	Total
Balance as of December 31, 2013	$(121,318)	$72,667	$(48,651)
Other comprehensive income before reclassifications	(140,552)	(113,604)	(254,156)
Amounts reclassified from accumulated other comprehensive income	4,056	—	4,056
Net current-period other comprehensive income	(136,496)	(113,604)	(250,100)
Balance as of December 31, 2014	$(257,814)	$(40,937)	$(298,751)

(in thousands)	Defined Benefit Pension and Other Postretirement Items*	Currency Translation Adjustment	Total
Balance as of December 31, 2012	$(197,806)	$69,729	$(128,077)
Other comprehensive income before reclassifications	67,354	2,938	70,292
Amounts reclassified from accumulated other comprehensive income	9,134	—	9,134
Net current-period other comprehensive income	76,488	2,938	79,426
Balance as of December 31, 2013	$(121,318)	$72,667	$(48,651)

* Net of tax benefit of $114,439, $53,373 and $89,540 for 2014, 2013, and 2012, respectively

The table below illustrates the amounts reclassified out of each component of accumulated other comprehensive income for the period ended December 31, 2014 and 2013.

Details of Accumulated Other Comprehensive Income Components (in thousands)	Amount Reclassified from Accumulated Other Comprehensive Income		Affected Line Item in the Statement of Operations
December 31,	2014	2013	
Amortization of defined benefit pension items:			
Prior-service costs	$119	$23	$162 and $32 have been recorded within Cost of Sales for the years ended December 31, 2014 and 2013, respectively, and ($43) and ($8) have been recorded within Selling, General & Administrative for the years ended December 31, 2014 and 2013, respectively
Net loss (gain)	5,067	13,861	$6,854 and $18,787 have been recorded within Cost of Sales for the years ended December 31, 2014 and 2013, respectively and ($1,787) and ($4,926) have been recorded within Selling, General & Administrative for the years ended December 31, 2014 and 2013, respectively

Amortization of other postretirement items:			
Prior-service costs	(231)	(236)	Recorded within Selling, General & Administrative
Net loss (gain)	(199)	(46)	Recorded within Selling, General & Administrative
	$4,756	$13,602	Total before tax
	700	4,468	Tax benefit
Total reclassifications for the period	$4,056	$9,134	Net of tax

Page 53

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Standards

In January 2015, the Financial Accounting Standards Board ("FASB") issued amended guidance to eliminate the concept of extraordinary items from U.S. GAAP to simplify income statement classification. Under the existing guidance, an entity is required to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is of an unusual nature and occurs infrequently. This separate, net-of-tax presentation (and corresponding earnings per share impact) will no longer be allowed. The amendment is effective for periods beginning after December 15, 2015, with early adoption permitted. The Company does not expect the amended guidance to have a material impact on its financial statements.

In May 2014, the FASB issued new accounting guidance related to revenue recognition. This new standard will replace all current U.S. GAAP guidance on this topic and eliminate all current industry-specific guidance. The new revenue recognition standard provides a unified model to determine when and how revenue is recognized. The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange for those goods or services. The new standard is currently effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is currently not permitted. The new standard can be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is evaluating the impact of adopting this new accounting standard on its financial statements.

Note 2 – Discontinued Operations

On June 19, 2012, the Company sold Azonix Corporation (“Azonix”), which was part of the former Controls segment, to Cooper Industries for $44.8 million, of which $0.9 million and $0.5 million were recorded in the third and fourth quarters of 2012, respectively, resulting in an after tax gain of $14.5 million. As a result, the Consolidated Statement of Operations presents Azonix as a discontinued operation.

On June 28, 2012, the Company sold certain assets and operations of the Company’s valve service center in Houston, Texas, which was formerly part of the Fluid Handling segment, to Furmanite Corporation for $9.3 million, resulting in an after tax gain of $4.6 million. As a result, the Consolidated Statement of Operations presents the Company’s valve service center in Houston, Texas as a discontinued operation.

The operating results of the discontinued operations for the years ended December 31, 2014, 2013 and 2012 were as follows:

(in thousands) For year ended December 31,	2014	2013	2012
Net Sales	$—	$—	$25,544
Income from discontinued operations before income taxes	$—	$—	$3,777
Provision for income taxes	—	—	(1,321)
Income from discontinued operations, net of income taxes	$—	$—	$2,456

Note 3 – Income Taxes

Provision for Income Taxes

The Company’s income (loss) from continuing operations before taxes is as follows:

(in thousands) For year ended December 31,	2014	2013	2012
U.S. operations	$141,772	$177,257	$175,055
Non-U.S. operations	139,384	148,759	109,550
Total	$281,156	$326,016	$284,605

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company’s provision (benefit) for income taxes from continuing operations consists of:

(in thousands) For year ended December 31,	2014	2013	2012
Current:			
U.S. federal tax	$14,008	$11,401	$5,154
U.S. state and local tax	2,618	3,366	1,948
Non-U.S. tax	33,055	41,334	26,314
Total current	49,681	56,101	33,416
Deferred:			
U.S. federal tax	30,093	43,743	52,948
U.S. state and local tax	1,314	628	1,068
Non-U.S. tax	6,499	4,593	984
Total deferred	37,906	48,964	55,000
Total provision (benefit) for income taxes	$87,587	$105,065	$88,416

A reconciliation of the statutory U.S. federal tax rate to the Company’s effective tax rate from continuing operations is as follows:

(in thousands) For year ended December 31,	2014		2013		2012	
Statutory U.S. federal tax rate	35.0	%	35.0	%	35.0	%
Increase (reduction) from:						
Non-U.S. taxes	(4.0	)%	(2.0	)%	(4.0	)%
Repatriation of non-U.S. earnings, net of credits	0.1	%	0.1	%	0.1	%
State and local taxes, net of federal benefit	1.3	%	1.2	%	1.1	%
U.S. research and development tax credit	(1.0	)%	(1.9	)%	(0.3	)%
U.S. domestic manufacturing deduction	(0.7	)%	(1.0	)%	(0.9	)%
Non-deductible acquisition costs	—	%	2.3	%	0.5	%
Other	0.5	%	(1.5	)%	(0.4	)%
Effective tax rate	31.2	%	32.2	%	31.1	%

As of December 31, 2014, the Company has not provided deferred taxes on approximately $625 million of undistributed earnings of its non-U.S. subsidiaries because the Company intends to permanently reinvest these earnings outside the U.S. Determination of the U.S. income taxes and non-U.S. withholding taxes due upon the repatriation of these earnings is not practicable because the amount of such taxes depends upon circumstances existing when the remittance occurs.

At December 31, 2014 and 2013, $330 million and $257 million, respectively of the Company’s cash was held by non-U.S. subsidiaries, and is generally subject to U.S. income taxation upon repatriation.

During 2014, 2013 and 2012, income tax benefits attributable to equity-based compensation transactions exceeded amounts recorded at grant date fair market value and, accordingly, were credited to capital surplus in the amounts of $7.7 million, $6.4 million and $3.6 million, respectively.

During 2014, 2013 and 2012, tax provision (benefit) of $(61.1) million, $36.2 million, and $(13.4) million, respectively, related to changes in pension and post-retirement plan assets and benefit obligations, were recorded to accumulated other comprehensive income.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Deferred Taxes and Valuation Allowances

The components of deferred tax assets and liabilities included on the Company's Consolidated Balance Sheets are as follows:

(in thousands) December 31,	2014	2013
Deferred tax assets:		
Asbestos-related liabilities	$182,599	$206,178
Tax loss and credit carryforwards	113,787	136,224
Pension and post-retirement benefits	78,666	29,098
Inventories	19,304	20,760
Accrued bonus and stock-based compensation	14,908	17,003
Environmental reserves	24,472	9,920
Other	50,471	43,248
Total	484,207	462,431
Less: valuation allowance	141,018	150,591
Total deferred tax assets, net of valuation allowance	343,189	311,840
Deferred tax liabilities:		
Basis difference in intangible assets	(134,798)	(141,762)
Basis difference in fixed assets	(25,807)	(28,287)
Total deferred tax liabilities	(160,605)	(170,049)
Net deferred tax asset	$182,584	$141,791
Balance sheet classification:		
Current deferred tax assets	33,002	$31,651
Long-term deferred tax assets	196,245	186,734
Accrued liabilities	(362)	(553)
Long-term deferred tax liability	(46,301)	(76,041)
Net deferred tax asset	$182,584	$141,791

As of December 31, 2014, the Company had U.S. federal, U.S. state and non-U.S. tax loss and credit carryforwards that will expire, if unused, as follows:

(in thousands) Year of expiration	U.S. Federal Tax Credits	U.S. Federal Tax Losses	U.S. State Tax Credits	U.S. State Tax Losses	Non-U.S. Tax Losses	Total
2015-2018	$14,760	$667	$2,756	$27,385	$11,898	
After 2019	6,670	28,746	3,722	773,064	50,752	
Indefinite	157	—	18,354	—	44,484	
Total tax carryforwards	$21,587	$29,413	$24,832	$800,449	$107,134	
Deferred tax asset on tax carryforwards	$21,587	$10,294	$16,141	$37,887	$27,878	$113,787
Valuation allowance on tax carryforwards	(21,587)	(373)	(15,533)	(37,887)	(20,157)	(95,537)
Net deferred tax asset on tax carryforwards	$—	$9,921	$608	$—	$7,721	$18,250

At December 31, 2014 and 2013, the Company determined that it was more likely than not that $95.5 million and $108.7 million, respectively, of its deferred tax assets related to tax loss and credit carryforwards will not be realized. As a result, the Company recorded a valuation allowance against these deferred tax assets. The Company also determined that it is more likely than not that a portion of the benefit related to U.S. state and non-U.S. deferred tax assets other than tax loss and credit carryforwards will be not realized. Accordingly, at December 31, 2014 and 2013, a valuation allowance of $45.5 million and $41.9 million, respectively, was established against these U.S. state and non-U.S. deferred tax assets. The Company's total valuation allowance at December 31, 2014 and 2013 was $141.0

million and $150.6 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unrecognized Tax Benefits

A reconciliation of the beginning and ending amount of the Company’s gross unrecognized tax benefits, excluding interest and penalties, is as follows:

(in thousands)	2014	2013	2012
Balance of liability as of January 1	$31,379	$19,164	$9,590
Increase as a result of tax positions taken during a prior year	2,014	6,728	5,941
Decrease as a result of tax positions taken during a prior year	(1,153)	(243)	(25)
Increase as a result of tax positions taken during the current year	11,155	5,897	3,893
Decrease as a result of settlements with taxing authorities	(1,111)	(28)	—
Reduction as a result of a lapse of the statute of limitations	(1,583)	(139)	(235)
Balance of liability as of December 31	$40,701	$31,379	$19,164

As of December 31, 2014, 2013 and 2012, the amount of the Company’s unrecognized tax benefits that, if recognized, would affect its effective tax rate was $42.2 million, $27.7 million, and $18.9 million, respectively. The difference between these amounts and those reflected in the table above relates to (1) offsetting tax effects from other tax jurisdictions, and (2) interest expense, net of deferred taxes.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of its income tax expense. During the years ended December 31, 2014, 2013 and 2012, the Company recognized interest and penalty expense of $0.7 million, $0.9 million, and $0.4 million, respectively, in its Consolidated Statements of Operations. At December 31, 2014 and 2013, the Company had accrued $4.7 million and $4.0 million, respectively, of interest and penalties related to unrecognized tax benefits in its Consolidated Balance Sheets.

During the next twelve months, it is reasonably possible that the Company's unrecognized tax benefits could change by $7.1 million due to settlements of income tax examinations, the expiration of statutes of limitations or other resolution of uncertainties. However, if the ultimate resolution of income tax examinations results in amounts that differ from this estimate, the Company will record additional income tax expense or benefit in the period in which such matters are effectively settled.

Income Tax Examinations

The Company's income tax returns are subject to examination by U.S. federal, U.S. state and local, and non-U.S. tax authorities.

The Company’s federal income tax returns for the years 2010 through 2012 are currently under examination by the U.S Internal Revenue Service, and its federal income tax return for 2013 remains subject to examination. In addition, acquired subsidiaries’ federal income tax returns (2011 through 2013) and federal tax carry forwards (2006 through 2013) remain subject to examination.

With few exceptions, the Company is no longer subject to U.S. state and local or non-U.S. income tax examinations for years before 2009. As of December 31, 2014, the Company and its subsidiaries are under examination in various jurisdictions, including Germany (2006 through 2012). During 2014, a California income tax examination of the years 2007 and 2008 was completed, resulting in a minimal assessment for which an accrual was previously established. In addition, the Company’s appeal of certain Canadian tax assessments for the years 2007 through 2009 was resolved in the Company’s favor.

Note 4 – Accrued Liabilities

Accrued liabilities consist of:

(in thousands) December 31,	2014	2013
Employee related expenses	$81,426	$91,984
Warranty	15,543	18,923
Other	128,804	112,241
Total	$225,773	$223,148

The Company accrues warranty liabilities when it is probable that an asset has been impaired or a liability has been incurred and the amount of the impairment or loss can be reasonably estimated. Warranty provision is included in cost of sales in the Consolidated Statements of Operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the warranty liabilities is as follows:

(in thousands) December 31,	2014	2013
Balance at beginning of period	$18,923	$10,718
Expense	13,250	10,230
Changes due to acquisitions/divestitures	(98)	10,211
Payments / deductions	(16,360)	(12,464)
Currency translation	(172)	228
Balance at end of period	$15,543	$18,923

Note 5 – Other Liabilities

(in thousands) December 31,	2014	2013
Environmental	$64,406	$20,610
Other	67,471	68,548
	$131,877	$89,158

Note 6 – Research and Development

Research and development costs are expensed when incurred. These costs were $68.0 million, $52.7 million and $66.9 million in 2014, 2013 and 2012, respectively.

Note 7 – Pension and Postretirement Benefits

In the United States, the Company sponsors a defined benefit pension plan that covers approximately 21% of all U.S. employees. In the fourth quarter of 2012, the Company announced that pension eligible employees will no longer earn future benefits in the domestic defined benefit pension plan effective January 1, 2013. The benefits are based on years of service and compensation on a final average pay basis, except for certain hourly employees where benefits are fixed per year of service. This plan is funded with a trustee in respect of past and current service. Charges to expense are based upon costs computed by an independent actuary. Contributions are intended to provide for future benefits earned to date. A number of the Company's non-U.S. subsidiaries sponsor defined benefit pension plans that cover approximately 11% of all non-U.S. employees. The benefits are typically based upon years of service and compensation. These plans are funded with trustees in respect of past and current service.

Non-union employees hired after December 31, 2005 are no longer eligible for participation in the ELDEC Corporation ("ELDEC") and Interpoint Corporation ("Interpoint") money purchase plan. Qualifying employees receive an additional 2% Company contribution to their 401(K) plan accounts. Certain of the Company's non-U.S. defined benefit pension plans were also amended whereby eligibility for new participants will cease.

Postretirement health care and life insurance benefits are provided for certain employees hired before January 1, 1990, who meet minimum age and service requirements. The Company does not pre-fund these benefits and has the right to modify or terminate the plan.

A summary of benefit obligations, fair value of plan assets and funded status is as follows:

	Pension Benefits		Postretirement Benefits	
(in thousands) December 31,	2014	2013	2014	2013
Change in benefit obligation:				
Beginning of year	$934,349	$906,264	$10,967	$12,620
Service cost	4,923	6,383	85	90
Interest cost	40,935	36,845	385	372
Plan participants' contributions	739	1,291	—	—
Amendments	—	264	34	—
Actuarial (gain) loss	192,715	(24,402)	(1,802)	(864)
Settlement	—	—	—	—
Benefits paid	(41,704)	(36,788)	(1,044)	(1,226)
Foreign currency exchange impact	(38,136)	7,509	(33)	(25)
Acquisition/divestitures/curtailment	—	37,681	—	—
Adjustment for expenses/tax contained in service cost	(652)	(698)	—	—
Benefit obligation at end of year	$1,093,169	$934,349	$8,592	$10,967
Change in plan assets:				
Fair value of plan assets at beginning of year	$870,692	$735,580		
Actual return on plan assets	54,669	108,016		
Foreign currency exchange impact	(33,232)	4,235		
Employer contributions	24,467	14,703		
Administrative expenses paid	(1,041)	(1,218)		
Acquisitions	—	44,873		
Plan participants' contributions	739	1,291		
Settlement	—	—		
Benefits paid	(41,704)	(36,788)		
Fair value of plan assets at end of year	$874,590	$870,692	$—	$—
Funded status	$(218,579)	$(63,657)	$(8,592)	$(10,967)

Amounts recognized in the Consolidated Balance Sheets consist of:

	Pension Benefits		Postretirement Benefits	
(in thousands) December 31,	2014	2013	2014	2013
Other assets	$53,088	$78,688	$—	$—
Current liabilities	(1,041)	(1,024)	(965)	(1,155)
Accrued pension and postretirement benefits	(270,626)	(141,321)	(7,627)	(9,812)
Funded status	$(218,579)	$(63,657)	$(8,592)	$(10,967)

Amounts recognized in accumulated other comprehensive loss (income) consist of:

	Pension Benefits		Postretirement Benefits	
(in thousands) December 31,	2014	2013	2014	2013
Net actuarial loss (gain)	$363,546	$177,177	$(3,145)	$(1,531)
Prior service cost (credit)	855	973	(626)	(891)
Transition asset	—	—	—	—
	$364,401	$178,150	$(3,771)	$(2,422)

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the U.S. and Non-U.S. plans, are as follows:

	Pension Obligations/Assets					
	U.S.		Non-U.S.		Total	
(in millions) December 31,	2014	2013	2014	2013	2014	2013
Projected benefit obligation	$581.8	$470.8	$511.4	$463.5	$1,093.2	$934.3
Accumulated benefit obligation	581.8	470.8	496.7	450.8	1,078.5	921.6
Fair value of plan assets	414.2	409.1	460.4	462.0	874.6	871.1

Information for pension plans with an accumulated benefit obligation in excess of plan assets is as follows:

	Pension Benefits	
(in thousands) December 31,	2014	2013
Projected benefit obligation	$910,309	$729,759
Accumulated benefit obligation	896,357	717,549
Fair value of plan assets	638,778	587,426

Components of Net Periodic Benefit Cost are as follows:

	Pension Benefits			Postretirement Benefits		
(in thousands) December 31,	2014	2013	2012	2014	2013	2012
Net Periodic Benefit Cost:						
Service cost	$4,923	$6,383	$13,503	$85	$90	$108
Interest cost	40,935	36,845	37,653	385	372	498
Expected return on plan assets	(62,575)	(52,225)	(51,437)	—	—	—
Amortization of prior service cost	119	23	402	(231)	(236)	(236)
Amortization of net loss (gain)	5,067	13,861	19,403	(199)	(46)	(139)
Recognized curtailment loss	—	(288)	460	—	—	—
Settlement costs	—	—	(125)	—	—	
Special termination benefits	—	—	—	—	—	—
Net periodic benefit cost	$(11,531)	$4,599	$19,859	$40	$180	$231

The estimated net loss and prior service cost for the defined benefit pension plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $12.4 million and $0.1 million, respectively. The estimated net gain and prior service cost for the postretirement plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $0.6 million and $0.2 million, respectively.

The weighted average assumptions used to determine benefit obligations are as follows:

	Pension Benefits			Postretirement Benefits		
December 31,	2014	2013	2012	2014	2013	2012
U.S. Plans:						
Discount rate	4.10 %	4.90 %	4.20 %	3.90 %	3.90 %	3.20 %
Rate of compensation increase	N/A	3.50 %	3.50 %			
Non-U.S. Plans:						
Discount rate	3.01 %	4.05 %	3.93 %			
Rate of compensation increase	2.40 %	2.56 %	3.14 %			

The weighted-average assumptions used to determine net periodic benefit cost are as follows:

	Pension Benefits			Postretirement Benefits		
December 31,	2014	2013	2012	2014	2013	2012
U.S. Plans:						
Discount rate	4.90 %	4.20 %	5.00 %	3.30 %	3.20 %	4.25 %
Expected rate of return on plan assets	7.75 %	7.75 %	8.25 %			
Rate of compensation increase	N/A	3.50 %	3.50 %			
Non-U.S. Plans:						
Discount rate	4.05 %	3.93 %	4.56 %			
Expected rate of return on plan assets	7.01 %	7.01 %	7.00 %			
Rate of compensation increase	2.56 %	3.14 %	3.89 %			

The long term expected rate of return on plan assets assumptions were determined by the Company with input from independent investment consultants and plan actuaries, utilizing asset pricing models and considering historical returns. The discount rates used by the Company for valuing pension liabilities are based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations.

In the U.S. Plan, the 7.75% expected rate of return on assets assumption for 2014 reflected a long-term asset allocation target comprised of an asset allocation range of 25%-75% equity securities, 15%-35% fixed income securities, 10%-35% alternative assets, and 0%-10% cash. As of December 31, 2014, the actual asset allocation for the U.S. plan was 61% equity securities, 14% fixed income securities, 22% alternative assets, and 3% cash and cash equivalents.

For the non-U.S. Plans, the 7.01% expected rate of return on assets assumption for 2014 reflected a weighted average of the long-term asset allocation targets for our various international plans. As of December 31, 2014, the actual weighted average asset allocation for the non-U.S. plans was 42% equity securities, 39% fixed income securities, 17% alternative assets/other, and 2% cash and cash equivalents.

The assumed health care cost trend rates are as follows:

December 31,	2014	2013
Health care cost trend rate assumed for next year	6.50 %	7.00 %
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.75 %	4.75 %
Year that the rate reaches the ultimate trend rate	2019	2019

Assumed health care cost trend rates have a significant effect on the amounts reported for the Company’s health care plans.

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

(in thousands)	One Percentage Point Increase	One Percentage Point (Decrease)
Effect on total of service and interest cost components	27.6	(25.2)
Effect on postretirement benefit obligation	388.0	(360.5)

Plan Assets

The Company’s pension plan target allocations and weighted-average asset allocations by asset category are as follows:

		Actual Allocation	
Asset Category December 31,	Target Allocation	2014	2013
Equity securities	35%-75%	51 %	55 %
Fixed income securities	20%-50%	27 %	28 %
Alternative assets/Other	0%-20%	20 %	14 %
Money market	0%-10%	2 %	3 %

The Company’s pension investment committees and trustees, as applicable, exercise reasonable care, skill and caution in making investment decisions. Independent investment consultants are retained to assist in executing the plans’ investment

strategies. A number of factors are evaluated in determining if an investment strategy will be implemented in the Company's pension trusts. These factors include, but are not limited to, investment style, investment risk, investment manager performance
and costs.

The primary investment objective of the Company's various pension trusts is to maximize the value of plan assets, focusing on capital preservation, current income and long-term growth of capital and income. The plans' assets are typically invested in a broad range of equity securities, fixed income securities, alternative assets and cash instruments. The Company's investment strategies across its pension plans worldwide results in a global target asset allocation range of 35%-75% equity securities, 20%-50% fixed income securities, 0%-20% alternative assets, and 0%-10% money market, as noted in the table above.

Equity securities include investments in large-cap, mid-cap, and small-cap companies located in both developed countries and emerging markets around the world. Fixed income securities include government bonds of various countries, corporate bonds that are primarily investment-grade, and mortgage-backed securities. Alternative assets include investments in hedge funds with a wide variety of strategies.

The Company periodically reviews investment managers and their performance in relation to the plans' investment objectives. The Company expects its pension trust investments to meet or exceed their predetermined benchmark indices, net of fees. Generally, however, the Company realizes that investment strategies should be given a full market cycle, normally over a three to five year time period, to achieve stated objectives.

Equity securities include Crane Co. common stock, which represents 4% and 5% of plan assets at December 31, 2014 and 2013, respectively.

The fair value of the Company's pension plan assets at December 31, 2014, by asset category are as follows:

(in thousands)	Active Markets for Identical Assets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Cash and Money Markets	$18,796	$—	$ —	$18,796
Common Stocks				
Actively Managed U.S. Equities	145,067	—	—	145,067
Fixed Income Bonds and Notes	—	46,065	—	46,065
Commingled and Mutual Funds				
U.S. Equity Funds	—	100,782	—	100,782
Non-U.S. Equity Funds	—	202,609	—	202,609
U.S. Fixed Income, Government and Corporate	—	11,498	—	11,498
U.S. Tactical Allocation Balanced Fund	—	15,972	—	15,972
Non-U.S. Fixed Income, Government and Corporate	—	177,548	—	177,548
International Balanced Funds	—	10,127	—	10,127
Alternative Investments				
Hedge Funds	—	90,307	—	90,307
International Property Funds	—	53,442	—	53,442
Commodities Funds	—	1,406	—	1,406
Annuity Contract	—	971	—	971
Total Fair Value	$163,863	$710,727	$ —	$874,590

For the year ended December 31, 2014, there were no significant transfers between levels.

The fair value of the Company's pension plan assets at December 31, 2013, by asset category are as follows:

(in thousands)	Active Markets for Identical Assets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3	Total Fair Value
Cash and Money Markets	$19,425	$—	$ —	$19,425
Common Stocks				
Actively Managed U.S. Equities	142,595	—	—	142,595
Fixed Income Bonds and Notes	—	26,449	—	26,449
Commingled and Mutual Funds				
U.S. Equity Funds	—	103,606	—	103,606
Non-U.S. Equity Funds	—	220,794	—	220,794
U.S. Fixed Income, Government and Corporate	—	32,720	—	32,720
U.S. Tactical Allocation Balanced Fund	—	15,845	—	15,845
Non-U.S. Fixed Income, Government and Corporate	—	141,407	—	141,407
International Balanced Funds	—	54,724	—	54,724
Alternative Investments				
Hedge Funds	—	72,053	—	72,053
International Property Funds	—	38,449	—	38,449
Commodities Funds	—	1,639	—	1,639
Annuity Contract	—	986	—	986
Total Fair Value	$162,020	$708,672	$ —	$870,692

For the year ended December 31, 2013, there were no significant transfers between levels.

The following table sets forth a summary of pension plan assets valued using Net Asset Value (NAV) or its equivalent as of December 31, 2014:

(dollars in thousands)	Fair Value*	Redemption Frequency	Unfunded Commitment	Other Redemption Restrictions	Redemption Notice Period
Archstone Offshore Fund, Ltd(a)	$36,313	12 Months	None	None	90 days written
Evanston Capital Management(a)	$30,911	12 Months	None	None	60 days written
Strategic Value Fund(b)	$7,692	12 Months	None	None	90 days written
U.S. Equity Funds(c)	$100,782	immediate	None	None	None
Non-U.S. Equity Funds(d)	$202,609	immediate	None	None	None
Non-U.S. Fixed Income, Government and Corporate(e)	$177,548	immediate	None	None	None
International Property Funds(f)	$53,442	immediate	None	None	None
International Balanced Funds(g)	$10,127	immediate	None	None	None
U.S. Government and Corporate Fixed Income(h)	$11,498	immediate	None	None	None
U.S. Tactical Allocation Balanced Fund(i)	$15,972	immediate	None	None	None
Commodities & Metals Fund (j)	$1,406	immediate	None	None	None
Non-US Tactical/Alternative Fund (k)	$15,391	immediate	None	None	None

* The fair values of the investments have been estimated using the net asset value of the investment

(a)

These funds are alternative assets which seeks to outperform equities while maintaining a lower risk profile than equities.

(b) This fund is an alternative investment that invests in distressed debt instruments seeking price appreciation.

(c) These funds invest in U.S. equity securities and seeks to meet or exceed relative benchmarks.

(d) These funds invest in equity securities outside the U.S. and seek to meet or exceed relative benchmarks.

(e) These funds invest in Corporate and Governments fixed income securities outside the U.S. and seek to meet or exceed relative benchmarks.

(f) These funds invest in real property outside the U.S.

(g) These funds invest in a pre defined mix of non-U.S. equity and non-U.S. fixed income securities and seek to meet or exceed the performance of a passive/local benchmark of similar mixes.

(h) These funds invest in U.S. fixed income securities, corporate, government and agency, and seek to outperform the Barclays Capital Aggregate Index.

(i) These funds invest in a blend of equities, fixed income, cash and property in the U.S. and seek to outperform a similarly weighted index.

(j) These funds invest in various commodities and precious metals

(k) These funds invest in traditional and alternative strategies and seek to add diversification while adding returns greater than equity in a non-correlated approach

The following table sets forth a summary of pension plan assets valued using Net Asset Value (NAV) or its equivalent as of December 31, 2013:

(dollars in thousands)	Fair Value*	Redemption Frequency	Unfunded Commitment	Other Redemption Restrictions	Redemption Notice Period
Archstone Offshore Fund, Ltd(a)	$35,590	12 Months	None	None	90 days written
Evanston Capital Management(a)	$29,032	12 Months	None	None	60 days written
Strategic Value Fund(b)	$7,430	12 Months	None	None	90 days written
U.S. Equity Funds(c)	$103,606	immediate	None	None	None
Non-U.S. Equity Funds(d)	$220,794	immediate	None	None	None
Non-U.S. Fixed Income, Government and Corporate(e)	$141,407	immediate	None	None	None
International Property Funds(f)	$38,449	immediate	None	None	None
International Balanced Funds(g)	$54,724	immediate	None	None	None
U.S. Government and Corporate Fixed Income(h)	$32,720	immediate	None	None	None
U.S. Tactical Allocation Balanced Fund(i)	$15,845	immediate	None	None	None
Commodities & Metals Fund (j)	$1,639	immediate	None	None	None

* The fair values of the investments have been estimated using the net asset value of the investment

(a) These funds are alternative assets which seeks to outperform equities while maintaining a lower risk profile than equities.
(b) This fund is an alternative investment that invests in distressed debt instruments seeking price appreciation.
(c) These funds invest in U.S. equity securities and seeks to meet or exceed relative benchmarks.
(d) These funds invest in equity securities outside the U.S. and seek to meet or exceed relative benchmarks.
(e) These funds invest in Corporate and Governments fixed income securities outside the U.S. and seek to meet or exceed relative benchmarks.
(f) These funds invest in real property outside the U.S.
(g) These funds invest in a pre defined mix of non-U.S. equity and non-U.S. fixed income securities and seek to meet or exceed the performance of a passive/local benchmark of similar mixes.
(h) These funds invest in U.S. fixed income securities, corporate, government and agency, and seek to outperform the Barclays Capital Aggregate Index.
(i) These funds invest in a blend of equities, fixed income, cash and property in the U.S. and seek to outperform a similarly weighted index.
(j) These funds invest in various commodities and precious metals

Cash Flows

The Company expects, based on current actuarial calculations, to contribute cash of approximately $17 million to its defined benefit pension plans and $1 million to its other postretirement benefit plan in 2015. Cash contributions in subsequent years will depend on a number of factors including the investment performance of plan assets.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Estimated future payments (in thousands)	Pension Benefits	Postretirement Benefits
2015	$41,493	$981

2016	42,346	947
2017	43,225	971
2018	45,752	961
2019	46,598	914
2020-2024	264,989	3,297
Total payments	$484,403	$8,071

The Company's subsidiaries ELDEC and Interpoint have a money purchase plan to provide retirement benefits for all eligible employees. The annual contribution in 2014 was 3% of each eligible participant's gross compensation. The contributions were $1.1 million in 2014, $2.2 million in 2013 and $2.2 million in 2012.

The Company and its subsidiaries sponsor savings and investment plans that are available to eligible employees of the Company and its subsidiaries. The Company made contributions to the plans of $6.9 million in 2014, $6.7 million in 2013 and $6.4 million in 2012.

In addition to participant deferral contributions and Company matching contributions on those deferrals, the Company provides a 3% non-matching contribution to eligible participants. The Company made non-matching contributions to these plans of $3.5 million in 2014, $3.3 million in 2013 and $3.3 million in 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 – Long-Term Debt and Notes Payable

The following table summarizes the Company’s debt as of December 31, 2014 and 2013:

(in thousands) December 31,	2014	2013
Long-term debt consists of:		
2.75% notes due 2018	249,973	249,965
4.45% notes due 2023	299,978	299,976
6.55% notes due 2036	199,262	199,229
Total long-term debt	$749,213	$749,170
Short-term borrowings	$100,806	$125,826

During 2014, the Company repaid $25 million against its five year credit facility which is classified as short-term on our Condensed Consolidated Balance Sheets.

In December 2013, the Company issued 10 year notes having an aggregate principal amount of $300 million. The notes are unsecured, senior obligations that mature on December 15, 2023 and bear interest at 4.45% per annum, payable semi-annually on June 15 and December 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or part, at our option. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of the Company, and if as a consequence, the notes are rated below investment grade by both Moody’s Investors Service and Standard & Poor’s, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization, these notes have an effective annualized interest rate of 4.56%.

Also in December 2013, the Company issued five year notes having an aggregate principal amount of $250 million. The notes are unsecured, senior obligations that mature on December 15, 2018 and bear interest at 2.75% per annum, payable semi-annually on June 15 and December 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or part, at our option. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of the Company, and if as a consequence, the notes are rated below investment grade by both Moody’s Investors Service and Standard & Poor’s, then holders of the notes may require us to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization, these notes have an effective annualized interest rate of 2.92%.

Senior unsecured notes having an aggregate principal amount of $200 million matured in the third quarter of 2013. These notes were repaid using $90 million of cash and $110 million of multi-year credit facility borrowings.

In December 2012, the Company obtained $600 million of bank loan commitments in support of its acquisition of MEI. The commitments supported a $200 million expansion of the $300 million credit facility referred to in the next paragraph, and an additional $400 million 364 day credit facility. The 364 day credit facility was terminated on December 13, 2013 after being used to fund the MEI acquisition.

In May 2012, the Company entered into a five year, $300 million Amended and Restated Credit Agreement (as subsequently amended, and increased to $500 million, the “facility”), which is due to expire in May 2017. The facility allows the Company to borrow, repay, or to the extent permitted by the agreement, prepay and re-borrow funds at any time prior to the stated maturity date, and the loan proceeds may be used for general corporate purposes including financing for acquisitions. Interest is based on, at our option, (1) a LIBOR-based formula that is dependent in part on the Company's credit rating (LIBOR plus 105 basis points as of the date of this Report; up to a maximum of LIBOR plus 147.5 basis points), or (2) the greatest of (i) the JPMorgan Chase Bank, N.A.'s prime rate, (ii) the Federal Funds rate plus 50 basis points, or (iii) an adjusted LIBOR rate plus 100 basis points, plus a spread dependent on the Company’s credit rating (5 basis points as of the date of this Report; up to a maximum of 47.5 basis points). At December 31, 2014, outstanding borrowings under the facility totaled $100 million. The facility contains customary affirmative and negative covenants for credit facilities of this type, including the absence of a material adverse effect and limitations on the Company and its subsidiaries with respect to indebtedness, liens, mergers, consolidations, liquidations and dissolutions, sales of all or substantially all assets, transactions with affiliates and hedging arrangements. The facility also provides for customary events of default, including failure to pay principal, interest or fees when due, failure to comply with covenants, the fact that any representation or warranty made by us is false in any material respect, default under certain other indebtedness, certain insolvency or receivership events affecting us and our subsidiaries, certain

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ERISA events, material judgments and a change in control of the Company. The facility contains a leverage ratio covenant requiring a ratio of total debt to total capitalization of less than or equal to 65%. At December 31, 2014, our ratio was 45%

(in thousands) December 31,	2014	
Short-term borrowings	$100,806	
Long-term debt	749,213	
Total indebtedness	$850,019	
Total indebtedness	$850,019	
Total shareholders' equity	1,059,752	
Capitalization	$1,909,771	
Total indebtedness to capitalization	45	%

In November 2006, the Company issued 30 year notes having an aggregate principal amount of $200 million. The notes are unsecured, senior obligations of the Company that mature on November 15, 2036 and bear interest at 6.55% per annum, payable semi-annually on May 15 and November 15 of each year. The notes have no sinking fund requirement, but may be redeemed, in whole or in part, at the option of the Company. These notes do not contain any material debt covenants or cross default provisions. If there is a change in control of the Company, and if as a consequence, the notes are rated below investment grade by both Moody's Investors Service and Standard & Poor's, then holders of the notes may require the Company to repurchase them, in whole or in part, for 101% of the principal amount plus accrued and unpaid interest. Debt issuance costs are deferred and included in Other assets and then amortized as a component of interest expense over the term of the notes. Including debt issuance cost amortization; these notes have an effective annualized interest rate of 6.67%.

All outstanding senior, unsecured notes were issued under an indenture dated as of April 1, 1991. The indenture contains certain limitations on liens and sale and lease-back transactions.

At December 31, 2014, the Company had open standby letters of credit of $28 million issued pursuant to a $125 million uncommitted Letter of Credit Reimbursement Agreement, and certain other credit lines.

Note 9 - Fair Value Measurements

Accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are to be considered from the perspective of a market participant that holds the asset or owes the liability. The standards also establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standards describe three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical or similar assets and liabilities.

Level 2: Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets and liabilities. Level 2 assets and liabilities include over-the-counter derivatives, principally forward foreign exchange contracts, whose value is determined using pricing models with inputs that are generally based on published foreign exchange rates and exchange traded prices, adjusted for other specific inputs that are primarily observable in the market or can be derived principally from or corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes assets and liabilities measured at fair value on a recurring basis at the dates indicated:

	December 31, 2014				December 31, 2013			
	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
(in thousands)	Level 1	Level 2	Level 3	Total Fair Value	Level 1	Level 2	Level 3	Total Fair Value
Assets:								
Derivatives - foreign exchange contracts	$—	$31	$—	$31	$—	$2,787	$—	$2,787
Liabilities:								
Derivatives - foreign exchange contracts	$—	$2,460	$—	$2,460	$—	$5,861	$—	$5,861

Valuation Technique - The Company's derivative assets and liabilities include foreign exchange contract derivatives that are measured at fair value using internal models based on observable market inputs such as forward rates and interest rates. Based on these inputs, the derivatives are classified within Level 2 of the valuation hierarchy.

The carrying value of the Company's financial assets and liabilities, including cash and cash equivalents, accounts receivable, accounts payable and short-term loans payable approximate fair value, without being discounted, due to the short periods during which these amounts are outstanding. Long-term debt rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value for debt issues that are not quoted on an exchange. The estimated fair value of long-term debt is measured using Level 2 inputs and was $815.2 million and $759.7 million at December 31, 2014 and 2013, respectively.

Note 10 - Derivative Instruments and Hedging Activities

The Company is exposed to certain risks related to its ongoing business operations, including market risks related to fluctuation in currency exchange. The Company uses foreign exchange contracts to manage the risk of certain cross-currency business relationships to minimize the impact of currency exchange fluctuations on the Company's earnings and cash flows. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. As of December 31, 2014, the foreign exchange contracts designated as hedging instruments did not have a material impact on the Company's consolidated statement of operations, balance sheet or cash flows. Foreign exchange contracts not designated as hedging instruments, which primarily pertain to foreign exchange fluctuation risk of intercompany positions, had a notional value of $216 million and $300 million as of December 31, 2014 and December 31, 2013, respectively. The settlement of derivative contracts for the years ended December 31, 2014, 2013 and 2012 resulted in net cash inflows (outflows) of $(16.0) million, $4.9 million and $(13.0) million, respectively and is reported within "Total provided by operating activities" on the Consolidated Statements of Cash Flows.

Note 11 - Commitments and Contingencies

Leases

The Company leases certain facilities, vehicles and equipment. Future minimum payments, by year and in the aggregate, under leases with initial or remaining terms of one year or more consisted of the following at December 31, 2014:

(in thousands)	Operating Leases	Minimum Sublease	Net

		Income	
2015	$18,146	$—	$18,146
2016	14,962	—	14,962
2017	11,959	—	11,959
2018	8,946	—	8,946
2019	5,305	—	5,305
Thereafter	6,597	—	6,597
Total minimum lease payments	$65,915	$—	$65,915

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Rental expense was $28.7 million, $26.9 million and $26.7 million for 2014, 2013 and 2012, respectively.

The Company entered into a five year operating lease for an airplane in the first quarter of 2014 which included a maximum residual value guarantee of $7.8 million by the Company if the fair value of the airplane is less than $9.5 million at the end of the lease term. In 2014, the Company made a $9.5 million residual value guarantee payment in connection with the previous airplane lease which ended January 30, 2014 . This payment was reported within "Other" in “Total provided by operating activities” on the Consolidated Statements of Cash Flows.

Asbestos Liability

Information Regarding Claims and Costs in the Tort System

As of December 31, 2014, the Company was a defendant in cases filed in numerous state and federal courts alleging injury or death as a result of exposure to asbestos. Activity related to asbestos claims during the periods indicated was as follows:

For the year ended December 31,	2014	2013	2012
Beginning claims	51,490	56,442	58,658
New claims	2,743	2,950	3,542
Settlements	(992)	(1,142)	(1,030)
Dismissals	(5,734)	(6,762)	(4,919)
MARDOC claims*	—	2	191
Ending claims	47,507	51,490	56,442

* As of January 1, 2010, the Company was named in 36,448 maritime actions which had been administratively dismissed by the United States District Court for the Eastern District of Pennsylvania ("MARDOC claims"), and therefore were not classified as active claims. In addition, the Company was named in 8 new maritime actions in 2010 (also not classified as active claims). By settlement agreement of December 30, 2013, the Company resolved all of the remaining MARDOC claims with plaintiffs’ counsel. The agreement resulted in the dismissal of all MARDOC claims against the Company.

Of the 47,507 pending claims as of December 31, 2014, approximately 18,700 claims were pending in New York, approximately 9,300 claims were pending in Texas, approximately 5,100 claims were pending in Mississippi, and approximately 300 claims were pending in Ohio, all jurisdictions in which legislation or judicial orders restrict the types of claims that can proceed to trial on the merits.

Substantially all of the claims the Company resolves are either dismissed or concluded through settlements. To date, the Company has paid three judgments arising from adverse jury verdicts in asbestos matters. The first payment, in the amount of $2.54 million, was made on July 14, 2008, approximately two years after the adverse verdict in the Joseph Norris matter in California, after the Company had exhausted all post-trial and appellate remedies. The second payment, in the amount of $0.02 million, was made in June 2009 after an adverse verdict in the Earl Haupt case in Los Angeles, California on April 21, 2009. The third payment, in the amount of $0.9 million, was made in June 2014, approximately two years after the adverse verdict in the William Paulus matter in California, after the Company had exhausted all post-trial and appellate remedies.

The Company has tried several cases resulting in defense verdicts by the jury or directed verdicts for the defense by the court. The Company further has pursued appeals of certain adverse jury verdicts that have resulted in reversals in favor of the defense.

On March 23, 2010, a Philadelphia, Pennsylvania, state court jury found the Company responsible for a 1/11th share of a $14.5 million verdict in the James Nelson claim, and for a 1/20th share of a $3.5 million verdict in the Larry Bell claim. On February 23, 2011, the court entered judgment on the verdicts in the amount of $0.2 million against the Company, only, in Bell, and in the amount of $4.0 million, jointly, against the Company and two other defendants in Nelson, with additional interest in the amount of $0.01 million being assessed against the Company, only, in Nelson. All defendants, including the Company, and the plaintiffs took timely appeals of certain aspects of those judgments. The Company resolved the Bell appeal by settlement, which is reflected in the settled claims for 2012. On September 5, 2013, a panel of the Pennsylvania Superior Court, in a 2-1 decision, vacated the Nelson verdict against all defendants, reversing and remanding for a new trial. Plaintiffs requested a rehearing in the Superior Court and by order dated November 18, 2013, the Superior Court vacated the panel opinion, and granted en banc reargument. On December 23, 2014, the Superior Court issued a second opinion reversing the jury verdict. Plaintiffs sought leave to appeal to the Pennsylvania Supreme Court, which defendants have opposed.

On August 17, 2011, a New York City state court jury found the Company responsible for a 99% share of a $32 million verdict on the Ronald Dummitt claim. The Company filed post-trial motions seeking to overturn the verdict, to grant a new trial, or to reduce the damages, which the Company argued were excessive under New York appellate case law governing awards for non-economic losses. The Court held oral argument on these motions on October 18, 2011 and issued a written decision on August 21, 2012 confirming the jury's liability findings but reducing the award of damages to $8 million. At plaintiffs' request, the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Court entered a judgment in the amount of $4.9 million against the Company, taking into account settlement offsets and accrued interest under New York law. The Company appealed, and the judgment was affirmed in a 3-2 decision and order dated July 3, 2014. The Company has appealed to the New York Court of Appeals. The parties' briefing has concluded and oral argument will be heard in 2015.

On March 9, 2012, a Philadelphia, Pennsylvania, state court jury found the Company responsible for a 1/8th share of a $123,000 verdict in the Frank Paasch claim. The Company and plaintiffs filed post-trial motions. On May 31, 2012, on plaintiffs’ motion, the Court entered an order dismissing the claim against the Company, with prejudice, and without any payment.

On August 29, 2012, the Company received an adverse verdict in the William Paulus claim in Los Angeles, California. The jury found that the Company was responsible for ten percent (10%) of plaintiffs' non-economic damages of $6.5 million, plus a portion of plaintiffs' economic damages of $0.4 million. Based on California court rules regarding allocation of damages, judgment was entered in the amount of $0.8 million against the Company. The Company filed post-trial motions requesting judgment in the Company's favor notwithstanding the jury's verdict, which were denied. The Company appealed, and the judgment was affirmed by order dated February 21, 2014. The Company sought review of certain aspects of the ruling before the California Supreme Court, and review was denied. Having exhausted all post-trial and appellate remedies, the Company in June 2014 paid to plaintiffs the amount of $0.9 million, the judgment including interest, and this amount is included in second quarter indemnity totals.

On October 23, 2012, the Company received an adverse verdict in the Gerald Suttner claim in Buffalo, New York. The jury found that the Company was responsible for four percent (4%) of plaintiffs' damages of $3 million. The Company filed post-trial motions requesting judgment in the Company's favor notwithstanding the jury's verdict, which were denied. The court entered a judgment of $0.1 million against the Company. The Company appealed, and the judgment was affirmed by order dated March 21, 2014. The Company sought reargument of this decision, which was denied. The Company sought review before the New York Court of Appeals, which was accepted in the fourth quarter of 2014. Oral argument will be heard in 2015.

On November 28, 2012, the Company received an adverse verdict in the James Hellam claim in Oakland, CA. The jury found that the Company was responsible for seven percent (7%) of plaintiffs' non-economic damages of $4.5 million, plus a portion of their economic damages of $0.9 million. Based on California court rules regarding allocation of damages, judgment was entered against the Company in the amount of $1.282 million. The Company filed post-trial motions requesting judgment in the Company's favor notwithstanding the jury's verdict and also requesting that settlement offsets be applied to reduce the judgment in accordance with California law. On January 31, 2013, the court entered an order disposing partially of that motion. On March 1, 2013, the Company filed an appeal regarding the portions of the motion that were denied. The court entered judgment against the Company in the amount of $1.1 million. The Company appealed. By opinion dated April 16, 2014, the Court of Appeal affirmed the finding of liability against the Company, and the California Supreme Court denied review of this ruling. The Court of Appeal reserved the arguments relating to recoverable damages to a subsequent appeal that remains pending.

On February 25, 2013, a Philadelphia, Pennsylvania, state court jury found the Company responsible for a 1/10th share of a $2.5 million verdict in the Thomas Amato claim and a 1/5th share of a $2.3 million verdict in the Frank Vinciguerra claim, which were consolidated for trial. The Company filed post-trial motions requesting judgments in the Company's favor notwithstanding the jury's verdicts or new trials, and also requesting that settlement offsets be applied to reduce the judgment in accordance with Pennsylvania law. These motions were denied. The Company has appealed.

On March 1, 2013, a New York City state court jury entered a $35 million verdict against the Company in the Ivo Peraica claim. The Company filed post-trial motions seeking to overturn the verdict, to grant a new trial, or to reduce the damages, which the Company argues were excessive under New York appellate case law governing awards for non-economic losses and further were subject to settlement offsets. After the trial court remitted the verdict to $18 million, but otherwise denied the Company’s post-trial motion, judgment also entered against the Company in the amount of $10.6 million (including interest). The Company has appealed. The Company has taken a separate appeal of the trial court’s denial of its summary judgment motion. The Court has consolidated the appeals, which were heard in the fourth quarter of 2014.

On July 31, 2013, a Buffalo, New York state court jury entered a $3.1 million verdict against the Company in the Lee Holdsworth claim. The Company filed post-trial motions seeking to overturn the verdict, to grant a new trial, or to reduce the damages, which the Company argues were excessive under New York appellate case law governing awards for non-economic losses and further were subject to settlement offsets. Post-trial motions were denied, and the court will set a hearing to assess the amount of damages. Plaintiffs have requested judgment in the amount of $1.1 million. The Company plans to pursue an appeal if necessary.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On September 11, 2013, a Columbia, South Carolina state court jury in the Lloyd Garvin claim entered an $11 million verdict for compensatory damages against the Company and two other defendants jointly, and also awarded exemplary damages against the Company in the amount of $11 million. The jury also awarded exemplary damages against both other defendants. The Company filed post-trial motions seeking to overturn the verdict, which were denied, except that the Court remitted the compensatory damages award to $2.5 million and exemplary damages award to $3.5 million. Considering settlement offsets, the Court further reduced the total damages award to $3.5 million. The Company plans to pursue an appeal if necessary.

On September 17, 2013, a Fort Lauderdale, Florida state court jury in the Richard DeLisle claim found the Company responsible for 16 percent of an $8 million verdict. The trial court denied all parties' post-trial motions, and entered judgment against the Company in the amount of $1.3 million. The Company has appealed.

On June 16, 2014, a New York City state court jury entered a $15 million verdict against the Company in the Ivan Sweberg claim and a $10 million verdict against the Company in the Selwyn Hackshaw claim. The two claims were consolidated for trial. The Company filed post-trial motions seeking to overturn the verdicts, to grant new trials, or to reduce the damages, which were denied, except that the Court reduced the Sweberg award to $10 million, and reduced the Hackshaw award to $6 million. Plaintiffs subsequently requested judgments in the amount of $5.3 million in Sweberg and $2.9 million in Hackshaw. The Company plans to pursue appeals if necessary.

Such judgment amounts are not included in the Company's incurred costs until all available appeals are exhausted and the final payment amount is determined.

The gross settlement and defense costs incurred (before insurance recoveries and tax effects) for the Company for the years ended December 31, 2014, 2013 and 2012 totaled $81.1 million, $90.8 million and $96.1 million, respectively. In contrast to the recognition of settlement and defense costs, which reflect the current level of activity in the tort system, cash payments and receipts generally lag the tort system activity by several months or more, and may show some fluctuation from quarter to quarter. Cash payments of settlement amounts are not made until all releases and other required documentation are received by the Company, and reimbursements of both settlement amounts and defense costs by insurers may be uneven due to insurer payment practices, transitions from one insurance layer to the next excess layer and the payment terms of certain reimbursement agreements. The Company's total pre-tax payments for settlement and defense costs, net of funds received from insurers, for the years ended December 31, 2014, 2013 and 2012 totaled $61.3 million, $62.8 million and $78.0 million, respectively. Detailed below are the comparable amounts for the periods indicated.

(in millions) For the year ended December 31,	2014	2013	2012
Settlement / indemnity costs incurred (1)	$25.3	$31.6	$37.5
Defense costs incurred (1)	55.9	59.1	58.7
Total costs incurred	$81.1	$90.8	$96.1
Settlement / indemnity payments	$27.3	$37.8	$38.0
Defense payments	57.7	59.5	59.8
Insurance receipts	(23.8)	(34.5)	(19.8)
Pre-tax cash payments	$61.3	$62.8	$78.0

(1) Before insurance recoveries and tax effects.

The amounts shown for settlement and defense costs incurred, and cash payments, are not necessarily indicative of future period amounts, which may be higher or lower than those reported.

Cumulatively through December 31, 2014, the Company has resolved (by settlement or dismissal) approximately 107,000 claims, not including the MARDOC claims referred to above. The related settlement cost incurred by the Company and its insurance carriers is approximately $425 million, for an average settlement cost per resolved claim of approximately $4,000. The average settlement cost per claim resolved during the years ended December 31, 2014, 2013 and 2012 was $3,800, $3,300 and $6,300, respectively. Because claims are sometimes dismissed in large groups, the average cost per resolved claim, as well as the number of open claims, can fluctuate significantly from period to period. In addition to large group dismissals, the nature of the disease and corresponding settlement amounts for each claim resolved will also drive changes from period to period in the average settlement cost per claim. Accordingly, the average cost per resolved claim is not considered in the Company's periodic review of its estimated asbestos liability. For a discussion regarding the four most significant factors affecting the liability estimate, see "Effects on the Consolidated Financial Statements".

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Effects on the Consolidated Financial Statements

The Company has retained the firm of Hamilton, Rabinovitz & Associates, Inc. ("HR&A"), a nationally recognized expert in the field, to assist management in estimating the Company's asbestos liability in the tort system. HR&A reviews information provided by the Company concerning claims filed, settled and dismissed, amounts paid in settlements and relevant claim information such as the nature of the asbestos-related disease asserted by the claimant, the jurisdiction where filed and the time lag from filing to disposition of the claim. The methodology used by HR&A to project future asbestos costs is based largely on the Company's experience during a base reference period of eleven quarterly periods (consisting of the two full preceding calendar years and three additional quarterly periods to the estimate date) for claims filed, settled and dismissed. The Company's experience is then compared to the results of widely used previously conducted epidemiological studies estimating the number of individuals likely to develop asbestos-related diseases. Those studies were undertaken in connection with national analyses of the population of workers believed to have been exposed to asbestos. Using that information, HR&A estimates the number of future claims that would be filed against the Company and estimates the aggregate settlement or indemnity costs that would be incurred to resolve both pending and future claims based upon the average settlement costs by disease during the reference period. This methodology has been accepted by numerous courts. After discussions with the Company, HR&A augments its liability estimate for the costs of defending asbestos claims in the tort system using a forecast from the Company which is based upon discussions with its defense counsel. Based on this information, HR&A compiles an estimate of the Company's asbestos liability for pending and future claims, based on claim experience during the reference period and covering claims expected to be filed through the indicated forecast period. The most significant factors affecting the liability estimate are (1) the number of new mesothelioma claims filed against the Company, (2) the average settlement costs for mesothelioma claims, (3) the percentage of mesothelioma claims dismissed against the Company and (4) the aggregate defense costs incurred by the Company. These factors are interdependent, and no one factor predominates in determining the liability estimate. Although the methodology used by HR&A can be applied to show claims and costs for periods subsequent to the indicated period (up to and including the endpoint of the asbestos studies referred to above), management believes that the level of uncertainty regarding the various factors used in estimating future asbestos costs is too great to provide for reasonable estimation of the number of future claims, the nature of such claims or the cost to resolve them for years beyond the indicated estimate.

In the Company's view, the forecast period used to provide the best estimate for asbestos claims and related liabilities and costs is a judgment based upon a number of trend factors, including the number and type of claims being filed each year; the jurisdictions where such claims are filed, and the effect of any legislation or judicial orders in such jurisdictions restricting the types of claims that can proceed to trial on the merits; and the likelihood of any comprehensive asbestos legislation at the federal level. In addition, the dynamics of asbestos litigation in the tort system have been significantly affected over the past five to ten years by the substantial number of companies that have filed for bankruptcy protection, thereby staying any asbestos claims against them until the conclusion of such proceedings, and the establishment of a number of post-bankruptcy trusts for asbestos claimants, which are estimated to provide $36 billion for payments to current and future claimants. These trend factors have both positive and negative effects on the dynamics of asbestos litigation in the tort system and the related best estimate of the Company's asbestos liability, and these effects do not move in a linear fashion but rather change over multi-year periods. Accordingly, the Company's management continues to monitor these trend factors over time and periodically assesses whether an alternative forecast period is appropriate.

Each quarter, HR&A compiles an update based upon the Company's experience in claims filed, settled and dismissed during the updated reference period (consisting of the preceding eleven quarterly periods) as well as average settlement costs by disease category (mesothelioma, lung cancer, other cancer, and non-malignant conditions including asbestosis) during that period. In addition to this claims experience, the Company also considers additional quantitative and qualitative factors such as the nature of the aging of pending claims, significant appellate rulings and legislative developments, and their respective effects on expected future settlement values. As part of this process, the Company also takes into account trends in the tort system such as those enumerated above. Management considers all these factors in conjunction with the liability estimate of HR&A and determines whether a change in the estimate is warranted.

Liability Estimate. With the assistance of HR&A, effective as of December 31, 2011, the Company updated and extended its estimate of the asbestos liability, including the costs of settlement or indemnity payments and defense costs relating to currently pending claims and future claims projected to be filed against the Company through 2021. The Company's previous estimate was for asbestos claims filed or projected to be filed through 2017. As a result of this updated estimate, the Company recorded an additional liability of $285 million as of December 31, 2011. The Company's decision to take this action at such date was based on several factors which contribute to the Company's ability to reasonably estimate this liability for the additional period noted. First, the number of mesothelioma claims (which although constituting approximately 8% of the Company's total pending asbestos claims, have accounted for approximately 90% of the Company's aggregate settlement and defense costs) being filed against the Company and associated settlement costs have recently stabilized. In the Company's opinion, the outlook

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for mesothelioma claims expected to be filed and resolved in the forecast period is reasonably stable. Second, there have been favorable developments in the trend of case law which has been a contributing factor in stabilizing the asbestos claims activity and related settlement costs. Third, there have been significant actions taken by certain state legislatures and courts over the past several years that have reduced the number and types of claims that can proceed to trial, which has been a significant factor in stabilizing the asbestos claims activity. Fourth, the Company has now entered into coverage-in-place agreements with almost all of its excess insurers, which enables the Company to project a more stable relationship between settlement and defense costs paid by the Company and reimbursements from its insurers. Taking all of these factors into account, the Company believes that it can reasonably estimate the asbestos liability for pending claims and future claims to be filed through 2021. While it is probable that the Company will incur additional charges for asbestos liabilities and defense costs in excess of the amounts currently provided, the Company does not believe that any such amount can be reasonably estimated beyond 2021. Accordingly, no accrual has been recorded for any costs which may be incurred for claims which may be made subsequent to 2021.

Management has made its best estimate of the costs through 2021 based on the analysis by HR&A completed in January 2012. Through December 31, 2014, the Company's actual experience during the updated reference period for mesothelioma claims filed and dismissed generally approximated the assumptions in the Company's liability estimate. In addition to this claims experience, the Company considered additional quantitative and qualitative factors such as the nature of the aging of pending claims, significant appellate rulings and legislative developments, and their respective effects on expected future settlement values. Based on this evaluation, the Company determined that no change in the estimate was warranted for the period ended December 31, 2014. Nevertheless, if certain factors show a pattern of sustained increase or decrease, the liability could change materially; however, all the assumptions used in estimating the asbestos liability are interdependent and no single factor predominates in determining the liability estimate. Because of the uncertainty with regard to and the interdependency of such factors used in the calculation of its asbestos liability, and since no one factor predominates, the Company believes that a range of potential liability estimates beyond the indicated forecast period cannot be reasonably estimated.

A liability of $894 million was recorded as of December 31, 2011 to cover the estimated cost of asbestos claims now pending or subsequently asserted through 2021, of which approximately 80% is attributable to settlement and defense costs for future claims projected to be filed through 2021. The liability is reduced when cash payments are made in respect of settled claims and defense costs. The liability was $614 million as of December 31, 2014. It is not possible to forecast when cash payments related to the asbestos liability will be fully expended; however, it is expected such cash payments will continue for a number of years past 2021, due to the significant proportion of future claims included in the estimated asbestos liability and the lag time between the date a claim is filed and when it is resolved. None of these estimated costs have been discounted to present value due to the inability to reliably forecast the timing of payments. The current portion of the total estimated liability at December 31, 2014 was $79 million and represents the Company's best estimate of total asbestos costs expected to be paid during the twelve-month period. Such amount is based upon the HR&A model together with the Company's prior year payment experience for both settlement and defense costs.

Insurance Coverage and Receivables. Prior to 2005, a significant portion of the Company's settlement and defense costs were paid by its primary insurers. With the exhaustion of that primary coverage, the Company began negotiations with its excess insurers to reimburse the Company for a portion of its settlement and/or defense costs as incurred. To date, the Company has entered into agreements providing for such reimbursements, known as "coverage-in-place", with eleven of its excess insurer groups. Under such coverage-in-place agreements, an insurer's policies remain in force and the insurer undertakes to provide coverage for the Company's present and future asbestos claims on specified terms and conditions that address, among other things, the share of asbestos claims costs to be paid by the insurer, payment terms, claims handling procedures and the expiration of the insurer's obligations. Similarly, under a variant of coverage-in-place, the Company has entered into an agreement with a group of insurers confirming the aggregate amount of available coverage under the subject policies and setting forth a schedule for future reimbursement payments to the Company based on aggregate indemnity and defense payments made. In addition, with ten of its excess insurer groups, the Company entered into policy buyout agreements, settling all asbestos and other coverage obligations for an agreed sum, totaling $82.5 million in aggregate. Reimbursements from insurers for past and ongoing settlement and defense costs allocable to their policies have been made in accordance with these coverage-in-place and other agreements. All of these agreements include provisions for mutual releases, indemnification of the insurer and, for coverage-in-place, claims handling procedures. With the agreements referenced above, the Company has concluded settlements with all but one of its solvent excess insurers whose policies are expected to respond to the aggregate costs included in the updated liability estimate. That insurer, which issued a single applicable policy, has been paying the shares of defense and indemnity costs the Company has allocated to it, subject to a reservation of rights. There are no pending legal proceedings between the Company and any insurer contesting the Company’s asbestos claims under its insurance policies.

In conjunction with developing the aggregate liability estimate referenced above, the Company also developed an estimate of probable insurance recoveries for its asbestos liabilities. In developing this estimate, the Company considered its coverage-in-

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

place and other settlement agreements described above, as well as a number of additional factors. These additional factors include the financial viability of the insurance companies, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, how settlement and defense costs will be covered by the insurance policies and interpretation of the effect on coverage of various policy terms and limits and their interrelationships. In addition, the timing and amount of reimbursements will vary because the Company's insurance coverage for asbestos claims involves multiple insurers, with different policy terms and certain gaps in coverage. In addition to consulting with legal counsel on these insurance matters, the Company retained insurance consultants to assist management in the estimation of probable insurance recoveries based upon the aggregate liability estimate described above and assuming the continued viability of all solvent insurance carriers. Based upon the analysis of policy terms and other factors noted above by the Company's legal counsel, and incorporating risk mitigation judgments by the Company where policy terms or other factors were not certain, the Company's insurance consultants compiled a model indicating how the Company's historical insurance policies would respond to varying levels of asbestos settlement and defense costs and the allocation of such costs between such insurers and the Company. Using the estimated liability as of December 31, 2011 (for claims filed or expected to be filed through 2021), the insurance consultant's model forecasted that approximately 25% of the liability would be reimbursed by the Company's insurers. While there are overall limits on the aggregate amount of insurance available to the Company with respect to asbestos claims, those overall limits were not reached by the total estimated liability currently recorded by the Company, and such overall limits did not influence the Company in its determination of the asset amount to record. The proportion of the asbestos liability that is allocated to certain insurance coverage years, however, exceeds the limits of available insurance in those years. The Company allocates to itself the amount of the asbestos liability (for claims filed or expected to be filed through 2021) that is in excess of available insurance coverage allocated to such years. An asset of $225 million was recorded as of December 31, 2011 representing the probable insurance reimbursement for such claims expected through 2021. The asset is reduced as reimbursements and other payments from insurers are received. The asset was $147 million as of December 31, 2014.

The Company reviews the aforementioned estimated reimbursement rate with its insurance consultants on a periodic basis in order to confirm its overall consistency with the Company's established reserves. The reviews encompass consideration of the performance of the insurers under coverage-in-place agreements and the effect of any additional lump-sum payments under policy buyout agreements. Since December 2011, there have been no developments that have caused the Company to change the estimated 25% rate, although actual insurance reimbursements vary from period to period, and will decline over time, for the reasons cited above.

Uncertainties. Estimation of the Company's ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims and the manner of their resolution. The Company cautions that its estimated liability is based on assumptions with respect to future claims, settlement and defense costs based on past experience that may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would substantial adverse verdicts at trial that withstand appeal. A legislative solution, structured settlement transaction, or significant change in relevant case law could also change the estimated liability.

The same factors that affect developing estimates of probable settlement and defense costs for asbestos-related liabilities also affect estimates of the probable insurance reimbursements, as do a number of additional factors. These additional factors include the financial viability of the insurance companies, the method by which losses will be allocated to the various insurance policies and the years covered by those policies, how settlement and defense costs will be covered by the insurance policies and interpretation of the effect on coverage of various policy terms and limits and their interrelationships. In addition, due to the uncertainties inherent in litigation matters, no assurances can be given regarding the outcome of any litigation, if necessary, to enforce the Company's rights under its insurance policies or settlement agreements.

Many uncertainties exist surrounding asbestos litigation, and the Company will continue to evaluate its estimated asbestos-related liability and corresponding estimated insurance reimbursement as well as the underlying assumptions and process used to derive these amounts. These uncertainties may result in the Company incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if the number of claims and settlement and defense costs change significantly, or if there are significant developments in the trend of case law or court procedures, or if legislation or another alternative solution is implemented; however, the Company is currently unable to estimate such future changes and, accordingly, while it is probable that the Company will incur additional charges for asbestos liabilities and defense costs in excess of the amounts currently provided, the Company does not believe that any such amount can be reasonably determined beyond 2021. Although the resolution of these claims may take many years, the effect on the results of operations, financial position and cash flow in any given period from a revision to these estimates could be material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Contingencies

Environmental Matters

For environmental matters, the Company records a liability for estimated remediation costs when it is probable that the Company will be responsible for such costs and they can be reasonably estimated. Generally, third party specialists assist in the estimation of remediation costs. The environmental remediation liability as of December 31, 2014 is substantially related to the former manufacturing sites in Goodyear, Arizona (the “Goodyear Site”) and Roseland, NJ ("Roseland Site") each discussed below.

The Goodyear Site was operated by UniDynamics/Phoenix, Inc. (“UPI”), which became an indirect subsidiary of the Company in 1985 when the Company acquired UPI’s parent company, UniDynamics Corporation. UPI manufactured explosive and pyrotechnic compounds, including components for critical military programs, for the U.S. government at the Goodyear Site from 1962 to 1993, under contracts with the Department of Defense and other government agencies and certain of their prime contractors. No manufacturing operations have been conducted at the Goodyear Site since 1994. The Goodyear Site was placed on the National Priorities List in 1983, and is now part of the Phoenix-Goodyear Airport North Superfund Site. In 1990, the U.S. Environmental Protection Agency (“EPA”) issued administrative orders requiring UPI to design and carry out certain remedial actions, which UPI has done. Groundwater extraction and treatment systems have been in operation at the Goodyear Site since 1994. A soil vapor extraction system was in operation from 1994 to 1998, was restarted in 2004, and is currently in operation. The Company recorded a liability in 2004 for estimated costs to remediate the Goodyear Site. On July 26, 2006, the Company entered into a consent decree with the EPA with respect to the Goodyear Site providing for, among other things, a work plan for further investigation and remediation activities (inclusive of a supplemental remediation investigation and feasibility study). During the fourth quarter of 2007, the Company and its technical advisors determined that changing groundwater flow rates and contaminant plume direction at the Goodyear Site required additional extraction systems as well as modifications and upgrades of the existing systems. In consultation with its technical advisors, the Company prepared a forecast of the expenditures required for these new and upgraded systems as well as the costs of operation over the forecast period through 2014. Taking these additional costs into consideration, the Company estimated its liability for the costs of such activities through 2014 to be $41.5 million as of December 31, 2007. During the fourth quarter of 2008, based on further consultation with the Company’s advisors and the EPA and in response to groundwater monitoring results that reflected a continuing migration in contaminant plume direction during the year, the Company revised its forecast of remedial activities to increase the level of extraction systems and the number of monitoring wells in and around the Goodyear Site, among other things. As of December 31, 2008, the revised liability estimate was $65.2 million which resulted in an additional charge of $24.3 million during the fourth quarter of 2008. During the fourth quarter of 2011, additional remediation activities were determined to be required, in consultation with the Company’s advisors, to further address the migration of the contaminant plume. As a result, the Company recorded a charge of $30.3 million during the fourth quarter of 2011, extending the accrued costs through 2016. During the third quarter of 2014, the EPA issued a Record of Decision amendment requiring, among other things, additional source area remediation resulting in the Company recording a charge of $49.0 million, extending the accrued costs through 2022. The total estimated gross liability was $79.3 million as of December 31, 2014, and as described below, a portion is reimbursable by the U.S. Government. The current portion of the total estimated liability was approximately $15.5 million and represents the Company’s best estimate, in consultation with its technical advisors, of total remediation costs expected to be paid during the twelve-month period.

Estimates of the Company’s environmental liabilities at the Goodyear Site are based on currently available facts, present laws and regulations and current technology available for remediation, and are recorded on an undiscounted basis. These estimates consider the Company’s prior experience in the Goodyear Site investigation and remediation, as well as available data from, and in consultation with, the Company’s environmental specialists. Estimates at the Goodyear Site are subject to significant uncertainties caused primarily by the dynamic nature of the Goodyear Site conditions, the range of remediation alternatives available, together with the corresponding estimates of cleanup methodology and costs, as well as ongoing, required regulatory approvals, primarily from the EPA. Accordingly, it is

likely that upon completing the supplemental remediation investigation and the feasibility study and reaching a final work plan, which is now expected to be completed in or before 2019, an adjustment to the Company's liability estimate may be necessary to account for the agreed upon additional work as further information and circumstances regarding the Goodyear Site characterization develop. While actual remediation cost therefore may be more than amounts accrued, the Company believes it has established adequate reserves for all probable and reasonably estimable costs.
It is not possible at this point to reasonably estimate the amount of any obligation in excess of the Company's current accruals through the 2022 forecast period because of the aforementioned uncertainties, in particular, the continued significant changes in the Goodyear Site conditions and additional expectations of remediation activities experienced in recent years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On July 31, 2006, the Company entered into a consent decree with the U.S. Department of Justice on behalf of the Department of Defense and the Department of Energy pursuant to which, among other things, the U.S. Government reimburses the Company for 21% of qualifying costs of investigation and remediation activities at the Goodyear Site. As of December 31, 2014, the Company has recorded a receivable of $17.1 million for the expected reimbursements from the U.S. Government in respect of the aggregate liability as at that date. The receivable is reduced as reimbursements and other payments from the U.S. Government are received.

Roseland Site

The Roseland Site was operated by Resistoflex Corporation (“Resistoflex”), which became an indirect subsidiary of the Company in 1985 when the Company acquired Resistoflex’s parent company, UniDynamics Corporation. Resistoflex manufactured specialty lined pipe and fittings at the site from the 1950s until it was closed in the mid-1980s. In 2009, at the request of the New Jersey Department of Environmental Protection (“NJDEP”), the Company performed certain tests of the indoor air quality of approximately 40 homes in a residential area surrounding the Roseland Site to determine if any contaminants (volatile organic compound vapors from groundwater) from the Roseland Site were present in those homes. The test results showed that three homes had volatile organic compound vapors above NJ DEP's recommended concentration levels, and the Company installed vapor mitigation equipment in those homes. On April 15, 2011, those three homeowners, and the tenants in one of those homes, filed separate suits against the Company seeking unspecified compensatory and punitive damages for their lost property value and nuisance. In addition, a homeowner in the testing area, whose home tested negative for the presence of contaminants, filed a class action suit against the Company on behalf of himself and 138 other homeowners in the surrounding area, claiming damages in the nature of loss of value on their homes due to their proximity to the Roseland Site. The plaintiffs in these cases amended their complaints to assert claims under New Jersey's Environmental Rights Act for the Company's alleged failure to properly report its waste discharge practices in the late 1960s and early 1970s, and for natural resource damages. In late December 2013, the plaintiffs moved to have a class of 139 homeowners certified, and the motion was granted in early February 2014. At the same time the Court also entered partial summary judgment on liability for the three homes where the Company had installed vapor mitigation equipment. The Company reached an agreement to settle all current claims with the class and individual plaintiffs for a one-time payment of $6.5 million. This agreement was approved by the Court on July 23, 2014 and the Company completed all obligations required of it to complete the settlement on October 10, 2014.

The Company undertook an extensive soil remediation effort at the Roseland Site following its closure, and had been monitoring the Site’s condition in the years that followed. In response to changes in remediation standards, the Company has conducted further site characterization and delineation studies. In the three months ended September 30, 2014, the Company, in consultation with its advisors, substantially completed its assessment of soil and groundwater contaminants at the Roseland Site, and developed an enhanced remediation plan for the site, which includes further soil removal, groundwater treatment, and soil vapor extraction, resulting in a charge of $6.8 million for remediation activities which are expected to be completed by 2017. Estimates of the Company’s environmental liabilities at the Roseland Site are based on currently available facts, present laws and regulations and current technology available for remediation, and are recorded on an undiscounted basis. While actual remediation cost may be more or less than amounts accrued, the Company believes it has established adequate reserves for all probable and reasonably estimable costs.

Other Environmental Matters

The Company has been identified as a potentially responsible party (“PRP”) with respect to environmental contamination at the Crab Orchard National Wildlife Refuge Superfund Site (the “Crab Orchard Site”). The Crab Orchard Site is located near Marion, Illinois, and consists of approximately 55,000 acres. Beginning in 1941, the United States used the Crab Orchard Site for the production of ordnance and other related products for use in World War II. In 1947, the Crab Orchard Site was transferred to the United States Fish and Wildlife Service (“FWS”), and about half of the Crab Orchard Site was leased to a variety of industrial tenants whose activities (which continue to this day) included manufacturing ordnance and explosives. A predecessor to the Company formerly leased portions of the Crab Orchard Site, and conducted manufacturing operations at the Crab Orchard Site from 1952 until 1964.

General Dynamics Ordnance and Tactical Systems, Inc. (“GD-OTS”) is in the process of conducting a remedial investigation and feasibility study for the Additional and Uncharacterized Sites Operable Unit (“AUS-OU”) at the Crab Orchard Site, pursuant to an Administrative Order on Consent between GD-OTS and the FWS, the EPA and the Illinois Environmental Protection Agency. The Company is not a party to that agreement, and has not been asked by any agency of the United States Government or the State of Illinois to participate in any investigative or remedial activity relative to the Crab Orchard Site. The Company has been informed that GD-OTS completed a Phase I remedial investigation in 2008, and a Phase II remedial investigation in 2010. Additionally, FWS completed initial human health and baseline ecological risk assessments in 2010, and its revised human health risk assessment and baseline ecological risk assessment were completed in June 2014. In October 2014, GD-OTS submitted a revised draft remedial investigation report (including the results of a remedial investigation "addendum"). Regulatory agencies provided comments on the revised draft report in December 2014. GD-OTS projected that the final remedial investigation report would be submitted in January 2015, but it is not yet known if GD-OTS did so as projected. GD-OTS further reports that additional plant and invertebrate tissue sampling is projected to take place in Spring 2015. Work on interim deliverables for the feasibility study is reportedly underway, with submission of the draft remedial action options memorandum scheduled for May 2015, submission of the Preliminary Screening of Alternatives memorandum scheduled for August 2015, and submission of the Comparative Analysis of Alternatives memorandum scheduled for November 2015. Submission of a draft feasibility study report is projected for spring 2016. It is unclear when a final Record of Decision may be issued.

GD-OTS has asked the Company to participate in a voluntary cost allocation/mediation exercise with respect to response costs it has incurred or will incur with respect to the AUS-OU. The Company, along with a number of other PRPs that were contacted, initially declined, citing the absence of certain necessary parties as well as an underdeveloped environmental record. More recently, in light of the ongoing investigative activities, and the apparent willingness of the U.S. government to participate in a mediation proceeding, a number of PRPs (including GD-OTS, the U.S. government, and the Company) have indicated their intention to participate in a non-binding mediation process, and have agreed upon the terms of a mediation process agreement. At present, it appears that this mediation agreement may be executed upon issuance of the final remedial investigation report in early 2015. The Company at present cannot predict when any determination of the allocable share of the various PRPs, including the U.S. Government, is likely to be completed. Although a loss is probable, it is not possible at this time to reasonably estimate the amount of any obligation for remediation of the Crab Orchard Site because the extent of the environmental impact, allocation among PRPs, remediation alternatives, and concurrence of regulatory authorities have not yet advanced to the stage where a reasonable estimate can be made. The Company has notified its insurers of this potential liability and will seek coverage under its insurance policies.

On a related matter, the United States brought suit against GD-OTS and Schlumberger Technology Corporation ("Schlumberger"), seeking to recover response costs that the United States has allegedly incurred in connection with alleged environmental contamination at a portion of the Crab Orchard Site known as "Site 36," which is within the Site's Miscellaneous Areas Operable Unit. This area, reported to be the wastewater treatment plant formerly serving the Crab Orchard Site, is not a part of the AUS-OU, as discussed above. On June 1, 2012, GD-OTS and Schlumberger filed a third-party complaint against the Company and seven other third-party defendants, seeking to shift a portion of any costs that GD-OTS and Schlumberger are held liable to pay to other entities formerly conducting activities at Site 36. GD-OTS and Schlumberger also counterclaimed against the United States, seeking to compel the United States to bear a share of the response costs the United States allegedly has incurred. The United States, GD-OTS, Schlumberger, the Company, and all remaining third-party defendants resolved their claims against each other and finalized the terms of a consent decree, which was entered by the Court on April 1, 2014. Pursuant to the parties' agreement, the Company paid $166,667 to resolve all past and future claims for response costs relating to Site 36. The Company notified its insurers of this liability and has obtained an agreement for coverage for the settlement amount referenced above.

Other Proceedings

A number of other lawsuits, claims and proceedings have been or may be asserted against the Company relating to the conduct of its business, including those pertaining to product liability, patent infringement, commercial, employment, employee benefits, environmental and stockholder matters. While the outcome of litigation cannot be predicted with certainty, and some of these other lawsuits, claims or proceedings may be determined adversely to the Company, the Company does not believe that the disposition of any such other pending matters is likely to have a material impact on its financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a significant impact on the Company's results of operations and cash flows for that period.

Note 12 - Acquisitions and Divestitures

Acquisitions are accounted for in accordance with the guidance for business combinations. Accordingly, the Company makes an initial allocation of the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. The Company obtains this information during due diligence and through other sources. In the months after closing, as the Company obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Company will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

On December 11, 2013, the Company completed the acquisition of MEI, a leading provider of payment solutions for unattended transaction systems, serving customers in the transportation, gaming, retail, financial services and vending markets. The purchase price was $804 million for all of the outstanding equity interests of MEI. MEI had sales of $399 million in 2012 and has been integrated into the Company's Crane Payment Innovations business within its Payment & Merchandising Technologies segment. The amount allocated to goodwill reflects the benefits the Company expects to realize from the acquisition, as the acquisition is expected to strengthen and broaden the Company's product offering and will allow the Company to strengthen its global position in all sectors of the end market, as described above. Goodwill from this acquisition is not deductible for tax purposes.

To finance the cash consideration for the MEI acquisition, the Company issued $250 million of 2.75% Senior Notes due 2018 and $300 million of 4.45% Senior Notes due 2023. For the remainder of the cash consideration, the Company utilized cash and cash equivalents generated from operating activities.

In June 2014, the Company received $6.1 million as part of the final working capital adjustment related to the MEI acquisition.

Allocation of Consideration Transferred to Net Assets Acquired:

The following amounts represent the determination of the fair value of identifiable assets acquired and liabilities assumed from the Company's acquisition of MEI. The fair value of certain assets and liabilities has been completed as required by ASC Topic 805, "Business Combinations ("ASC 805")".

Net assets acquired (in millions)	
Total current assets	$172
Property, plant and equipment	46
Other assets	15
Intangible assets	302
Goodwill	428
	963
Assumed liabilities	120
Net assets acquired	$843

The amounts allocated to acquired intangible assets, and their associated weighted- average useful lives which were determined based on the period over which the assets are expected to contribute directly or indirectly to our future cash flows, consist of the following:

Intangible Assets (dollars in millions)	Intangible Fair Value	Weighted Average Life
Trademarks/trade names	$7	6.7
Customer relationships	277	16.6
Backlog	5	0.3
Product technology	13	5.7
Total acquired intangible assets	$302	

In order to allocate the consideration transferred for MEI, the fair values of all identifiable assets and liabilities must be established. For accounting and financial reporting purposes, fair value is defined under ASC Topic 820, "Fair Value Measurement and Disclosure" as the price that would be received upon sale of an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market participants are assumed to be buyers and sellers in the principal (most advantageous) market for the asset or liability. Additionally, fair value measurements for an asset assume the highest and best use of that asset by market participants. Use of different estimates and judgments could yield different results.

The fair values of the trademark and trade name intangible assets were determined by using an “income approach”, specifically the relief-from-royalty approach, which is a commonly accepted valuation approach. This approach is based on the assumption that in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of this asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Therefore, a portion of MEI’s earnings, equal to the after-tax royalty that would have been paid for the use of the asset, can be attributed to the firm’s ownership. The trademark and trade names are being amortized on a straight-line basis (which approximates the economic pattern of benefits) over the estimated economic life of five to ten years.
The fair values of the product technology intangible assets were also determined by the relief-from-royalty approach. Similarly, this approach is based on the assumption that in lieu of ownership, a firm would be willing to pay a royalty in order to exploit the related benefits of the technology. Therefore, a portion of MEI’s earnings, equal to the after-tax royalty that would have been paid for the use of the technology, can be attributed to the firm’s ownership of the technology. The technology assets are being amortized on a straight-line basis (which approximates the economic pattern of benefits) over the estimated economic life of three to six years.
The fair values of the customer relationships and backlog intangible assets, were determined by using an “income approach” which is a commonly accepted valuation approach. Under this approach, the net earnings attributable to the asset or liability being measured are isolated using the discounted projected net cash flows. These projected cash flows are isolated from the projected cash flows of the combined asset group over the remaining economic life of the intangible asset or liability being measured. Both the amount and the duration of the cash flows are considered from a market participant perspective. Our estimates of market participant net cash flows considered historical and projected pricing, operational performance including market participant synergies, aftermarket retention, product life cycles, material and labor pricing, and other relevant customer, contractual and market factors. Where appropriate, the net cash flows were-adjusted to reflect the potential attrition of existing customers in the future, as existing customers are a “wasting” asset and are expected to decline over time. The attrition-adjusted future cash flows are then discounted to present value using an appropriate discount rate. The customer relationship is being amortized on a straight-line basis (which approximates the economic pattern of benefits) over the estimated economic life of 13 to 18 years.
Acquisition-Related Costs:
Acquisition-related costs were expensed as incurred. For the year ended December 31, 2014, the Company recorded $9.8 million of acquisition integration related charges, $4.8 million of inventory step-up and backlog amortization within cost of sales in the Consolidated Statement of Operations and $10.3 million of restructuring costs (see additional discussion in Note 16). For the year ended December 31, 2013, the Company recorded $22.8 million of transaction costs within the selling, general and administrative category in the Consolidated Statement of Operations. In addition, as part of the execution of regulatory remedies associated with the MEI acquisition, the Company sold a product line, which was formerly part of its Payment & Merchandising Technologies segment, to Suzo-Happ Group for $6.8 million and recorded a $2 million gain. Sales of this product line were $15.1 million in 2013.

Supplemental Pro-Forma Data (Unaudited):
MEI's results of operations have been included in the Company's financial statements for the period subsequent to the completion of the acquisition on December 11, 2013. MEI contributed sales of approximately $25 million resulting in an operating loss of approximately $2 million for the period from the completion of the acquisition through December 31, 2013. The following unaudited supplemental pro forma data for the year ended December 31, 2013 and 2012 presents consolidated information as if the acquisition had been completed on January 1, 2012 . There were no significant pro forma adjustments required for the year ended December 31, 2013. The pro forma results were calculated by combining the results of Crane Co. with the stand-alone results of MEI for the pre-acquisition periods, which were adjusted to account for certain costs which would have been incurred during this pre-acquisition period:

For the year ended December 31, (in millions)	2013	2012
Net Sales	$2,936	$2,969
Net income attributable to common shareholders	$242	$239
Basic earnings per share from continuing operations	$4.18	$4.17
Diluted earnings per share from continuing operations	$4.11	$4.11

The unaudited supplemental pro-forma data above includes adjustments for inventory step up, depreciation and amortization related to acquired MEI property, plant & equipment and intangible assets, transaction costs, interest expense related financing directly associated with the acquisition and the effect of required dispositions to meet regulatory approval.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Acquisition and Disposition Activity:
Please refer to Note 2, “Discontinued Operations,” for discussion of the divestitures of Azonix and the Company’s valve service center in Houston, Texas.

Note 13 – Stock-Based Compensation Plans
Effective February 2013, the Company terminated its two existing stock compensation plans and created a single plan to cover all employees and directors: the Stock Incentive Plan and the Non-Employee Director Stock Compensation Plan. The Stock Incentive Plan is used to provide long-term incentive compensation through stock options, restricted share units and performance-based restricted share units.

Options are granted under the Stock Incentive Plan to officers and other key employees and directors at an exercise price equal to the closing price on the date of grant. For grants prior to April 23, 2007, the exercise price is equal to the fair market value of the shares on the date of grant, which is defined for purposes of the plans as the average of the high and low prices for the Company’s common stock on the 10 trading days ending on the date of grant. Unless otherwise determined by the Compensation Committee which administers the plan, options become exercisable at a rate of 25% after the first year, 50% after the second year, 75% after the third year and 100% after the fourth year from the date of grant. Options granted from 2004 to 2014 expire six years after the date of grant. All options granted to directors and options granted to officers and employees prior to 2014 and after 2014 expire ten years after date of grant. Options granted prior to January 29, 2007, became exercisable at a rate of 50% after the first year, 75% after the second year and 100% after the third year.
The Company determines the fair value of each grant using the Black-Scholes option pricing model. The weighted-average assumptions for grants made during the years ended December 31, 2014, 2013 and 2012 are as follows:

	2014		2013		2012	
Dividend yield	2.50	%	2.76	%	2.18	%
Volatility	27.49	%	35.52	%	43.09	%
Risk-free interest rate	1.39	%	0.76	%	0.79	%
Expected lives in years	4.20		4.20		4.28	

Expected dividend yield is based on the Company’s dividend rate. Expected stock volatility was determined based upon the historical volatility for the four-year-period preceding the date of grant. The risk-free interest rate was based on the yield curve in effect at the time the options were granted, using U.S. constant maturities over the expected life of the option. The expected lives of the awards represents the period of time that options granted are expected to be outstanding.
Activity in the Company’s stock option plans for the year ended December 31, 2014 was as follows:

Option Activity	Number of Shares (in 000’s)		Weighted Average Exercise Price	Weighted Average Remaining Life (Years)
Options outstanding at January 1, 2014	2,781		$43.61	
Granted	560		64.81	
Exercised	(827	)	37.08	
Canceled	(88	)	48.78	
Options outstanding at December 31, 2014	2,426		$50.52	4.43
Options exercisable at December 31, 2014	815		$43.43	2.59

The weighted-average fair value of options granted during 2014, 2013 and 2012 was $12.57, $12.08 and $15.07, respectively. The total fair value of shares vested during 2014, 2013 and 2012 was $9.6 million, $9.1 million and $7.3 million, respectively. The total intrinsic value of options exercised during 2014, 2013 and 2012 was $25.4 million, $26.2 million and $14.8 million, respectively. The total cash received from these option exercises was $20.5 million, $31.0 million and $18.7 million, respectively, and the tax benefit realized for the tax deductions from option exercises and vesting of restricted stock was $7.7 million, $6.4 million and $3.6 million, respectively. The aggregate intrinsic value of exercisable options was $12.5 million, $26.4 million and $15.6 million as of December 31, 2014, 2013 and 2012, respectively.

Restricted stock and restricted share units vest at a rate of 25% after the first year, 50% after the second year, 75% after the third year and 100% after the fourth year from the date of grant and are subject to forfeiture restrictions which lapse over time. The vesting of Performance-based restricted share units is determined in three years based on relative total shareholder return for

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Crane Co. compared to the S&P Midcap 400 Capital Goods Group, with payout potential ranging from 0% to 175% but capped at 100% if the Company's three-year total shareholder return is negative.

Included in the Company's share-based compensation was expense recognized for its restricted stock, restricted share unit and performance-based restricted share unit awards of $10.9 million, $11.9 million and $8.3 million in 2014, 2013 and 2012, respectively. Changes in the Company's restricted stock and restricted share units for the year ended December 31, 2014 were as follows:

Restricted Stock and Restricted Share Unit Activity	Restricted Stock and Restricted Share Units (in 000's)	Weighted Average Grant-Date Fair Value
Restricted Stock and Restricted Share Units at January 1, 2014	766	$44.56
Restricted Share Units granted	145	65.50
Restricted Share Units vested	(237)	38.48
Restricted Share Units forfeited	(25)	51.45
Performance-based Restricted Share Units granted	76	61.16
Performance-based Restricted Share Units vested	(67)	46.09
Performance-based Restricted Share Units forfeited	(8)	47.48
Restricted Stock and Restricted Share Units at December 31, 2014	650	$52.92

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 14 – Segment Information

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. The Company has four reporting segments: Fluid Handling, Payment & Merchandising Technologies, Aerospace & Electronics and Engineered Materials. In accordance with ASC Topic 280, "Segment Reporting", for purposes of segment performance measurement, the Company does not allocate to the business segments items that are of a non-operating nature, including charges which occur from time to time related to the Company's asbestos liability and its legacy environmental liabilities, as such items are not related to current business activities; or corporate organizational and functional expenses of a governance nature. "Corporate expenses-before asbestos and environmental charges" consist of corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs. Assets of the business segments exclude general corporate assets, which principally consist of cash and cash equivalents, deferred tax assets, insurance receivables, certain property, plant and equipment, and certain other assets.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Financial information by reportable segment is set forth below:

(in thousands)	2014	2013	2012
Fluid Handling			
Net sales	$1,263,722	$1,288,624	$1,289,456
Operating profit [a]	181,626	194,879	160,980
Assets	963,192	996,101	993,275
Goodwill	227,278	239,205	236,798
Capital expenditures	14,038	16,296	15,385
Depreciation and amortization	14,381	15,641	19,411
Payment & Merchandising Technologies			
Net sales	$711,959	$380,576	$371,901
Operating profit [b]	69,054	34,822	33,771
Assets	1,210,137	1,383,007	408,702
Goodwill	589,865	635,759	201,866
Capital expenditures	11,417	4,670	4,263
Depreciation and amortization	41,618	17,537	14,226
Aerospace & Electronics			
Net sales	$695,998	$693,783	$701,208
Operating profit [c]	138,176	159,976	156,015
Assets	512,110	511,676	509,672
Goodwill	202,670	202,799	203,595
Capital expenditures	14,872	6,523	6,851
Depreciation and amortization	11,756	13,319	14,713
Engineered Materials			
Net sales	$253,318	$232,298	$216,503
Operating profit [d]	36,811	34,347	24,522
Assets	229,058	233,214	237,478
Goodwill	171,492	171,553	171,533
Capital expenditures	2,828	1,822	2,163
Depreciation and amortization	5,971	6,020	7,191

[a] Includes restructuring charges of 12,589 and $12,745 in 2014 and 2012, respectively.

[b] Includes restructuring charges $10,322, acquisition integration related costs of $8,402 and acquisition related inventory step up and backlog amortization of $4,790 in 2014. Includes acquisition related inventory and backlog

amortization of $4,654 and acquisition costs of $1.1 million in 2013 and restructuring charges of $3,355 in 2012.
[c] Includes restructuring charges of $6,326 in 2014.
[d] Includes restructuring charges of $2,338 in 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information by reportable segment (continued):

(in thousands)	2014	2013	2012
TOTAL NET SALES	$2,924,997	$2,595,281	$2,579,068
Operating profit (loss) from Continuing Operations			
Reporting segments	$425,667	$424,024	$375,288
Corporate — before asbestos and environmental charges [a]	(53,577)	(76,148)	(64,847)
Corporate expense — environmental charges [b]	(55,800)	—	—
TOTAL OPERATING PROFIT FROM CONTINUING OPERATIONS	$316,290	$347,876	$310,441
Interest income	1,713	1,867	1,879
Interest expense	(39,222)	(26,460)	(26,831)
Miscellaneous — net [c]	2,375	2,733	(884)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	$281,156	$326,016	$284,605
Assets			
Reporting segments	$2,914,497	$3,123,998	$2,149,127
Corporate	536,288	435,609	740,751
TOTAL ASSETS	$3,450,785	$3,559,607	$2,889,878
Goodwill			
Reporting segments	$1,191,305	$1,249,316	$813,792
Capital expenditures			
Reporting segments	$43,155	$29,311	$28,662
Corporate	577	150	646
TOTAL CAPITAL EXPENDITURES	$43,732	$29,461	$29,308
Depreciation and amortization			
Reporting segments	$73,726	$52,517	$55,541
Corporate	2,040	2,320	1,722
TOTAL DEPRECIATION AND AMORTIZATION	$75,766	$54,837	$57,263

[a] Includes $1,351 of acquisition integration related costs in 2014 and $21,700 and $3,874 of acquisition costs in 2013 and 2012, respectively, all of which are associated with the acquisition of MEI, restructuring charges of $25 in 2012 and $6,500 for a settlement lawsuit recorded in 2014

[b] Includes a $49,000 charge related to an increase in the Company's liability expected at the Goodyear Site and a $6,800 charge for expected remediation costs associated with a previously disclosed environmental site in Roseland, New Jersey in 2014.

[c] Includes $1,624 loss on sale of a small business divested in 2014 and a $1,015 gain on a real estate divestiture in 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information by geographic region:

(in thousands) December 31,	2014	2013	2012
Net sales*			
United States	$1,719,449	$1,522,988	$1,522,135
Canada	256,420	292,688	299,955
Europe	737,121	634,425	612,163
Other international	212,007	145,180	144,815
TOTAL NET SALES	$2,924,997	$2,595,281	$2,579,068
Assets*			
United States	$1,612,927	$1,692,799	$1,165,233
Canada	197,629	206,113	219,770
Europe	662,165	755,970	634,711
Other international	441,776	469,116	129,413
Corporate	536,288	435,609	740,751
TOTAL ASSETS	$3,450,785	$3,559,607	$2,889,878
Tangible Assets*			
United States	$596,847	$657,264	$526,136
Canada	138,767	140,948	145,425
Europe	363,885	418,516	423,318
Other international	270,239	249,023	114,542
Corporate	536,288	435,609	740,751
TOTAL TANGIBLE ASSETS	$1,906,026	$1,901,360	$1,950,172

* Net sales and assets by geographic region are based on the location of the business unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 15 – Quarterly Results (Unaudited)

(in thousands, except per share data) For year ended December 31,	First		Second		Third		Fourth		Year
2014									
Net sales	$716,830		$750,096		$727,413		$730,658		$2,924,997
Cost of sales	462,734		488,031		476,291		481,638		$1,908,694
Gross profit	254,096		262,065		251,122		249,020		1,016,303
Operating profit from continuing operations	81,386	(a)	97,580	(c)	47,733	(e)	89,591	(g)	316,290
Net income attributable to common shareholders	48,684	(b)	59,697	(d)	28,079	(f)	56,212	(h)	192,672
Earnings per basic share:									
Net income attributable to common shareholders	$0.83		$1.01		$0.48		$0.96		$3.28
Earnings per diluted share:									
Net income attributable to common shareholders	$0.82		$1.00		$0.47		$0.95		$3.23
2013									
Net sales	$627,571		$648,746		$637,515		$681,449		$2,595,281
Cost of sales	409,819		426,025		421,317		454,598		$1,711,759
Gross profit	217,752		222,721		216,198		226,851		883,522
Operating profit from continuing operations	86,900	(i)	88,846	(k)	89,009	(m)	83,121	(o)	347,876
Net income attributable to common shareholders	57,791	(j)	54,874	(l)	57,131	(n)	49,706	(p)	219,502
Earnings per basic share:									
Net income attributable to common shareholders	$1.01		$0.95		$0.98		$0.86		$3.79
Earnings per diluted share:									
Net income attributable to common shareholders	$0.99		$0.93		$0.97		$0.84		$3.73

(a) Includes $4,790 of acquisition related inventory and backlog amortization, $4,391 of acquisition related integration costs, $4,323 of acquisition related restructuring costs and $6,050 of repositioning charges.

(b) Includes the impact of item (a) cited above, net of tax.

(c) Includes $2,030 of acquisition related integration costs, $1,629 of acquisition related restructuring costs, $2,146 of repositioning charges and $6,500 charge related to the settlement of the environmental lawsuits by certain homeowners in Roseland, New Jersey.

(d) Includes the impact of item (c) cited above, net of tax and $1,055 loss on divestiture of a small business.

(e) Includes $984 of acquisition related integration costs, $111 of acquisition related restructuring costs, $3,396 of repositioning charges, $49,000 million charge related to an increase in the Company's liability at the Goodyear Site, and $6,800 million charge for expected remediation costs associated with an environmental site in Roseland, New Jersey.

(f) Includes the impact of item (e) cited above, net of tax and $660 gain on divestiture of real estate.

(g) Includes $2,014 of acquisition related integration costs, $4,594 of acquisition related restructuring costs and $11,095 of repositioning charges

(h) Includes the impact of item (f) cited above, net of tax and $3,498 gain on divestiture of real estate.

(i) Includes $2,888 of acquisition transaction costs.

(j) Includes the impact of item (i) cited above, net of tax.

(k) Includes $6,853 of acquisition transaction costs.

(l) Includes the impact of item (k) cited above, net of tax and $460 withholding taxes related to acquisition funding.

(m) Includes $2,854 of acquisition transaction costs.
(n) Includes the impact of item (m) cited above, net of tax and $1,240 withholding taxes related to acquisition funding.
(o) Includes $10,170 of acquisition transaction costs and $4,654 of acquisition related inventory and backlog amortization.
(p) Includes the impact of item (o) cited above, net of tax, $1,192 withholding taxes related to acquisition funding and $2,006 gain on sale of product line.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 16 – Restructuring

Repositioning Actions

The Company recorded pre-tax restructuring charges of $18.9 million in 2014, which included $18.7 million of severance and other cash-related restructuring costs and $0.2 million of non-cash restructuring costs related to asset write-downs. The $18.7 million of severance and other cash-related restructuring costs included $4.6 million related to the consolidation of a facility in the U.K. in the Fluid Handling segment, $7.8 million primarily related to the consolidation of a facility in Europe in the Fluid Handling segment and $6.3 million associated with certain facility consolidation activities in the Aerospace & Electronics segment. These charges included severance and move costs related to the transfer of certain manufacturing operations. The Company expects these repositioning actions to result in workforce reductions of approximately 320 employees, or about 3% of the Company’s global workforce.

The following table summarizes the accrual balances related to these cash-related restructuring charges:

(in thousands)	Balance at December 31, 2013	Expense	Utilization	Balance at December 31, 2014
Fluid Handling				
Severance	$—	$12,192	$(1,537)	$10,655
Other	—	232	(205)	27
Total Fluid Handling	$—	$12,424	$(1,742)	$10,682
Aerospace & Electronics				
Severance	$—	$4,198	$(2,296)	$1,902
Other	—	2,087	(1,572)	515
Total Aerospace & Electronics	$—	$6,285	$(3,868)	$2,417
Total Restructuring	$—	$18,709	$(5,610)	$13,099

Related to the 2014 repositioning actions, the Company recorded $2.6 million and $1.2 million for additional costs incurred as a direct result of the facility consolidations within the Fluid Handling segment and Aerospace & Electronics segments, respectively.

The Company expects to incur additional restructuring and related charges of approximately $4 million to $6 million in 2015 to complete these actions.

Acquisition-Related Restructuring

In 2014, the Company recorded pre-tax restructuring charges of $10.3 million which included $10.2 million of severance and other cash-related restructuring costs and $0.1 million of non-cash restructuring costs related to asset write-downs related to the December 2013 acquisition of MEI in the Company's Payment & Merchandising Technologies segment. The Company expects these 2014 actions to result in workforce reductions of approximately 240 employees, or less than 2% of the Company’s global workforce.

The following table summarizes the accrual balances related to these cash-related restructuring charges:

(in thousands)	Balance at December 31, 2013	Expense	Utilization	Balance at December 31, 2014
Payment & Merchandising Technologies				
Severance	$—	$10,161	$(3,154)	$7,007
Total Restructuring	$—	$10,161	$(3,154)	$7,007

The Company expects to incur additional restructuring and related charges of $6 million to $8 million in 2015 to complete these actions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2012 Actions

In 2012, the Company recorded pre-tax restructuring charges of $18.5 million, of which $16.5 million was associated with repositioning actions designed to improve profitability largely beginning in 2013, primarily in the European portion of the Fluid Handling segment and $2.0 million of non-cash charges were related to the completion of previous restructuring actions. As of December 31, 2014, there were no liabilities related to these actions.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.
None

Item 9A. Controls and Procedures.
Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Principal Financial Officer evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the year covered by this annual report. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms and the information is accumulated and communicated to the Company's Chief Executive Officer and Principal Financial Officer to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's Chief Executive Officer and Principal Financial Officer have concluded that these controls are effective as of the end of the year covered by this annual report.
Change in Internal Controls over Financial Reporting. During the fiscal quarter ended December 31, 2014, there have been no changes in the Company's internal control over financial reporting, identified in connection with our evaluation thereof, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.
Design and Evaluation of Internal Control over Financial Reporting. Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we included a report of our management's assessment of the design and effectiveness of our internal controls as part of this Annual Report on Form 10-K for the year ended December 31, 2014. Our independent registered public accounting firm also attested to, and reported on, our management's assessment of the effectiveness of internal control over financial reporting. Our management's report and our independent registered public accounting firm's attestation report are set forth in Part II, Item 8 of this Annual Report on Form 10-K under the captions entitled "Management's Responsibility for Financial Reporting" and "Report of Independent Registered Public Accounting Firm."

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Crane Co.
Stamford, CT

We have audited the internal control over financial reporting of Crane Co. and subsidiaries (the "Company") as of December 31, 2014 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Controls and Procedures appearing in Item 9A. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated February 24, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP
Stamford, CT
February 24, 2015

Item 9B. Other Information.
None

Part III

Item 10. Directors, Executive Officers and Corporate Governance.
The information required by Item 10 is incorporated by reference to the definitive proxy statement with respect to the 2015 Annual Meeting of Shareholders which the Company expects to file with the Commission pursuant to Regulation l4A on or about March 16, 2015 except that such information with respect to Executive Officers of the Registrant is included, pursuant to Instruction 3, paragraph (b) of Item 401 of Regulation S-K, under Part I. The Company's Corporate Governance Guidelines, the charters of its Management Organization and Compensation Committee, its Nominating and Governance Committee and its Audit Committee and its Code of Ethics are available at www.craneco.com/governance. The information on our website is not part of this report.

Item 11. Executive Compensation.
The information required by Item 11 is incorporated by reference to the definitive proxy statement with respect to the 2015 Annual Meeting of Shareholders which the Company expects to file with the Commission pursuant to Regulation 14A on or about March 16, 2015.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
Except the information required by Section 201(d) of Regulation S-K which is set forth below, the information required by Item 12 is incorporated by reference to the definitive proxy statement with respect to the 2015 Annual Meeting of Shareholders which the Company expects to file with the Commission pursuant to Regulation 14A on or about March 16, 2015.

As of December 31, 2014:	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders:			
2013 Stock Incentive Plan	589,513	$64.66	8,321,084
2009 Stock Incentive Plan (and predecessor plans)	1,759,248	46.24	—
2009 Non-employee Director Stock Compensation Plan (and predecessor plans)	77,500	40.36	—
Equity compensation plans not approved by security holders	—	—	—
Total	2,426,261	$50.52	8,321,084

Item 13. Certain Relationships and Related Transactions, and Director Independence.
The information required by Item 13 is incorporated by reference to the definitive proxy statement with respect to the 2015 Annual Meeting of Shareholders which the Company expects to file with the Commission pursuant to Regulation 14A on or about March 16, 2015.

Item 14. Principal Accounting Fees and Services.

The information required by Item 14 is incorporated by reference to the definitive proxy statement with respect to the 2015 Annual Meeting of Shareholders which the Company expects to file with the Commission pursuant to Regulation 14A on or about March 16, 2015.

Item 15. Exhibits and Financial Statement Schedules.

(a) Consolidated Financial Statements:

(b) Exhibits

Exhibit No.	Description
Exhibit (4)(a)(2)	Form of Note for 6.55% Notes due 2036
Exhibit 21	Subsidiaries of the Registrant.
Exhibit 23.1	Consent of Independent Registered Public Accounting Firm.
Exhibit 23.2	Consent of Hamilton, Rabinovitz & Associates, Inc.
Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a).
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a).
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Rule13a-14(b) or 15d-14(b).
Exhibit 32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) or 15d-14(b).
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Presentation Linkbase Document

Exhibits to Form 10-K — Documents incorporated by reference:

(3)(a)	The Company’s Certificate of Incorporation, as amended on May 25, 1999 (incorporated by reference to Exhibit 3A to the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 1999).
3 (b)	By-laws of the Company, as amended effective as of January 27, 2014 (incorporated by reference to Exhibit 3.1 to Form 8-K filed on January 31, 2014)
(4)	Instruments Defining the Rights of Security Holders:
(4)(a)	Indenture dated as of April 1, 1991 between the Registrant and the Bank of New York (incorporated by reference to Exhibit 4.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2005).
(4)(b)(1)	Indenture, dated as of December 13, 2013, between the Company and The Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on December 13, 2013).
(4)(b)(2)	Form of Note for 2.750% Notes due 2018 (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on December 13, 2013).
(4)(b)(3)	Form of Note for 4.450% Notes due 2023 (incorporated by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on December 13, 2013).
(10)	Material Contracts:

10(a)	Second Restated Credit Agreement dated as of May 18, 2012 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 21, 2012).
10(b)	Amendment No. 1, dated as of March 22, 2013 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on March 27, 2013).

(iii) Compensatory Plans

(a)	The Crane Co. 2004 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2004).
(b)	2007 Stock Incentive Plan (incorporated by reference to Appendix A to the Company’s Proxy Statement filed on March 9, 2007).
(c)	The Crane Co. 2009 Stock Incentive Plan (incorporated by reference to Appendix A to the Company’s Proxy Statement filed on March 6, 2009).
(d)	The 2011 Annual Incentive Plan (incorporated by reference to Appendix A to the Company's Proxy Statement filed on March 9, 2011)
(e)	The Crane Co. 2013 Stock Incentive Plan (incorporated by reference to Appendix A to the Company's Proxy Statement filed on March 11, 2013).
(f)	The Crane Co. 2000 Non-Employee Director Stock Compensation Plan (incorporated by reference to Exhibit 10(a) to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).
(g)	2007 Non-Employee Director Compensation Plan (incorporated by reference to Appendix B to the Company’s Proxy Statement filed on March 9, 2007).
(h)	The Crane Co. 2009 Non-Employee Director Compensation Plan (incorporated by reference to Appendix B to the Company’s Proxy Statement filed on March 6, 2009).
(i)	The Crane Co. Benefit Equalization Plan, effective February 25, 2008 (incorporated by reference to Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2008).
(j)	The Crane Co. Benefit Equalization Plan as amended effective January 1, 2013 (incorporated by reference to Exhibit 10.1 to the Company’s Form 8-K filed December 11, 2013).
(k)	Form of Employment/Severance Agreement between the Company and certain executive officers, which provides for the continuation of certain employee benefits upon a change in control (incorporated by reference to Exhibit 10.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010). Agreements in this form have been entered into with all executive officers.
(l)	Form of Indemnification Agreement (incorporated by reference to Exhibit 10 (iii) (l) to the Company’s Annual Report on Form 10-K). Agreements in this form have been entered into with each director and executive officer of the Company.
(m)	Employment agreement with Eric C. Fast, dated January 22, 2001, (incorporated by reference to Exhibit 10(j) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2000). Such agreement was terminated as of January 31, 2014.
(n)	Amendment dated December 3, 2012 to Employment Agreement with Eric C. Fast dated January 2, 2001 (incorporated by reference to Exhibit 10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2012). Such agreement was terminated as of January 31, 2014.
(o)	Agreement between the Company and Robert S. Evans dated January 24, 2011 (incorporated by reference to Exhibit 10.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2010).
(p)	Time Sharing Agreement effective as of January 30, 2007, between the Company and E. C. Fast (incorporated by reference to Exhibit 10.3 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2006). Such agreement was terminated as of January 31, 2014.
(q)	Time Sharing Agreement dated as of December 7, 2009, between the Company and R.S. Evans (incorporated by reference to Exhibit 10.1 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2009).
(r)	Time-sharing Agreement dated January 31, 2014 between the Company and Max H. Mitchell (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 31, 2014).

Part IV

Signatures

Pursuant to the requirements of Section l3 or l5 (d) of the Securities Exchange Act of l934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRANE CO.
(Registrant)

/s/ Max H. Mitchell
Max H. Mitchell Chief Executive Officer and Director
Date 2/25/2015

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

Officers

By /s/ Max H. Mitchell Max H. Mitchell Chief Executive Officer and Director Date 2/25/2015	By /s/ R.A. MAUE R.A. Maue Vice President - Finance Chief Financial Officer (Principal Financial Officer) Date 2/25/2015	By /s/ R.A. MAUE R.A. Maue Vice President - Finance Chief Financial Officer (Principal Accounting Officer) Date 2/25/2015

Directors

By /s/ R.S. EVANS R.S. Evans, Chairman of the Board Date 2/25/2015	By /s/ E.T. BIGELOW E.T. Bigelow Date 2/25/2015	By D.G. Cook Date 2/25/2015
R.S. Forté Date 2/25/2015	By /s/ RONALD C. LINDSAY Ronald C. Lindsay Date 2/25/2015	By /s/ P.R. LOCHNER, JR. P.R. Lochner, Jr. Date 2/25/2015
By /s/ ELLEN MCCLAIN Ellen McClain Date 2/25/2015	By /s/ JENNIFER M. POLLINO Jennifer M. Pollino Date 2/25/2015	By /s/ J.L.L. TULLIS J.L.L. Tullis Date 2/25/2015

Page 93