

CRANE CO /DE/
Form 10-Q
August 04, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Mark One:

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

For the Quarterly Period Ended June 30, 2008

OR

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

For the Transition Period from _____ to _____

Commission File Number: 1-1657

CRANE CO.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

13-1952290
(I.R.S. Employer
Identification No.)

100 First Stamford Place, Stamford, CT
(Address of principal executive offices)

06902
(Zip Code)

Registrant's telephone number, including area code: 203-363-7300

(Not Applicable)

(Former name, former address and former fiscal year, if changed since last report)

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 No

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's classes of common stock, as of July 31, 2008

Common stock, \$1.00 Par Value 59,802,112 shares

Part I Financial Information

Item 1. Financial Statements

Crane Co. and Subsidiaries

Condensed Consolidated Statements of Operations

(in thousands, except per share data)

(Unaudited)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------------------------------|--------------------------------|------------|------------------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net sales | \$ 693,482 | \$ 660,897 | \$ 1,372,350 | \$ 1,289,115 |
| Operating costs and expenses: | | | | |
| Cost of sales | 455,647 | 452,273 | 908,178 | 875,957 |
| Selling, general and administrative | 151,564 | 136,827 | 302,552 | 272,962 |
| Operating profit | 86,271 | 71,797 | 161,620 | 140,196 |
| Other income (expense): | | | | |
| Interest income | 2,883 | 989 | 5,167 | 2,302 |
| Interest expense | (6,678) | (6,901) | (13,183) | (13,769) |
| Miscellaneous net | 1,631 | 931 | 1,961 | 2,744 |
| | (2,164) | (4,981) | (6,055) | (8,723) |
| Income before income taxes | 84,107 | 66,816 | 155,565 | 131,473 |
| Provision for income taxes | 25,098 | 21,080 | 48,178 | 42,092 |
| Net income | \$ 59,009 | \$ 45,736 | \$ 107,387 | \$ 89,381 |
| Basic net income per share: | \$ 0.99 | \$ 0.77 | \$ 1.79 | \$ 1.49 |
| Diluted net income per share: | \$ 0.97 | \$ 0.75 | \$ 1.77 | \$ 1.46 |
| Average basic shares outstanding | 59,707 | 59,767 | 59,911 | 60,039 |
| Average diluted shares outstanding | 60,581 | 60,882 | 60,812 | 61,096 |
| Dividends per share | \$ 0.18 | \$ 0.15 | \$ 0.36 | \$ 0.30 |

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

| | (Unaudited) | |
|---|---------------------|----------------------|
| | June 30, 2008 | December 31, 2007 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 321,548 | \$ 283,370 |
| Accounts receivable, net | 377,844 | 345,176 |
| Current insurance receivable - asbestos | 33,600 | 33,600 |
| Inventories, net: | | |
| Finished goods | 123,564 | 109,337 |
| Finished parts and subassemblies | 41,605 | 39,108 |
| Work in process | 50,155 | 51,923 |
| Raw materials | 143,004 | 127,351 |
| Inventories, net | 358,328 | 327,719 |
| Other current assets | 61,486 | 47,757 |
| Total current assets | 1,152,806 | 1,037,622 |
| Property, plant and equipment: | | |
| Cost | 774,700 | 749,968 |
| Less: accumulated depreciation | 481,687 | 460,285 |
| Property, plant and equipment, net | 293,013 | 289,683 |
| Long-term insurance receivable - asbestos | 284,864 | 306,557 |
| Long-term deferred tax assets | 192,288 | 220,370 |
| Other assets | 124,673 | 128,360 |
| Intangible assets, net | 120,443 | 128,150 |
| Goodwill | 769,642 | 766,550 |
| Total assets | \$ 2,937,729 | \$ 2,877,292 |

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data)

| | (Unaudited) | |
|---|------------------|----------------------|
| | June 30, 2008 | December 31, 2007 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Notes payable and current maturities of long-term debt | \$ 3,648 | \$ 548 |
| Accounts payable | 191,426 | 177,978 |
| Current asbestos liability | 84,000 | 84,000 |
| Accrued liabilities | 223,720 | 230,295 |
| U.S. and foreign taxes on income | 9,394 | 731 |
| Total current liabilities | 512,188 | 493,552 |
| Long-term debt | 398,390 | 398,301 |
| Accrued pension and postretirement benefits | 52,396 | 52,233 |
| Long-term deferred tax liability | 33,019 | 31,880 |
| Long-term asbestos liability | 904,469 | 942,776 |
| Other liabilities | 60,300 | 65,353 |
| Total liabilities | 1,960,762 | 1,984,095 |
| Minority interest | 8,326 | 8,394 |
| Commitments and contingencies (Note 8) | | |
| Shareholders' equity: | | |
| Preferred shares, par value \$.01; 5,000,000 shares authorized | | |
| Common stock, par value \$1.00; 200,000,000 shares authorized, 72,426,139 shares issued | 72,426 | 72,426 |
| Capital surplus | 152,254 | 148,513 |
| Retained earnings | 926,120 | 845,864 |
| Accumulated other comprehensive income | 175,557 | 154,077 |
| Treasury stock | (357,716) | (336,077) |
| Total shareholders' equity | 968,641 | 884,803 |
| Total liabilities and shareholders' equity | \$ 2,937,729 | \$ 2,877,292 |
| Common stock issued | 72,426,139 | 72,426,139 |
| Less: Common stock held in treasury | (12,642,134) | (12,264,788) |
| Common stock outstanding | 59,784,005 | 60,161,351 |

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

| | Six Months Ended June 30, | |
|--|--------------------------------------|-------------------|
| | 2008 | 2007 |
| Operating activities: | | |
| Net income | \$ 107,387 | \$ 89,381 |
| Income from joint venture | | (2,545) |
| Gain on divestitures | (932) | |
| Depreciation and amortization | 29,695 | 31,068 |
| Stock-based compensation expense | 6,985 | 7,376 |
| Deferred income taxes | 11,865 | (9,468) |
| Cash used for working capital | (46,288) | (46,132) |
| (Payments) receipts for asbestos-related fees and costs, net of insurance recoveries | (16,614) | 15,208 |
| Other | (2,601) | (14,131) |
| Total provided by operating activities | 89,497 | 70,757 |
| Investing activities: | | |
| Capital expenditures | (20,401) | (21,831) |
| Proceeds from disposition of capital assets | 444 | 11,236 |
| Payment for acquisitions, net of cash acquired | (132) | 145 |
| Proceeds from divestiture | 2,106 | |
| Total used for investing activities | (17,983) | (10,450) |
| Financing activities: | | |
| Equity: | | |
| Dividends paid | (21,556) | (18,039) |
| Reacquisition of shares on the open market | (40,000) | (50,001) |
| Stock options exercised net of shares reacquired | 9,091 | 7,144 |
| Excess tax benefit from stock-based compensation | 900 | 2,127 |
| Debt: | | |
| Repayments of long-term debt | | (89) |
| Net increase in short-term debt | 3,042 | (8,608) |
| Total used for financing activities | (48,523) | (67,466) |
| Effect of exchange rates on cash and cash equivalents | 15,187 | 3,627 |
| Increase (decrease) in cash and cash equivalents | 38,178 | (3,532) |
| Cash and cash equivalents at beginning of period | 283,370 | 138,607 |
| Cash and cash equivalents at end of period | \$ 321,548 | \$ 135,075 |
| Detail of cash used for working capital: | | |
| Accounts receivable | \$ (27,912) | \$ (51,482) |
| Inventories | (28,542) | (12,653) |
| Other current assets | (2,508) | 742 |

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| | | |
|---|--------------------|--------------------|
| Accounts payable | 12,417 | 19,503 |
| Accrued liabilities | (7,885) | 1,645 |
| U.S. and foreign taxes on income | 8,142 | (3,887) |
| Total | \$ (46,288) | \$ (46,132) |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | \$ 13,129 | \$ 13,533 |
| Income taxes paid | \$ 25,905 | \$ 49,538 |

Part I Financial Information

Item 1. Financial Statements
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and the instructions to Form 10-Q and, therefore, reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These interim condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

2. Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157). This statement defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and expands disclosure about fair value measurements. In February 2008, the FASB issued Staff Positions No. SFAS 157-1 and No. SFAS 157-2 which delayed the effective date of SFAS No. 157 for one year for certain non-financial assets and non-financial liabilities and removed certain leasing transactions from its scope. The Company adopted SFAS 157 effective January 1, 2008 for financial assets and financial liabilities measured on a recurring basis (see Note 13, Fair Value Measurements). The Company is currently evaluating the provisions of SFAS 157-1 and SFAS 157-2 to determine the potential impact, if any, these staff positions will have on the Company's financial statements when they are applicable beginning in the first quarter of 2009.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations (SFAS 141(R)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree and recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase. SFAS No. 141(R) also sets forth the disclosures required to be made in the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The effects of the adoption of this standard in 2009 will be prospective.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards that require that the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; and changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. SFAS No. 160 also requires that any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value when a subsidiary is deconsolidated. SFAS No. 160 also sets forth the disclosure requirements to identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company has not yet determined the anticipated effect, if any, of the adoption of this standard in 2009.

3. Segment Results

Financial information by reportable segment is set forth below:

| <i>(in thousands)</i> | Three Months Ended | | Six Months Ended | |
|-----------------------------------|--------------------|-------------------|---------------------|---------------------|
| | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| <u>Net Sales</u> | | | | |
| Aerospace & Electronics | \$ 165,928 | \$ 160,172 | \$ 324,379 | \$ 308,564 |
| Engineered Materials | 72,937 | 87,712 | 155,710 | 175,461 |
| Merchandising Systems | 116,233 | 100,563 | 229,737 | 197,927 |
| Fluid Handling | 301,100 | 281,206 | 589,600 | 544,157 |
| Controls | 37,284 | 31,244 | 72,924 | 63,006 |
| Total | \$ 693,482 | \$ 660,897 | \$ 1,372,350 | \$ 1,289,115 |
| <u>Operating Profit (Loss)</u> | | | | |
| Aerospace & Electronics | \$ 18,487 | \$ 24,365 | \$ 34,482 | \$ 45,391 |
| Engineered Materials | 8,100 | 17,933 | 19,754 | 33,971 |
| Merchandising Systems | 17,339 | 11,912 | 31,477 | 21,543 |
| Fluid Handling | 46,556 | 33,396 | 91,318 | 64,537 |
| Controls | 3,547 | 2,855 | 4,847 | 5,202 |
| Corporate* | (7,758) | (18,664) | (20,258) | (30,448) |
| Total | 86,271 | 71,797 | 161,620 | 140,196 |
| Interest income | 2,883 | 989 | 5,167 | 2,302 |
| Interest expense | (6,678) | (6,901) | (13,183) | (13,769) |
| Miscellaneous net | 1,631 | 931 | 1,961 | 2,744 |
| Income before income taxes | \$ 84,107 | \$ 66,816 | \$ 155,565 | \$ 131,473 |

* Second quarter 2008 operating results include \$4.4 million of reimbursements related to environmental remediation activities. Second quarter 2007 operating results include a \$7.6 million provision for a legal settlement.

| <i>(in thousands)</i> | As of | |
|-------------------------|---------------------|----------------------|
| | June 30, 2008 | December 31, 2007 |
| <u>Assets</u> | | |
| Aerospace & Electronics | \$ 472,795 | \$ 466,673 |
| Engineered Materials | 307,486 | 305,384 |
| Merchandising Systems | 362,807 | 348,914 |
| Fluid Handling | 929,417 | 868,873 |
| Controls | 84,202 | 84,390 |
| Corporate | 781,022 | 803,058 |
| Total | \$ 2,937,729 | \$ 2,877,292 |

4. Net Income Per Share

The Company's basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the period.

| <i>(in thousands, except per share data)</i> | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|-----------|
| | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Net income | \$ 59,009 | \$ 45,736 | \$ 107,387 | \$ 89,381 |
| Average basic shares outstanding | 59,707 | 59,767 | 59,911 | 60,039 |
| Effect of dilutive stock options | 874 | 1,115 | 901 | 1,057 |
| Average diluted shares outstanding | 60,581 | 60,882 | 60,812 | 61,096 |
| Basic net income per share | \$ 0.99 | \$ 0.77 | \$ 1.79 | \$ 1.49 |
| Diluted net income per share | \$ 0.97 | \$ 0.75 | \$ 1.77 | \$ 1.46 |

Certain options granted under the Company's Stock Incentive Plan and the Non-Employee Director Stock Compensation Plan were not included in the computation of diluted earnings per share in the three-month and six-month periods ended June 30, 2008 and 2007 because they would not have had a dilutive effect (1.0 million and 0.7 million average options for the second quarter of 2008 and 2007, respectively, and 1.1 million and 1.0 million average options for the first half of 2008 and 2007, respectively).

5. Comprehensive Income

Total comprehensive income for the three-month and six-month periods ended June 30, 2008 and 2007 is as follows:

| <i>(in thousands)</i> | Three Months Ended | | Six Months Ended | |
|--|--------------------|-----------|------------------|------------|
| | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Net income | \$ 59,009 | \$ 45,736 | \$ 107,387 | \$ 89,381 |
| Foreign currency translation adjustments | 795 | 15,312 | 21,480 | 20,775 |
| Comprehensive income | \$ 59,804 | \$ 61,048 | \$ 128,867 | \$ 110,156 |

6. Goodwill and Intangible Assets

Changes to goodwill are as follows:

| | Six Months Ended June 30, 2008 | Year Ended December 31, 2007 |
|--------------------------------|--------------------------------------|------------------------------------|
| <i>(in thousands)</i> | | |
| Balance at beginning of period | \$ 766,550 | \$ 704,736 |
| Additions | 227 | 46,406 |
| Divestitures | | (634) |
| Translation | 2,865 | 16,042 |
| Balance at end of period | \$ 769,642 | \$ 766,550 |

Changes to intangible assets are as follows:

| | Six Months Ended June 30, 2008 | Year Ended December 31, 2007 |
|-------------------------------------|--------------------------------------|------------------------------------|
| <i>(in thousands)</i> | | |
| Balance at beginning of period, net | \$ 128,150 | \$ 122,744 |
| Additions | | 19,409 |
| Translation | 748 | 3,886 |
| Amortization expense | (8,455) | (17,889) |
| Balance at end of period, net | \$ 120,443 | \$ 128,150 |

A summary of intangible assets follows:

| <i>(in thousands)</i> | June 30, 2008 | | December 31, 2007 | |
|------------------------------------|----------------|-----------------------------|-------------------|-----------------------------|
| | Gross Asset | Accumulated Amortization | Gross Asset | Accumulated Amortization |
| Intellectual property rights | \$ 93,504 | \$ 46,212 | \$ 92,286 | \$ 43,720 |
| Customer relationships and backlog | 85,204 | 26,975 | 85,204 | 17,448 |
| Drawings | 10,825 | 9,914 | 10,825 | 9,681 |
| Other | 22,504 | 8,493 | 23,784 | 13,100 |
| Total | \$ 212,037 | \$ 91,594 | \$ 212,099 | \$ 83,949 |

Amortization expense for these intangible assets is currently estimated to be approximately \$8.6 million for the remaining two quarters in 2008, \$13.1 million in 2009, \$11.9 million in 2010, \$9.9 million in 2011, \$8.3 million in 2012 and \$49.7 million in 2013 and thereafter. Included within intangible assets is \$18.9 million of intangibles with indefinite useful lives, consisting of trade names which are not being amortized in accordance with the guidance of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets .

7. Accrued Liabilities

Accrued liabilities consist of:

| <i>(in thousands)</i> | June 30, 2008 | December 31, 2007 |
|---------------------------|--------------------------|------------------------------|
| Employee related expenses | \$ 90,913 | \$ 94,044 |
| Warranty | 29,097 | 32,218 |
| Other | 103,710 | 104,033 |
| Total | \$ 223,720 | \$ 230,295 |

8. Commitments and ContingenciesAsbestos LiabilityInformation Regarding Claims and Costs in the Tort System

As of June 30, 2008, the Company was a defendant in cases filed in various 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:

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Year Ended December 31, |
|---------------------|--|-------------|--------------------------------------|-------------|------------------------------------|
| | 2008 | 2007 | 2008 | 2007 | 2007 |
| Beginning claims | 81,103 | 85,884 | 80,999 | 85,941 | 85,941 |
| New claims | 1,608 | 902 | 2,649 | 1,997 | 3,417 |
| Settlements | (303) | (271) | (640) | (800) | (1,441) |
| Dismissals | (429) | (1,863) | (1,029) | (2,486) | (6,918) |
| Ending claims * | 81,979 | 84,652 | 81,979 | 84,652 | 80,999 |

* Does not include 36,374 maritime actions that were filed in the United States District Court for the Northern District of Ohio and transferred to the Eastern District of Pennsylvania pursuant to an order by the Federal Judicial Panel on Multi-District Litigation (MDL). These claims have been placed on the inactive docket of cases that are administratively dismissed without prejudice in the MDL.

Of the 81,979 pending claims as of June 30, 2008, approximately 25,000 claims were pending in New York, approximately 24,000 claims were pending in Mississippi, approximately 9,400 claims were pending in Texas and approximately 3,700 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.

Since the termination of the comprehensive master settlement agreement (MSA) on January 24, 2005, the Company has been resolving claims filed against it in the tort system. The Company has not re-engaged in discussions with representatives of current or future asbestos claimants with respect to such a comprehensive settlement. While the Company believes that federal legislation to establish a trust fund to compensate asbestos claimants is the most appropriate solution to the asbestos litigation problem, there is substantial uncertainty regarding whether this will occur and, if so, when and on what terms. The Company remains committed to exploring all feasible alternatives available to resolve its asbestos liability in a manner consistent with the best interests of the Company's shareholders.

Substantially all of the claims the Company resolves are concluded through settlements. The Company tried the Joseph Norris asbestos claim (the Norris Claim) to verdict in California, however, and received an adverse jury verdict on September 15, 2006. On October 10, 2006, the court entered judgment on this verdict against the Company in the amount of \$2.15 million, together with interest thereon at the rate of 10% per annum until paid. The Company appealed the judgment, and on June 25, 2008, the Supreme Court of California declined to review an appellate court ruling adverse to the Company. The final judgment amount of \$2.54 million was paid on July 14, 2008.

During the fourth quarter of 2007 and the first quarter of 2008, the Company tried several cases resulting in defense verdicts by the jury or directed verdicts for the defense by the court. However, on March 14, 2008, the Company received an adverse verdict in the James Baccus claim in Philadelphia, Pennsylvania, with compensatory damages of \$2.45 million and additional damages of \$11.9 million. The Company has filed a post-trial motion asserting numerous errors in the trial proceedings, and no judgment has been entered on the trial verdict. The Company intends to pursue all available rights to appeal the verdict.

On May 16, 2008 the Company received an adverse verdict in the Chief Brewer claim in Los Angeles, California. The amount of the judgment to be entered against the Company has not yet been determined, but it is not expected to exceed the \$725,000 judgment requested by plaintiffs, plus interest and costs. Such judgment amounts are not included in the Company's incurred costs until available appeals are exhausted and the final payment amount is determined.

The gross settlement and defense costs incurred (before insurance recoveries and tax effects) by the Company in the six-month periods ended June 30, 2008 and 2007 totaled \$43.4 million and \$41.3 million, respectively. In contrast to the recognition of settlement and defense costs that 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 cash receipts/payments for settlement and defense costs, including payments from insurers, in the six-month periods ended June 30, 2008 and 2007 totaled a \$16.6 million net payment and \$15.2 million net receipt (reflecting the January 2007 receipt of \$31.5 million in previously escrowed funds from Equitas), respectively. Detailed below are the comparable amounts for the periods indicated.

| | Three Months Ended June 30, | | Six Months Ended June 30, | | Year Ended | Cumulative to Date |
|-------------------------------------|-----------------------------|----------------|---------------------------|----------------|-------------------|-----------------------|
| | 2008 | 2007 | 2008 | 2007 | December 31, 2007 | Through June 30, 2008 |
| <i>(in millions)</i> | | | | | | |
| Settlement costs incurred (1) | \$ 13.5 | \$ 8.1 | \$ 25.6 | \$ 19.3 | \$ 41.6 | \$ 149.7 |
| Defense costs incurred (1) | 7.4 | 12.1 | 17.8 | 22.0 | 45.9 | 180.2 |
| Total costs incurred | \$ 20.9 | \$ 20.2 | \$ 43.4 | \$ 41.3 | \$ 87.5 | \$ 329.9 |
| Pre-tax cash payments/(receipts)(2) | \$ 14.6 | \$ 6.0 | \$ 16.6 | \$ (15.2) | \$ 10.2 | \$ 152.6 |

(1) Before insurance recoveries and tax effects.

(2) Net of payments received from insurers, including a \$31.5 million payment from Equitas in January 2007. Cumulative amounts include certain legal fees and expenses related to the terminated MSA in 2005.

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.

Effects on the Condensed 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 the two full preceding calendar years (and additional quarterly periods to the estimate date) for claims filed, settled and dismissed. The Company's experience is then compared to the results of 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, as well as the related settlement or indemnity costs that would be incurred to resolve those claims. 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 over the past two to three years and covering claims expected to be filed through the indicated period. Although the methodology used by HR&A will also show claims and costs for subsequent periods (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 \$25 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 monitors these trend factors over time and periodically assesses whether an alternative forecast period is appropriate.

Liability Estimate. With the assistance of HR&A, effective as of September 30, 2007, 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 2017. The Company's previous estimate was for asbestos claims filed through 2011. As a result of this updated estimate, the Company recorded an additional liability of \$586 million as of September 30, 2007. The Company's decision to take this action at such date was based on several factors. First, the number of asbestos claims being filed against the Company has moderated substantially over the past several years, and in the Company's opinion, the outlook for asbestos claims expected to be filed and resolved in the forecast period is reasonably stable. Second, these claim trends are particularly true for mesothelioma claims, which although constituting only 5% of the Company's total pending asbestos claims, have accounted for approximately 89% of the Company's aggregate settlement and defense costs over the past five years. Third, federal legislation that would significantly change the nature of asbestos litigation failed to pass in 2006, and in the Company's opinion, the prospects for such legislation at the federal level are remote. Fourth, 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 claim activity. Fifth, the Company has now entered into coverage-in-place agreements with a majority 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 2017. 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 2017. Accordingly, no accrual has been recorded for any costs which may be incurred for claims made subsequent to 2017.

Management has made its best estimate of the costs through 2017 based on the analysis by HR&A completed in October 2007. A liability of \$1,055 million was recorded as of September 30, 2007 to cover the estimated cost of asbestos claims now pending or subsequently asserted through 2017, of which approximately 68% is attributable to settlement and defense costs for future claims projected to be filed through 2017. The liability is reduced when cash payments are made in respect of settled claims and defense costs. The liability was \$988 million as of June 30, 2008. 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 2017, 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.

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. The Company cautions that its estimated liability is based on assumptions with respect to future claims, settlement and defense costs based on recent experience during the last few years 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. A legislative solution or a revised structured settlement transaction could also change the estimated liability.

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 defense costs as incurred. To date, the Company has entered into agreements providing for such reimbursements, known as "coverage-in-place", with nine of its excess insurer groups, and on March 3, 2008, the Company reached agreement with certain London Market Insurance Companies, North River Insurance Company and TIG Insurance Company, confirming the aggregate amount of available coverage under certain London policies and setting forth a schedule for future reimbursement payments to the Company based on aggregate indemnity and defense payments made. In addition, with three of its excess insurer groups, the Company entered into policy buyout agreements, settling all asbestos and other coverage obligations for an agreed sum, totaling \$46.8 million in aggregate. The Company is in discussions with or expects to enter into additional coverage-in-place agreements with other of its excess insurers whose policies are expected to respond to the aggregate costs included in the updated liability estimate. 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. Reimbursements from such insurers for past and ongoing settlement and defense costs allocable to their policies have been made as coverage-in-place and other agreements are reached with such insurers. All of these agreements include provisions for mutual releases, indemnification of the insurer and, for coverage-in-place, claims handling procedures.

The same factors that affect developing estimates of probable settlement and defense costs for asbestos-related liabilities also affect estimates of the probable insurance payments, 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, 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. After

considering the foregoing factors and consulting with legal counsel and such insurance consultants, the Company determined its probable insurance reimbursement rate for the aggregate liability recorded as of September 30, 2007 to be 33%. An asset of \$351 million was recorded as of September 30, 2007 representing the probable insurance reimbursement for such claims. The asset is reduced as reimbursements and other payments from insurers are received. The asset was \$318 million as of June 30, 2008.

Uncertainties. 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 legislation or another alternative solution is implemented; however, the Company is currently unable to estimate such future changes. Although the resolution of these claims may take many years, the effect on results of operations and financial position in any given period from a revision to these estimates could be material.

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 at December 31, 2007 is substantially all for the former manufacturing site in Goodyear, Arizona (the Site) discussed below.

The 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 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 Site since 1994. The 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 Site since 1994. A soil vapor extraction system was in operation from 1994 to 1998, was restarted in 2004, and is currently in operation. On July 26, 2006, the Company entered into a consent decree with the EPA with respect to the Site providing for, among other things, a work plan for further investigation and remediation activities at the Site and certain financial assurances. The Company recorded a liability in 2004 for estimated costs through 2014 after reaching substantial agreement on the scope of work with the EPA. During the fourth quarter 2007, the Company and its technical advisors determined that changing groundwater flow rates and contaminant plume direction at the 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 's estimated liability for the costs of such activities through 2014 was \$41.5 million as of December 31, 2007. The liability was \$39.3 million as of June 30, 2008, which is included in accrued liabilities and other liabilities in the Company 's consolidated balance sheet.

On July 31, 2006, the Company entered into a consent decree with the U.S. Department of Justice (DOJ) 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 percent of qualifying costs of investigation and remediation activities at the Site. The Company has recorded a receivable of \$7.3 million as of June 30, 2008 representing the amount of expected reimbursements during the forecast period.

The EPA and the DOJ have alleged that one of the Company 's subsidiaries (Crane Composites, Inc.) is in violation of certain Clean Air Act regulations and a Clean Air Act operating permit at a manufacturing

facility located in Channahon, Illinois. The allegations originated from a neighbor's complaint in late 2003 about an odor emanating from the facility. The Company has cooperated with EPA's investigation, which now includes representatives of the Illinois state environmental agencies, and is in the late stage of discussions with the EPA, the state authorities and the DOJ in an effort to resolve the dispute regarding emission, as well as their claim for a civil penalty relative to the alleged violations. The DOJ has demanded a civil penalty in the amount of \$1.2 million. While the Company believes that it has not violated its Clean Air Act operating permit or the regulations in question, it recognizes that the cost and risk associated with a protracted litigation with the U.S. Government could be avoided through a reasonable settlement. The Company intends to continue discussions with the state authorities, the DOJ and the EPA in an effort to find a mutually acceptable resolution.

Other Proceedings

The Company has been defending two separate lawsuits brought by customers alleging failure of the Company's fiberglass-reinforced plastic material in recreational vehicle sidewalls manufactured by such customers. The first lawsuit went to trial in January 2008, resulting in an award of \$3.2 million in compensatory damages on two out of seven claims. The jury found in the Company's favor on the remaining five claims, rejecting, among others, the plaintiff's claim for punitive damages. The parties are awaiting a ruling from the trial judge on one equitable claim and an affirmative defense, which were not presented to the jury. The Company expects the court to issue its ruling and final judgment shortly.

The other lawsuit is nearing completion of fact and expert discovery and a trial is expected to take place in late 2008 or early 2009. The aggregate damages sought in this lawsuit are approximately \$9.5 million in direct costs allegedly incurred by the plaintiffs, as well as other consequential losses allegedly suffered. The Company continues to believe that it has valid defenses to the claims raised in this lawsuit.

The Company has given notice of these lawsuits to its insurance carriers and will seek coverage for any liability in accordance with the applicable policies.

The Company is also defending a series of five separate lawsuits, which have now been consolidated, revolving around a fire that occurred in May 2003 at a chicken processing plant located near Atlanta, Georgia that destroyed the plant. The aggregate damages demanded by the plaintiff are in excess of \$50 million. These lawsuits contend that certain fiberglass-reinforced plastic material manufactured by the Company that was installed inside the plant was unsafe in that it acted as an accelerant, causing the fire to spread rapidly, resulting in the total loss of the plant and property. The suits are in the early stages of pre-trial discovery and the Company believes that it has valid defenses to the underlying claims raised in these lawsuits. The Company has given notice of these lawsuits to its insurance carriers, and will seek coverage for any resulting losses. Based on a review of its coverage, however, the Company has determined that it is facing a potential \$25 million gap in insurance coverage, for the layer of insurance which would have provided protection for losses above \$25 million but below \$50 million. The Company has initiated certain actions aimed at closing the gap in insurance coverage. If the plaintiffs in these lawsuits were to prevail at trial and be awarded the full extent of their claimed damages, and the gap in coverage was not closed, the resulting liability could have a material adverse effect on the Company's results of operations and cash flows in the periods affected.

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 adverse effect on its financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's results of operations and cash flows for that period.

9. Pension and Other Postretirement Benefit Plans

The components of net periodic cost are as follows:

| <i>(in thousands)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|------------------------------------|-----------------------------|----------|-------------------------------|--------|---------------------------|----------|-------------------------------|--------|
| | Pension Benefits | | Other Postretirement Benefits | | Pension Benefits | | Other Postretirement Benefits | |
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Service cost | \$ 4,241 | \$ 4,169 | \$ 39 | \$ 37 | \$ 8,481 | \$ 8,397 | 77 | \$ 77 |
| Interest cost | 8,512 | 8,458 | 254 | 239 | 17,024 | 16,855 | 507 | 507 |
| Expected return on plan assets | (11,171) | (11,760) | | | (22,341) | (22,168) | | |
| Amortization of prior service cost | 129 | 75 | (21) | (21) | 258 | 252 | (42) | (42) |
| Amortization of net loss (gain) | 151 | (3) | (32) | 11 | 302 | 292 | (64) | (65) |
| Net periodic cost | \$ 1,862 | \$ 939 | \$ 240 | \$ 266 | \$ 3,724 | \$ 3,628 | \$ 478 | \$ 477 |

During the first six months of 2008, the Company contributed \$5.3 million to its defined benefit plans and \$0.5 million to its other postretirement benefit plans. The Company expects, based on current actuarial calculations, to contribute cash of approximately \$11.1 million to its domestic and foreign defined benefit plans and \$2.4 million to its other postretirement benefit plans in 2008. The Company contributed cash of \$5.2 million to its defined benefit plans and \$2.0 million to its other postretirement benefit plans in 2007. However, cash contributions for the remainder of 2008 and subsequent years will depend on a number of factors, including the impact of the Pension Protection Act signed into law in 2006, changes in minimum funding requirements, long-term interest rates, the investment performance of plan assets and changes in employee census data affecting the Company's projected benefit obligations.

10. Income Taxes

The Company calculated its income tax provision for the three and six months ended June 30, 2008 in accordance with the requirements of Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, Accounting Principles Board Opinion No. 28, Interim Financial Reporting, FASB Interpretation No. 18, Accounting for Income Taxes in Interim Periods and FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes.

The Company's effective tax rates of 29.8% and 31.0% for the three and six months ended June 30, 2008, respectively, are lower than the Company's effective tax rates of 31.5% and 32.0% for the three and six months ended June 30, 2007, respectively, primarily as a result of lower enacted statutory tax rates in 2008 in certain non-U.S. taxing jurisdictions and lower state taxes in 2008. These items were partially offset by the statutory expiration of the U.S. federal research tax credit as of December 31, 2007.

The Company's effective tax rate for the three and six months ended June 30, 2008 is lower than the statutory U.S. federal tax rate primarily as a result of earnings in non-U.S. jurisdictions taxed at rates lower than the U.S. statutory rate and the U.S. federal tax benefit on domestic manufacturing activities. These items were partially offset by state taxes, net of the U.S. federal tax benefit and current U.S. taxation of certain foreign sourced income taxed at rates lower than the U.S. statutory tax rate.

The changes in the Company's gross unrecognized tax benefits during the three and six months ended June 30, 2008 are summarized below:

| <i>(in thousands)</i> | Three Months Ended June 30, 2008 | Six Months Ended June 30, 2008 |
|---|----------------------------------|--------------------------------|
| Increase/(decrease) as a result of: | | |
| Tax positions taken during a prior period | \$ 405 | \$ 415 |
| Tax positions taken during the current period | \$ 8 | \$ 295 |

Settlements with taxing authorities
Lapses in the statute of limitations

During the three and six months ended June 30, 2008, the total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate increased by approximately \$0.5 million and \$0.8 million, respectively.

The Company recognizes interest related to uncertain tax positions in tax expense. During the three and six months ended June 30, 2008, the total amount of interest expense related to unrecognized tax benefits recognized in the consolidated statement of operations was \$0.1 million and \$0.2 million, respectively. At June 30, 2008 and December 31, 2007, the total amount of accrued interest expense related to unrecognized tax benefits recorded in the consolidated balance sheet was \$0.6 million and \$0.5 million, respectively.

The Company regularly assesses the potential outcomes of both ongoing examinations and future examinations for the current and prior years in order to ensure the Company's provision for income taxes is adequate. The Company believes that adequate accruals have been provided for all open years. The Company's income tax returns are subject to examination by the Internal Revenue Service (IRS) as well as other state and non-U.S. taxing authorities. In May 2007, the IRS completed its examination of the Company's 2005 federal income tax return. Therefore, only the Company's 2006 federal tax return, which was filed in September 2007, has not yet been examined by the IRS.

With few exceptions, the Company is no longer subject to U.S. state and local or non-U.S. income tax examinations by taxing authorities for years before 2003. At this time, the Company is currently under audit by various state and non-U.S. taxing authorities. As of June 30, 2008, it is reasonably possible that the Company's unrecognized tax benefits will decrease by approximately \$0.3 million during the next twelve months as a result of the closure of the aforementioned audits.

11. Long-Term Debt and Notes Payable

The following table summarizes the Company's debt as of June 30, 2008 and December 31, 2007:

| <i>(in thousands)</i> | June 30, 2008 | December 31, 2007 |
|------------------------------|----------------------|--------------------------|
| Long-term debt consists of: | | |
| 5.50% notes due 2013 | \$ 199,247 | \$ 199,175 |
| 6.55% notes due 2036 | 199,043 | 199,026 |
| Other | 100 | 100 |
| Total Long-term debt | \$ 398,390 | \$ 398,301 |
| Short-term debt consists of: | | |
| Money Market Credit Line | \$ 2,700 | \$ |
| Other borrowings | 948 | 548 |
| Total Short-term debt | \$ 3,648 | \$ 548 |

12. Supplemental Cash Flows Information

In the first quarter of 2007, the Company sold its Corporate aircraft, receiving proceeds of approximately \$11 million (classified as cash provided from investing activities), and used these proceeds as the initial payment on an operating lease for a used but newer aircraft replacement (classified as cash used for operating activities).

13. Fair Value Measurements

The Company adopted SFAS 157 effective January 1, 2008 for financial assets and liabilities measured on a recurring basis. On February 6, 2008, the FASB deferred the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS 157 defines fair value, establishes a framework for measuring fair value and generally accepted accounting principles and expands disclosures about fair value measurements. This standard applies in situations where other accounting pronouncements either permit or require fair value measurements. SFAS 157 does not require any new fair value measurements.

Fair value is defined in SFAS 157 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. SFAS 157 also establishes 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 standard describes 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 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.

The Company has forward contracts outstanding with related receivables of \$1.0 million and payables of \$0.4 million as of June 30, 2008 which are reported at fair value using Level 2 inputs

The carrying value of the Company's financial assets and liabilities, including cash, 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.

The Company adopted Statement of Financial Accounting Standards No. 159, Fair Value Option of Financial Assets and Financial Liabilities (SFAS 159) effective January 1, 2008. This statement provides companies with an option to report selected financial assets and liabilities at fair value. The Company did not elect the fair value option for any of such eligible financial assets or financial liabilities as of the adoption date.

14. Foundry Restructuring

During the fourth quarter of 2007, the Company announced and commenced implementation of a restructuring program designed to further enhance operating margins in the Fluid Handling segment. The planned actions include ceasing the manufacture of malleable iron and bronze fittings at the Company's foundry operating facilities in the United Kingdom and Canada, respectively, and exiting both facilities and transferring production to China (the Foundry Restructuring). The Foundry Restructuring is expected to be substantially completed by the end of 2008. The program primarily includes workforce reduction expenses and facility exit costs, all of which are expected to be cash costs. The Company expects to incur total pre-tax charges, upon program completion, of approximately \$14 million. Included in this amount, in

December 2007, the Company recognized workforce reduction charges of approximately \$9 million. Also in December 2007, pursuant to this program, the Company sold its foundry facility in the United Kingdom, generating a pre-tax gain of approximately \$28 million.

The following table summarizes the accrual balances related to the Foundry Restructuring:

| <i>(in thousands)</i> | December 31, 2007 | Expense | Payments | June 30, 2008 |
|-----------------------|------------------------------|----------------|-------------------|--------------------------|
| Severance | \$ 6,855 | \$ 129 | \$ (1,773) | \$ 5,211 |
| Other | 1,966 | 390 | (379) | 1,977 |
| Total | \$ 8,821 | \$ 519 | \$ (2,152) | \$ 7,188 |

Part I Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q 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, 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. In addition, 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. There are a number of other factors that could cause actual results or outcomes to differ materially from those addressed in the forward-looking statements. Such factors are detailed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the Securities and Exchange Commission and are incorporated by reference herein.

Reference herein to Crane, we, us, and, our refer to Crane Co. and its subsidiaries unless the context specifically states or implies otherwise. References to core business or core sales in this report include sales from acquired businesses starting from and after the first anniversary of the acquisition, but exclude currency effects. Amounts in the following discussion are presented in millions, except employee, share and per share data, or unless otherwise stated.

Overview

We are a diversified manufacturer of highly engineered industrial products. Our business consists of five segments: Aerospace & Electronics, Engineered Materials, Merchandising Systems, Fluid Handling and Controls. Our primary markets are aerospace, defense electronics, recreational vehicle, transportation, automated merchandising, chemical, pharmaceutical, oil, gas and power, nuclear, building services and utilities.

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

Results from Operations**Second quarter of 2008 compared with second quarter of 2007**

| <i>(dollars in millions)</i> | Second Quarter | | Change | |
|------------------------------|----------------|----------|---------|--------|
| | 2008 | 2007 | | |
| Net sales | \$ 693.5 | \$ 660.9 | \$ 32.6 | 4.9% |
| Operating profit | 86.3 | 71.8 | 14.5 | 20.2% |
| Operating margin | 12.4% | 10.9% | | |
| Other income (expense): | | | | |
| Interest income | 2.9 | 1.0 | 1.9 | 190.0% |
| Interest expense | (6.7) | (6.9) | 0.2 | 2.9 |
| Miscellaneous net | 1.6 | 0.9 | 0.7 | 77.8 |
| | (2.2) | (5.0) | 2.8 | 56.0% |
| Income before income taxes | 84.1 | 66.8 | 17.3 | 25.9% |
| Provision for income taxes | 25.1 | 21.1 | 4.0 | 19.0% |
| Net income | \$ 59.0 | \$ 45.7 | \$ 13.3 | 29.1% |

Second quarter 2008 sales increased \$32.6 million, or 4.9%, over the second quarter of 2007. Core business sales for the second quarter contributed approximately 0.8% growth, or \$5.6 million. Acquired businesses (the Composite Panel business of Owens Corning and Mobile Rugged business of Kontron America, Inc.), net of \$5.3 million of lost sales resulting from divestitures, contributed 1.1% growth, or \$7.0 million. The impact of currency translation on sales increased reported sales by approximately 3.0%, or \$20.0 million, as the U.S. dollar was weaker against other major currencies in the second quarter of 2008 compared to the second quarter of 2007. Net sales related to operations outside the U.S. were 40.9% and 37.2% of total net sales for the three month periods ended June 30, 2008 and 2007, respectively.

Operating profit margins were 12.4% in the second quarter 2008 compared to 10.9% in the comparable period of 2007. The increase over the prior year period was largely attributable to improved performance in our Fluid Handling and Merchandising Systems businesses, partially offset by weaker performance in our Engineered Materials and Aerospace & Electronics segments. In addition, the second quarter 2008 operating profit included \$4.4 million (\$2.9 million after tax, or \$0.05 per share) of reimbursements related to our environmental remediation activities. The second quarter 2007 operating profit included a \$7.6 million pretax charge (\$5.4 million after tax, or \$0.09 per share) for a settlement with the U.S. Government.

Interest income increased \$1.9 million over the second quarter of 2007, reflecting higher average cash balances.

Our effective tax rate of 29.8% for the three months ended June 30, 2008 is lower than our effective tax rate of 31.5% for the three months ended June 30, 2007 primarily as a result of lower enacted statutory tax rates in 2008 in certain non-U.S. taxing jurisdictions and lower state taxes in 2008. These items were partially offset by the statutory expiration of the U.S. federal research tax credit as of December 31, 2007.

Segment Results

All comparisons below refer to the second quarter 2008 versus the second quarter 2007, unless otherwise specified.

Aerospace & Electronics

| <i>(in millions)</i> | Second Quarter | | Change | |
|----------------------|----------------|----------|----------|---------|
| | 2008 | 2007 | | |
| Sales | \$ 165.9 | \$ 160.2 | \$ 5.7 | 3.6% |
| Operating Profit | \$ 18.5 | \$ 24.4 | \$ (5.9) | (24.2)% |
| Profit Margin | 11.1% | 15.2% | | |

The second quarter 2008 sales increase of \$5.7 million reflected a sales increase of \$12.0 million in the Aerospace Group and a decrease of \$6.3 million in the Electronics Group. The segment's operating profit decreased \$5.9 million, or 24.2%, in the second quarter of 2008 when compared to the same period in the prior year. The decline in operating profit was driven by substantially higher engineering expense in the Aerospace Group, which was \$25.8 million in the second quarter of 2008, compared to \$16.2 million in the second quarter of 2007. This increase in engineering expense is related to the development of new products, primarily for the Boeing 787 and Airbus A400M programs. This increase in spending was partially offset by a \$5.6 million negotiated cost recovery, finalized during the second quarter of 2008, related to prior engineering spending. We expect continued high levels of engineering expense through 2008 resulting, in part, from the delay in the delivery of the Boeing 787 aircraft and corresponding software and hardware testing and modifications, as well as design changes related to the interface of subsystems with other suppliers. Tighter expense controls and potential engineering cost recoveries are expected to partially offset the unfavorable impact of the continued development expenses on this program.

Aerospace Group sales of \$108.3 million increased \$12.0 million, or 12.7%, from \$96.2 million in the prior year period. This increase is attributable to continued strong demand in the aerospace industry. Operating profit declined by \$3.5 million in the second quarter of 2008, compared to the second quarter of 2007 which was due to the aforementioned \$9.6 million increase in engineering expenses, partially offset by the \$5.6 million negotiated cost recovery.

Electronics Group sales of \$57.8 million decreased \$6.3 million, or 9.8%, due primarily to lower sales in our Custom Power and Microwave Solutions businesses. Operating profit declined by \$2.3 million in the second quarter of 2008, compared to the second quarter of 2007 which was driven primarily by the volume decline in the Custom Power and Microwave Solutions businesses.

Engineered Materials

| <i>(in millions)</i> | Second Quarter | | Change | |
|----------------------|----------------|---------|-----------|---------|
| | 2008 | 2007 | | |
| Sales | \$ 72.9 | \$ 87.7 | \$ (14.8) | (16.9)% |
| Operating Profit | \$ 8.1 | \$ 17.9 | \$ (9.8) | (54.7)% |
| Profit Margin | 11.1% | 20.4% | | |

Second quarter 2008 sales decreased \$14.8 million, or 16.9%, reflecting substantially lower volumes when compared to the same prior year period. Core business sales were down \$21.5 million, or 24.5%, partially offset by \$6.7 million, or 7.6% of sales related to the September 2007 acquisition of the composite panel business of Owens Corning. The substantial decline in core business sales was driven by a 25.2% decline in sales to our traditional recreational vehicle customers, in line with the continued softness in the recreational vehicle industry. This compares to a 15.6% decline that we experienced in the first quarter of 2008, over the same period in the prior year. In addition, we experienced a 27.6% decline in our sales to transportation-related customers, consistent with reduced trailer build rates and, further, a 6.0% decline to our building products customers. Correspondingly, operating profit in 2008 decreased 54.7%, due to the substantially lower core business sales. Higher raw material costs incurred during the second quarter 2008 when compared to the same period in the prior year were offset by targeted price increases.

Merchandising Systems

| <i>(in millions)</i> | Second Quarter | | Change | |
|----------------------|----------------|----------|---------|-------|
| | 2008 | 2007 | | |
| Sales | \$ 116.2 | \$ 100.6 | \$ 15.7 | 15.7% |
| Operating Profit | \$ 17.3 | \$ 11.9 | \$ 5.4 | 45.5% |
| Profit Margin | 14.9% | 11.8% | | |

Second quarter 2008 sales increased \$15.7 million, or 15.7%, including \$11.4 million (11.4%) of core sales, representing growth in both the Vending and Payment Solutions product lines, and favorable foreign currency translation of \$4.3 million (4.3%). The Vending Solutions sales increase was led by the successful introduction of the BevMax III glass front vender in addition to strong global demand for coin and bill validation and our coin dispensing products in Payment Solutions. Operating profit for the segment improved by \$5.4 million over the second quarter of 2007, or 45.5%, due primarily to the successful leverage gained from the comparable quarter sales increase as well as throughput efficiencies realized within the Vending Solutions group.

Fluid Handling

| <i>(in millions)</i> | Second Quarter | | Change | |
|----------------------|----------------|----------|---------|-------|
| | 2008 | 2007 | | |
| Sales | \$ 301.1 | \$ 281.2 | \$ 19.9 | 7.1% |
| Operating Profit | \$ 46.6 | \$ 33.4 | \$ 13.2 | 39.5% |
| Profit Margin | 15.5% | 11.9% | | |

Second quarter 2008 sales increased \$19.9 million, or 7.1%, including \$10.7 million (3.8%) of core sales and favorable foreign currency translation of \$14.4 million (5.1%), offset by a decrease in sales from divested businesses of \$5.2 million (1.9%). Segment operating profit increased \$13.2 million, or 39.5%, over the second quarter 2007. The operating profit increase was broad-based across all major business units in the segment, reflecting continued strong global demand in the chemical, pharmaceutical and energy industries and pricing discipline.

Controls

| <i>(in millions)</i> | Second Quarter | | Change | |
|----------------------|----------------|---------|--------|-------|
| | 2008 | 2007 | | |
| Sales | \$ 37.3 | \$ 31.2 | \$ 6.0 | 19.2% |
| Operating Profit | \$ 3.5 | \$ 2.9 | \$ 0.7 | 24.1% |
| Profit Margin | 9.5% | 9.1% | | |

Second quarter 2008 sales increased \$6.0 million, or 19.2%, which was driven largely by \$5.6 million of sales resulting from the August 2007 acquisition of the Mobile Rugged business of Kontron America, Inc. Operating profit increased 24.1%, primarily resulting from the incremental operating impact of the acquisition during the quarter, as well as targeted pricing actions and production efficiencies.

Results from Operations*Year-to-date period ended June 30, 2008 compared to year-to-date period ended June 30, 2007*

| <i>(dollars in millions)</i> | Year-to-Date | | Change | |
|------------------------------|--------------|------------|---------|--------|
| | 2008 | 2007 | | |
| Net sales | \$ 1,372.4 | \$ 1,289.1 | \$ 83.2 | 6.5% |
| Operating profit | 161.6 | 140.2 | 21.4 | 15.3% |
| Operating margin | 11.8% | 10.9% | | |
| Other income (expense): | | | | |
| Interest income | 5.2 | 2.3 | 2.9 | 124.5% |
| Interest expense | (13.2) | (13.8) | 0.6 | 4.3 |
| Miscellaneous net | 2.0 | 2.7 | (0.8) | (28.5) |
| | (6.0) | (8.8) | 2.7 | 30.2% |
| Income before income taxes | 155.6 | 131.5 | 24.1 | 18.3% |
| Provision for income taxes | 48.2 | 42.1 | 6.1 | 14.5% |
| Net income | \$ 107.5 | \$ 89.3 | \$ 18.0 | 20.2% |

Year to date 2008 sales increased \$83.2 million, or 6.5%, over the same period in 2007. Core business year to date 2008 sales contributed approximately 1.8% growth, or \$22.6 million. Acquired businesses (the Composite Panel business of Owens Corning and Mobile Rugged business of Kontron America, Inc.), net of \$8.6 million of lost sales resulting from divestitures, contributed 1.3% growth, or \$17.3 million. The impact of currency translation on sales increased reported sales by approximately 3.4%, or \$43.4 million, as the U.S. dollar was weaker against other major currencies in the first six months of 2008 compared to the same period in 2007. Net sales related to operations outside the U.S. for the six month periods ended June 30, 2008 and 2007 were 40.1% and 36.8% of total net sales, respectively.

Operating profit margins were 11.8% in the first six months of 2008 compared to 10.9% in the comparable period of 2007. The increase over the prior year period was largely attributable to improved performance in our Fluid Handling and Merchandising Systems businesses, partially offset by weaker performance in our Engineered Materials and Aerospace & Electronics segments. In addition, operating profit for the first six months of 2008 included \$4.4 million (\$2.9 million after tax, or \$0.05 per share) of reimbursements related to our environmental remediation activities. The operating profit for the first six months of 2007 included a \$7.6 million pretax charge (\$5.4 million after tax, or \$0.09 per share) for a settlement with the U.S. Government.

Interest income for the first six months of 2008 increased \$2.9 million over the same period in 2007, reflecting higher average cash balances.

Our effective tax rate of 31.0% for the six months ended June 30, 2008 is lower than our effective tax rate of 32.0% for the six months ended June 30, 2007 primarily as a result of lower enacted statutory tax rates in 2008 in certain non-U.S. taxing jurisdictions and lower state taxes in 2008. These items were partially offset by the statutory expiration of the U.S. federal research tax credit as of December 31, 2007.

Order backlog at June 30, 2008 totaled \$805.1 million, 4.7% higher than the backlog of \$768.7 million at March 31, 2008, 11.9% higher than \$719.6 million at December 31, 2007 and 8.9% higher than the backlog of \$739.4 million at June 30, 2007.

Segment Results

All comparisons below reference the year-to-date period ended June 30, 2008 versus the year-to-date period ended June 30, 2007 (prior year), unless otherwise specified.

Aerospace & Electronics

| <i>(in millions)</i> | Year-to-Date | | Change | |
|----------------------|--------------|----------|-----------|---------|
| | 2008 | 2007 | | |
| Sales | \$ 324.4 | \$ 308.6 | \$ 15.8 | 5.1% |
| Operating Profit | \$ 34.5 | \$ 45.4 | \$ (10.9) | (24.0)% |
| Profit Margin | 10.6% | 14.7% | | |

The year to date 2008 sales increase of \$15.8 million reflected a sales increase of \$23.1 million in the Aerospace Group and a decrease of \$7.3 million in the Electronics Group. The segment's operating profit decreased \$10.9 million, or 24.0%, in the first six months of 2008 when compared to the period in the prior year. The decline in operating profit was driven by substantially higher engineering expense in the Aerospace Group, which was \$50.1 million in the first six months of 2008, compared to \$30.5 million in the first six months of 2007. This increase in engineering expense is related to the development of new products, primarily for the Boeing 787 and Airbus A400M programs. We expect continued high levels of engineering expense through 2008 resulting, in part, from the delay in the delivery of the Boeing 787 aircraft and corresponding software and hardware testing and modifications, as well as design changes related to the interface of subsystems with other suppliers. Tighter expense controls and potential engineering cost recoveries are expected to partially offset the unfavorable impact of the continued development expenses on this program.

Aerospace Group sales of \$209.4 million increased \$23.1 million, or 12.4%, from \$186.3 million in the prior year period. This increase is attributable to continued strong demand in the aerospace industry. Operating profit declined by \$8.4 million in the first six months of 2008, compared to the first six months of 2007 which was due to the aforementioned \$19.6 million increase in engineering expenses, partially offset by higher original equipment manufacturer and aftermarket sales volume.

Electronics Group sales of \$114.9 million decreased \$7.3 million, or 6.0%, due primarily to lower sales in our Custom Power and Microwave Solutions businesses. Operating profit declined by \$2.5 million in the first six months of 2008, compared to the first six months of 2007 which was due to a decline in volume in the Custom Power and Microwave Solutions businesses.

The Aerospace & Electronics segment backlog was \$417.9 million at June 30, 2008, compared with \$393.7 million at June 30, 2007 and \$392.8 million at December 31, 2007.

Engineered Materials

| <i>(in millions)</i> | Year-to-Date | | Change | |
|----------------------|--------------|----------|-----------|---------|
| | 2008 | 2007 | | |
| Sales | \$ 155.7 | \$ 175.5 | \$ (19.8) | (11.3)% |
| Operating Profit | \$ 19.8 | \$ 34.0 | \$ (14.2) | (41.9)% |
| Profit Margin | 12.7% | 19.4% | | |

Year to date 2008 sales decreased \$19.8 million, or 11.3%, reflecting substantially lower volumes when compared to the prior year period. Core business sales were down \$35.2 million, or 20.1%, related to lower volumes to our traditional recreational vehicle and transportation and building products customers, partially offset by \$15.4 million, or 8.8% of sales related to the September 2007 acquisition of the composite panel business of Owens Corning. Operating profit in 2008 decreased 41.9%, resulting from the substantially lower core business sales. Higher raw material costs during the first six months when compared to the same period last year were partially offset by targeted price increases.

The Engineered Materials segment backlog was \$11.9 million at June 30, 2008, compared with \$18.5 million at June 30, 2007 and \$14.8 million at December 31, 2007.

Merchandising Systems

| <i>(in millions)</i> | Year-to-Date | | Change | |
|----------------------|--------------|----------|---------|-------|
| | 2008 | 2007 | | |
| Sales | \$ 229.7 | \$ 197.9 | \$ 31.9 | 16.1% |
| Operating Profit | \$ 31.5 | \$ 21.5 | \$ 9.9 | 46.1% |
| Profit Margin | 13.7% | 10.9% | | |

Year to date 2008 sales increased \$31.9 million, or 16.1%, representing growth in both the Vending and Payment Solutions product lines, of which \$9.5 million, or 4.8% was a result of favorable foreign currency translation. The Vending Solutions sales increase was led by the successful introduction of the BevMax III glass front vender in addition to strong global demand for coin and bill validation and our coin dispensing products in Payment Solutions. Operating profit for the segment for the first six months improved by \$9.9 million, or 46.1% over the same period in 2007, due primarily to the successful leverage gained from the comparable year to date sales increase, as well as throughput efficiencies realized within the Vending Solutions group.

The Merchandising Systems segment backlog was \$35.7 million at June 30, 2008, compared with \$32.3 million at June 30, 2007 and \$34.1 million at December 31, 2007.

Fluid Handling

| <i>(in millions)</i> | Year-to-Date | | Change | |
|----------------------|--------------|----------|---------|-------|
| | 2008 | 2007 | | |
| Sales | \$ 589.6 | \$ 544.2 | \$ 45.4 | 8.4% |
| Operating Profit | \$ 91.3 | \$ 64.5 | \$ 26.8 | 41.5% |
| Profit Margin | 15.5% | 11.9% | | |

Year to date 2008 sales increased \$45.4 million, or 8.4%, including \$22.4 million (4.2%) of core sales and favorable foreign currency translation of \$31.6 million (5.8%), offset by a decrease in sales from divested businesses of \$8.6 million (1.6%). Segment operating profit increased \$26.8 million, or 41.5%, over the same 2007 period. The operating profit increase was broad-based across all major business units in the segment, reflecting continued strong global demand in the chemical, pharmaceutical and energy industries, coupled with throughput efficiencies and pricing discipline.

The Fluid Handling segment backlog was \$297.9 million at June 30, 2008, compared with \$259.1 million at June 30, 2007 and \$242.6 million at December 31, 2007.

Controls

| <i>(in millions)</i> | Year-to-Date | | Change | |
|----------------------|--------------|---------|----------|--------|
| | 2008 | 2007 | | |
| Sales | \$ 72.9 | \$ 63.0 | \$ 9.9 | 15.7% |
| Operating Profit | \$ 4.8 | \$ 5.2 | \$ (0.4) | (6.8%) |
| Profit Margin | 6.5% | 8.3% | | |

Year to date 2008 sales increased \$9.9 million, or 15.7%, including \$10.6 million of sales representing the August 2007 acquisition of the Mobile Rugged business of Kontron America, Inc. Operating profit decreased \$0.4 million, or 6.8%.

The Controls segment backlog was \$41.6 million at June 30, 2008, compared with \$35.7 million at June 30, 2007 and \$35.3 million at December 31, 2007.

Liquidity and Capital Resources

Operating Activities

Cash provided by operating activities, a key source of our liquidity, was \$89.5 million for the first six months of 2008, an increase of \$18.7 million, or 26.5%, as compared to the first half of 2007. This increase was due to earnings growth and lower tax payments during the first six months of 2008 compared to the same period in 2007; in addition, in the first six months of 2007, we used \$11.0 million of proceeds from the sale of its corporate aircraft as the initial payment on an operating lease for a used, but newer aircraft replacement. These favorable changes were partially offset by \$16.6 million of net asbestos payments in the first six months of 2008, compared to \$15.2 million of net asbestos receipts in the same period last year (the prior year amount reflecting the receipt of \$31.5 million in previously escrowed funds from Equitas Limited and \$10.0 million from Employers Reinsurance Company).

Investing Activities

Cash flows relating to investing activities consist primarily of cash used for acquisitions (there were no acquisitions during the first six months of 2008 or 2007) and capital expenditures and cash flows from divestitures of businesses or assets. Cash used in investing activities was \$18.0 million in the first six months of 2008, compared to \$10.5 million used in the comparable period of 2007. Our investing activities in the first six months of 2007 included the sale of our corporate aircraft, which generated \$11.0 million of proceeds. Capital expenditures of \$20.4 million for the first six months of 2008 decreased approximately \$1.4 million from the first six months of 2007. Capital expenditures are made primarily for increasing capacity, replacing equipment, supporting new product development and improving information systems.

Financing Activities

Financing cash flows consist primarily of proceeds from the issuance of debt and common stock, and financing uses of cash consist primarily of repayments of indebtedness, repurchases of common stock and payments of dividends to shareholders. Cash used in financing activities was \$48.5 million during the first six months of 2008, compared to \$67.5 million used during the first quarter of 2007. The decrease in cash used in financing activities was primarily due to an increase in short term debt during the first six months of 2008 and a decrease in common shares acquired on the open market.

Recent Accounting Pronouncements

Information regarding new accounting pronouncements is included in Note 2 to the Consolidated Financial Statements.

Item 3. **Quantitative and Qualitative Disclosures About Market Risk**

There have been no material changes in the information called for by this item since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4. **Controls and Procedures**

Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly 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 rules and forms and that the information is accumulated and communicated to the Company's Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer has concluded that these controls are effective as of the end of the period covered by this quarterly report.

Changes in Internal Control over Financial Reporting. During the fiscal quarter ended June 30, 2008, 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.

Part II Other Information

Item 1. **Legal Proceedings**

Discussion of legal matters is incorporated by reference from Part 1, Item 1, Note 8, Commitments and Contingencies, of this document, and should be considered an integral part of Part II, Item 1, Legal Proceedings.

Item 1A. **Risk Factors**

There has been no significant change to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. **Unregistered Sales of Equity Securities and Use of Proceeds**

(c) Share Repurchases

| | 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 |
|------------|-------------------------------------|---------------------------------|--|--|
| April 1-30 | | | | |
| May 1-31 | | | | |
| June 1-30 | | | | |
| Total | | | | |

The table above only includes the open-market repurchases of the Company's common stock in the second quarter of 2008. The Company also routinely receives shares of its common stock from option holders as payment for stock option exercises and the resultant withholding taxes due on such exercises.

Part II Other Information

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

a) The Annual Meeting of Shareholders was held on April 21, 2008.

b) The following four Directors were elected to serve for three years until the Annual Meeting in 2011.

Mr. E. Thayer Bigelow

Mr. Philip R. Lochner, Jr.

Mr. Ronald F. McKenna

Mr. Charles J. Queenan, Jr.

The following Directors' terms of office continue following the Annual Meeting: Ms. Karen E. Dykstra, Mr. Richard S. Forte, Mr. William E. Lipner, Mr. James L. L. Tullis, Mr. Donald G. Cook, Mr. R. S. Evans, Mr. Eric C. Fast, and Mr. Dorsey R. Gardner

c) The following four Directors were elected to serve for three years until the Annual Meeting in 2011.

| | |
|-----------------------|------------|
| Mr. E. Thayer Bigelow | |
| Votes for | 50,785,685 |
| Votes withheld | 2,938,737 |

| | |
|----------------------------|------------|
| Mr. Philip R. Lochner, Jr. | |
| Votes for | 52,508,924 |
| Votes withheld | 1,215,498 |

| | |
|-----------------------|------------|
| Mr. Ronald F. McKenna | |
| Votes for | 52,575,385 |
| Votes withheld | 1,149,037 |

| | |
|-----------------------------|------------|
| Mr. Charles J. Queenan, Jr. | |
| Votes for | 48,026,941 |
| Votes withheld | 5,697,481 |

The shareholders approved the selection of Deloitte & Touche LLP as independent auditors for the Company for 2008.

| | |
|---------------|------------|
| Votes for | 53,183,548 |
| Votes against | 473,209 |
| Abstained | 67,665 |

The shareholders rejected a shareholder's proposal concerning the adoption of the MacBride Principles in reference to the Company's operations in Northern Ireland.

| | |
|------------------|------------|
| Votes for | 5,200,467 |
| Votes against | 40,603,298 |
| Abstained | 2,988,067 |
| Broker non-votes | 4,932,590 |

Item 6. Exhibits

- Exhibit 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a)
- Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a)
- Exhibit 32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or 15d-14(b)
- Exhibit 32.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or 15d-14(b)

SIGNATURES

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

CRANE CO.
REGISTRANT

Date
August 4, 2008

By /s/ Eric C. Fast
Eric C. Fast
President and Chief Executive Officer

Exhibit Index

| Exhibit No. | Description |
|--------------------|--|
| Exhibit 31.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) |
| Exhibit 31.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) |
| Exhibit 32.1 | Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or 15d-14(b) |
| Exhibit 32.2 | Certification of Chief Financial Officer pursuant to Rule 13a-14(b) or 15d-14(b) |