

CRANE

**Crane Co.
Q2 2014 Earnings Release Call**

Forward-Looking Statements – Disclaimer

The information in this presentation 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, 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 those detailed on Page 1 of our Annual Report on Form 10-K for 2013 and in our subsequent disclosures filed with the Securities and Exchange Commission.

(\$ Millions except per-share amounts)

	Q2 2014	Q2 2013	Change
Sales	\$750.1	\$648.7	+15.6%
Operating Profit*	\$109.9	\$95.7	+14.8%
Operating Margin*	14.6%	14.8%	-20 bps
Earnings per Share*	\$1.15	\$1.06	+9%
Free Cash Flow**	\$52.9	\$24.4	+117%

Q2 2014 Details

	Q2 2014		Q2 2014
Core Growth	+0.1%	Diluted EPS: GAAP	\$1.00
Acquisitions, net***	+14.5%	M&A related items*	\$0.06
FX Translation	+1.1%	Repositioning*	\$0.02
Total Sales Change	+15.6%	Lawsuit Settlement*	\$0.07
		Diluted EPS: non-GAAP*	\$1.15

* OP, margin, and Earnings per Share exclude Special Items. Please see non-GAAP Financial Measures table for details.

** Free cash flow is defined as cash provided by operating activities less capital spending. See non-GAAP Financial Measures table for details.

*** MEI acquisition impact is net of the previously announced licensing of the Currenza C2 coin recycler product line for the European marketplace, divestiture of the B2B bill recycler product line, and the Crane Water divestiture.

On track to achieve 2014 objectives

- Fluid Handling order and backlog trends supports our confidence in outlook
- Pursuing several long-term opportunities at Aerospace & Electronics
- MEI integration and synergy realization on-track
- Repositioning actions progressing smoothly

Maintaining 2014 Guidance Excluding Special Items

- Core sales growth of 1% to 3%, with \$3 billion total sales
- EPS* of \$4.55-\$4.75 (up 9% to 14%)
- Free Cash Flow** of \$225M to \$250M
- GAAP EPS guidance revised to \$4.18-\$4.38, from \$4.28-\$4.48
 - Q2 charges for divestiture and lawsuit settlement***

* EPS guidance excludes Special Items. Please see non-GAAP Financial Measures table for details.

** Free cash flow is defined as cash provided by operating activities less capital spending. See non-GAAP table for details.

*** Please see Non-GAAP Financial Measures table for details.

(\$ Millions)

	Q2 2014	Q2 2013	Change
Sales	\$324.5	\$333.8	-2.8%
Operating Profit*	\$52.7	\$54.2	-2.7%
Operating Margin*	16.2%	16.2%	0.0%
Backlog**	\$369	\$346	+6.9%

Q2 2014 Highlights

- Sales decline primarily from unfavorable comparisons in nuclear services; comparisons ease in 2H14
- Orders improved sequentially throughout the first half of 2014
- Based on Q2 orders and backlog, continue to expect process valve demand improvement in 2H14, and into 2015/2016

	Q2 2014
Core Growth	-3.2%
Divestiture	-0.7%
FX Translation	+1.2%
Total Sales Change	-2.8%

* OP and margin in 2014 exclude Special Items. Please see non-GAAP table for details.

** Backlog for Q2 2013 excludes \$4.0 million related to a business which was divested in Q2 2014.

Payment and Merchandising Technologies

(\$ Millions)

	Q2 2014	Q2 2013	Change
Sales	\$184.6	\$84.8	+117.6%
Operating Profit*	\$21.4	\$8.9	+140.8%
Operating Margin*	11.6%	10.5%	+110 bps

Q2 2014 Highlights

- Q2 pre-tax synergies of \$2 million, and \$3 million YTD
- 2014 synergy guidance unchanged at \$7 million, with \$0.20 accretion*

	Q2 2014
Core Growth	+1.1%
MEI Acquisition, net**	+113.4%
FX Translation	+3.1%
Total Sales Change	+117.6%

* OP and margin in 2014, and EPS/accretion exclude Special Items. Please see non-GAAP table for details.

** MEI acquisition impact is net of the previously announced licensing of the Currenza C2 coin recycler product line for the European marketplace and divestiture of the B2B bill recycler product line.

Aerospace and Electronics

(\$ Millions)

	Q2 2014	Q2 2013	Change
Sales	\$177.6	\$172.4	+3.0%
Operating Profit*	\$37.5	\$37.0	+1.3%
Operating Margin*	21.1%	21.5%	-40 bps
Backlog	\$397	\$403	-1.6%

Q2 2014 Highlights

Aerospace Group	Q2 2014	Total Segment	Q2 2014
Commercial OE	+7.4%	Core Growth	+2.8%
Aftermarket	+0.4%	FX Translation	+0.2%
OE / Aftermarket mix	64.5%/35.5%	Total Sales Change	+3.0%

- Commercial trends remain strong, and improving
- Aerospace sales +5.7% to \$112.8 million
- Electronics sales -1.3% to \$64.8 million
- Engineering expense and program investments remain elevated

* OP and margin in 2014 exclude Special Items. Please see non-GAAP table for details.

(\$ Millions)

	Q2 2014	Q2 2013	Change
Sales	\$63.4	\$57.7	+9.8%
Operating Profit	\$9.8	\$9.2	+6.5%
Operating Margin	15.4%	15.9%	-50 bps

Q2 2014 Highlights

	Q2 2014		Q2 2014
Recreational Vehicle	+18%	Core Growth	+9.8%
Building Products	+2%	FX Translation	0.0%
Transportation	+7%	Total Sales Change	+9.8%

- RV and Transportation sales growth rates likely to moderate over the course of 2014

- Margins impacted by negative product mix in Q2

Cash Flow, Balance Sheet, and Tax

(\$ Millions)

	Q2 2014	Q2 2013	Change
Cash Provided from Operating Activities	\$64.2	\$30.9	+107%
Capital Expenditures	(\$11.3)	(\$6.6)	+72%
Free Cash Flow*	\$52.9	\$24.4	+117%
Effective (GAAP) Tax Rate	30.9%	32.9%	-200bps
Non-GAAP (adjusted) Tax Rate **	31.3%	30.0%	+130bps

- Guidance includes a \$15 million full-year increase in capital expenditures

	Q2 2014	Q4 2013	Change
Total Debt	\$903	\$875	\$28
Cash	\$314	\$271	\$44

*Free cash flow is defined as cash provided by operating activities less capital spending. Please see non-GAAP table for details.

** Please see Non-GAAP Financial Measures table for details.

	Guidance	YOY Growth
Sales	\$3.0B	+15% to 17%
EPS*	\$4.55-\$4.75	+9% to 14%
Free Cash Flow**	\$225M-\$250M	+7% to 19%

- **Maintaining guidance, excluding Special Items**
 - Q2 performance and trends consistent with expectations
 - Expect accelerating growth in 2H14
 - MEI integration on track to meet financial objectives
- **Reducing 2014 GAAP earnings guidance to a range of \$4.18-\$4.38, from \$4.28-\$4.48**
 - Revised GAAP EPS now includes the charges related to a divestiture and a lawsuit settlement***

* EPS guidance excludes Special Items. Please see non-GAAP Financial Measures table for details.

** Free cash flow is defined as cash provided by operating activities less capital spending. See non-GAAP table for details.

*** Please see non-GAAP Financial Measures table for details.

On track to achieve 2014 objectives

- **Expect growth to accelerate in 2H2014 and beyond**
 - Both cyclical and secular tailwinds
- **MEI integration progressing smoothly**
- **Repositioning actions on-track**
 - Expected benefits in 2015 and 2016
- **Continued focus on growth investments**
 - High levels of activity at Aerospace & Electronics
- **Remain committed to 10%+ EPS growth per year**



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Non-GAAP Information

Certain non-GAAP measures have been provided to facilitate comparison with the prior year.

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that non-GAAP financial measures which exclude certain non-recurring items 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 the Company's performance.

In addition, Free Cash Flow provides supplemental information to assist management and investors in analyzing the Company's ability to generate liquidity from its operating activities. The measure of Free Cash Flow does not take into consideration certain other non-discretionary cash requirements such as, for example, mandatory principal payments on the Company's long-term debt. 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, the Company's reported results prepared in accordance with GAAP.

Non-GAAP Financial Measures

CRANE CO.
Non-GAAP Financial Measures
(in thousands)

INCOME ITEMS

	Three Months Ended		Six Months Ended		Percent Change June 30, 2014 Three Months	Percent Change June 30, 2014 Six Months
	June 30,		June 30,			
	2014	2013	2014	2013		
Net Sales	\$ 750,096	\$ 648,746	\$ 1,466,926	\$ 1,276,317	15.6%	14.9%
Operating Profit	97,580	88,846	178,966	175,746	9.8%	1.8%
<i>Percentage of Sales</i>	13.0%	13.7%	12.2%	13.8%		
<u>Special Items impacting Operating Profit:</u>						
Acquisition transaction costs (a)	-	6,853	-	9,741		
Acquisition related inventory and backlog amortization (b)	-	-	4,790	-		
Acquisition related integration costs (c)	2,030	-	6,755	-		
Acquisition related restructuring costs (d)	1,629	-	5,617	-		
Repositioning charges (e)	2,146	-	8,196	-		
Lawsuit settlement charge (f)	6,500	-	6,500	-		
Operating Profit before Special Items	<u>\$ 109,885</u>	<u>\$ 95,699</u>	<u>\$ 210,824</u>	<u>\$ 185,487</u>	14.8%	13.7%
<i>Percentage of Sales</i>	14.6%	14.8%	14.4%	14.5%		
Net Income Attributable to Common Shareholders	\$ 59,697	\$ 54,874	\$ 108,381	\$ 112,665		
<i>Per Share</i>	\$ 1.00	\$ 0.93	\$ 1.82	\$ 1.92	6.9%	-5.5%
<u>Special Items impacting Net Income Attributable to Common Shareholders:</u>						
Acquisition transaction costs - Net of Tax (a)	-	6,853	-	9,741		
<i>Per Share</i>		\$ 0.12		\$ 0.17		
Acquisition related inventory and backlog amortization - Net of Tax (b)	-	-	3,018	-		
<i>Per Share</i>			\$ 0.05			
Acquisition related integration costs - Net of Tax (c)	1,626	-	4,835	-		
<i>Per Share</i>	\$ 0.03		\$ 0.08			
Acquisition related restructuring costs - Net of Tax (d)	914	-	3,894	-		
<i>Per Share</i>	\$ 0.02		\$ 0.07			
Repositioning charges - Net of Tax (e)	1,446	-	5,776	-		
<i>Per Share</i>	\$ 0.02		\$ 0.10			
Lawsuit settlement charge - Net of Tax (f)	4,225	-	4,225	-		
<i>Per Share</i>	\$ 0.07		\$ 0.07			
Loss on business divestiture - Net of Tax (g)	1,055	-	1,055	-		
<i>Per Share</i>	\$ 0.02		\$ 0.02			
Withholding taxes related to acquisition funding (h)	-	460	-	460		
<i>Per Share</i>		\$ 0.01		\$ 0.01		
Net Income Attributable To Common Shareholders Before Special Items	\$ 68,963	\$ 62,187	\$ 131,184	\$ 122,866	10.9%	6.8%
<i>Per Share</i>	\$ 1.15	\$ 1.06	\$ 2.20	\$ 2.10	9.0%	4.9%

Non-GAAP Financial Measures

CRANE CO.

Non-GAAP Financial Measures

- (a) During the three and nine months ended June 30, 2013, the Company recorded transaction costs associated with the acquisition of MEI/Conlux.
- (b) During the three months ended March 31, 2014, the Company recorded inventory step-up and backlog amortization relating to the acquisition of MEI/Conlux.
- (c) During the three and six months ended June 30, 2014, the Company recorded integration costs associated with the acquisition of MEI/Conlux.
- (d) During the three and six months ended June 30, 2014, the Company recorded restructuring costs associated with the acquisition of MEI/Conlux.
- (e) During the three and six months ended June 30, 2014, the Company recorded repositioning charges associated with certain facility consolidation activities in our Fluid Handling and Aerospace & Electronics segments. These charges primarily included severance and move costs related to the transfer of certain manufacturing operations.
- (f) During the three months ended June 30, 2014, the Company recorded a pre-tax \$6.5 million charge related to the settlement of the previously disclosed environmental lawsuits by certain homeowners in Roseland, New Jersey.
- (g) During the three month ended June 30, 2014, the Company recorded a loss on the divestiture of a small business.
- (h) In the three months ended June 30, 2013, the Company incurred withholding taxes related to the cash marshalling activities supporting the acquisition of MEI.

Non-GAAP Financial Measures – EPS

CRANE CO.
Non-GAAP Financial Measures

2014 Earnings Per Share Guidance	2014 Full Year Guidance	
	Low	High
Earnings Per Share - GAAP basis	\$ 4.18	\$ 4.38
Acquisition integration costs, inventory step-up and backlog amortization - Net of Tax(i)	0.22	0.22
Anticipated facility repositioning actions, net of real estate divestiture gains - Net of Tax (j)	0.05	0.05
Lawsuit settlement charge - Net of Tax(f)	0.07	0.07
Loss on business divestiture - Net of Tax (g)	0.02	0.02
Earnings Per Share - Non-GAAP basis	\$ 4.55	\$ 4.75

(i) In connection with the MEI/Conlux acquisition, the Company expects to incur transaction and integration related costs, and inventory step up and backlog amortization charges in a range of \$18 million to \$21 million. The \$0.22 represents the estimated Earnings Per Share impact for the mid-point of the \$18 million to \$21 million range.

(j) In 2014, the Company expects to incur costs associated with facility repositioning actions related to the consolidation of certain smaller manufacturing sites and expects to record gains from the sale of certain Company owned real estate.

Non-GAAP Financial Measures – Cash Flow

CRANE CO.
Non-GAAP Financial Measures
(in thousands)

CASH FLOW ITEMS

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Cash Provided from Operating Activities				
before Asbestos - Related Payments	\$ 82,011	\$ 49,395	\$ 76,026	\$ 39,485
Asbestos Related Payments, Net of Insurance Recoveries	(17,827)	(18,447)	(30,752)	(28,940)
Cash Provided from Operating Activities	64,184	30,948	45,274	10,545
Less: Capital Expenditures	(11,297)	(6,566)	(20,690)	(12,039)
Free Cash Flow	\$ 52,887	\$ 24,382	\$ 24,584	\$ (1,494)

	2014 Full Year Guidance	
	Low	High
Cash Provided from Operating Activities		
before Asbestos - Related Payments	\$ 345,000	\$ 354,000
Asbestos Related Payments, Net of Insurance Recoveries	(70,000)	(64,000)
Cash Provided from Operating Activities	275,000	290,000
Less: Capital Expenditures	(50,000)	(40,000)
Free Cash Flow	\$ 225,000	\$ 250,000

Non-GAAP Financial Measures - Segments

CRANE CO. Non-GAAP Financial Measures

(\$ Millions)

For the three months ended June 30, 2014

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	324.5	184.6	177.6	63.4	-	750.1
Operating Profit - GAAP	52.2	18.6	35.9	9.8	-18.9	97.6
Lawsuit settlement charge	-	-	-	-	6.5	6.5
Acquisition related integration costs	-	1.1	-	-	0.9	2.0
Acquisition related restructuring costs	-	1.6	-	-	-	1.6
Repositioning charges	0.5	-	1.6	-	-	2.1
Operating Profit before Special Items	52.7	21.4	37.5	9.8	-11.5	109.9
<i>Percentage of Sales</i>	<i>16.2%</i>	<i>11.6%</i>	<i>21.1%</i>	<i>15.4%</i>		<i>14.6%</i>

(\$ Millions)

For the three months ended June 30, 2013

	Fluid Handling	Payment & Merchandising Technologies	Aerospace & Electronics	Engineered Materials	Corporate	Total Company
Net Sales	333.8	84.8	172.4	57.7	-	648.7
Operating Profit - GAAP	54.2	8.9	37.0	9.2	-20.4	88.8
Acquisition transaction costs	-	-	-	-	6.9	6.9
Operating Profit before Special Items	54.2	8.9	37.0	9.2	-13.6	95.7
<i>Percentage of Sales</i>	<i>16.2%</i>	<i>10.5%</i>	<i>21.5%</i>	<i>15.9%</i>		<i>14.8%</i>

Non-GAAP Financial Measures - Tax

CRANE CO.
Non-GAAP Financial Measures
(in thousands)

	Three Months Ended	
	June 30,	
	2014	2013
Income Before Income Taxes	86,667	82,526
<u>Special Items impacting Income Before Income Taxes</u>		
Acquisition transaction costs	-	6,853
Loss on business divestiture	1,624	-
Acquisition related integration costs	2,030	-
Acquisition related restructuring costs	1,629	-
Repositioning charges	2,146	-
Lawsuit settlement charge	6,500	-
Income Before Income Taxes before Special Items	\$ 100,596	\$ 89,379
Less: Noncontrolling interest in subsidiaries' earnings	212	540
Income Before Income Taxes Attributable to Common Shareholders before Special Items	<u>\$ 100,384</u>	<u>\$ 88,839</u>
Provision for Income Taxes	26,758	27,112
Effective Tax Rate	30.9%	32.9%
<u>Special Items impacting Provision for Income Taxes</u>		
Acquisition Transaction Costs	-	-
Loss on business divestiture	569	-
Acquisition related integration charges	404	-
Acquisition related restructuring charges	715	-
Repositioning Charges	700	-
Lawsuit settlement charge	2,275	-
Withholding taxes related to acquisition funding	-	(460)
Provision for Income Taxes before Special Items	\$ 31,421	\$ 26,652
Non-GAAP Tax Rate	31.3%	30.0%