

CRANE CO /DE/
Form 10-K
February 23, 2016

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

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2015

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

Commission file number 1-1657

CRANE CO.

State of incorporation:
Delaware

I.R.S. Employer identification
No. 13-1952290

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

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

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act
Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15 (d) of the Act
Yes ¨ No ý

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", "non-accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act). (Check one):
Large accelerated filer x Accelerated filer o

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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

Based on the closing stock price of \$58.73 on June 30, 2015, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting common equity held by nonaffiliates of the registrant was \$3,408,779,644

The number of shares outstanding of the registrant's common stock, par value \$1.00, was 58,232,596 at January 31, 2016.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for the annual shareholders' meeting to be held on April 25, 2016 are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING INFORMATION

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

We have based the forward-looking statements relating to our operations on our current expectations, estimates and projections about us and the markets we serve. We caution you that these statements are not guarantees of future performance and involve risks and uncertainties. These statements should be considered in conjunction with the discussion in Part I, the information set forth under Item 1A, “Risk Factors” and with the discussion of the business included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

We have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Any differences could result from a variety of factors, including the following:

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

Part I

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

Item 1. Business

General

We are a diversified manufacturer of highly engineered industrial products comprised of four segments: Fluid Handling, Payment & Merchandising Technologies, Aerospace & Electronics and Engineered Materials. Our primary markets are chemicals, power, oil & gas, aerospace & defense, along with a wide range of general industrial and consumer related end markets.

We have been committed to the highest standards of business conduct since 1855 when our founder, R.T. Crane, resolved “to conduct my business in the strictest honesty and fairness; to avoid all deception and trickery; to deal fairly with both customers and competitors; to be liberal and just toward employees; and to put my whole mind upon the business.”

Our strategy is to grow earnings and cash flow by focusing on manufacture of highly engineered industrial products for specific markets where our scale is a relative advantage, and where we can compete based on our proprietary and differentiated technology, our deep vertical expertise, and our responsiveness to unique and diverse customer needs. We continuously evaluate our portfolio, pursue acquisitions that complement our existing businesses and that are accretive to our growth profile, selectively divest businesses where appropriate, and pursue internal mergers to improve efficiency. We strive to foster a performance-based culture focused on productivity and continuous improvement, to attract and retain a committed management team whose interests are directly aligned with those of our shareholders, and to maintain a focused, efficient corporate structure.

We use a comprehensive set of business processes and operational excellence tools that we call the Crane Business System (“CBS”) to drive continuous improvement throughout our businesses. Beginning with a core value of integrity, the Crane Business System incorporates “Voice of the Customer” teachings (specific processes designed to capture our customers’ requirements) and a broad range of operational excellence tools into a disciplined strategy deployment process that drives profitable growth by focusing on continuously improving safety, quality, delivery and cost.

Revenues from outside the United States were approximately 38% and 41% in 2015 and 2014, respectively. For more information regarding our sales and assets by geographical region, see Part II, Item 8 under Note 13, “Segment Information,” to the Consolidated Financial Statements.

Reportable Segments

For additional information on recent business developments and other information about us and our business, you should refer to the information set forth under the captions, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Part II, Item 7 of this report, as well as in Part II, Item 8 under Note 13, “Segment Information,” to the Consolidated Financial Statements for sales, operating profit and assets employed by each segment.

Fluid Handling

The Fluid Handling segment is a provider of highly engineered fluid handling equipment for critical performance applications that require high reliability. The segment is comprised of Process Valves and Related Products, Commercial Valves, and Other Products.

Process Valves and Related Products includes on/off valves and related products for critical and demanding applications in the chemical, oil & gas, power, and general industrial end markets globally. Products are sold under the trade names Crane, Saunders, Jenkins, Pacific, Xomox, Krombach, DEPA, ELRO, REVO, Flowseal, Centerline, Resistoflex, Duocheck, Barksdale, and WTA. Manufacturing locations, along with sales and service centers, are located across the Americas, Europe, the Middle East, Asia, and Australia.

Commercial Valves is engaged primarily in the manufacturing and distribution of valves and related products for the non-residential construction, general industrial, and to a lesser extent, municipal markets. The primary geographies

served include Canada, the United Kingdom, the Middle East, and continental Europe. Brands include Stockham, Wask, Viking Johnson, IAT, Hattersley, NABIC, Sperryn, Wade, Rhodes and Brownall. Manufacturing locations are located in the United Kingdom and China, with additional sales offices in continental Europe and the Middle East; distribution facilities are located throughout Canada.

Other Products includes pumps and related products for water and wastewater applications in the industrial, municipal, commercial and military markets, primarily in the United States. Products are sold under the trade names Deming, Weinman, Burks, and Barnes. Facilities are located in the United States, Canada, and China.

Payment & Merchandising Technologies

The Payment & Merchandising Technologies segment is comprised of Crane Payment Innovations (“CPI”) and Merchandising Systems.

CPI provides high technology payment acceptance products that improve our customers’ productivity in numerous global markets including retail self-checkout, vending, casino gaming, government lotteries, parking, transit fare collection, payment kiosks, and banking. Products for these markets include coin acceptors and dispensers, coin hoppers, coin recyclers, bill validators, bill recyclers, and cashless systems. CPI facilities are located in the United States, Mexico, Japan, Canada, Switzerland, Germany, and the Ukraine, with additional sales offices across the world.

Merchandising Systems is primarily engaged in the design and manufacture of vending equipment and related solutions. Merchandising Systems’ innovative products and solutions create value by improving the consumer experience, and driving higher same store, or vendor machine, profitability. Products include a full line of vending equipment that dispenses food, snack, and hot and cold beverages. Other solutions include vending management software, cashless payment products, and wireless connectivity to enable our customers to operate their businesses more profitably. Primary customers include vending operators, and food and beverage companies, primarily in the United States and Europe. Facilities are located in the United States and the United Kingdom.

Aerospace & Electronics

The Aerospace & Electronics segment supplies critical components and systems, including original equipment and aftermarket parts, primarily for the commercial aerospace and military aerospace and defense markets. The commercial market and military market accounted for 70% and 30%, respectively, of total segment sales in 2015. Sales to original equipment manufacturers (“OEM”) and aftermarket customers were 73% and 27%, respectively, in 2015.

Crane Aerospace & Electronics has strong brands which have been supplying products to these end markets for several decades. Brands include Hydro-Aire, ELDEC, Lear Romec, P.L. Porter, Keltec, Interpoint, Signal Technology, Merrimac Industries, and Polyflon.

Products include a wide range of custom designed, highly engineered products used in landing systems, sensing and utility systems, fluid management, seat actuation, power and microelectronic applications, and microwave systems. Our products are sold directly to aircraft manufacturers, commercial Tier 1 integrators (companies which make products specifically for an aircraft manufacturer), defense and space prime contractors, airlines, government agencies including the U.S. Department of Defense, foreign allied defense organizations, aircraft seat manufacturers, and aircraft maintenance, repair and overhaul (“MRO”) organizations.

Facilities are located in the United States, Taiwan, and France.

Engineered Materials

The Engineered Materials segment manufactures fiberglass-reinforced plastic (“FRP”) panels and coils, primarily for use in the manufacturing of recreational vehicles (“RV”s), truck bodies, truck trailers, with additional applications in commercial and industrial buildings. Engineered Materials sells the majority of its products directly to RV, trailer, and truck manufacturers, and it uses distributors and retailers to serve the commercial and industrial construction markets. Manufacturing facilities are located in the United States.

Acquisitions

We have completed two acquisitions in the past five years.

In December 2013, we completed the acquisition of MEI Conlux Holdings (U.S.), Inc. and its affiliate MEI Conlux Holdings (Japan), Inc. (together, “MEI”), a leading provider of payment solutions for unattended transaction systems, which serves customers in the transportation, gaming, retail, service payment and vending markets, for a purchase price of \$804 million for all of the outstanding equity interests of MEI. MEI had sales of \$399 million in 2012 and was integrated into our CPI business within our Payment & Merchandising Technologies segment. Goodwill for this acquisition amounted to \$438 million. The amount allocated to goodwill reflects the benefits we expect to realize from the acquisition, specifically, that it will strengthen and broaden our product offering and allow us to improve our

global position in all sectors of the market.

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

Divestitures

We have completed four divestitures in the past five years.

In 2014, we sold Crane Water, which was formerly part of our Fluid Handling segment, for \$2.1 million and recorded a \$1.1 million net loss. The business had sales of approximately \$15 million in 2013.

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

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

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

Other Matters Relating to Our Business as a Whole

Competitive Conditions

Our businesses participate in markets that are highly competitive. Because of the diversity of products manufactured and sold, our businesses typically have a different set of competitors in each geographic area and end market in which they participate. Accordingly, it is not possible to estimate the number of competitors, or precise market share; however, we believe that we are a principal competitor in most of our markets. Our primary basis of competition is providing high quality products, with technological differentiation, at competitive prices, with superior customer service and timely delivery.

Our products are sold into markets, including chemical, power, oil & gas, aerospace & defense, along with a wide range of general industrial and consumer related end markets. As such, our revenues depend on numerous unpredictable factors, including changes in market demand, general economic conditions, customer capital spending, and credit availability. Because our products are sold in such a wide variety of markets, we do not believe that we can reliably quantify or predict the potential effects of changes in any of the aforementioned factors.

Our engineering and product development activities are focused on improving existing products, customizing existing products for particular customer requirements, as well as the development of new products. We own numerous patents, trademarks, copyrights, trade secrets and licenses to intellectual property, no one of which is of such importance that termination would materially affect our business. From time to time, however, we do engage in litigation to protect our intellectual property.

Research and Development

Research and development costs are expensed when incurred. These costs were \$62.8 million, \$68.0 million and \$52.7 million in 2015, 2014 and 2013, respectively, and were incurred primarily by the Aerospace & Electronics and Payment & Merchandising Technologies segments.

Our Customers

No customer accounted for more than 10% of our consolidated revenues in 2015, 2014 or 2013.

Backlog

The following sets forth the unfulfilled orders attributable to each of our segments as of the indicated dates:

(in millions)	December 31, 2015	December 31, 2014
Fluid Handling	\$267	\$311
Payment & Merchandising Technologies	63	68
Aerospace & Electronics	436	422
Engineered Materials	15	17
Total Backlog	\$782	\$818

Our Employees

We employ approximately 11,200 people in the Americas, Europe, the Middle East, Asia and Australia. For a discussion of risks related to employee relations, please refer to “Item 1A. Risk Factors.”

Raw Materials

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

Seasonal Nature of Business

Our business does not experience significant seasonality.

Government Contracts

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

Available Information

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

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

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Executive Officers of the Registrant

Name	Position	Business Experience During Past Five Years	Age	Executive Officer Since
Max H. Mitchell	President and Chief Executive Officer	Chief Executive Officer since January 2014. President since January 2013. Chief Operating Officer from May 2011 through January 2013. Group President, Fluid Handling from 2005 to October 2012.	52	2004
Curtis A. Baron, Jr.	Vice President, Controller	Vice President, Controller since December 2011. Assistant Controller from 2007 to December 2011.	46	2011
Thomas J. Craney	Group President, Engineered Materials	Group President, Engineered Materials since 2007.	60	2007
Brendan J. Curran	President, Aerospace & Electronics	President, Aerospace & Electronics since February 2015. Group President, Aerospace from May 2013 through February 2015. Pratt Whitney: United Technologies Corporation (diversified manufacturing) Vice President, Business Development, Strategy & Partnerships, Commercial Engines from July 2012 through June 2013 and Vice President, Commercial Engines & Global Services from April 2011 through June 2012. Hamilton Sundstrand, United Technologies Corporation: VP and General Manager, Repair & Supply Chain from 2009 through March 2011.	53	2013
Augustus I. duPont	Vice President, General Counsel and Secretary	Vice President, General Counsel and Secretary since 1996.	64	1996
Bradley L. Ellis	Senior Vice President	Senior Vice President since December 2014. Group President, Merchandising Systems from 2003 through December 2014. Vice President, Crane Business System from 2009 to December 2011.	47	1997 - 2003 2007 - present
James A. Lavish	Vice President, CBS, People & Performance	Vice President, CBS, People & Performance since January 2016. Vice President, Crane Business System from March 2013 through January 2016. President, Crane Pumps & Systems from 2008 to 2013.	49	2016
Richard A. Maue	Vice President - Finance and Chief Financial Officer	Vice President - Finance and Chief Financial Officer since January 2013. Principal Accounting Officer since 2007 and Vice President, Controller from 2007 to December 2011.	45	2007
Anthony D. Pantaleoni	Vice President, Environment, Health and Safety	Vice President, Environment, Health and Safety since 1989.	61	1989
Louis V. Pinkham	Senior Vice President	Senior Vice President since December 2014. Group President, Fluid Handling from	44	2012

Tazewell S. Rowe	Vice President, Treasurer	<p>October 2012 through December 2014. Senior Vice President, General Manager at Eaton Corp. (diversified power management company) from June 2011 to October 2012. Vice President, General Manager at Eaton Corp. from 2008 to 2011. Vice President, Treasurer since August 2013. Assistant Treasurer, ITT Corporation (diversified manufacturing) from 2010 through August 2013. Managing Director, Corporate Strategy, Ally Financial from 2006 through 2010.</p>	44	2013
Kristian R. Salovaara	Vice President of Business Development and Strategy	<p>Vice President of Business Development and Strategy since March 2014. Vice President, Business Development from May 2011 to March 2014. Managing Director at FBR Capital Markets & Co. from 2009 to May 2011.</p>	55	2011
Edward S. Switter	Vice President, Tax	<p>Vice President, Tax since 2011. Director Global Tax from 2010 to 2011. Director of Tax from 2006 to 2010.</p>	41	2011

Item 1A. Risk Factors

The following is a description of what we consider the key challenges and risks confronting our business. This discussion should be considered in conjunction with the discussion under the caption “Forward-Looking Information” preceding Part I, the information set forth under Item 1, “Business” and with the discussion of the business included in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These risks comprise the material risks of which we are aware. If any of the events or developments described below or elsewhere in this Annual Report on Form 10-K, or in any documents that we subsequently file publicly were to occur, it could have a material adverse effect on our business, financial condition or results of operations.

Risks Relating to Our Business

We are subject to numerous lawsuits for asbestos-related personal injury, and costs associated with these lawsuits may adversely affect our results of operations, cash flow and financial position.

We are subject to numerous lawsuits for asbestos-related personal injury. Estimation of our ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims. Our estimate of the future expense of these claims is derived from assumptions with respect to future claims, settlement and defense costs which are based on experience during the last few years and which may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would substantial adverse verdicts at trial or on appeal. A legislative solution or a structured settlement transaction could also change the estimated liability. These uncertainties may result in our incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if the number of claims and settlements and defense costs escalates or if legislation or another alternative solution is implemented; however, we are currently unable to predict such future events. The resolution of these claims may take many years, and the effect on results of operations, cash flow and financial position in any given period from a revision to these estimates could be material.

As of December 31, 2015, we were one of a number of defendants in cases involving 41,090 pending claims filed in various state and federal courts that allege injury or death as a result of exposure to asbestos. See Note 10, “Commitments and Contingencies” of the Notes to Consolidated Financial Statements for additional information on:

• Our pending claims;

• Our historical settlement and defense costs for asbestos claims;

• The liability we have recorded in our financial statements for pending and reasonably anticipated asbestos claims through 2021;

• The asset we have recorded in our financial statements related to our estimated insurance coverage for asbestos claims; and

• Uncertainties related to our net asbestos liability.

We have recorded a liability for pending and reasonably anticipated asbestos claims through 2021, and while it is probable that this amount will change and that we may incur additional liabilities for asbestos claims after 2021, which additional liabilities may be significant, we cannot reasonably estimate the amount of such additional liabilities at this time. The liability was \$546 million as of December 31, 2015.

Macroeconomic fluctuations may harm our business, results of operations and stock price.

Our business, financial condition, operating results and cash flows may be adversely affected by changes in global economic conditions and geopolitical risks, including credit market conditions, levels of consumer and business confidence, commodity prices, exchange rates, levels of government spending and deficits, political conditions and other challenges that could affect the global economy. These economic conditions could affect businesses such as ours in a number of ways. Such conditions could have an adverse impact on our flexibility to react to changing economic and business conditions and on our ability to fund our operations or refinance maturing debt balances at attractive interest rates. In addition, restrictions on credit availability could adversely affect the ability of our customers to obtain financing for significant purchases and could result in decreases in or cancellation of orders for our products and services as well as impact the ability of our customers to make payments. Similarly, credit restrictions may adversely

affect our supplier base and increase the potential for one or more of our suppliers to experience financial distress or bankruptcy. See “Specific Risks Related to Our Business Segments”.

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

A substantial portion of our sales is concentrated in industries that are cyclical in nature or subject to market conditions which may cause customer demand for our products to be volatile. These industries often are subject to fluctuations in domestic and international economies as well as to currency fluctuations and inflationary pressures. Reductions in demand by these industries would reduce the sales and profitability of the affected business segments. In our Fluid Handling segment, a slower recovery of the global economy or increased uncertainty in major industrial markets and/or the continued weakness in oil prices could reduce sales and profits, particularly if projects for which our businesses are suppliers or bidders are canceled or delayed. Results at our Payment & Merchandising Technologies segment could be affected by sustained weakness in certain end markets such as China and Russia, low employment levels, office occupancy rates and factors affecting vending operator profitability such as higher fuel, food and equipment financing costs; results could also be impacted by unforeseen advances in payment processing technologies. In our Aerospace & Electronics segment, a significant decline in demand for air travel, or a decline in airline profitability generally, could result in reduced orders for aircraft and could also cause airlines to reduce their purchases of repair parts from our businesses. In addition, our Aerospace & Electronics segment could also be impacted to the extent that major aircraft manufacturers encountered production problems, or if pricing pressure from aircraft customers caused the manufacturers to press their suppliers to lower prices; in addition, demand for military and defense products is dependent upon government spending, which remains uncertain. In our Engineered Materials segment, sales and profits could be affected by declines in demand for truck trailers, RVs, or building products; results could also be impacted by unforeseen capacity constraints related to certain raw materials, in particular, resin. Our operations expose us to the risk of environmental liabilities, costs, litigation and violations that could adversely affect our financial condition, results of operations, cash flow and reputation.

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

We may be unable to identify or to complete acquisitions, or to successfully integrate the businesses we acquire. We have evaluated, and expect to continue to evaluate, a wide array of potential acquisition transactions. Our acquisition program attempts to address the potential risks inherent in assessing the value, strengths, weaknesses, contingent or other liabilities, systems of internal control and potential profitability of acquisition candidates, as well as other challenges such as retaining the employees and integrating the operations of the businesses we acquire. There can be no assurance that suitable acquisition opportunities will be available in the future, that we will continue to acquire businesses or that any business acquired will be integrated successfully or prove profitable, which could adversely impact our growth rate. Our ability to achieve our growth goals depends in part upon our ability to identify and successfully acquire and integrate companies and businesses at appropriate prices and realize anticipated cost savings.

Our businesses are subject to extensive governmental regulation; failure to comply with those regulations could adversely affect our financial condition, results of operations, cash flow and reputation.

We are required to comply with various import and export control laws, which may affect our transactions with certain customers, particularly in our Aerospace & Electronics, Fluid Handling and Payment & Merchandising Technology segments, as discussed more fully under “Specific Risks Relating to Our Business Segments”. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies, and in other circumstances we may be required to obtain an export license before exporting the controlled item. A failure to comply with these requirements might result in suspension of these contracts and suspension or debarment from government contracting or subcontracting. In addition, we are subject to the Foreign Corrupt Practices Act, which generally prohibits U.S. companies and their intermediaries from making improper payments to foreign officials for the purpose of obtaining or retaining business, or securing any improper advantage and the anti-bribery laws of other jurisdictions. Failure to comply with any of these

regulations could result in civil and criminal, monetary and non-monetary penalties, fines, disruptions to our business, limitations on our ability to export products and services, and damage to our reputation.

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

The prices of our raw materials could fluctuate dramatically, which may adversely affect our profitability. The costs of certain raw materials that are critical to our profitability are volatile. This volatility can have a significant impact on our profitability. The costs in our Engineered Materials segment are affected by fluctuations in the price of resin. The costs in our Fluid Handling, Payment & Merchandising Technologies and Aerospace & Electronics segments are affected by fluctuations in the price of metals such as steel and copper. While we have taken actions aimed at securing an adequate supply of raw materials at prices which are favorable to us, if the prices of critical raw materials increase, our operating costs could be negatively affected.

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

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

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

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

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

We may be unable to improve productivity, reduce costs and align manufacturing capacity with customer demand. We are committed to continuous productivity improvement and continue to evaluate opportunities to reduce costs, simplify or improve global processes, and increase the reliability of order fulfillment and satisfaction of customer needs. In order to operate more efficiently and control costs, from time to time we execute restructuring activities,

which include workforce reductions and facility consolidations. For example, we recorded pre-tax restructuring and related charges of \$11.6 million in 2015 and \$22.7 million in 2014 associated with repositioning actions intended to improve profitability in our Fluid Handling and Aerospace & Electronics segments. In addition, the Company recorded restructuring and acquisition integration charges of \$6.6 million in 2015 and \$20.1 million in 2014 associated with the restructuring and integration of MEI in our Payment & Merchandising Technologies segment. However, our failure to respond to potential declines in global demand for our products

and services and properly align our cost base would have an adverse effect on our financial condition, results of operations and cash flow.

We may be unable to successfully develop and introduce new products, which would limit our ability to grow and maintain our competitive position and adversely affect our financial condition, results of operations and cash flow. Our growth depends, in part, on continued sales of existing products, as well as the successful development and introduction of new products, which face the uncertainty of customer acceptance and reaction from competitors. Any delay in the development or launch of a new product could result in our not being the first to market, which could compromise our competitive position. Further, the development and introduction of new products may require us to make investments in specialized personnel and capital equipment, increase marketing efforts and reallocate resources away from other uses. We also may need to modify our systems and strategy in light of new products that we develop. If we are unable to develop and introduce new products in a cost-effective manner or otherwise manage effectively the operations related to new products, our results of operations and financial condition could be adversely impacted.

Pension expense and pension contributions associated with the Company's retirement benefit plans may fluctuate significantly depending upon changes in actuarial assumptions and future market performance of plan assets. A significant portion of our current and retired employee population is covered by pension plans, the costs of which are dependent upon various assumptions, including estimates of rates of return on benefit related assets, discount rates for future payment obligations, rates of future cost growth and trends for future costs. In addition, funding requirements for benefit obligations of our pension plans are subject to legislative and other government regulatory actions. Variances from these estimates could have an impact on our consolidated financial position, results of operations and cash flow.

We face significant competition which may adversely impact our results of operations and financial position in the future.

While we are a principal competitor in most of our markets, all of our markets are highly competitive. The competitors in many of our business segments can be expected in the future to improve technologies, reduce costs and develop and introduce new products, and the ability of our business segments to achieve similar advances will be important to our competitive positions. Competitive pressures, including those discussed above, could cause one or more of our business segments to lose market share or could result in significant price erosion, either of which could have an adverse effect on our results of operations.

We conduct a substantial portion of our business outside the United States and face risks inherent in non-domestic operations.

Net sales and assets related to our operations outside the United States were 38% and 49% of our consolidated amounts, respectively. These operations and transactions are subject to the risks associated with conducting business internationally, including the risks of currency fluctuations, slower payment of invoices, adverse trade regulations and possible social, economic and political instability in the countries and regions in which we operate. In addition, we expect that non-U.S. sales will continue to account for a significant portion of our revenues for the foreseeable future. Accordingly, fluctuations in foreign currency exchange rates, primarily the euro, the British pound, the Canadian dollar and the Japanese yen, could adversely affect our reported results, primarily in our Fluid Handling and Payment & Merchandising Technologies segments, as amounts earned in other countries are translated into U.S. dollars for reporting purposes.

We are dependent on key personnel, and we may not be able to retain our key personnel or hire and retain additional personnel needed for us to sustain and grow our business as planned.

Certain of our business segments and corporate offices are dependent upon highly qualified personnel, and we generally are dependent upon the continued efforts of key management employees. We may have difficulty retaining such personnel or locating and hiring additional qualified personnel. The loss of the services of any of our key

personnel or our failure to attract and retain other qualified and experienced personnel on acceptable terms could impair our ability to successfully sustain and grow our business, which could impact our results of operations in a materially adverse manner.

If our internal controls are found to be ineffective, our financial results or our stock price may be adversely affected. We believe that we currently have adequate internal control procedures in place for future periods, including processes related to newly acquired businesses; however, increased risk of internal control breakdowns generally exists in a business environment that is decentralized. In addition, if our internal control over financial reporting is found to be ineffective, investors may lose confidence in the reliability of our financial statements, which may adversely affect our stock price.

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

Specific Risks Relating to Our Reportable Segments

Fluid Handling

Our Fluid Handling segment competes in markets that are fragmented and highly competitive. The business competes against large, well established global companies, as well as smaller regional and local companies. We compete based on our products' quality, reliability and safety, our brand reputation, value-added technical expertise and customer support, and consistent on-time delivery. However, pricing can be highly competitive, particularly in regions and end markets with weakening levels of demand, or in markets where our value proposition - quality, reliability, and safety - is not valued as highly.

Demand for our Fluid Handling products is heavily dependent on our customers' level of new capital investment and planned maintenance expenditures. Customer spending typically depends on general economic conditions, availability of credit, and expectations of future demand. Slowing global economic growth, volatility in commodity prices, including continued weakness in oil prices could all contribute to lower levels of customer spending, and project delays or cancellations.

A portion of this segment's business is subject to government rules and regulations. Failure to comply with these requirements could result in suspension or debarment from government contracting or subcontracting. Failure to comply with any of these regulations could result in civil and criminal, monetary and non-monetary penalties, disruptions to our business, limitations on our ability to export products and services, and damage to our reputation. At our foreign operations, results could also be adversely impacted by a weakening of local currencies against the U.S. dollar; our Fluid Handling business has the greatest exposure to the euro, British pound, and Canadian dollar, although there is lesser exposure to several other currencies.

Payment & Merchandising Technologies

Our Payment & Merchandising Technologies segment sales are dependent on capital spending in a variety of vertical end markets, across numerous geographies. The level of capital expenditures by our customers depends on general economic conditions, availability of credit, and expectations of future demand.

This business regularly develops and markets new products. Delays in the product development process, or the inability of new products to meet targeted performance measures, could hurt future sales. The business is also directly and indirectly exposed to changes in government regulations; for example, changes in gaming regulations could influence the spending patterns of our casino operator customers, or changes in anti-money laundering regulations could result in additional technical requirements for our products.

At our foreign operations, results could also be adversely impacted by a weakening of local currencies against the U.S. dollar; the business has the greatest exposure to the euro, British pound, the Japanese yen, the Mexican peso, and the

Canadian dollar, although there is lesser exposure to several other currencies. In addition, our facility in Mexico operates under the Mexican Maquiladora program. This program provides for reduced tariffs and eased import regulations we could be adversely affected by changes in such program, or by our failure to comply with its requirements.

We also may not be able to successfully realize the expected synergy benefits of our 2013 acquisition of MEI.

Aerospace & Electronics

Our Aerospace & Electronics segment sales are primarily affected by conditions in the commercial aerospace industry which is cyclical in nature, and by defense spending by the U.S. government.

Commercial aircraft are procured primarily by airlines, and airline capital spending can be affected by a number of factors including credit availability, current and expected fuel prices, and current and forecast air traffic demand levels. Air traffic levels are affected by a different array of factors including general economic conditions and global corporate travel spending, although other non-economic events can also adversely impact airline traffic, including terrorism or pandemic health concerns. Our commercial business is also affected by the market for business jets where demand is typically tied to corporate profitability levels, and the freight markets which are most heavily influenced by general economic conditions. Demand for our commercial aftermarket business is closely tied to total aircraft flight hours. Any decrease in demand for new aircraft or equipment, or use of existing aircraft and equipment, would likely result in decreased sales of our products and services.

The defense portion of the segment's business is dependent primarily on U.S. government spending, and to a lesser extent, foreign government spending, on the specific military platforms and programs where our business participates. Any reduction in appropriations for these platforms or programs could impact the performance of our business. Our sales to defense customers are also affected by the level of activity in military flight operations.

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

Due to the lengthy research and development cycle involved in bringing commercial and military products to market, we cannot accurately predict the demand levels that will exist once a given new product is ready for market. In addition, if we are unable to develop and introduce new products in a cost-effective manner or otherwise effectively manage the introduction of new products and/or programs, our results of operations and financial condition could be adversely impacted.

Engineered Materials

Our Engineered Materials segment manufactures and sells fiberglass-reinforced plastic panels and coils, primarily for use in the manufacturing of RVs, trucks, and trailers, with additional applications in commercial and industrial building construction. Demand in these end markets is dependent on general economic conditions, credit availability, and consumer and corporate spending levels. A decline in demand in any of these end markets, a loss of market share, or customer pricing pressure, would result in lower sales and profits for this business. Profitability could also be adversely affected by an increase in the price of resin or fiberglass if we are unable to pass the incremental costs on to our customers. Additional risks include the loss of a principal supplier, and potential loss of market share to competing materials, such as wood or aluminum.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Number of Facilities - Owned												
Location	Aerospace & Electronics		Engineered Materials		Payment & Merchandising Technologies		Fluid Handling		Corporate		Total	
	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)
Manufacturing												
United States	7	789,000	4	644,000	2	568,000	6	784,000	—	—	19	2,785,000
Canada	—	—	—	—	—	—	—	—	—	—	—	—
Europe	—	—	—	—	3	338,000	8	1,435,000	—	—	11	1,773,000
Other international	—	—	—	—	2	295,000	6	850,000	—	—	8	1,145,000
	7	789,000	4	644,000	7	1,201,000	20	3,069,000	—	—	38	5,703,000
Non-Manufacturing												
United States	—	—	—	—	1	15,000	3	138,000	—	—	4	153,000
Canada	—	—	—	—	—	—	7	155,000	—	—	7	155,000
Europe	—	—	—	—	—	—	2	74,000	—	—	2	74,000
Other international	—	—	—	—	—	—	—	—	—	—	—	—
	—	—	—	—	1	15,000	12	367,000	—	—	13	382,000

Number of Facilities - Leased												
Location	Aerospace & Electronics		Engineered Materials		Payment & Merchandising Technologies		Fluid Handling		Corporate		Total	
	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)	Number	Area (sq. ft.)
Manufacturing												
United States	1	16,000	1	19,000	1	15,000	2	97,000	—	—	5	147,000
Canada	—	—	—	—	1	61,000	1	21,000	—	—	2	82,000
Europe	1	12,000	—	—	1	10,000	3	686,000	—	—	5	708,000
Other international	1	53,000	—	—	—	—	2	112,000	—	—	3	165,000
	3	81,000	1	19,000	3	86,000	8	916,000	—	—	15	1,102,000
Non-Manufacturing												
United States	1	6,000	3	77,000	9	200,000	3	48,000	2	40,000	18	371,000
Canada	—	—	—	—	—	—	24	520,000	—	—	24	520,000
Europe	4	7,000	—	—	6	50,000	6	50,000	—	—	16	107,000
Other international	—	—	—	—	6	31,000	22	190,000	—	—	28	221,000
	5	13,000	3	77,000	21	281,000	55	808,000	2	40,000	86	1,219,000

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

Item 3. Legal Proceedings.

Discussion of legal matters is incorporated by reference to Part II, Item 8, Note 10, "Commitments and Contingencies," in the Notes to the Consolidated Financial Statements.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

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

Crane Co. common stock is traded on the New York Stock Exchange ("NYSE") under the symbol CR. The following are the high and low sale prices as reported on the NYSE Composite Tape and the quarterly dividends declared per share for each quarter of 2015 and 2014.

MARKET AND DIVIDEND INFORMATION — CRANE CO. COMMON SHARES

Quarter	New York Stock Exchange Composite Price per Share				Dividends per Share	
	2015	2015	2014	2014	2015	2014
	High	Low	High	Low		
First	\$70.47	\$53.12	\$73.08	\$60.14	\$0.33	\$0.30
Second	\$64.71	\$58.24	\$76.33	\$68.43	0.33	0.30
Third	\$59.43	\$45.37	\$74.72	\$63.21	0.33	0.33
Fourth	\$54.66	\$44.86	\$63.11	\$53.63	0.33	0.33
					\$1.32	\$1.26

On December 31, 2015, there were approximately 2,319 holders of record of Crane Co. common stock.

We did not make any open-market share repurchases of our common stock during the three months ended December 31, 2015. We routinely receive shares of our common stock as payment for stock option exercises and the withholding taxes due on stock option exercises and the vesting of restricted stock awards from stock-based compensation program participants.

Item 6. Selected Financial Data.

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

(in millions, except per share data)	For the year ended December 31,				
	2015	2014	2013	2012	2011
Net sales	\$2,740.5	\$2,925.0	\$2,595.3	\$2,579.1	\$2,500.4
Operating profit from continuing operations (a)	372.9	316.3	347.9	310.4	36.6
Interest expense	(37.6)	(39.2)	(26.5)	(26.8)	(26.3)
Income from continuing operations before taxes (a)	336.5	281.2	326.0	284.6	14.8
Provision (benefit) for income taxes (b)	106.5	87.6	105.1	88.4	(8.1)
Income from continuing operations	230.0	193.6	220.9	196.2	22.8
Discontinued operations, net of tax (c)	—	—	—	21.6	3.7
Net income attributable to common shareholders (b)	\$228.9	\$192.7	\$219.5	\$217.0	\$26.3
Earnings per basic share (b)					
Income from continuing operations attributable to common shareholders	\$3.94	\$3.28	\$3.79	\$3.40	\$0.39
Discontinued operations, net of tax	—	—	—	0.38	0.06
Net income attributable to common shareholders	\$3.94	\$3.28	\$3.79	\$3.78	\$0.45
Earnings per diluted share (b)					
Income from continuing operations attributable to common shareholders	\$3.89	\$3.23	\$3.73	\$3.35	\$0.38
Discontinued operations, net of tax	—	—	—	0.37	0.06
Net income attributable to common shareholders	\$3.89	\$3.23	\$3.73	\$3.72	\$0.44
Cash dividends per common share	\$1.32	\$1.26	\$1.16	\$1.08	\$0.98
Total assets	\$3,341.6	\$3,450.8	\$3,559.6	\$2,889.9	\$2,843.5
Long-term debt	\$749.3	\$749.2	\$749.2	\$399.1	\$398.9
Accrued pension and postretirement benefits	\$235.4	\$278.3	\$151.1	\$233.6	\$178.4
Long-term asbestos liability	\$470.5	\$534.5	\$610.5	\$704.2	\$792.7
Long-term insurance receivable — asbestos	\$108.7	\$126.8	\$148.2	\$171.8	\$209.0

(a) Includes i) environmental liability provisions of \$55.8 and \$30.3 in 2014 and 2011, respectively; ii) a lawsuit settlement of \$6.5 in 2014; and iii) an asbestos provision, net of insurance recoveries, of \$241.6 in 2011.

Includes the tax effect of items cited in note (a) as well as i) loss on divestiture of a small business of \$1.1 in 2014; (b) ii) gain on divestiture of real estate of \$4.2 in 2014; iii) withholding taxes related to acquisition funding of \$2.9 in 2013; and iv) gain on the sale of a product line of \$2.0 in 2013.

(c) Includes gain on divestiture of \$19.2, net of tax, in 2012.

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

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

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and related notes included under Item 8 of this Annual Report on Form 10-K. We are a diversified manufacturer of highly engineered industrial products. Our business consists of four segments: Fluid Handling, Payment & Merchandising Technologies, Aerospace & Electronics and Engineered Materials. Our primary markets are chemical, power, oil & gas, aerospace & defense, along with a wide range of general industrial and consumer related end markets.

Our strategy is to grow earnings and cash flow by focusing on manufacture of highly engineered industrial products for specific markets where our scale is a relative advantage, and where we can compete based on our proprietary and differentiated technology, our deep vertical expertise, and our responsiveness to unique and diverse customer needs. We continuously evaluate our portfolio, pursue acquisitions that complement our existing businesses and that are accretive to our growth profile, selectively divest businesses where appropriate, and pursue internal mergers to improve efficiency. We strive to foster a performance-based culture focused on productivity and continuous improvement, to attract and retain a committed management team whose interests are directly aligned with those of our shareholders, and to maintain a focused, efficient corporate structure.

Results of Operations — For the Years Ended December 31, 2015, 2014 and 2013

(in millions, except %)	For the year ended December 31,			2015 vs 2014		2014 vs 2013	
	2015	2014	2013	Favorable / (Unfavorable) Change		Favorable / (Unfavorable) Change	
	\$	\$	\$	\$	%	\$	%
Net sales:							
Fluid Handling	\$1,091	\$1,264	\$1,289	\$(172)	(14)%	\$(25)	(2)%
Payment & Merchandising Technologies	703	712	381	(9)	(1)%	331	87%
Aerospace & Electronics	691	696	694	(5)	(1)%	2	—%
Engineered Materials	255	253	232	2	1%	21	9%
Total net sales	\$2,741	\$2,925	\$2,595	\$(185)	(6)%	\$330	13%
Sales growth:							
Core business				\$(35)	(1)%	\$9	—%
Foreign exchange				(134)	(5)%	(11)	—%
Acquisitions/dispositions				(15)	—%	332	13%
Total sales growth				\$(185)	(6)%	\$330	13%
Operating profit:							
Fluid Handling	\$125	\$182	\$195	\$(56)	(31)%	\$(13)	(7)%
Payment & Merchandising Technologies	101	69	35	32	47%	34	98%
Aerospace & Electronics	145	138	160	7	5%	(22)	(14)%
Engineered Materials	48	37	34	12	32%	2	7%
Corporate Expense	(48)	(54)	(76)	6	11%	23	30%
Corporate — Environmental charge	—	(56)	—	56	NM	(56)	NM
Total operating profit	\$373	\$316	\$348	\$57	18%	\$(32)	(9)%
Operating margin %:							
Fluid Handling	11.5%	14.4%	15.1%				
Payment & Merchandising Technologies	14.4%	9.7%	9.1%				
Aerospace & Electronics	21.0%						