UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Mark One:

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended June 30, 2009

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)

Delaware	**13-1952290**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
100 First Stamford Place, Stamford, CT	**06902**
(Address of principal executive offices)	**(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 x 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 x	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 x

The number of shares outstanding of the issuer s classes of common stock, as of July 31, 2009

Common stock, $1.00 Par Value 58,475,116 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, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net sales	$ 545,491	$ 693,482	$ 1,100,629	$ 1,372,350
Operating costs and expenses:				
Cost of sales	369,537	455,647	751,546	908,178
Selling, general and administrative	130,462	151,564	265,707	302,552
Operating profit	45,492	86,271	83,376	161,620
Other income (expense):				
Interest income	465	2,883	1,308	5,167
Interest expense	(6,780)	(6,678)	(13,549)	(13,183)
Miscellaneous - net	529	1,342	2,240	1,761
	(5,786)	(2,453)	(10,001)	(6,255)
Income before income taxes	39,706	83,818	73,375	155,365
Provision for income taxes	11,901	25,098	22,141	48,178
Net income before allocation to noncontrolling interests	27,805	58,720	51,234	107,187
Less: Noncontrolling interest in subsidiaries earnings (losses)	38	(289)	157	(200)
Net income attributable to common shareholders	$ 27,767	$ 59,009	$ 51,077	$ 107,387
Earnings per basic share	$ 0.47	$ 0.99	$ 0.87	$ 1.79
Earnings per diluted share	$ 0.47	$ 0.97	$ 0.87	$ 1.77
Average basic shares outstanding	58,459	59,707	58,458	59,911
Average diluted shares outstanding	58,728	60,581	58,643	60,812
Dividends per share	$ 0.20	$ 0.18	$ 0.40	$ 0.36

See Notes to Condensed Consolidated Financial Statements.

Crane Co. and Subsidiaries

Condensed Consolidated Balance Sheets

(in thousands)

	(Unaudited) June 30, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 232,974	$ 231,840
Accounts receivable, net	319,812	334,263
Current insurance receivable - asbestos	35,300	41,300
Inventories, net:		
Finished goods	102,714	97,496
Finished parts and subassemblies	32,196	41,345
Work in process	55,851	60,106
Raw materials	142,899	150,979
Inventories, net	333,660	349,926
Current deferred tax asset	54,632	50,457
Other current assets	12,153	13,454
Total current assets	988,531	1,021,240
Property, plant and equipment:		
Cost	795,518	786,526
Less: accumulated depreciation	505,711	495,712
Property, plant and equipment, net	289,807	290,814
Long-term insurance receivable - asbestos	230,886	260,660
Long-term deferred tax assets	227,445	233,165
Other assets	85,391	80,676
Intangible assets, net	128,381	106,701
Goodwill	763,026	781,232
Total assets	$ 2,713,467	$ 2,774,488

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, 2009	December 31, 2008
Liabilities and equity		
Current liabilities:		
Short-term borrowings	$ 805	$ 16,622
Accounts payable	143,278	182,147
Current asbestos liability	91,000	91,000
Accrued liabilities	225,350	246,915
U.S. and foreign taxes on income	5,411	1,980
Total current liabilities	465,844	538,664
Long-term debt	399,436	398,479
Accrued pension and postretirement benefits	156,464	150,125
Long-term deferred tax liability	24,887	22,971
Long-term asbestos liability	791,187	839,496
Other liabilities	68,032	78,932
Total liabilities	1,905,850	2,028,667
Commitments and contingencies (Note 8)		
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	156,482	157,078
Retained earnings	963,452	935,460
Accumulated other comprehensive income (loss)	(15,710)	(45,131)
Treasury stock	(377,296)	(381,771)
Total shareholders equity	799,354	738,062
Noncontrolling interest	8,263	7,759
Total equity	807,617	745,821
Total liabilities and equity	$ 2,713,467	$ 2,774,488
Common stock issued	72,426,139	72,426,139
Less: Common stock held in treasury	(13,948,903)	(13,936,373)
Common stock outstanding	58,477,236	58,489,766

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, 2009	Six Months Ended June 30, 2008
Operating activities:		
Net income attributable to common shareholders	$ 51,077	$ 107,387
Noncontrolling interest in subsidiaries earnings (losses)	157	(200)
Net income before allocation to noncontrolling interests	51,234	107,187
Gain on divestitures		(932)
Depreciation and amortization	29,832	29,695
Stock-based compensation expense	4,436	6,985
Deferred income taxes	2,784	11,865
Cash used for working capital	(20,622)	(46,288)
Payments for asbestos-related fees and costs, net of insurance recoveries	(12,535)	(16,614)
Other	(9,390)	(2,401)
Total provided by operating activities	45,739	89,497
Investing activities:		
Capital expenditures	(17,432)	(20,401)
Proceeds from disposition of capital assets	2,325	444
Payment for acquisitions, net of cash acquired		(132)
Proceeds from divestiture		2,106
Total used for investing activities	(15,107)	(17,983)
Financing activities:		
Equity:		
Dividends paid	(23,384)	(21,556)
Reacquisition of shares on the open market		(40,000)
Stock options exercised - net of shares reacquired	247	9,091
Excess tax benefit from stock-based compensation		900
Debt:		
Net (decrease) increase in short-term debt	(15,405)	3,042
Total used for financing activities	(38,542)	(48,523)
Effect of exchange rates on cash and cash equivalents	9,044	15,187
Increase in cash and cash equivalents	1,134	38,178
Cash and cash equivalents at beginning of period	231,840	283,370
Cash and cash equivalents at end of period	$ 232,974	$ 321,548
Detail of cash used for working capital:		
Accounts receivable	$ 20,158	$ (27,912)
Inventories	23,232	(28,542)

Other current assets	1,630	(2,508)
Accounts payable	(42,423)	12,417
Accrued liabilities	(23,943)	(7,885)
U.S. and foreign taxes on income	724	8,142
Total	$ (20,622)	$ (46,288)
Supplemental disclosure of cash flow information:		
Interest paid	$ 13,556	$ 13,129
Income taxes paid	$ 3,407	$ 25,905

See Notes to Condensed Consolidated Financial Statements.

Part I Financial Information

Item 1. Financial Statements

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

The accompanying unaudited 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 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, 2008.

2. Recent Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 165, Subsequent Events (SFAS No. 165). SFAS No. 165 defines the period after the balance sheet date during which a reporting entity s management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and the disclosures an entity should make about events or transactions that occurred after the balance sheet date. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009, and the Company has applied SFAS No. 165 effective with its 2009 second quarter. Subsequent events have been evaluated through August 5, 2009.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS No. 161). This statement is intended to improve transparency in financial reporting by requiring enhanced disclosures of an entity s derivative instruments and hedging activities and their effects on the entity s financial position, financial performance, and cash flows. SFAS No. 161 applies to all derivative instruments within the scope of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) as well as related hedged items, bifurcated derivatives, and nonderivative instruments that are designated and qualify as hedging instruments. Entities with instruments subject to SFAS No. 161 must provide more robust qualitative disclosures and expanded quantitative disclosures. SFAS No. 161 is effective prospectively for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of SFAS No. 161 did not have a material impact on the Company s financial statements. See Note 12, Derivative Instruments and Hedging Activities .

In September 2006, the 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 adoption of SFAS No. 157-1 and SFAS No. 157-2 did not have a material impact on the Company s financial statements.

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 adoption of SFAS No. 160 did not have a material impact on the Company s financial statements.

3. Segment Results

The Company s segments are reported on the same basis used internally for evaluating performance and for allocating resources. The Company has five reporting segments: Aerospace & Electronics, Engineered Materials, Merchandising Systems, Fluid Handling and Controls. Furthermore, Corporate consists of corporate office expenses including compensation, benefits, occupancy, depreciation, and other administrative costs. Assets of the business segments exclude general corporate assets, which principally consist of cash, deferred tax assets, insurance receivables, certain property, plant and equipment, and certain other assets.

Financial information by reportable segment is set forth below:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in thousands)	**2009**	**2008**	**2009**	**2008**
Net sales				
Aerospace & Electronics	$ 146,995	$ 165,928	$ 298,942	$ 324,379
Engineered Materials	41,772	72,937	79,925	155,710
Merchandising Systems	73,331	116,233	145,026	229,737
Fluid Handling	263,083	301,100	529,573	589,600
Controls	20,310	37,284	47,163	72,924
Total	$ 545,491	$ 693,482	$ 1,100,629	$ 1,372,350
Operating profit (loss)				
Aerospace & Electronics	$ 19,099	$ 18,487	$ 36,331	$ 34,482
Engineered Materials	4,580	8,100	6,067	19,754
Merchandising Systems	6,675	17,339	9,655	31,477
Fluid Handling	27,059	46,556	63,826	91,318
Controls	(1,731)	3,547	(1,317)	4,847
Corporate*	(10,190)	(7,758)	(31,186)	(20,258)
Total	45,492	86,271	83,376	161,620
Interest income	465	2,883	1,308	5,167
Interest expense	(6,780)	(6,678)	(13,549)	(13,183)
Miscellaneous - net	529	1,342	2,240	1,761
Income before income taxes	$ 39,706	$ 83,818	$ 73,375	$ 155,365

* The six months ended June 30, 2009 includes a charge of $7.25 million related to the settlement of a lawsuit brought against the Company by a customer alleging failure of the Company s fiberglass-reinforced plastic material (See Note 8). Second quarter 2008 operating results include $4.4 million of reimbursements related to environmental remediation activities.

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(in thousands)	As of June 30, 2009	As of December 31, 2008
Assets		
Aerospace & Electronics	$ 460,443	$ 471,768
Engineered Materials	268,817	270,719
Merchandising Systems	310,409	302,361
Fluid Handling	902,239	889,067
Controls	74,690	83,482
Corporate	696,869	757,091
Total	$ 2,713,467	$ 2,774,488

4. Earnings 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.

(in thousands, except per share data)	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net income attributable to common shareholders	$ 27,767	$ 59,009	$ 51,077	$ 107,387
Average basic shares outstanding	58,459	59,707	58,458	59,911
Effect of dilutive stock options	269	874	185	901
Average diluted shares outstanding	58,728	60,581	58,643	60,812
Earnings per basic share	$ 0.47	$ 0.99	$ 0.87	$ 1.79
Earnings per diluted share	$ 0.47	$ 0.97	$ 0.87	$ 1.77

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, 2009 and 2008 because they would not have had a dilutive effect (3.9 million and 1.0 million average options for the second quarter of 2009 and 2008, respectively, and 4.5 million and 1.1 million average options for the first half of 2009 and 2008, respectively).

5. Changes in Equity and Comprehensive Income

A summary of the changes in equity for the six months ended June 30, 2009 and 2008 is provided below:

	Six Months Ended June 30,					
	2009			2008		
(in thousands)	Total Shareholders Equity	Noncontrolling Interests	Total Equity	Total Shareholders Equity	Noncontrolling Interests	Total Equity
Balance, beginning of period	$ 738,062	$ 7,759	$ 745,821	$ 884,803	$ 8,394	$ 893,197
Dividends	(23,085)		(23,085)	(21,637)		(21,637)
Reacquisition on open market				(40,000)		(40,000)
Exercise of stock options, net of shares reacquired	247		247	9,091		9,091
Stock compensation expense	4,436		4,436	6,985		6,985
Excess tax benefit from stock based compensation	(896)		(896)	900		900
Other adjustments	92		92	(242)		(242)
Net income	51,077	157	51,234	107,387	(200)	107,187
Add: Currency translation adjustment	29,421	347	29,768	21,348	132	21,480
Comprehensive income	80,498	504	81,002	128,735	(68)	128,667
Balance, end of period	$ 799,354	$ 8,263	$ 807,617	$ 968,635	$ 8,326	$ 976,961

6. Goodwill and Intangible Assets

The Company s business acquisitions typically result in the recognition of goodwill and other intangible assets. The Company follows Statement of Financial Accounting Standards No. 142 (SFAS No. 142), Goodwill and Other Intangible Assets , which requires that the Company, on at least an annual basis, evaluate the fair value of the reporting units to which goodwill is assigned and attributed and compare that fair value to the carrying value of the reporting unit to determine if impairment exists. The Company performs its annual impairment testing during the fourth quarter. Impairment testing takes place more often than annually if events or circumstances indicate a change in status that would indicate a potential impairment. A reporting unit is an operating segment unless discrete financial information is prepared and reviewed by segment management for businesses one level below that operating segment (a component), in which case the component would be the reporting unit. In certain instances, the Company has aggregated components of an operating segment into a single reporting unit based on similar economic characteristics. At June 30, 2009, the Company had twelve reporting units.

When performing its annual impairment assessment, the Company compares the fair value of each of its reporting units to their respective carrying value. Goodwill is considered to be potentially impaired when the net book value of the reporting unit exceeds its estimated fair value. Fair values are established primarily by discounting estimated future cash flows at an estimated cost of capital which varies for each reporting unit and which, as of the Company s most recent annual impairment assessment, ranged between 10% and 15%, reflecting the respective inherent business risk of each of the reporting units tested. This methodology for valuing the Company s reporting units (commonly referred to as the Income Method) has not changed since the adoption of SFAS No. 142. The determination of discounted cash flows is based on the businesses strategic plans and long-range planning forecasts, which change from year to year. The revenue growth rates included in the forecasts represent best estimates based on current and forecasted market conditions. Profit margin assumptions are projected by each reporting unit based on the current cost structure and anticipated net costs increases/reductions. There are inherent uncertainties related to these assumptions, including changes in market conditions, and management s judgment in applying them to the analysis of goodwill impairment. In addition to the foregoing, for each reporting unit, market multiples are used to corroborate its discounted cash flow results where fair value is estimated based on EBITDA multiples determined by available public information of comparable businesses.

While the Company believes it has made reasonable estimates and assumptions to calculate the fair value of its reporting units, it is possible a material change could occur. If actual results are not consistent with management s estimates and assumptions, goodwill and other intangible assets may be overstated and a charge would need to be taken against net earnings. Furthermore, in order to evaluate the sensitivity of the fair value calculations on the goodwill impairment test performed during the fourth quarter of 2008, the Company applied a hypothetical, reasonably possible 10% decrease to the fair values of each reporting unit. The effects of this hypothetical 10% decrease would still result in the fair value calculation exceeding the carrying value for each reporting unit.

Changes to goodwill are as follows:

(in thousands)	**Six Months Ended June 30, 2009**	**Year Ended December 31, 2008**
Balance at beginning of period	$ 781,232	$ 766,550
Additions		47,175
Adjustments to purchase price allocations	(28,815)	806
Currency translation	10,609	(33,299)
Balance at end of period	$ 763,026	$ 781,232

During the six months ended June 30, 2009, adjustments to purchase price allocations were a result of refinements made to the fair market valuations of intangible and other assets subsequent to the initial allocation of purchase price, and were related to the Delta Fluid Products Limited (Delta) acquisition in September 2008 and Friedrich Krombach GmbH & Company KG Armaturenwerke and Krombach International GmbH (Krombach) acquisition in December 2008.

Changes to intangible assets are as follows:

(in thousands)	**Six Months Ended June 30, 2009**	**Year Ended December 31, 2008**
Balance at beginning of period, net	$ 106,701	$ 128,150
Additions	28,815	
Amortization expense	(7,411)	(14,668)
Currency translation	276	(3,757)
Asset write-downs		(3,024)
Balance at end of period, net	$ 128,381	$ 106,701

A summary of intangible assets follows:

(in thousands)	Weighted Average Amortization Period (in years)	June 30, 2009 Gross Asset	June 30, 2009 Accumulated Amortization	June 30, 2009 Net	December 31, 2008 Gross Asset	December 31, 2008 Accumulated Amortization	December 31, 2008 Net
Intellectual property rights	11.1	$ 98,377	$ 50,998	$ 47,379	$ 91,355	$ 48,858	$ 42,497
Customer relationships and backlog	7.2	97,423	35,722	61,701	85,204	30,325	54,879
Drawings	0.8	10,825	10,066	759	10,825	10,144	681
Other	4.3	29,678	11,136	18,542	17,913	9,269	8,644
Total	8.2	$ 236,303	$ 107,922	$ 128,381	$ 205,297	$ 98,596	$ 106,701

Amortization expense for these intangible assets is currently estimated to be approximately $6.7 million in total for the remaining two quarters in 2009, $13.2 million in 2010, $13.0 million in 2011, $10.7 million in 2012, $10.5 million in 2013 and $49.7 million in 2014 and thereafter. Included within intangible assets is $24.5 million of intangibles with indefinite useful lives, consisting of trade names which are not being amortized in accordance with the guidance of SFAS No. 142.

7. Accrued Liabilities

Accrued liabilities consist of:

(in thousands)	June 30, 2009	December 31, 2008
Employee related expenses	$ 76,505	$ 82,743
Warranty	24,983	27,305
Other	123,862	136,867
Total	$ 225,350	$ 246,915

The Company accrues warranty liabilities when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

A summary of the warranty liabiliti