AXCELIS TECHNOLOGIES INC
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0pt;font-weight:bold;text-decoration:underline;">Segment Results of Operations - Nine Month Periods Ended September 30

The following information should be read in conjunction with our condensed consolidated financial statements and related notes.

Fluid Handling

	Year-To-Date		Change	
(dollars in millions)	2014	2013		
Sales	$949.8	$968.9	$(19.1)	(2.0)%
Operating profit	$144.8	$146.7	$(1.9)	(1.3)%
Restructuring and related charges*	$4.9	$—	$4.9	NM
Operating margin	15.2 %	15.1 %		

* Restructuring and related charges are included in operating profit and operating margin.

Year to date 2014 sales decreased $19.1 million, or 2.0%, including a core sales decrease of $19.0 million, or 2.0%, and the impact of the divestiture of Crane Water of $4.9 million, or 0.5%, partially offset by favorable foreign currency translation of $4.8 million, or 0.5%. The core sales decline was driven primarily by lower sales in our process valve business largely related to a slower recovery in chemical end markets in the Americas and Europe. Operating profit in the first nine months of 2014 decreased $1.9 million, or 1.3%, reflecting unfavorable sales mix, a $5.1 million impact from the lower sales and the restructuring charge of $4.9 million recorded in the first nine months of 2014, partially offset by productivity gains and lower pension expense.

Payment & Merchandising Technologies

	Year-To-Date		Change	
(dollars in millions)	2014	2013		
Sales	$534.8	$257.9	$276.8	107.3 %
Operating profit	$51.2	$26.9	$24.3	90.4 %
Acquisition, integration and restructuring related charges*	$17.0	$—	$17.0	NM
Operating margin	9.6 %	10.4 %		

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

Year to date 2014 sales increased $276.8 million, or 107.3%, reflecting a sales increase resulting from the December 2013 acquisition of MEI of $268.9 million, or 104.3%, a core sales increase of $5.4 million, or 2.1%, and favorable foreign currency translation of $2.4 million, or 0.9%. The core sales increase reflects higher sales in our Merchandising Systems group driven by strong sales to certain large bottler customers. The same period in the prior year was unfavorably impacted by a significant reduction in capital spend by those same customers. Operating profit of $51.2 million increased $24.3 million in the first nine months of 2014 compared to the same period in the prior year. The increase in operating profit was primarily driven by the impact of the MEI acquisition and the impact of the higher sales in Merchandising Systems, partially offset by the acquisition, integration and restructuring related charges of $17.0 million.

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Aerospace & Electronics

(dollars in millions)	Year-To-Date 2014	2013	Change	
Sales	$513.7	$507.0	$6.6	1.3 %
Operating profit	$98.3	$115.3	$(16.9)	(14.7)%
Restructuring and related charges*	$6.7	$—	$6.7	NM
Operating margin	19.1 %	22.7 %		

* Restructuring and related charges are included in operating profit and operating margin.

The year to date 2014 sales increase of $6.6 million reflected a sales increase of $14.8 million in the Aerospace Group, partially offset by a decrease of $8.2 million in the Electronics Group. The segment's operating profit decreased $16.9 million, or 14.7%, in the first nine months of 2014 when compared to the same period in the prior year, driven by operating profit decreases in both the Aerospace and Electronics Groups.

Year to date Aerospace Group sales of $333.0 million increased $14.8 million, or 4.7%, from $318.1 million in the prior year period. OEM product sales increased $11.5 million, or 5.8%, primarily reflecting an increase in commercial and military OEM sales. The increase in commercial OEM sales was driven by strong sales to large aircraft manufacturers as passenger air travel continues to increase causing OEMs to increase build rates in response to demand for more aircraft. Aftermarket sales increased $3.5 million, or 2.9%, compared to the prior year driven by an increase in sales of commercial and military spares and commercial repair and overhaul ("R&O") sales, partially offset by weaker M&U sales. Commercial aftermarket sales increased $1.8 million, or 2.0%, reflecting higher commercial spares and R&O sales, partially offset by a decrease in commercial M&U sales. The increase in military aftermarket sales of $1.7 million, or 5.8%, was primarily driven by higher military spares sales. During the first nine months of 2014, sales to OEMs and sales to aftermarket customers were 63.4% and 36.6%, respectively, of total sales, compared to 62.7% and 37.3%, respectively, in the same period last year. Aerospace operating profit decreased by 7.7% in the first nine months of 2014, compared to the first nine months of 2013, primarily due to an increase in engineering and new product development spending supporting new program wins and higher costs associated with new product launches in our cabin business.

Electronics Group sales of $180.7 million decreased $8.2 million, or 4.3%, from $188.9 million in the prior year period. The sales decrease reflects lower sales of our Microwave Solutions products primarily due to delays in defense-related programs. Operating profit decreased compared to the first nine months of 2013, driven primarily by restructuring charges of $6.7 million recorded in the first nine months of 2014 associated with repositioning actions designed to improve profitability in 2015 and 2016. These charges are related to our decision to consolidate two facilities in response to lower defense spending by the U.S. government. The lower operating profit also reflects the impact of the lower sales, partially offset by productivity gains.

Engineered Materials

(dollars in millions)	Year-To-Date 2014	2013	Change	
Sales	$196.1	$179.9	$16.2	9.0 %
Operating profit	$29.6	$28.5	$1.1	3.7 %
Operating margin	15.1 %	15.9 %		

Year to date 2014 sales of $196.1 million increased $16.2 million, or 9.0%, reflecting higher sales to our RV and transportation related customers, partially offset by lower sales to our building products and international customers. We experienced a $15.2 million, or 17.4%, increase in sales to our traditional RV manufacturers reflecting an increase in demand for our RV-related applications as RV OEM build rates remained strong, with both dealer and retail demand continuing through the first nine months of 2014. Transportation-related sales increased 9.5%, reflecting higher sales in Latin America, timing of a large fleet build with one customer in North America and higher sales of aerodynamic side skirts for trailers. Sales to our building product customers decreased 2.0%, reflecting a slow recovery in commercial construction end markets in the United States. Operating profit in the first nine months of

2014 increased $1.1 million, or 3.7%, primarily as a result of a $4.1 million impact from the higher sales and strong productivity gains, partially offset by unfavorable product mix and higher material costs.

Liquidity and Capital Resources

Our operating philosophy is to deploy cash provided from operating activities, when appropriate, to provide value to shareholders by reinvesting in existing businesses, by making acquisitions that will complement our portfolio of businesses and by paying dividends and/or repurchasing shares.

Cash and cash equivalents increased by $31 million to $302 million at September 30, 2014 compared with $271 million at December 31, 2013. Our current cash balance, together with cash we expect to generate from future operations and the $386 million available under our existing committed revolving credit facility, is expected to be sufficient to finance our short- and long-term capital requirements, as well as to fund payments associated with our asbestos and environmental liabilities, restructuring and acquisition integration activities and expected pension contributions. In addition, we believe our credit ratings afford us adequate access to public and private markets for debt. We have borrowings totaling $114 million outstanding under our $500 million Amended and Restated Credit Agreement which expires in May 2017. There are no other significant debt maturities coming due until 2018.

We have an estimated liability of $637 million for pending and reasonably anticipated asbestos claims through 2021, and while it is probable that this amount will change and we may incur additional liabilities for asbestos claims after 2021, which additional liabilities may be material, we cannot reasonably estimate the amount of such additional liabilities at this time. Similarly, we have an estimated liability of $82.6 million related to environmental remediation costs projected through 2022 related to our Superfund Site in Goodyear, Arizona and a $6.8 million liability related to our Roseland site. The Company reached an agreement to settle all current Roseland claims with the class and individual plaintiffs for a one-time payment of $6.5 million. This agreement was approved by the Court on July 23, 2014 and the Company completed all obligations required of it to complete the settlement on October 10, 2014.

We have approximately $297 million of cash held by our non-U.S. subsidiaries as of September 30, 2014, which would be subject to additional tax upon repatriation to the U.S. Our intent is to permanently reinvest the earnings of our non-U.S. operations, and current plans do not anticipate that we will need funds generated from our non-U.S. operations to fund our U.S. operations. In the event we were to repatriate the cash balances of our non-U.S. subsidiaries, we would provide for and pay additional U.S. and non-U.S. taxes in connection with such repatriation.

Operating Activities

Cash provided by operating activities was $113.4 million in the first nine months of 2014, an increase of $22.4 million compared to the first nine months of 2013. The increase resulted primarily from lower working capital requirements, partially offset by higher defined benefit plan and postretirement contributions. Net asbestos-related payments in the first nine months of 2014 and 2013 were $46.2 million and $48.3 million, respectively. In 2014, we expect to make payments related to asbestos settlement and defense costs, net of related insurance recoveries, of approximately $65 million to $70 million and contributions to our defined benefit plans of approximately $24 million.

Investing Activities

Cash flows relating to investing activities consist primarily of cash provided by divestitures of businesses or assets and cash used for acquisitions and capital expenditures. Cash used for investing activities was $19.0 million in the first nine months of 2014, compared to cash used for investing activities of $18.6 million in the comparable period of 2013. The increase in cash used for investing activities was primarily due to a $13.1 million increase in capital spending to $32.2 million in the first nine months of 2014, partially offset by proceeds from a purchase price adjustment related to the acquisition of MEI and the divestiture of a small business. Capital expenditures are made primarily for replacing equipment, supporting new product development, improving information systems and increasing capacity. We expect our capital expenditures to approximate $45 million in 2014, reflecting anticipated increases in new product development initiatives, primarily in our Aerospace & Electronics and Fluid Handling segments, as well as higher capital expenditures for Payment & Merchandising Technologies as a result of the MEI acquisition.

Financing Activities

Financing cash flows consist primarily of payments of dividends to shareholders, share repurchases, repayments of indebtedness and proceeds from the issuance of common stock. Cash used for financing activities was $49.1 million during the first nine months of 2014 compared to $96.7 million used during the first nine months of 2013. The lower levels of cash used for financing activities was primarily due to the absence of the 2013 repayment of long-term debt, partially offset by a net decrease in short-term debt and lower net proceeds received from employee stock option exercises during the period.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in the information called for by this item since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures
Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this quarterly report. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that the information is accumulated and communicated to the Company's Chief Executive Officer and Principal Financial Officer to allow timely decisions regarding required disclosure. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these controls are effective as of the end of the period covered by this quarterly report.
Changes in Internal Control over Financial Reporting. During the fiscal quarter ended September 30, 2014, there have been no changes in the Company's internal control over financial reporting, identified in connection with our evaluation thereof, that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Item 6. Exhibits

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a)
Exhibit 31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a)
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) or 15d-14(b)
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Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Presentation Linkbase Document

Notes to Exhibits List:

Attached as Exhibit 101 to this Quarterly Report on Form 10-Q are the following documents formatted in XBRL (Extensible Business Reporting Language): (i) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013, respectively; (ii) the Condensed Consolidated Balance Sheets at September 30, 2014 and December 31, 2013; and (iii) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013, respectively. Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is not deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

Part II : Other Information

Item 1. Legal Proceedings
Discussion of legal matters is incorporated by reference from Part 1, Item 1, Note 8, "Commitments and Contingencies", of this Quarterly Report on Form 10-Q, and should be considered an integral part of Part II, Item 1, "Legal Proceedings".

Item 1A. Risk Factors
Information regarding risk factors appears in in Item 1A of Crane Co.'s Annual Report on Form 10-K for the year ended December 31, 2013. There has been no significant change to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
(c) Share Repurchases

We did not make any open-market share repurchases of our common stock during the quarter ended September 30, 2014. We routinely receive shares of our common stock as payment for stock option exercises and the withholding taxes due on stock option exercises and the vesting of restricted stock awards from stock-based compensation program participants.

Item 4. Mine Safety Disclosures
Not applicable

SIGNATURES

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

CRANE CO.
REGISTRANT

Date November 6, 2014	By	/s/ Max H. Mitchell Max H. Mitchell President and Chief Executive Officer
Date November 6, 2014	By	/s/ Richard A. Maue Richard A. Maue Vice President, Finance and Chief Financial Officer

Exhibit Index

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