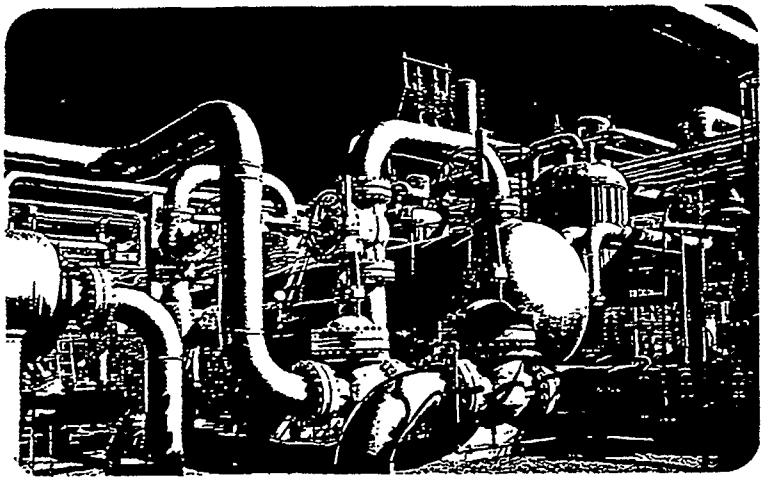
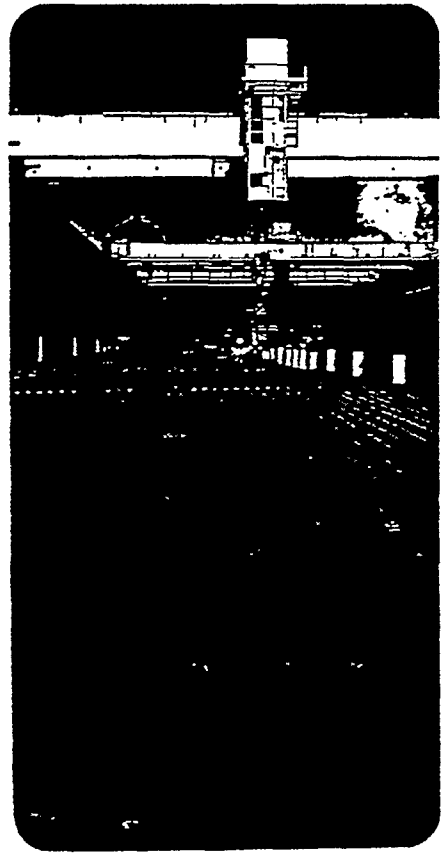
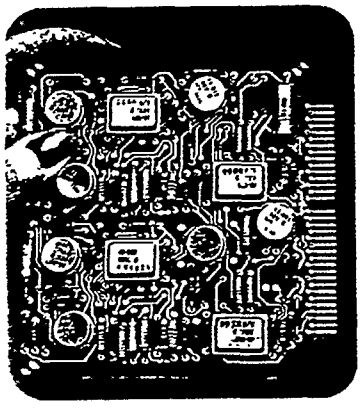
PLAINTIFF'S
EXHIBIT
CRA-30

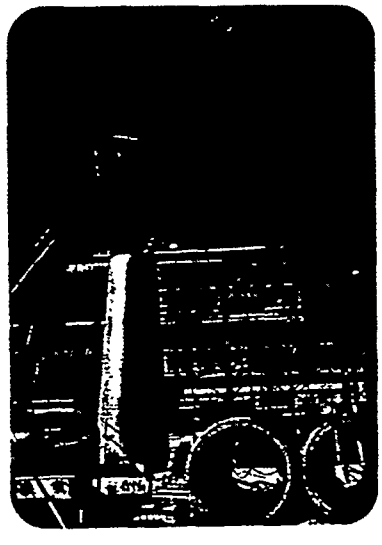
CRANE CO.
ANNUAL REPORT 1976

FLUID AND POLLUTION CONTROL ☐ STEEL ☐ BUILDING PRODUCTS ☐ AEROSPACE AND AIRCRAFT PRODUCTS









CRANE CO. ANNUAL REPORT 1976

CRANE SERVES

Industrial markets with—

Fluid and Pollution Control Products
- Valves
- Fittings
- Pumps
- Water conditioning systems
- Filtration equipment

Steel Products
- Rails and accessories
- Oil casing and tubular products
- Merchant shapes and structurals
- Wire and wire products

Aerospace and Aircraft Products
- Skid-control braking systems
- Valves, pumps, controls and other aerospace accessories and systems

Building and construction markets with—

Building Products
- Building materials
- Plumbing
- Cutting edges
- Structurals

UNITED STATES OPERATIONS

Crane-U.S.A.
New York, New York
R. L. Biller, *Vice President & General Manager*

Hydro-Aire Division
Burbank, California
B. J. Barnes, *Vice President & General Manager*

CF&I Steel Corporation
Pueblo, Colorado
R. J. Slater, *President*

Huttig Sash & Door Company
St. Louis, Missouri
R. F. Eson, *President*

CANADIAN OPERATIONS

Crane Canada Limited
Montreal, Canada
G. A. Kelly, *President*

INTERNATIONAL OPERATIONS

Crane Australia Pty. Limited
St. Marys, Sydney, Australia
P. J. Farrell, *Managing Director*

Crane Ltd.
London, England
Leslie V. Chater, *Chairman*
J. M. Fraser, *Managing Director*

Crane S.A.
Paris, France
Léon Skarniak, *President*

Crane-Deming de Mexico S.A.
Monterrey, Mexico
Luis Obeso, *General Manager*

Crane Nederland N.V.
Deventer, The Netherlands
G. J. deHorn, *Managing Director*

Crane-FISA, S.A.
Bilbao, Spain
A. J. Pijuán, *General Manager*

CONTENTS

1 Financial highlights
2 Letter to shareholders
3 Financial statements
8 Financial review
12 Analysis of summary of operations
14 Review of operations

ANNUAL MEETING

The Crane Co. 1977 annual meeting will be held Monday, April 25, 1977, in the First Floor Meeting Room, Bankers Trust Company, 280 Park Avenue, New York City, at 10 A.M.

FORM 10-K

Copies of Form 10-K for the year 1976, which are to be filed with the Securities and Exchange Commission, are available without charge to each shareholder of the Company upon written request made to the Secretary, 300 Park Avenue, New York, N.Y. 10022.

ABOUT THE COVER

Reading clockwise from the upper left, these photos show typical Crane products serving the basic business areas of fluid and pollution control, steel, building and construction, and aerospace and aircraft.

CRTX 0354

FINANCIAL HIGHLIGHTS

	1976	1975
Sales	$1,087,606,000	$1,119,494,000
Income before income taxes	76,778,000	114,202,000
Net income	47,959,000	63,608,000
Cash dividends	12,316,000	10,183,000
Net working capital	217,731,000	223,076,000
Total assets	760,561,000	722,201,000
Common shareholders' equity	282,456,000	262,898,000
Common shares outstanding at year end	10,030,897	10,039,024

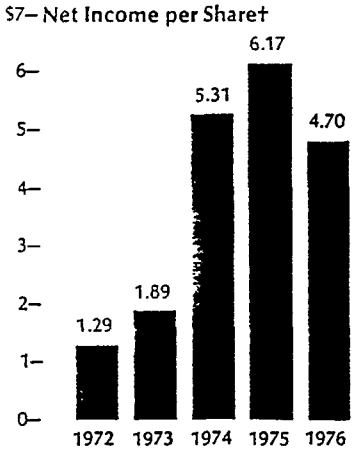
RATIOS AT YEAR END

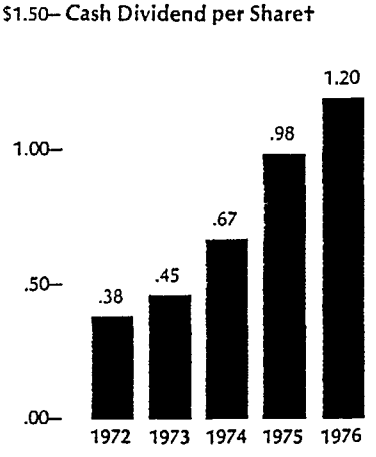
Net income to sales	4.4%	5.7%
Current ratio	2.3	2.3

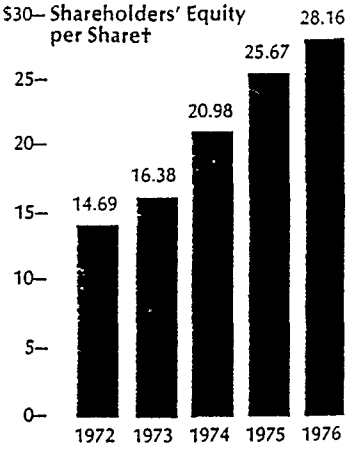
PER COMMON SHARE

Net income	$ 4.70*	$ 6.17†
Cash dividends	1.20	.98†
Common shareholders' equity	28.16	25.67†

*Net income per common share would amount to $4.38 ($5.45 in 1975) assuming conversion of subordinated debentures.







†Adjusted for 2% stock dividend in February, 1976 and 2-for-1 stock split in May, 1976.

TO OUR SHAREHOLDERS:

Sales for 1976 were $1,087,606,000, compared with $1,119,494,000 in 1975. Net income was $47,959,000, or $4.70 per common share, compared with 1975 net income of $63,608,000, or $6.17 per common share.

Crane's earnings decline was attributable primarily to the company's inability to recover increased steel production costs through higher prices. The fluid and pollution control business experienced only a moderate decline in operating performance, despite sluggish demand for capital equipment, while aerospace and building products operations performed at higher levels than in 1975.

Investment in plant modernization and environmental improvement approximated $82.5 million in 1976, compared with $52.5 million the prior year. Included in the 1976 amount was $71.1 million expended by CF&I Steel Corporation. During 1977 expenditures will remain near the current high level, and will be concentrated largely in the company's steelmaking operations. The previously announced expansion and modernization of rail mill facilities at the Pueblo, Colorado steel mill is proceeding on schedule and, when completed in 1979, will increase the mill's rail finishing capacity by approximately 50 percent. The program to develop additional raw material supplies, primarily metallurgical coal for the production of coke, will make steelmaking operations nearly self-sufficient in raw materials when completed.

During the year CF&I Steel Corporation arranged an eight and one-half year $40 million term loan at an interest rate of ¼ percent above prime. The loan is repayable from August, 1981 through May, 1985 in equal quarterly installments.

In March, 1976 the company concluded its exchange offer for common shares of The Anaconda Company in the ratio of $20 principal amount of Crane Co. 8 percent Subordinated Sinking Fund Debentures due December 1, 1985 for each share of Anaconda common stock tendered. Crane acquired 4,120,230 common shares of The Anaconda Company and issued a total of $82,404,600 principal amount of subordinated debentures. Subsequent to this acquisition, Atlantic Richfield Company and The Anaconda Company agreed to a merger, which was completed on January 12, 1977. As a result of the merger, Crane received a cash dividend of $24,721,380, subject to dividend tax of 7½ percent, and 2,060,115 Atlantic Richfield common shares in a tax-free exchange.

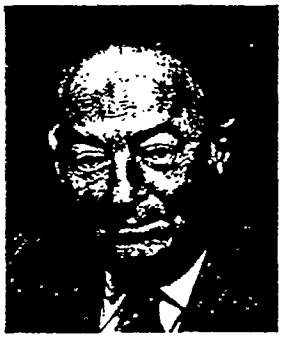
The total cash dividends paid to Crane shareholders during 1976 amounted to $1.20 per share, an increase of 22 percent over 1975 cash dividends of 98 cents per share, as adjusted. The company again paid a 2 percent stock dividend in February, 1977.

On behalf of the Board of Directors, we again express our thanks to the shareholders, employees, customers and suppliers.

Respectfully submitted,

D. C. Fabiani, President T.M. Evans, Chairman

February 18, 1977



D. C. Fabiani, President



T. M. Evans, Chairman

CRTX 0356

CONSOLIDATED STATEMENT OF INCOME

CRANE CO. and subsidiaries

FOR YEARS ENDED DECEMBER 31

	1976	1975
Net Sales	**$1,087,605,797**	$1,119,493,984
Operating Costs and Expenses including depreciation of $36,380,436 ($35,784,198 in 1975):		
Cost of sales	**902,129,192**	888,594,766
Selling, general and administrative	**104,881,682**	105,161,503
	1,007,010,874	993,756,269
Operating Profit	**80,594,923**	125,737,715
Other Income (Deductions):		
Interest—net	**(18,764,292)**	(11,153,219)
Gain on disposal of capital assets—net	**15,618,436**	1,732,981
Dividend income on investments	**2,609,300**	389,329
Miscellaneous—net	**(3,280,255)**	(2,505,357)
	(3,816,811)	(11,536,266)
Income Before Income Taxes	**76,778,112**	114,201,449
Provision for Income Taxes	**28,819,335**	50,593,656
Net Income	**$ 47,958,777**	$ 63,607,793
Net income per common share:		
Average shares outstanding	**$4.70**	$6.17
Assuming conversion of debentures	**4.38**	5.45

CONSOLIDATED STATEMENT OF EARNED SURPLUS

FOR YEARS ENDED DECEMBER 31

	1976	1975
Balance at Beginning of Year	**$ 181,442,574**	$ 144,593,494
Net Income	**47,958,777**	63,607,793
	229,401,351	208,201,287
Dividends:		
Preferred shares—$3.75 per share	**90,575**	92,260
Common shares:		
Cash—$1.20 per share ($.98 in 1975)	**12,224,986**	10,091,206
Stock—2%, market value of 203,220 shares (220,110 in 1975)	**5,976,700**	2,991,645
Excess of Cost Over Par Value of Reacquired Shares—Net:		
146 preferred (1,572 in 1975) and 755,900 common (941,222 in 1975) reacquired, less 48,655 issued under stock options (57,174 in 1975)	**18,547,553**	13,583,602
	36,839,814	26,758,713
Balance at End of Year	**$ 192,561,537**	$ 181,442,574

See Financial Review.

CONSOLIDATED BALANCE SHEET

AT DECEMBER 31

ASSETS	1976	1975
Current Assets:		
Cash	**$ 36,193,742**	$ 21,093,617
Short-term investments, at lower of cost or market	**78,440,074**	87,934,270
Accounts receivable, less allowances of $2,665,872 ($2,477,014 in 1975)	**129,243,861**	126,709,491
Inventories, less LIFO reserves of $61,022,801 ($58,117,563 in 1975), at lower of cost or market:		
Finished goods	**77,359,437**	83,807,441
Work in process	**38,331,439**	47,872,510
Raw materials and supplies	**18,661,468**	24,958,282
	134,352,344	156,638,233
Prepaid expenses	**2,545,492**	1,946,678
Total current assets	380,775,513	394,322,289
Investments and Other Assets:		
The Anaconda Company, cost of 4,120,230 common shares (3,282,401 in 1975) (see page 10)	**71,576,716**	57,105,259
Unamortized debt discount on 8% debentures (see page 7)	**11,375,050**	11,711,644
Outlying lands	**1,232,364**	1,239,854
Miscellaneous	**2,310,892**	2,123,553
	86,495,022	72,180,310
Property, Plant and Equipment at Cost:		
Land	**20,384,729**	18,713,012
Buildings and improvements	**130,368,796**	126,863,312
Machinery and equipment	**479,213,975**	432,770,948
	629,967,500	578,347,272
Less accumulated depreciation	**336,677,394**	322,649,045
	293,290,106	255,698,227
	$760,560,641	$722,200,826

CRTX 0358

LIABILITIES AND SHAREHOLDERS' EQUITY	1976	1975
Current Liabilities:		
Current maturities of long-term debt	**$ 17,692,397**	$ 13,134,891
Loans payable to banks	**18,040,916**	11,564,805
Accounts payable	**69,093,557**	65,526,357
Accrued payrolls, taxes and other liabilities	**55,038,089**	58,801,501
U.S. and foreign taxes on income	**3,179,443**	22,218,441
Total current liabilities	**163,044,402**	171,245,995
Long-Term Debt (see details on page 7)	**260,866,023**	239,112,445
Deferred Income Taxes	**32,720,214**	26,613,269
Reserves and Other Liabilities	**6,968,782**	6,894,705
Minority Interest in Subsidiaries	**10,400,634**	10,997,305
Shareholders' Equity:		
Preference stock of Glenfield & Kennedy Holdings Limited, 5½%	**1,700,000**	2,020,000
Cumulative preferred shares, 3¾%, par value $100 (redeemable): Authorized—47,159 shares (50,919 in 1975); outstanding—24,043 shares (24,189 in 1975) after deducting 23,116 shares in treasury (26,730 in 1975)	**2,404,300**	2,418,900
Serial preferred shares, par value $5: Authorized—600,000 shares	—	—
Common shareholders' equity: Common shares, par value $6.25: Authorized—20,000,000 shares; outstanding—10,030,897 shares (10,039,024 in 1975) after deducting 4,185,594 shares in treasury (3,429,694 in 1975)	**62,693,106**	62,743,900
Capital surplus	**27,201,643**	18,711,733
Earned surplus—$73,241,372 ($66,177,514 in 1975) is not restricted under a long-term debt indenture	**192,561,537**	181,442,574
Total common shareholders' equity	**282,456,286**	262,898,207
Total shareholders' equity	**286,560,586**	267,337,107
	$760,560,641	$722,200,826

See Financial Review.

CONSOLIDATED STATEMENT OF CAPITAL SURPLUS

FOR YEARS ENDED DECEMBER 31

	1976	1975
Balance at Beginning of Year	$ 18,711,733	$ 12,081,834
Excess of subordinated debentures converted over par value of 495,898 common shares issued (661,980 in 1975)	3,783,335	4,888,942
Excess of market value over par value of common shares issued as 2% stock dividend	4,706,575	1,740,957
Balance at End of Year	$ 27,201,643	$ 18,711,733

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR YEARS ENDED DECEMBER 31

	1976	1975
Source of Funds:		
Operations:		
Net income	$ 47,958,777	$ 63,607,793
Depreciation	36,380,436	35,784,198
Amortization of debt discount	3,352,778	105,000
Other, net	6,296,522	11,722,093
	93,988,513	111,219,084
Increase in long-term debt, less original issue discount	55,600,396	85,090,163
Conversion of debt to common stock	6,903,600	9,032,700
Disposals of property, plant and equipment	8,557,899	5,107,365
Reduction (increase) in investments and other assets	(179,849)	13,779,508
	164,870,559	224,228,820
Application of Funds:		
Additions to property, plant and equipment	82,530,214	52,458,375
Investment in The Anaconda Company	14,471,457	57,105,259
Reduction in long-term debt	36,863,002	32,945,301
Reacquisition of shares, less options exercised	23,323,337	19,572,486
Cash dividends	12,315,561	10,183,466
Reduction in reserves, minority interest and other	712,171	9,604,788
	170,215,742	181,869,675
Net Source (Application) of Funds	$ (5,345,183)	$ 42,359,145
Increase (Decrease) in Components of Working Capital:		
Current assets:		
Cash and short-term investments	$ 5,605,929	$ 57,188,502
Accounts receivable	2,534,370	(4,584,169)
Inventories	(22,285,889)	(3,789,218)
Prepaid expenses	598,814	(1,165,658)
	(13,546,776)	47,649,457
Current liabilities:		
Current maturities of long-term debt	4,557,506	8,365,910
Loans payable to banks	6,476,111	(7,426,316)
Accounts payable	3,567,200	10,414,504
Accrued payrolls, taxes and other liabilities	(3,763,412)	10,131,888
U.S. and foreign taxes on income	(19,038,998)	(16,195,674)
	(8,201,593)	5,290,312
Increase (Decrease) in Working Capital	$ (5,345,183)	$ 42,359,145

See Financial Review.

DETAILS OF LONG-TERM DEBT

CRANE CO. and subsidiaries

AT DECEMBER 31

	1976	1975
Crane Co.:		
6½% Sinking fund debentures due 1992, $2,000,000 due annually, after deducting $4,337,000 in treasury in 1976	**$ 27,663,000**	$ 28,205,000
6¼% Bank term loan due 1980, $1,875,000 due quarterly, fluctuating with minimum commercial lending rate	**20,625,000**	28,125,000
Miscellaneous	**—**	158,424
	48,288,000	56,488,424
Subordinated debentures:		
8% Sinking fund debentures due 1985, $8,241,000 due annually, after deducting $3,291,000 in treasury in 1976 (see page 4)	**65,922,600**	59,083,200
7% Sinking fund debentures due 1993, 5% due annually, after deducting $3,768,000 in treasury in 1976	**13,563,400**	13,886,400
7% Debentures due 1994, after deducting $3,818,000 in treasury in 1976	**48,259,000**	48,360,000
5% Convertible debentures due 1993, convertible at $12.50 per share (182,656 common shares reserved in 1976), after deducting $5,991,000 in treasury in 1976	**2,283,200**	3,829,100
5% Convertible debentures due 1994, convertible at $14.37 per share (497,091 common shares reserved in 1976), after deducting $32,213,000 in treasury in 1976	**7,143,200**	12,500,900
	137,171,400	137,659,600
	185,459,400	194,148,024
CF&I Steel Corporation:		
8% First mortgage and collateral trust bonds, sinking fund series due 1983, $1,000,000 due quarterly	**25,000,000**	29,000,000
6¼% Bank term loan due 1985, $2,500,000 due quarterly commencing in 1981, fluctuating with minimum commercial lending rate	**40,000,000**	—
8% Mortgage note due 1983, $71,429 due annually	**428,571**	—
	65,428,571	29,000,000
Huttig Sash & Door Company:		
7½% Loan payable, due 1980, $43,953 due quarterly	**483,485**	703,251
Foreign Subsidiaries:		
Crane Canada Limited sinking fund debentures:		
5¾% (collateralized by a general claim on property and assets), due 1985, $435,600 due annually, after deducting $435,600 in treasury in 1976	**5,662,800**	5,883,920
Crane Ltd. (England):		
Bank term loan due 1977, fluctuating with bank rate	**—**	3,636,000
Bank term loan due 1978, fluctuating with bank rate	**—**	1,022,860
15½% Bank term loan, fluctuating with bank rate, $680,000 due annually in 1980 and 1981	**1,360,000**	—
Glenfield & Kennedy Holdings Limited:		
5¾% Unsecured loan stock due 1982	**1,006,861**	2,527,769
Miscellaneous	**1,464,906**	2,190,621
	9,494,567	15,261,170
	$260,866,023	$239,112,445

Consolidation

The consolidated financial statements include all subsidiaries, and accounts carried in foreign currencies have been translated at the appropriate rates.

Subsidiaries operating outside the United States and Canada had net sales of $81,297,000 in 1976, compared with $98,372,000 in 1975. In 1976 net income from foreign operations amounted to $1,950,000 (before a $5,100,000 provision—see "Gain on Disposal of Capital Assets—Net"), compared with $3,415,000 in 1975. These subsidiaries represented 10.0 percent of shareholders' equity in 1976, down from 11.9 percent in 1975.

Plant Improvement

In 1976, $82,530,000 was invested in improving production facilities, principally at the Pueblo, Colorado steel mill and other domestic facilities.

The cost of property, plant and equipment is depreciated over estimated useful lives on the straight-line method. Generally, for income tax purposes, depreciation is determined by accelerated depreciation methods as permitted under tax regulations, and deferred income taxes are recognized for the difference.

Pensions

Pension costs charged against operations for the retirement plans maintained by the company and its subsidiaries were $34,549,000 in 1976, compared with $39,104,000 in 1975. Also charged to operations in 1976 was an additional pension cost of $811,000, compared with $4,452,000 in 1975 relating to certain retirees.

Based upon latest estimates as of December 31, 1976, vested benefits exceeded pension plan assets and balance sheet accruals by $120,000,000 ($143,000,000 at December 31, 1975) before future income tax benefits.

These decreases were principally due to the high level of funding and revisions to actuarial factors.

Current service and interest costs are funded annually and prior service costs are funded on a 10-year basis. Pension plans in the United States are in compliance with the Employee Retirement Income Security Act of 1974.

Gain on Disposal of Capital Assets—Net

The gain in 1976 included $19,960,000 arising from the sale of one steam coal property, less provisions of $1,122,000 for surplus and inactive buildings and equipment and $5,100,000 for termination expenditures and operating losses of an international plant. After provisions for minority interest and income taxes, the net gain from these items amounted to $8,148,000.

Miscellaneous Deductions

Components are as follows:

	1976	1975
	(in thousands)	
Minority Interest	$1,680	$1,907
Loss on Foreign Exchange	1,514	157
Loss (Gain) on Repurchase of Debentures	675	(1,668)
Loss (Gain) on Investments-net	(668)	2,024
Other	79	85
	$3,280	$2,505

Long- and Short-Term Financing

Long-term debt was increased by $58,617,000 during 1976, principally by the negotiation of a $40,000,000 unsecured eight and one half year bank term loan for CF&I Steel and the issuance of $16,757,000 of 8 percent Subordinated Sinking Fund Debentures due 1985 in exchange for an additional 837,829 shares of The Anaconda Company. The original issue debt discount of $3,016,000 on the additional 1985 debentures is included with Investments and Other Assets.

Long-term debt was reduced by $36,863,000 during 1976, compared with $32,945,000 during 1975. The 1976 decrease included $6,904,000 of debentures that were converted.

Covenants contained in instruments under which the company has outstanding indebtedness: (i) require the company to maintain consolidated working capital of at least $150,000,000; (ii) require the company to maintain consolidated tangible net worth of at least $200,000,000; (iii) restrict payment of cash dividends; and (iv) restrict the issuance of additional senior funded debt (as of December 31, 1976 the company could issue no additional senior funded debt).

CRTX 0362

At December 31, 1976, the principal amounts of long-term debt repayments required for the next five years were $17,692,000 in 1977, $20,623,000 in 1978, $22,284,000 in 1979, $21,218,000 in 1980, and $20,614,000 in 1981.

At December 31, 1976 there were $73,060,000 of unused short-term credit lines available with domestic and foreign banks, and such lines are subject to annual review.

Reserves and Other Liabilities

A summary of reserves and other liabilities follows:

	1976	1975
	(in thousands)	
Pension and wage benefits	$2,530	$3,774
Relining and rebuilding of blast furnaces	543	1,018
Retainage on long-term contracts	1,798	—
Miscellaneous	2,098	2,103
	$6,969	$6,895

Income Taxes

A reconciliation of consolidated income before income taxes to the provision for income taxes (federal, state and foreign) is as follows:

	1976	1975
	(in thousands)	
Income before income taxes	$76,778	$114,202
Permanent tax adjustments:		
Depletion	3,942	2,554
Original issue bond discount	840	1,080
Nontaxable net capital gains	4,213	1,979
Nontaxable domestic dividends	2,216	331
Unrealized foreign exchange loss	(1,514)	(157)
Other	(609)	1,185
	9,088	6,972
Taxable income for accounting purposes	$67,690	$107,230
Tax @ 50% (composite rate)	33,845	53,615
Less investment tax credit realized	5,026	3,021
	$28,819	$ 50,594

The provision for income taxes is composed of the following:

	1976	1975
	(in thousands)	
Tax effect of timing differences:		
Depreciation	$ 2,370	$ 2,577
Pension expenses	408	5,968
Other	1,808	1,231
Total deferred taxes	4,586	9,776
Current income taxes paid or payable	24,233	40,818
Provision for income taxes	$28,819	$ 50,594

The foregoing provision includes foreign taxes of $5,423,000 and $8,300,000, and state taxes of $2,062,000 and $2,392,000, in 1976 and 1975, respectively.

United States income taxes have not been provided on undistributed earnings of foreign subsidiaries, since foreign tax credits available on any portion of these earnings not required for indefinite reinvestment are such that no significant tax would be payable upon distribution.

Leases

Rental expense was as follows for all leases for the years ended December 31, 1976 and 1975:

	1976	1975
	(in thousands)	
Rentals on noncapitalized financing leases:		
Minimum	$ 4,906	$ 4,759
Contingent	766	617
Rentals on operating leases:		
Minimum	9,317	9,009
Contingent	235	338
	$15,224	$14,723

Rental expense has been reduced by rental income from subleases of $1,354,000 during 1976 and $1,591,000 during 1975.

Financing leases are defined as those in which the initial term of the lease substantially covers the useful economic life of the property or assures recovery of the lessors' investment. All others are considered operating leases.

The company and subsidiaries lease buildings and equipment under noncancelable leases providing for annual rentals as follows:

		Financing Leases		Operating Leases	
	Total	Buildings	Machinery and Equipment	Buildings	Machinery and Equipment
		(in thousands)			
1977	$ 8,186	$ 960	$ 4,141	$1,949	$1,136
1978	7,257	1,241	3,791	1,510	715
1979	6,265	1,483	3,417	1,026	339
1980	5,273	1,458	2,953	832	30
1981	4,739	1,468	2,607	661	3
1982-86	19,963	5,802	12,566	1,582	13
1987-91	18,416	5,405	12,485	526	—
1992-96	9,778	1,969	7,804	5	—
1997-beyond	1,834	1,834	—	—	—

The foregoing amounts have been reduced for rental income from noncancelable subleases by approximately $1,196,000 in 1977 and lesser amounts thereafter (total reduction $4,931,000).

Certain of the leases may be renewed for periods of from 3 to 20 years and provide for an option to purchase or for annual rental payments of minimal amounts.

The estimated present values of the net fixed minimum rental commitments for all noncancelable financing leases, net of noncancelable subleases, are as follows:

	December 31	
	1976	1975
	(in thousands)	
Buildings	$15,327	$14,852
Machinery and equipment	30,009	30,741
Subleases	(2,214)	(2,095)
Net present value	$43,122	$43,498

The weighted average interest rate used in the computation was 6.3 percent and ranged from 4 percent to 12.75 percent.

If all financing leases had been capitalized, net income for the years ended December 31, 1976 and 1975 would not have been significantly affected.

Stock Options

A summary of option transactions follows:

	Number of shares	Price per share
Outstanding January 1, 1976	143,838	$ 7.46-23.53
2% Stock dividend	2,618	— —
Options granted	39,600	25.25-36.75
Options expired	(12,294)	8.98-34.00
Options exercised	(48,655)	7.46-23.53
Outstanding December 31, 1976	125,107	$ 8.10-36.75

At December 31, 1976, options for 61,068 shares were exercisable and 82,039 shares were available for grant. In 1975 options for 29,172 shares were granted and options for 57,174 shares were exercised. Shares and per share statistics have been adjusted for the 2 percent stock dividend, and 2-for-1 stock split in 1976. The plan is not a compensatory plan which would require charges to income.

Estimated Replacement Cost Information

In compliance with the rules of the Securities & Exchange Commission, the company has estimated the cost of replacing its plant and equipment as of December 31, 1976, together with estimated depreciation based on replacement cost for the year then ended. The company's Annual Report on Form 10-K (a copy of which is available upon request) contains unaudited estimates with respect to replacement cost.

The company principally uses the LIFO method for inventory valuation so that substantially all inventory profits caused by inflation have been eliminated from net income.

The replacement cost estimates in the company's Form 10-K are not necessarily indicative of either the amounts for which the assets could be sold, or the company's intent to replace such assets nor are they representative of costs that might be incurred in a future period, nor do they reflect any cost savings from improved equipment.

Litigation

Crane's lawsuit against American Standard, Inc. and Blyth & Company, Inc., arising out of the merger of Westinghouse Air Brake Company in 1968, remains pending. The case is presently awaiting decision by the Federal District Court with respect to the assessment of Crane's damages and other appropriate relief, but the company is unable to predict the outcome of the matter.

Subsequent Event

Subsequent to the year end, The Anaconda Company merger with Atlantic Richfield Company was completed on January 12, 1977. As a result of the merger, Crane received a cash dividend of $24,721,380, subject to a dividend tax of 7½ percent, and 2,060,115 Atlantic Richfield common shares in a tax free exchange for 4,120,230 common shares of The Anaconda Company. In accordance with Accounting Principles Board Opinion No. 29, an additional non-recurring substantial gain will be required to be reported in the first quarter of 1977, even though an actual sale of this common stock has not taken place. The amount of this additional accounting gain will depend upon the value assigned by the company to the Atlantic Richfield common shares received.

Quarterly Results for the Year (Unaudited)
(in thousands)

Quarter	Sales	Gross Profit	Net Income	Net Income per Common Share Primary	Net Income per Common Share Fully Diluted
1976					
1st	$ 270,048	$ 47,732	$11,960	$1.16	$1.07
2nd	285,217	47,969	18,520*	1.81	1.68
3rd	271,559	43,611	8,113	.80	.76
4th	260,782	46,165	9,366	.93	.87
	$1,087,606	$185,477	$47,959	$4.70	$4.38
1975					
1st	$ 281,369	$ 60,669	$14,886	$1.44	$1.24
2nd	288,367	57,502	16,321	1.57	1.39
3rd	278,832	54,528	15,848	1.55	1.37
4th	270,926	58,200	16,553	1.61	1.45
	$1,119,494	$230,899	$63,608	$6.17**	$5.45**

Market and Dividend Information—Common Shares

Quarter	New York Stock Exchange Price per Share 1976 High	1976 Low	1975† High	1975† Low	Dividends per Share 1976	Dividends per Share 1975**
1st	$39⅜	$23⅝	$20⅝	$13¼	$ .30	$.20
2nd	37½	30⅝	26¼	19½	.30	.20
3rd	39¾	26⅝	26⅛	20¾	.30	.24
4th	29⅜	23¼	24⅜	20¾	.30	.34
					$1.20	$.98

*See page 8—Gain on disposal of capital assets—net.
**Adjusted for 2% stock dividend in February, 1976 and a 2-for-1 stock split in May, 1976.
†Adjusted for 2-for-1 stock split in May, 1976.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders of Crane Co.

We have examined the consolidated balance sheet of Crane Co. and subsidiaries as of December 31, 1976 and 1975, and the related consolidated statements of income, earned surplus, capital surplus and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of CF&I Steel Corporation, a consolidated subsidiary, which statements were examined by other independent certified public accountants whose reports thereon have been furnished to us. Total assets and net sales of CF&I Steel Corporation constituted approximately 47% and 38%, respectively, of the related consolidated totals in 1976 (43% and 38% in 1975). Our opinion expressed herein, insofar as it is related to the amounts included for the foregoing subsidiary, is based solely upon the reports of the other independent certified public accountants.

In our opinion, based upon our examinations and the aforementioned reports of other independent certified public accountants, the financial statements referred to above present fairly the consolidated financial position of Crane Co. and subsidiaries at December 31, 1976 and 1975, and the consolidated results of their operations and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

New York, N.Y.
January 24, 1977

ANALYSIS OF SUMMARY OF OPERATIONS

Consolidated sales for 1976 were $1,087,606,000, 2.8 percent below the 1975 level. Crane Domestic sales decreased 8.3 percent from the prior year due to the lower demand for capital goods in its major market areas and the related decline in the industrial distribution business. CF&I Steel Corporation sales decreased 3.5 percent, primarily due to a change in product mix. Although the sale of rails, wire and rolled products increased 9.5 percent in 1976, the overall decrease was primarily the result of a deterioration in the market for oil-field tubing and casing. Sales of Huttig Sash & Door Company increased 44.5 percent in 1976, reversing a 10.3 percent decline in 1975 from the 1974 results. Huttig's market areas—the South, Southeast, Southwest and Midwest—were benefited by a higher level of single-family housing starts and the expansion of home improvement and remodeling activity. Crane Canada Limited sales in 1976 decreased 4.0 percent due to a general slowdown in the Canadian economy coupled with the restrictions imposed by wage and price controls instituted in late 1975. Unfavorable foreign exchange fluctuations and the elimination of a marginal operation were largely responsible for a 17.4 percent decline in sales of International operations during 1976.

Consolidated sales for 1975 decreased 2.1 percent from 1974, principally due to low demand for building products of Crane Domestic. This reduced demand, however, was partially offset by increased sales of fluid and pollution control products. CF&I Steel Corporation's 1975 sales declined 2.5 percent from the 1974 level. The latter results included sales from operations that have since been terminated.

Consolidated operating profit in 1976 decreased 35.9 percent from 1975, primarily due to the inability to recover higher operating costs through price increases. Crane Domestic's operating profit declined 16.9 percent as a result of lower sales and product mix. CF&I Steel Corporation experienced the sharpest decrease in operating profit, 56.3 percent. This decline was attributable to higher employment, material, maintenance and other costs which, due to current market conditions, were not recovered through increased selling prices. Huttig Sash & Door Company's operating profit increased more than 100 percent over 1975 results, reflecting the substantial increase in sales volume. Crane Canada Limited's operating profit declined 47.2 percent following a decline in sales as well as an accompanying change in product mix and profitability. During 1976 International operating profit improved slightly, despite lower sales, due to the elimination of an inefficient operation.

Consolidated operating profit in 1975 improved 4.0 percent over 1974, which was attributable to higher volume and improved margins for fluid and pollution control products. These factors were partially offset by lower margins for steel products and decreased sales of building products. The increase in corporate expenses in 1975 was primarily due to litigation costs relating to WABCO and Anaconda.

Interest expense in 1976 increased 42.7 percent, due to the issuance in late 1975 and early 1976 of $82,404,600 principal amount of 8 percent Subordinated Debentures given in exchange for 4,120,230 common shares of The Anaconda Company. In addition, CF&I Steel Corporation arranged a $40,000,000 term loan to partially finance its capital expenditure program. During 1975 interest expense decreased by 16.0 percent because of lower outstanding debt and a general decline in interest rates.

Income before taxes decreased 32.8 percent in 1976 as a direct result of lower operating profit and higher interest expense. This decrease was partially offset by greater gains on disposal of capital assets and dividend income. Income before taxes for 1975 increased 17.3 percent over 1974 due to higher operating profit, lower interest expense and the absence of loss on disposal of capital assets in 1975.

Income taxes for 1976 were at an effective tax rate of 37.5 percent compared with 44.3 percent for 1975. Higher investment credits earned in 1976 and higher permanent tax savings in relation to fully taxed income caused this decrease in the effective tax rate for the year just ended. The effective tax rate for 1975 was higher essentially because of greater income before taxes subject to maximum income tax rates and lower investment credits.

CRTX 0366

FIVE YEAR SUMMARY OF OPERATIONS

(IN THOUSANDS)

	1976	1975	1974	1973	1972
Net Sales	$1,087,606	$1,119,494	$1,144,031	$947,093	$844,395
Depreciation	36,380	35,784	34,880	30,163	28,277
Operating Profit	80,595	125,738	120,885	50,973	35,050
Interest Expense	22,699	15,905	18,933	19,406	19,476
Income Before Income Taxes	76,778	114,202	97,354	32,558	17,354
Income Taxes	(28,819)	(50,594)	(41,221)	(11,981)	(4,901)
Extraordinary Credit	—	—	—	—	2,020
Net Income	$ 47,959	$ 63,608	$ 56,133	$ 20,577	$ 14,473
Net Income per Common Share*					
Average Shares Outstanding	$4.70	$6.17	$5.31	$1.89	$1.29
Assuming Conversion of Debentures	4.38	5.45	4.20	1.49	1.04
Cash Dividend per Common Share*	1.20	.98	.67	.45	.38

*Adjusted for 2% stock dividends, and 2-for-1 stock split in 1976.

ANALYSIS OF NET SALES AND OPERATING PROFIT

(IN THOUSANDS)

	1976		1975		1974		1973		1972	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net Sales										
Crane Domestic	$ 325,897	30	$ 355,341	32	$ 377,312	33	$ 319,423	34	$299,389	36
CF&I Steel Corporation	413,054	38	427,900	38	438,721	38	342,814	36	282,039	33
Huttig Sash & Door Company	116,328	11	80,495	7	89,762	8	93,904	10	84,300	10
Crane Canada Limited	151,030	14	157,386	14	155,869	14	115,190	12	102,324	12
International Operations	81,297	7	98,372	9	82,367	7	75,762	8	76,343	9
Total Net Sales	$1,087,606	100	$1,119,494	100	$1,144,031	100	$ 947,093	100	$844,395	100
Operating Profit										
Crane Domestic	$31,648	36	$ 38,081	28	$ 28,532	22	$ 9,433	17	$ 7,776	20
CF&I Steel Corporation	29,611	33	67,788	50	75,261	59	27,016	48	15,304	38
Huttig Sash & Door Company	10,861	12	5,110	4	7,253	6	9,062	16	6,419	16
Crane Canada Limited	8,448	9	15,995	12	13,437	11	6,452	11	5,112	13
International Operations	8,520	10	7,841	6	3,025	2	4,551	8	5,202	13
	89,088	100	134,815	100	127,508	100	56,514	100	39,813	100
Corporate	(8,493)		(9,077)		(6,623)		(5,541)		(4,763)	
Total Operating Profit	$80,595		$125,738		$120,885		$50,973		$35,050	

CRANE DOMESTIC

Crane's domestic operations provide basic industry with a broad range of capital goods. Fluid and pollution control products—valves, fittings, pumps and water conditioning systems—principally serve petroleum, chemical, power, pulp and paper, and municipal markets. Crane also supplies plumbing and related building products for construction markets as well as aircraft systems and accessories for the aerospace industry.

Fluid and Pollution Control Products

Demand for Crane fluid and pollution control products softened somewhat in 1976, with the result that sales and earnings did not keep pace with the records set the prior year. This softening occurred primarily in the company's industrial valve markets as customers worked off high inventory levels established in 1975. Sales of pump products, however, increased.

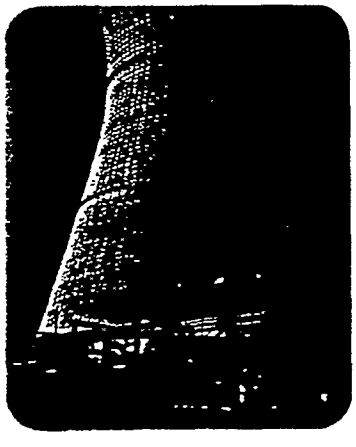
The petroleum, chemical, power, and pulp and paper industries, which constitute Crane's primary industrial markets, did not experience the increases in capital equipment expenditures which had been expected during 1976. Spending was consistently lower than these industries had anticipated, as companies waited to test the strength and duration of the economic recovery before committing large sums to expansion. However, once new capacity and replacement needs again achieve priority, the markets Crane serves, which are basic to the nation's economic system, should again experience better-than-average growth.

Throughout the year major attention was focused upon production economies at manufacturing facilities to meet a lower level of demand. At the same time, Crane continued to invest in facility improvement. These improvements place the company in an excellent position to maximize market potential when capital spending again curves upward.

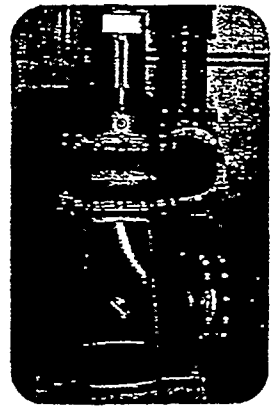
During 1976 the Valves and Fittings Division experienced its second-best earnings year despite lesser demand. Tight cost controls coupled with manufacturing efficiencies contributed to these good results. The company introduced a moderately priced general service butterfly valve designed for broad application in commercial and industrial piping systems. This product, together with the high performance ball valve line, places Crane in an excellent position to benefit from the expanding quarter-turn valve market, the fastest growing segment of the industry. During the year progress also was made in redesigning the stainless steel valve line to achieve higher product quality with less weight and material cost.

The division's facility improvement program, carried out over the past five years, is near completion. Final phases include a new bronze casting center, which became operational in late 1976, and modernization of the company's steel casting center, which will be completed in mid-1977. With the conclusion of this program, Crane will have valve manufacturing capabilities second to none in the industry.

In mid-1976 Crane consolidated all pump operations in order to better coordinate new product development, marketing, engineering and facility utilization. One of the first results of this consolidation was the introduction of the Chemtran chemical process pumps to the Chempump line. The addition of this product increases opportunities for standard pump sales in the chemical process industries, where Chempump presently enjoys a major share of the critical service, leakproof pump market. Record sales of Chempump units occurred during the year, with







sizable increases in shipments to the commercial nuclear market.

Development of the Deming large solids handling pumps was completed last year, as six new sizes were added to the line. With engineering and production capabilities to meet virtually any solids handling application, Deming now has entry to the growing municipal and industrial waste markets. Deming also introduced a new heavy duty in-line vertical process pump designed for ease of service and efficient space utilization. Again this year the Pump Division expects to increase sales to industrial markets. In addition to the new product potential for municipal and industrial waste and chemical process applications, the division is seeking greater penetration of nuclear and fossil-fuel power markets.

Cochrane Environmental Systems Division achieved record earnings last year. The division has expanded its line of ozone generating equipment and currently produces units capable of generating up to 100 lbs. of ozone per day. Orders for Cochrane ozonators were up sharply in 1976, reflecting a broadening acceptance of ozone in pollution abatement. In addition to bacterial destruction, ozone is capable of controlling odor and clarifying effluent color. Such characteristics make ozonation suitable for a number of chemical and food processing applications.

Cochrane has stepped up its marketing program for the division's unique condensate booster system. This recycling system is designed with energy conservation features which can reduce industrial steam boiler fuel costs up to 20 percent.

Crane Supply Company, Crane's wholly owned distribution network, offers industrial markets a full line of Crane fluid control equipment as well as related products of other manufacturers. The continuing lull in capital expenditures had a direct effect on the division's business, as both 1976 sales and earnings were below year-earlier levels. Inventories have been kept well in line with lower business activity, however, and with approximately 50 branches located across the country, Crane Supply is well positioned to benefit from increased capital spending when it occurs.

Building Products

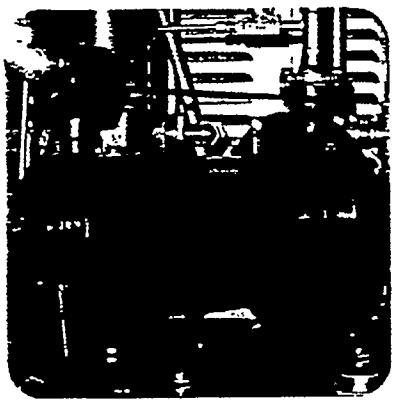
Crane's Plumbing Division experienced stronger sales and earnings last year. This improvement is attributable both to the recovery in single family housing starts in 1976 and to production efficiencies implemented by the company during the industry's depressed years of 1974-75.

Last year the Plumbing Division purchased Classic Brass Manufacturing Company, a maker of decorator plumbing brassware. The high-style Classic Brass designs and custom finishes utilized with Crane's quality engineering give the company a new, specialized product line which is particularly applicable to the growing home improvement and remodeling market. A second product introduced for these markets in 1976 is a line of combination vanity lavatories. As a further step toward meeting current decorating tastes, Crane also added two new colors, a warm cream and a deep brown earth-tone, to its decorator bathroom fixtures.

Order levels were strong at 1976 year-end, an encouraging sign for the division. With single family starts expected to increase again in 1977 and a pickup anticipated in commercial and industrial construction, the outlook for building products is good.

Aircraft and Aerospace Products

Crane's Hydro-Aire Division designs and manufactures brake control systems, fuel and hydraulic pumps, controls and other accessories and systems for military, commercial and general aviation aircraft.





Left to right:
Cochrane water-treating equipment is used in this nuclear power plant.

Crane steel valves are installed in this California refinery.

Deming pumps are part of an extensive flood-control project near St. Louis.

Chempump pumps coolant in system used to test radar and fire control of F-14 Tomcat fighters.

Teakwood is a new decorator color for plumbing fixtures.

CRTX 0369

Distinguished for high reliability and long life, Hydro-Aire's products are designed to improve the safety and dependability of aircraft performance. Sales and earnings increased in 1976, continuing the upward trend of the past few years. Broader penetration of the aircraft market has been quite successful, as Hydro-Aire substantially increased sales of the latest Hytrol Mark III anti-skid kit systems to general aviation, commuter and military sectors of the market last year.

The division also enjoyed increased sales to manufacturers of large commercial aircraft. During the latter half of 1976, the commercial airlines began renewing orders for new planes to replace their aging fleets. All of these existing production aircraft incorporate Hydro-Aire products.

In the past several years the division has focused its research efforts upon developing microminiaturized components for its electronic systems in order to achieve greater reliability. The manufacturing methods and test criteria for these devices are far more demanding than with conventional electronic circuits and, as a result, significant gains are achieved in performance. The division is now using microminiaturized systems in the invermotor fuel pump and automatic braking and skid control systems, a factor which had a direct bearing on increased sales of these products last year.

The outlook for both 1977 and beyond is quite favorable. The general aviation market continues to expand as use of lighter planes increases for energy exploration and for interurban transportation in developing nations. This factor, together with increasing need for replacement craft by commercial airlines, should continue to heighten demand for Hydro-Aire's products.

CF&I STEEL CORPORATION

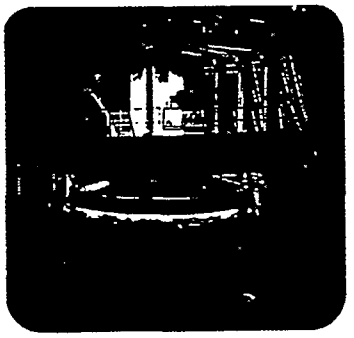
CF&I serves the transportation, petroleum, mining, construction and agricultural industries, primarily in the Rocky Mountain area. A vertically integrated steel manufacturer, CF&I supplies its own coking coal, iron ore, limestone and dolomite from company-operated mines and quarries. A subsidiary, The Colorado & Wyoming Railway Company, transports raw materials to Pueblo from mines in Colorado and Wyoming.

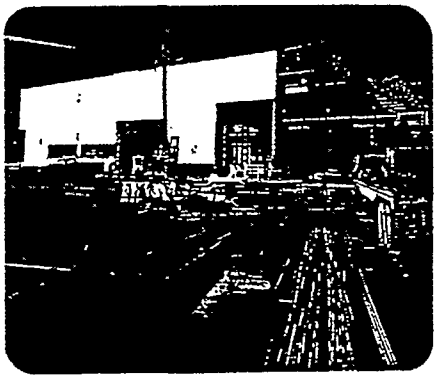
Operations

The past year was a difficult one for the steel industry as low levels of capital spending and significant increases in steel imports reduced demand for domestic steel products. The lower demand generated greater competitive pressures, which prevented CF&I from raising prices to offset increased labor and materials costs. As a result, sales and earnings were below 1975 levels.

Sales of rails and accessories continued at the high rate established a year earlier. CF&I is one of only three standard rail manufacturers in the United States, and the outlook for rail products is excellent for both the near and long term. The formation of ConRail and subsequent legislation assures the availability of government funds for needed track replacement and maintenance of the financially troubled northeastern railroads. The program will draw heavily upon the capacity of the two eastern rail manufacturers. Because of this demand, however, CF&I is in a position to gain a greater share of the midwestern rail market as well as complement ConRail's needs. In addition, high energy costs have increased the desirability of rail for economical freight and passenger transportation. Greater emphasis upon development of the nation's coal reserves for power generation will necessitate expansion of existing rail service for coal and related product haulage.







Demand for oil country casing and tubing declined sharply in 1976. The inability of oil and gas producers to raise prices on new domestic supplies caused a slowdown in new oil exploration programs. Distributors were able to meet demands for tubular products primarily from existing inventories, and therefore reduced their mill orders throughout the year. The long term projection for oil country products appears optimistic. The nation's energy requirements are steadily increasing, and new sources of petroleum must be developed.

Wire products experienced a gain in sales last year as a result of increased demand for certain products in light manufacturing and residential construction markets. If the expected recovery in industrial and commercial construction materializes, wire product sales should increase further.

The heavy construction lag had a negative effect upon sales of structural and cutting edge products. In addition to the slow pace of industrial building, restricted government spending on highway construction programs softened demand for these products.

The current economic recovery has not yet generated sufficient strength or confidence to cause any notable expansion in most of the industries CF&I serves. When an upturn does occur, CF&I's strong market position and product mix should result in a resumption of the company's recent growth trend.

Facilities

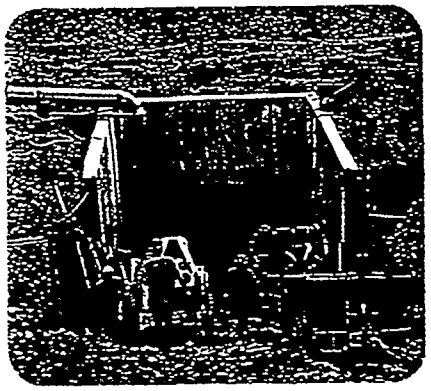
A $23 million expansion of the Pueblo plant's steelmaking facilities was completed in 1976. These additions, which include a second electric furnace and a six-strand continuous caster, have increased CF&I's basic steelmaking capacity from 1.6 million ingot tons to 1.9 million ingot tons annually.

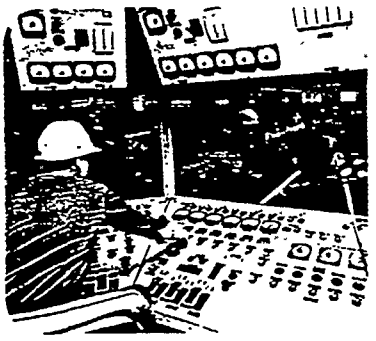
Prompted by growing demand for standard rail, construction was started last year on a major expansion and modernization of the company's rail mill facilities. This program will be completed in early 1979 and will increase CF&I's rail production capacity by approximately 50 percent. In addition to greater capacity, the new facility will provide important economies in production costs of rails, tubular products, bars and wire products. The first phase is well into construction and is expected to be completed late this year. This initial stage includes manufacturing capability for long length rails and modernized rail finishing. CF&I will have the first mill in the United States capable of rolling rails up to 25 meters long, more than twice the current standard length.

During 1976 improvements were made in the tubular manufacturing facilities, which will result in significant cost reductions. Included in these improvements are new cut-off machines and a new coupling shop. Plans are now being developed for the installation of additional tubular billet conditioning facilities and heat treating capacity, which will increase production capacity for high grade oil country goods. New equipment has been installed at the wire mill, which increases capacity and product quality. Further major improvements at the mill are currently under study.

At the Sunrise, Wyoming iron ore mine, a beneficiation plant became operational early this year. The plant separates iron-bearing ore from waste rock at the mine site, thereby reducing shipping costs and improving the efficiency of blast furnace operations.

CF&I continues to develop its raw material supplies. The new Maxwell Coal Mine, located in southern Colorado, is currently under development and will come into production in 1977. This mine will meet the Pueblo plant's full requirements for high volatile metallurgical coal. Plans are underway to enable the company to become self-sufficient in supplying its





Left to right:
Production of microelectronic components at Hydro-Aire.

Second electric furnace in operation at CF&I's Pueblo mill.

Structure to house the rail mill expansion is nearing completion.

Development work at the portal of the new Maxwell Coal Mine.

All automatic in-line rolling at the 11-inch bar mill is controlled from this pulpit.

low volatile metallurgical coal, as well. CF&I has obtained leases, subject to government approval, and has begun preliminary engineering on development of a low volatile coal mine at Bokoshe, Oklahoma.

In addition to upgrading manufacturing and mining capabilities, CF&I has advanced its air quality improvement program. New facilities to control fugitive dust emissions were installed at the ore preparation area in 1976, and a new baghouse cleaning system was added to the lime plant. Major emission control improvements are being installed on the basic oxygen furnace. These include a new electrostatic precipitator on the furnace's main stack and facilities to control emissions generated during charging and tapping operations.

In May, 1976 CF&I completed the sale of 640 acres of fee lands and underground mineral interests in approximately 7,560 acres in Carbon County, Wyoming. This property, which contains nonmetallurgical steam coal, was sold for a total cash price of $20 million. CF&I has reserved all oil and gas rights. Currently, the company owns more than 350,000 outlying acres in the Rocky Mountain area, which offer potential for further natural resource development.

HUTTIG SASH & DOOR COMPANY

Huttig manufactures and distributes millwork and allied building products primarily to residential construction markets. Huttig's branches are concentrated in the South, Southeast, Southwest and Midwest, the fastest growing residential construction areas in the country.

Huttig performed at record levels in 1976 as earnings doubled on a 45 percent sales advance. For the first time in the company's 91-year history, sales exceeded $100 million.

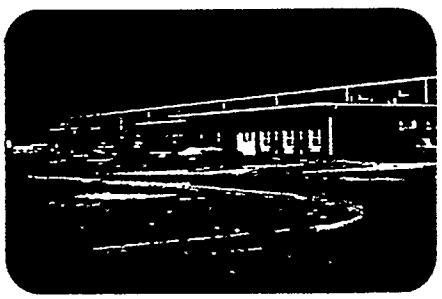
The year's strong rebound in home building activity meant increased demand for all of Huttig's products. In addition, the company's 28 branches are strategically located in the high residential growth states of the Sunbelt and Midwest. These areas captured a higher-than-average portion of the home construction market last year, a trend which is expected to continue in future years.

Huttig also has benefited from the expansion in home improvement and remodeling—a domestic market which increased an estimated 15 percent in 1976 alone. The pressures of steeply rising home prices together with accelerating maintenance and energy costs continue to generate greater activity in this area.

Sales of energy-saving units made a strong contribution to 1976 results. Among these were insulated metal door entrance systems and insulated window units. The latter product line, first manufactured by Huttig last year, was particularly well received. To meet increased demand for insulated windows, Huttig established glazing facilities for these window units at two southern branches. Plans are underway to establish similar operations in the Midwest in 1977. Huttig also is building a new larger facility at its Rockford, Illinois branch to consolidate operations more efficiently while better serving this expanding business region. To further penetrate southern markets, plans are underway to establish new branch operations in Tennessee and South Carolina during 1977.

The current economic outlook points to further growth in home building throughout 1977. With a firmly established position in its market areas, Huttig should continue to perform well.







CRANE CANADA

Crane Canada Limited manufactures and distributes valves, pumps, pollution control and water conditioning equipment for basic industrial applications as well as plumbing fixtures, fittings and related products for the construction industry. Primary Canadian markets parallel those in the United States.

The rapid expansion of the Canadian economy halted abruptly in the spring of 1976, signaling a period of slower growth in capital spending. As a result, sales of Crane Canada's valves and pumps did not meet prior year levels. Water treatment equipment, however, experienced good demand, especially in the thermoelectric power generation sector. Crane Canada also has increased its share of the expanding markets for municipal and industrial effluent handling equipment. These markets offer better-than-average long term growth potential for the company's products as environmental pressures intensify.

Although the need for industrial investment in new plant and equipment remains, economic controls which took effect in late 1975 may tend to slow business expansion in 1977. These controls, however, have resulted in a substantial lowering of inflation. It is hoped that with a continuation of this trend controls will be eased somewhat, providing encouragement for a renewal of capital spending programs.

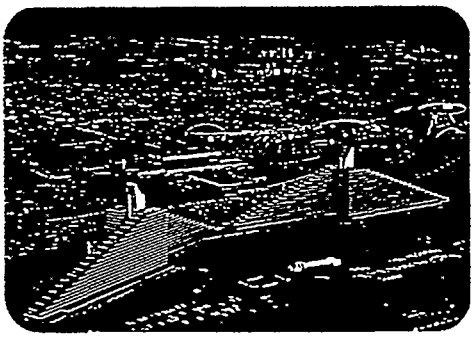
Demand for plumbing products improved during the year, paced by a steady recovery in residential construction which more than offset a continuing weakness in commercial and industrial markets. Consequently, sales of bathtubs and plumbing fittings were ahead of 1975 results. Sales of vitreous china fixtures, however, began to soften in the final six months of the year due to competition from low priced imports.

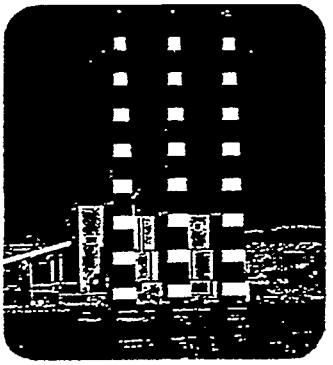
Crane Supply Division, which distributes the company's products and related items of other manufacturers throughout Canada, performed below 1975 levels. Sales of plumbing products for residential construction ran ahead of 1975. However, the major thrust of the division's business is directed toward industrial markets, and the weakness in these sectors contributed to lower overall sales and erosion of profit margins. With nearly 50 branches located coast-to-coast, Crane Supply is one of the largest distribution organizations in Canada. The division's performance should improve once a resumption of business investment materializes.

CRANE INTERNATIONAL

One of the largest valve and fittings manufacturers in Europe, with operations in the United Kingdom, France, Spain and The Netherlands, Crane is a leading supplier to petroleum, petrochemical, chemical, power, marine and municipal waterworks markets. An Australian valve plant serves that country, while a pump facility in Mexico sells to industrial and agricultural markets in Latin America.

Problems of escalating material and labor costs and the consequent restriction of business capital investment which plagued most of the world's economies last year had an adverse effect upon sales and earnings of Crane's international operations. Additionally, currency devaluations in Mexico and Australia plus the lowered values of the pound, the franc and the peseta further depressed results when translated into U.S. currency values. Despite these pressures, however, performance improved in several areas.





Left to right:
Bag house at the sintering plant is part of CF&I's air quality improvement program.

Tulsa, Oklahoma unit is one of Huttig's 28 branch locations.

Assembly of window units at a Huttig branch.

Crane plumbing fixtures were used throughout Montreal's Olympic Stadium and Village.

Tufts Cove Station, one of four Nova Scotia power plants equipped with Crane valves.

CRTX 0373

In the United Kingdom, where Crane manufactures industrial and municipal waterworks valves, pumps, fittings and steel castings, greater overall productivity resulted in higher earnings for Crane Ltd. even after foreign currency conversion. Results would have improved further if not for the poor productivity and continuing labor unrest at one manufacturing facility, which offset good performances at other locations. The United Kingdom increased export sales during the year, particularly to petrochemical and power customers in the Middle East. Crane Ltd. also established a new valve service center at its Ipswich facility in 1976. Servicing, which covers all standard industrial valves, provides significant productivity improvement for customers.

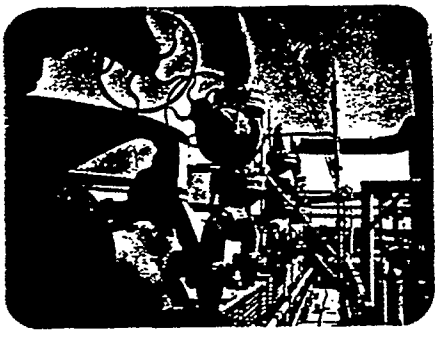
In France, Crane S.A. experienced an improved sales year in 1976. A month-long work stoppage combined with a sharp drop in demand for low pressure standard steel valves caused a reduction in net earnings. Sales of the company's high pressure steel valves and process safety valves were strong domestically and achieved greater penetration of export markets in the chemical, petrochemical, nuclear and fossil power industries. Crane S.A. expects further growth of high pressure valve export sales, particularly its newly developed high pressure ball valve. Continuation of the French government's domestic nuclear power program offers additional market opportunity. Overall, the outlook for 1977 appears strong.

Crane Nederland N.V., which manufactures valves, fittings, pipe and central heating products for residential, commercial and light industrial construction, experienced a sharp rise in 1976 sales and earnings. Major productivity gains plus heightened activity in light construction markets were responsible for these improvements.

Changing political conditions, an inflation rate of nearly 20 percent, and the resultant economic instability made Spain a very poor environment for industrial operations in 1976. Crane-FISA, S.A. was no exception, as the company's valve business was off, particularly in domestic shipbuilding, refining and steel markets. However, Crane-FISA's export sales to chemical and petrochemical customers held up well, and the company continues to expand its export activities.

Crane Australia Pty. Limited posted a good year in 1976, although results were slightly lower than 1975's record performance. Australia, too, experienced high inflation and a slower rate of capital investment as well as currency devaluation in the fall. Despite these conditions, valve shipments to refining and chemical processing customers remained strong. With the Australian government implementing anti-inflationary measures and encouraging foreign investment in the country, Crane Australia's market growth is expected to continue.

The performance of Crane-Deming de Mexico S.A., which manufactures pumps for industrial and agricultural applications, improved during 1976 despite two devaluations of the Mexican peso. The company continues to expand its share of the industrial and . . . irrigation pump markets, with the latter offering particularly strong growth potential.





Left to right:
Crane steel valves control flow in an Australian refinery.

This pollution control station in Cheshire, England uses Crane valves and fittings exclusively.

DIRECTORS

Langdon P. Cook
President, Langdon P. Cook & Co., Incorporated, Municipal Bond Dealers

Thomas M. Evans
Chairman of the Company; Chairman of the Executive Committee, H. K. Porter Company, Inc., Manufacturing; President, Evans & Co., Inc., Investments

Thomas M. Evans, Jr.
Personal Investments

Dante C. Fabiani
President of the Company

Otto Fuerbringer
Magazine Consultant, American Heritage Publishing Co., Inc.

John D. Garrison
Partner, Lord, Day & Lord, Attorneys at Law

Bruce A. Gimbel
Director, National Aviation & Technology Corporation, Investments

Lewis A. Lapham
Director, Bankers Trust New York Corporation and other companies

Joseph V. Quarles
Director, Simmons Company, Manufacturing

Samuel R. Sutphin
Director, Norfolk & Western Railway Company, Scott Paper Company, Indiana Bell Telephone Company, Indiana National Corporation and other companies

Crane, CF&I, Chempump, Cochrane, Deming, Hydro-Aire and *Hytrol* are registered trademarks. *Chemtran* and *Classic Brass* are trademarks of Crane Co.

OFFICERS

Thomas M. Evans
Chairman

Dante C. Fabiani
President

B. Jack Barnes
Vice President & General Manager—Hydro-Aire Division

Rudolph L. Biller
Vice President & General Manager—Crane-U.S.A.

William R. T. Crolius
Vice President—Government Relations

William C. Dackis
Vice President & Assistant to the President

Robert S. Evans
Vice President—International Operations

Robert R. Foster
Vice President & General Manager—Crane Supply Company

Philip H. Gregware
Vice President & General Manager—Plumbing Division

John C. Klein
Vice President & General Manager—Engineered Products Division

James F. O'Brien, Jr.
Vice President—Finance

William H. Roberts
Vice President & General Manager—Valves & Fittings Division

Mark R. Weil
Vice President—Facilities & Real Estate

Jonathan C. Henshaw
Treasurer

Paul R. Hundt
Secretary & General Counsel

R. Kenneth Whitley
Controller

STOCK LISTINGS

Crane Co. common stock is traded on the New York and Pacific Stock Exchanges.

STOCK TRANSFER AGENTS

Morgan Guaranty Trust Company of New York
New York, New York 10015

Continental Illinois National Bank and Trust Company of Chicago
Chicago, Illinois 60690

REGISTRARS OF STOCK

The Chase Manhattan Bank, N.A.
New York, New York 10015

The First National Bank of Chicago
Chicago, Illinois 60690

BOND TRUSTEES AND DISBURSING AGENTS

Citibank, N.A.
New York, New York 10015

Bank of America National Trust and Savings Association
Los Angeles, California 90054

AUDITORS

Ernst & Ernst
New York, New York 10005

EXECUTIVE OFFICES

Crane Co., 300 Park Avenue
New York, New York 10022
Telephone: (212) 980-3600

EQUAL EMPLOYMENT OPPORTUNITY POLICY

Crane Co. is an equal opportunity employer. It is the policy of the Company to recruit, hire, promote and transfer to all job classifications without regard to race, color, religion, sex, age or national origin.

CRANE CO.

300 PARK AVENUE, NEW YORK, NY 10022

FLUID AND POLLUTION CONTROL ☐ STEEL ☐ BUILDING PRODUCTS ☐ AEROSPACE AND AIRCRAFT PRODUCTS

CRANE®