PLAINTIFF'S
EXHIBIT
CRA-36

Annual
Report
1982

Crane Co.

EXHIBIT A-9

CRTX 0533

Annual Meeting
The Crane Co. annual meeting will be held at 10 A.M., Monday, April 25, 1983, in Rooms B and C, 2nd Floor, Morgan Guaranty Trust Company of New York, 522 Fifth Avenue, New York, New York.

Form 10-K
Copies of Form 10-K for 1982, which is to be filed with the Securities and Exchange Commission, are available without charge to each Crane shareholder upon written request to the Secretary, 300 Park Avenue, New York, New York 10022.

Stock Transfer Agent
Morgan Guaranty Trust Company of New York
New York, New York 10015

Registrar of Stock
The Chase Manhattan Bank, N.A.
New York, New York 10015

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
Deloitte Haskins & Sells
New York, New York 10048

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

Financial Highlights

Crane Co. and Subsidiaries

	1982	1981†	1980†
Net Sales	**$1,126,398,000**	$1,611,342,000	$1,527,600,000
Net Income (Loss)	**$ (3,343,000)**	$ 53,811,000	$ 42,596,000
Per Common Share*	**$ (.33)**	$ 5.17	$ 4.03
Common Shareholders' Equity	**$ 380,995,000**	$ 415,747,000	$ 395,912,000
Per Common Share	**$38.18**	$40.53	$37.54
Cash Dividends Declared Per Common Share	**$ 1.60**	$ 1.67	$ 1 54
Common Shares Outstanding	**9,978,052**	10,056,539	10,137,980

† Per share amounts adjusted for 2% stock dividends.
* Assuming conversion of subordinated debentures, net income (loss) per common share would amount to $(.33), $5.01 in 1981, $3.90 in 1980.

Crane Co. is a diversified manufacturer of products for basic industry. The company's business is organized in six segments: Crane Domestic, CF&I Steel Corporation, Medusa Corporation, Huttig Sash & Door Company, Crane Canada Inc. and International Operations. Principal products include steel, cement, fluid and pollution control equipment, building products, aircraft and aerospace systems.

Contents

Financial Highlights 1
Letter to Shareholders 2
Consolidated Statements of Income 3
Consolidated Balance Sheets 4
Consolidated Statements of Changes in Financial Position 6
Consolidated Statements of Earned and Capital Surplus 7
Details of Long-Term Debt 8
Financial Review 9
Auditors' Opinion 11
Management's Discussion 13
Analysis by Segment 15
Operating Review 18
Directors and Officers ..... Inside Back Cover

To Our Shareholders:

In 1982, Crane Co. experienced its most difficult year since the depression of the 1930's. The full impact was felt worldwide and caused many industries served to reduce or postpone capital spending.

Net sales were $1,126,398,000, down 30 percent from the $1,611,342,000 reported in 1981. Management supplemented vigorous operating expense reductions with actions to realize gains on investments, dispose of underutilized capital assets and purchase annuities for retirees. These actions partially offset operating losses. The company suffered a net loss of $3,343,000, or 33 cents per share, compared with net income of $53,811,000, or $5.17 per share, last year.

Depreciation expense was $72,896,000 compared with $86,788,000 in 1981.

Net interest expense was approximately $4,096,000 below the prior year after capitalization of $5,644,000 of interest expense related to major capital projects in accordance with Statement of Financial Accounting Standards No. 34, and long-term debt was reduced by $22,254,000 in 1982.

During the year, operations were curtailed where possible to meet business conditions and material, labor and administrative costs were reduced across all operations.

Capital expenditures were $117,145,000 compared with $67,121,000 in 1981. The major part was devoted to the construction of a new continuous caster and seamless tube mill at CF&I Steel Corporation. Work on the latter facility has been suspended at an appropriate mid-point pending improvement in business conditions.

Crane Domestic's results were below the prior year, largely due to the depressed demand for fluid and pollution control products.

Sales at CF&I Steel Corporation were down 50 percent, primarily reflecting the sharp fall-off in demand for oil country tubular goods and railroad products, resulting in a net loss for the year.

The low level of construction activity again affected Medusa Corporation's sales and caused a net loss for the year. The York, Pennsylvania white cement plant and marginal aggregates operations were profitably disposed of or closed.

Huttig Sash & Door Company's sales and earnings were slightly below 1981 levels. The opening of two new branches in the Sunbelt and increased penetration of the replacement and remodeling business reinforced Huttig's position during the homebuilding recession.

Crane Canada Inc. did not perform as well in 1982 because of that country's deteriorating economy and construction strikes in four provinces. International Operations were slightly improved.

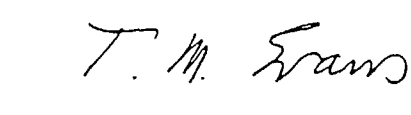
Crane declared cash dividends of $1.60 per share in 1982 as well as a two percent stock dividend. The fourth quarter dividend was paid in January 1983. In February 1983, the company will pay its fifteenth annual two percent stock dividend.

At the January 1983 meeting of the board, Dwight C. Minton, chairman and chief executive officer of Church & Dwight Co., Inc., and Richard S. Forté, general partner of Forté Cashmere Company, were elected directors of the company.

On behalf of the board of directors, we wish to express our thanks to the company's shareholders, employees, customers and suppliers for their continued support during these difficult times.

Respectfully submitted,





R. J. Slater
President

T. M. Evans
Chairman

February 1, 1983

Consolidated Statements of Income

Crane Co. and Subsidiaries

For Years Ended December 31	1982	1981	1980
Net Sales	**$1,126,398,260**	$1,611,342,365	$1,527,600,364
Operating Costs and Expenses:			
Cost of sales	**987,982,259**	1,286,318,307	1,239,432,959
Selling, general and administrative	**115,381,504**	125,304,137	123,372,587
Depreciation	**72,895,528**	86,787,925	81,672,886
	1,176,259,291	1,498,410,369	1,444,478,432
Operating Profit (Loss)	**(49,861,031)**	112,931,996	83,121,932
Other Income (Deductions):			
Interest expense—net of interest income of $7,282,959, $13,895,489 and $11,283,886 in 1982, 1981 and 1980	**(19,640,493)**	(23,736,758)	(32,187,247)
Dividend income on investments	**6,463,480**	6,113,135	4,476,778
Miscellaneous—net (see page 10)	**34,345,545**	(9,900,709)	7,312,023
	21,168,532	(27,524,332)	(20,398,446)
Income (Loss) Before Taxes	**(28,692,499)**	85,407,664	62,723,486
Provision (Benefit) for Income Taxes (see page 11)	**(25,349,929)**	31,596,999	20,127,391
Net Income (Loss)	**$ (3,342,570)**	$ 53,810,665	$ 42,596,095
Net income (loss) per common share:			
Average shares outstanding	**$(.33)**	$5.17	$4.03
Assuming conversion of debentures	**$(.33)**	$5.01	$3.90

See Financial Review

Consolidated Balance Sheets

Crane Co. and Subsidiaries

At December 31	1982	1981
Assets		
Current Assets:		
Cash	$ 14,413,030	$ 16,126,641
Short-term investments, at lower of cost or market	64,911,330	57,604,416
Accounts receivable, less allowance of $2,457,668 ($2,868,043 in 1981)	119,954,289	183,167,206
Refundable income taxes (see page 11)	21,700,000	—
Inventories, at lower of cost, principally last-in first-out, or market; LIFO reserves amounted to $77,053,482 ($92,752,575 in 1981):		
Finished goods	83,542,718	86,141,904
Work in process	21,503,829	41,517,146
Raw materials and supplies	27,524,440	35,427,637
	132,570,987	163,086,687
Prepaid expenses	2,427,143	3,237,337
Total Current Assets	355,976,779	423,222,287
Investments and Other Assets:		
Investments (market $50,400,000; $142,250,000 in 1981) (see page 9)	26,050,080	87,691,252
Unamortized debt discount	3,726,739	4,817,855
Construction fund	1,832,468	3,017,236
Outlying lands	1,217,543	1,217,549
Other assets	3,095,467	3,600,729
	35,922,297	100,344,621
Property, Plant and Equipment at Cost:		
Land	27,874,325	31,046,359
Buildings and improvements	193,100,064	194,003,212
Machinery and equipment	896,263,551	857,471,364
	1,117,237,940	1,082,520,935
Less accumulated depreciation	651,959,630	643,424,347
	465,278,310	439,096,588
	$ 857,177,386	$ 962,663,496

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	1982	1981
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	**$ 13,471,077**	$ 3,816,255
Loans payable to banks	**11,042,071**	15,206,057
Accounts payable	**65,767,313**	87,163,062
Accrued liabilities (see page 10)	**75,223,476**	99,969,437
U.S. and foreign taxes on income	**1,932,961**	17,565,769
Total Current Liabilities	**167,436,898**	223,720,580
Long-Term Debt (see page 8)	**189,281,972**	211,535,507
Capital Leases: (see page 10)		
Industrial revenue bonds	**48,695,691**	55,696,999
Other	**8,447,850**	9,524,585
	57,143,541	65,221,584
Deferred Income Taxes—Depreciation	**18,804,864**	17,736,167
Reserves and Other Liabilities (see page 10)	**43,349,936**	28,419,448
Redeemable Preferred Shares:		
Cumulative preferred shares, 3¾%, par value $100: Authorized—24,223 shares (27,963 in 1981); Outstanding—1,651 shares (2,833 in 1981)	**165,100**	283,300
Common Shareholders' Equity:		
Common shares, par value $6.25: Authorized—20,000,000 shares; Outstanding—9,978,052 shares (10,056,539 in 1981) after deducting 5,974,781 shares in treasury (5,677,335 in 1981)	**62,362,825**	62,853,369
Capital surplus	**60,742,128**	55,688,760
Earned surplus—$49,345,969 ($157,866,350 in 1981) is not restricted under a long-term debt indenture	**268,583,058**	301,243,194
Currency translation adjustment (see page 9)	**(10,692,936)**	(4,038,413)
Total Common Shareholders' Equity	**380,995,075**	415,746,910
	$ 857,177,386	$ 962,663,496

See Financial Review

Consolidated Statements of Changes in Financial Position

Crane Co. and Subsidiaries

For Years Ended December 31	1982	1981	1980
Source of Funds:			
Operations:			
Net Income (Loss)	**$ (3,342,570)**	$ 53,810,665	$ 42,596,095
Depreciation	**72,895,528**	86,787,925	81,672,886
Deferred income taxes	**(3,591,309)**	(864,259)	(174,798)
Amortization of debt discount	**1,091,116**	1,345,332	2,077,795
Pension provision	**9,500,000**	—	—
Other—net	**(844,788)**	1,668,234	1,284,848
	75,707,977	142,747,897	127,456,826
Increase in long-term debt	**80,106,174**	—	334,220
Increase (decrease) in reserves and other liabilities	**10,269,066**	1,060,234	(2,993,746)
Conversion of debt to common stock	**268,600**	645,900	612,075
Decrease in long-term investments	**81,945,899**	—	1,638,289
Disposals of property, plant and equipment—net	**17,985,084**	11,170,378	22,043,664
Decrease (increase) in other assets—net	**806,332**	(1,475,519)	1,611,228
	267,089,132	154,148,890	150,702,556
Application of Funds:			
Additions to property, plant and equipment	**117,145,494**	67,120,651	55,079,618
Increase in long-term investments	**18,671,647**	29,841,556	13,676,182
Decrease (increase) in capital leases—net	**8,078,043**	719,539	(6,579,982)
Reduction in long-term debt	**102,359,709**	73,898,051	64,619,635
Reacquisition of shares, less options exercised	**9,179,606**	15,247,140	2,322,854
Cash dividends declared	**15,961,936**	17,380,423	16,298,361
Currency translation adjustments	**6,654,523**	4,038,413	—
	278,050,958	208,245,773	145,416,668
Net Source (Application) of Funds	**$ (10,961,826)**	$ (54,096,883)	$ 5,285,888
Increase (Decrease) in Components of Working Capital:			
Current assets:			
Cash and short-term investments	**$ 5,593,303**	$ (40,230,334)	$ 12,058,212
Accounts receivable	**(63,212,917)**	4,412,005	3,643,075
Refundable income taxes	**21,700,000**	—	—
Inventories	**(30,515,700)**	(2,945,191)	(10,844,851)
Prepaid expenses	**(810,194)**	(792,036)	32,520
	(67,245,508)	(39,555,556)	4,888,956
Current liabilities:			
Current maturities of long-term debt	**9,654,822**	(8,017,634)	3,791,009
Loans payable to banks	**(4,163,986)**	4,962,797	531,336
Accounts payable	**(21,395,749)**	(566,552)	1,056,613
Accrued liabilities	**(24,745,961)**	18,827,566	(9,996,342)
U.S. and foreign taxes on income	**(15,632,808)**	(664,850)	4,219,902
	(56,283,682)	14,541,327	(396,932)
Increase (Decrease) in Working Capital	**$ (10,961,826)**	$ (54,096,883)	$ 5,285,888

See Financial Review

Consolidated Statements of Earned Surplus

Crane Co. and Subsidiaries

For Years Ended December 31	1982	1981	1980
Balance at Beginning of Year	**$301,243,194**	$284,292,588	$267,486,074
Net Income (Loss)	**(3,342,570)**	53,810,665	42,596,095
	297,900,624	338,103,253	310,082,169
Dividends Declared:			
Preferred shares—$3.75 per share	**6,191**	79,960	87,344
Common shares:			
Cash—$1.60 per share ($1.67 in 1981 and $1.54 in 1980)	**15,955,745**	17,300,463	16,211,017
Stock—2%, market value of 199,193 shares (202,630 in 1981 and 198,447 in 1980)	**6,151,080**	8,344,303	7,513,203
Excess of Cost Over Par Value of Reacquired Shares—Net:			
1,182 preferred (20,443 in 1981 and 112 in 1980) and 297,446 common (367,280 in 1981 and 80,961 in 1980) reacquired, less 609 common issued under stock options (37,108 in 1981 and 27,917 in 1980)	**7,204,550**	11,135,333	1,978,017
	29,317,566	36,860,059	25,789,581
Balance at End of Year	**$268,583,058**	$301,243,194	$284,292,588

Consolidated Statements of Capital Surplus

Crane Co. and Subsidiaries

For Years Ended December 31	1982	1981	1980
Balance at Beginning of Year	**$ 55,688,760**	$ 48,257,058	$ 41,645,350
Excess of debentures converted over par value of 19,157 common shares issued (46,101 in 1981 and 43,105 in 1980)	**147,244**	353,836	338,799
Excess of market value over par value of common shares issued as a 2% stock dividend	**4,906,124**	7,077,866	6,272,909
Balance at End of Year	**$ 60,742,128**	$ 55,688,760	$ 48,257,058

See Financial Review

Details of Long-Term Debt

Crane Co. and Subsidiaries

At December 31	1982	1981
Crane Co.:		
6½% Sinking fund debentures due 1992, $2,000,000 due annually, after deducting $2,089,000 in treasury in 1982	**$ 17,911,000**	$ 18,179,000
Bank term loan	**—**	13,125,000
* Bank term loan due 1985, $1,500,000 due quarterly, commencing March 31, 1983	**12,000,000**	18,000,000
* Bank term loan due 1989, $1,875,000 due quarterly, commencing September 1, 1985	**30,000,000**	—
	59,911,000	49,304,000
Subordinated debentures:		
10½% Sinking fund debentures due 1994, $4,567,000 due annually, after deducting $8,557,400 in treasury in 1982	**46,243,500**	52,211,900
8% Sinking fund debentures due 1985, $8,241,000 due annually, after deducting $921,380 in treasury in 1982	**16,480,920**	24,721,380
7% Sinking fund debentures due 1993, 5% due annually, after deducting $1,199,000 in treasury in 1982	**11,541,400**	11,541,400
7% Debentures due 1994, after deducting $3,818,000 in treasury in 1982	**48,259,000**	48,259,000
5% Convertible debentures due 1993, convertible at $12.50 per share (40,772 common shares reserved in 1982)	**509,650**	560,000
5% Convertible debentures due 1994, convertible at $14.37 per share (259,052 common shares reserved in 1982)	**3,722,575**	3,940,825
	126,757,045	141,234,505
	186,668,045	190,538,505
Medusa Corporation:		
9¾% Unsecured notes	**—**	11,250,000
7.35% Unsecured note	**—**	6,500,000
5¾% Convertible subordinated debentures	**72,000**	121,000
Other	**36,570**	289,760
	108,570	18,160,760
Crane Canada Inc.:		
5¾% Collateralized sinking fund debentures, due 1985, $357,000 due annually, after deducting $346,000 in treasury in 1982	**2,494,800**	2,608,242
Other Operations:		
Miscellaneous	**10,557**	228,000
	$ 189,281,972	$ 211,535,507

* Floating with lending rate, which was 9.735% at December 31, 1982.

Financial Review

Crane Co. and Subsidiaries

Consolidation

The consolidated financial statements include all subsidiaries, with foreign currencies translated in accordance with Statement of Financial Accounting Standards No. 52.

Currency translation adjustments for the years 1982 and 1981 were $6,654,523 and $4,038,413, respectively. Subsidiaries operating outside the United States and Canada represented approximately 7 percent of common shareholders' equity at December 31, 1982 and 1981.

During 1982, inventory quantities were reduced primarily as a result of the severe recession. The LIFO effect on 1982 operations, primarily recognized in the fourth quarter, was a reduction in costs of approximately $20,000,000. This was partially offset by a charge of $7,500,000 from identification and disposal of excess and obsolete stock.

Investments

Long-term investments are valued, in the aggregate, at the lower of cost or market. Details of long-term investments at December 31 were as follows:

	1982	1981
	(in thousands)	
Atlantic Richfield Company—1,200,000 common shares (2,000,000 in 1981)	**$28,500**	$47,500
Deferred income taxes on unrealized gain	**(2,450)**	(4,083)
Ferro Corporation (1,034,800 common shares)	**—**	27,629
Harsco Corporation (963,114 common shares)	**—**	15,900
Other	**—**	745
	$26,050	$87,691

During 1982, the company sold 800,000 Atlantic Richfield Company common shares in open market transactions for $34,200,000, resulting in an after-tax gain of $8,208,000.

In September, 1982 the company sold to Harsco Corporation all its holdings in Harsco for $17,567,000 cash, resulting in an after-tax gain of $900,000.

In November, 1982 the company sold to Ferro Corporation its 22.4 percent interest in Ferro for $52,521,000 cash, resulting in an after-tax gain of $2,417,000.

These investment gains amounted to $22,074,000 before tax (after tax $11,525,000).

Property, Plant and Equipment

The company provides for depreciation of plant and equipment at accelerated rates in order to provide a better matching of costs and revenues.

The company leases a portion of its warehouse buildings, several manufacturing facilities (primarily through industrial revenue bonds) and certain of its vehicles and equipment under capital and operating leases with terms of from one to thirty years. Certain leases may be renewed for periods of from three to twenty-five years and provide either an option to purchase or reduced annual rental payments of minimal amounts.

Property, plant and equipment included the following amounts for capitalized leases at December 31:

	1982	1981
	(in thousands)	
Buildings and improvements	**$23,534**	$24,365
Machinery and equipment	**64,524**	63,225
	88,058	87,590
Less accumulated depreciation	**33,779**	28,119
	$54,279	$59,471

Capitalized interest during the construction of active major capital projects amounted to $5,644,000 in 1982. The amount of such interest not capitalized in prior years was immaterial.

Pensions

The company and its subsidiaries have pension plans which cover substantially all of their employees. Pension expense ($12,106,000 in 1982, $37,291,000 in 1981 and $43,463,000 in 1980) is actuarially determined and includes normal cost and amortization of prior service costs over periods not exceeding forty years (generally ten years prior to 1982). The 1982 decrease in pension expense relates to reduced amortization of prior service costs to recognize the largely funded status of the plans and the amortization of actuarial gains arising from the purchase of annuities for certain retiree groups. Adjustments were made in 1981 to the interest rate and salary scale assumptions to align these more closely to past experience and to anticipated future experience.

The weighted average rate of return assumed in determining the actuarial present value of accumulated plan benefits was approximately 8 percent for 1982 and 1981.

A comparison, at December 31, of accumulated plan benefits and net assets available for benefits for the company's pension plans is presented below:

	1982	1981
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	**$253,214**	$467 022
Nonvested	**9,731**	8,350
	$262,945	$475 372
Net assets available for benefits	**$299,587**	$423,305

Miscellaneous-Net

For Years Ended December 31	1982	1981	1980
		(in thousands)	
Gain on investments—net (see page 9)	$22,074	$ 56	$ 5,015
Gain on disposal of capital assets—net	12,076	6,274	2,690
Termination of certain operations	(4,333)	(16,717)	(1,084)
Gain on repurchase of long-term debt	2,838	2,511	984
Minority interest	659	(1,774)	(1,076)
Other	1,032	(251)	783
	$34,346	$ (9,901)	$ 7,312

The 1982 gain on disposal of capital assets primarily consisted of sales of various Medusa Corporation cement and aggregates facilities for a total of $28,897,000 cash, resulting in an after-tax gain of $3,568,000; sale of a Huttig Sash & Door Company leasehold at an after-tax gain of $752,000; and sales of certain Crane Domestic locations for $1,319,000 cash, resulting in an after-tax gain of $606,000.

Accrued Liabilities

At December 31	1982	1981
	(in thousands)	
Payrolls	$21,626	$32,837
Pensions	—	9,288
Taxes other than income	8,404	10,214
Interest	5,804	6,194
Employee benefits	8,311	9,165
Insurance	6,161	6,128
Dividends	3,991	5,029
Capital lease obligations	6,196	1,998
Other	14,730	19,116
	$75,223	$99,969

Long- and Short-Term Financing

At December 31, 1982, the principal amounts of long-term debt repayments, net of amounts held in treasury, required for the next five years were $13,471,000 in 1983, $17,248,000 in 1984, $27,270,000 in 1985, $14,613,000 in 1986 and $14,586,000 in 1987.

At year-end there were available with domestic and foreign banks $100,523,000 in short-term credit lines of which $89,481,000 was unused at that time. At December 31, 1982, cash balances of $5,050,000 were maintained under informal compensating balance agreements in connection with term loans and credit lines. Withdrawal of these compensating balances was not legally restricted; however, substantial compliance was made with these arrangements in 1982. These credit lines are subject to annual review.

At December 31, 1982, the aggregate amount of subsidiary earnings available for dividends was $193,968,000.

Covenants contained in a long-term debt indenture, as amended during 1982, require the company to (i) maintain consolidated working capital (as defined, including long-term investments at lower of cost or market) of at least $185,000,000 and consolidated tangible net worth of at least $325,000,000, (ii) restrict payments of cash dividends and (iii) restrict issuance of additional senior funded debt.

Planned capital construction in excess of $140,000,000, to modernize and expand CF&I Steel Corporation's capacity to produce oil country tubular products, has been brought to an orderly curtailment. A $70,000,000 CF&I revolving credit agreement, entered into in January, 1981 for the purpose of partially funding the project, was terminated in 1982, and $50,000,000 borrowed thereunder was repaid. CF&I obtained these funds from the company under a promissory note and security agreement.

Using primarily the proceeds from the sale of certain capital assets, Medusa Corporation prepaid $20,300,000 of outstanding notes payable and $1,000,000 of industrial revenue bonds.

Reserves and Other Liabilities

At December 31	1982	1981
	(in thousands)	
Minority interest	$16,287	$17,866
Deferred income taxes—other	2,487	6,184
Termination provision	1,660	1,925
Retainage on long-term contracts	4,137	1,730
Pension and wage benefits	14,482	154
Miscellaneous	4,297	560
	$43,350	$28,419

Leases

Future minimum payments, by year, and in the aggregate, under capitalized leases and operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 1982:

	Capital Leases	Operating Leases	Minimum Sublease Income	Net
		(in thousands)		
1983	$10,577	$ 8,090	$1,444	$ 17,223
1984	8,121	6,699	801	14,019
1985	9,108	4,791	668	13,231
1986	9,053	3,146	397	11,802
1987	8,747	1,881	249	10,379
Thereafter	48,503	7,146	1,014	54,635
Total minimum lease payments	94,109	$31,753	$4,573	$121,289
Interest	(30,769)			
Present value	$63,340			
Portion:				
Current	$ 6,196			
Long-term	57,144			
	$63,340			

The weighted average interest rate for capital leases is 6.6%. These obligations mature in varying amounts through 2009.

Rental expense was as follows for all operating leases:

	1982	1981	1980
	(in thousands)		
Minimum	$16,086	$14,474	$12,440
Contingent	489	557	597
Sublease income	(1,161)	(609)	(826)
	$15,414	$14,422	$12,211

Income Taxes

United States income taxes have not been provided on undistributed earnings of foreign subsidiaries, since foreign tax credits available on the portion of these earnings not required for indefinite reinvestment are adequate to eliminate any substantial federal taxes on normal distributions.

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

	1982	1981	1980
	(in thousands)		
Income (loss) before taxes:			
Domestic	$(32,555)	$73,421	$48,097
Foreign	3,863	11,987	14,626
	(28,692)	85,408	62,723
Statutory federal tax at 46%	(13,198)	39,288	28,853
Increase (reduction) from:			
Investment tax credits realized	(8,652)	(3,685)	(4,209)
Depletion	(434)	(1,773)	(2,829)
Nontaxable domestic dividends	(2,527)	(2,390)	(1,750)
Indefinite DISC income deferral	(699)	(1,103)	—
Foreign, state and local taxes	(1,592)	1,242	(32)
Minimum tax	2,003	—	172
Minority interest and goodwill amortization	142	1,260	938
Other	(393)	(1,242)	(1,016)
Provision (benefit) for income taxes	$(25,350)	$31,597	$20,127
Percentage of income (loss) before taxes	(88.4)%	37.0 %	32.1%

The foregoing provision (benefit) includes foreign taxes of $1,096,000, $4,852,000 and $5,671,000, and state taxes of $(997,000), $3,882,000 and $2,155,000 in 1982, 1981 and 1980, respectively.

The company incurred a loss for tax purposes of approximately $39,000,000 in 1982. As a result of the carryback of this loss to prior years, the company has filed for a refund of $21,700,000.

The provision (benefit) for income taxes is composed of the following:

	1982	1981	1980
	(in thousands)		
Deferred income taxes (benefit)	$ (3,591)	$ (864)	$ (175)
Current income taxes (benefit)	(21,759)	32,461	20,302
	$(25,350)	$31,597	$20,127

The 1982 deferred tax provision primarily reflects a benefit relating to pension expense.

Stock Options

A summary of stock option transactions follows:

	Number of Shares
Outstanding January 1, 1982	34,380
2% Stock dividend	663
Options granted	—
Options expired	6,209
Options exercised	609
Outstanding December 31, 1982	28,225

At December 31, 1982, options for 22,681 shares were exercisable and none were available for grant. Shares and per share prices (ranging from $22.45 to $37.39) have been adjusted for 2 percent stock dividends. In 1981, options for 37,108 shares were exercised. The plan is not a compensatory plan which would require charges to income.

Analysis by Segment of Business

An analysis of sales, operating profit (loss), assets, capital expenditures and depreciation appears on page 15. Segment description by products and industries served is given on pages 18 through 24.

Auditors' Opinion

To the Shareholders of Crane Co.

We have examined the consolidated balance sheets of Crane Co. and subsidiaries as of December 31, 1982 and 1981, and the related consolidated statements of income, earned surplus, capital surplus and changes in financial position for each of the three years in the period ended December 31, 1982. 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.

In our opinion, such financial statements present fairly the consolidated financial position of Crane Co. and subsidiaries at December 31, 1982 and 1981, and the consolidated results of their operations and changes in financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

New York, New York
January 24, 1983

Five Year Summary of Selected Financial Data

Crane Co. and Subsidiaries

(In Thousands) Years Ended December 31	1982	1981	1980	1979	1978
Net Sales	**$1,126,398**	$1,611,342	$1,527,600	$1,573,199	$1,227,449
Depreciation	**72,896**	86,788	81,673	73,869	51,189
Operating Profit (Loss)	**(49,861)**	112,932	83,122	102,009	67,663
Interest Expense	**26,923**	37,632	43,471	43,247	29,802
Income (Loss) Before Taxes	**(28,693)**	85,408	62,723	67,446	50,462
Income Taxes	**25,350**	(31,597)	(20,127)	(12,417)	(15,107)
Net Income (Loss)	**$ (3,343)**	$ 53,811	$ 42,596	$ 55,029	$ 35,355
Net Income (Loss) Per Common Share:*					
Average Shares Outstanding	**$(.33)**	$5.17	$4.03	$5.18	$3 24
Assuming Conversion of Debentures	**(.33)**	5.01	3.90	5.00	3 12
Dividends Declared Per Common Share:					
Cash*	**$1.60**	$1.67	$1.54	$1.37	$1.29
Stock	**2%**	2%	2%	2%	2%
Assets	**$ 857,177**	$ 962,663	$1,004,117	$1,042,254	$ 881,325
Long-Term Debt	**189,282**	211,536	285,434	349,719	273,035
Capital Leases	**57,144**	65,222	65,941	59,361	52,552
Common Shareholders' Equity					
Total	**$ 380,995**	$ 415,747	$ 395,912	$ 371,316	$ 335,565
Per Common Share*	**38.18**	40.53	37.54	35.17	31.42

*Adjusted for 2% stock dividends

Market and Dividend Information—Common Shares

Crane Co. and Subsidiaries

	New York Stock Exchange Price Per Share				Dividends Per Share	
	1982		1981		1982	1981*
Quarter	High	Low	High	Low		
1st	$36 1/4	$23	$46 3/4	$38 1/2	$ .40	$ 39
2nd	29 3/8	22 1/8	45 3/4	38 1/8	.40	39
3rd	25 3/4	17 3/4	43 7/8	32 3/8	.40	39
4th	29	20 1/4	36 1/2	32 5/8	.40	50
					$1.60	$1 67

At December 31, 1982 there were approximately 10,096 holders of Crane Co. common stock.

*Adjusted for 2% stock dividend in February, 1982.

Quarterly Results for the Year (Unaudited)

Crane Co. and Subsidiaries

(In Thousands)

Quarter	Net Sales	Gross Profit	Net Income (Loss)	Net Income (Loss) Per Common Share Primary	Net Income (Loss) Per Common Share Fully Diluted
1982					
1st	$ 316,756	$ 34,245	$ 5,651	$ .56	$ .55
2nd	297,224	19,932	(3,233)	(.32)	(.32)
3rd	271,731	4,720	(6,421)	(.64)	(.64)
4th	240,687	8,451	660	.07	.07
	$1,126,398	$ 67,348	$ (3,343)	$ (.33)	$ (.33)
1981					
1st	$ 374,885	$ 53,289	$10,169	$ .96	$ .93
2nd	434,873	63,739	15,142	1.45	1.41
3rd	428,421	60,041	13,623	1.31	1.27
4th	373,163	63,157	14,877	1.45	1.40
	$1,611,342	$240,226	$53,811	$5.17*	$5.01*

See page 9 for discussion of pension expense and LIFO effects during 1982

*Adjusted for 2% stock dividend in February, 1982.

Management's Discussion of Operations and Financial Condition

Crane Co. and Subsidiaries

Results of Operations

Results of 1982 operations compared with 1981 reflected continued recession in the worldwide economy and depressed conditions existing in the domestic construction and capital goods sectors to which major portions of the company's operations are directed. The cyclical and interest rate-sensitive industries in which the company participates have demonstrated significant declines compared with any previous business cycle.

Crane Domestic sales and earnings were lower in 1982 than in the previous two years, primarily due to weakened market demand for fluid and pollution control products. Crane Domestic has continued programs to modernize production facilities, introduce competitive new products and dispose of certain marginal operations. These management actions, together with continued close alignment of expenses to operating levels, will enable Crane Domestic to serve existing and improved market demands more effectively.

CF&I Steel Corporation sales, operating profit and income before taxes all registered sharp decreases in 1982 in contrast to the previous two years, with operating profit and income before taxes turning to losses. Most of the decrease was caused by declines in business activity in the principal product lines of oil country tubular goods and railroad products.

(continued on page 14)

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Management's Discussion of Operations and Financial Condition

Crane Co. and Subsidiaries

(continued from page 13)

Construction to increase production capacity of oil country tubular goods was suspended at midpoint until demand for tubular goods justifies the additional capacity. During 1982, CF&I negotiated wage and benefit concessions with the United Steelworkers of America that will allow the company to compete more effectively for its proportionate share of the depressed domestic markets. Demand for rails did not strengthen as expected in CF&I's market area.

Medusa Corporation sales were lower for the third consecutive year as the construction and road building industries remained depressed, resulting in a net loss for 1982. Several marginal Medusa facilities, particularly in the Aggregates Division, have been sold. Long-term profit improvement programs at remaining operations have been progressing according to plan and are expected to contribute substantially to operating results when demand for cement and aggregates improves from the abnormally low level experienced in 1982.

Huttig Sash & Door Company sales and earnings decreased moderately from 1981 levels. Operating profit continued to be adversely affected by lower margins necessary to maintain a proportionate share of the market during the residential construction slump that continued through 1982. Huttig's improved market penetration, strategic acquisition of new branches in the Sunbelt and successful substitution of replacement and remodeling business were major contributing factors to sales and profit performance.

Crane Canada Inc. results were lower than the prior two years due to continuing weakness in overall economic activity in Canadian markets. Demand from industrial and energy-related markets deteriorated during 1982, adding to an already weak housing construction market. Business activity normally returns to previous levels only when recovery occurs in the Canadian economy, which traditionally follows recovery in the United States by several months.

Overall, International Operations showed sales and earnings results similar to 1981. Stronger demand for industrial valves, fittings, pumps and castings in the United Kingdom were coupled with improved operating efficiencies in 1982. Decreased demand in energy and mining-related markets in Australia and the sharply deteriorated Mexican economy were responsible for lower-than-expected sales and profits in those smaller operations.

Net interest expense decreased from 1981, primarily due to lower variable interest rates on a lower average monthly balance of borrowings as well as the capitalization of approximately $6 million of interest related to active construction projects. Interest income was approximately $7 million lower than 1981 due to lower average investments and lower yields.

The company sold a portion of its long-term common stock investments, resulting in pre-tax gains of approximately $22 million. Certain excess or marginal capital assets at Crane Domestic, Medusa and Huttig were disposed of at pre-tax gains of approximately $12 million. Dispositions of various assets were generally part of the company's ongoing programs to maintain modern, efficient operations and to align assets with strategic business opportunities.

Operating losses, coupled with increased investment tax credits and higher dividend-received deductions, resulted in tax losses available for carryback to earlier years. The tax refund from this carryback resulted in a tax benefit for 1982, as compared to effective tax rates of 37% and 32% for 1981 and 1980, respectively.

Liquidity and Capital Resources

The company has depended primarily upon earnings and bank borrowings (including short-term credit lines) to furnish adequate capital to finance operations and working capital. However, in 1982, the company also utilized proceeds from sales of capital assets as well as long-term investments to help fund capital expansion and to reduce long-term debt. Although the company's policy is that each business segment stands alone with respect to its own liquidity and capital resources, management deemed it advisable, in 1982, to provide a $50 million installment loan to CF&I to retire the $70 million revolving credit agreement originally entered into, of which $50 million was borrowed thereunder, for the purpose of partially funding the tube mill expansion project. This loan is secured by a pledge of the stock of those CF&I subsidiaries holding its principal non-steelmaking assets. In addition, the company has advanced $30 million to CF&I against its share of the tax refund which will result from the filing of the 1982 federal income tax return. These transactions were entered into to afford CF&I greater flexibility in its operations.

Over the last three years, depreciation incurred and proceeds from disposals have exceeded capital expenditures for most business segments. During this period, major expansion programs at Medusa and CF&I were largely completed and the remaining planned capital expenditure to expand CF&I's capacity to produce oil country tubular products has been suspended.

Long-term debt has been decreased by approximately $22 million through various scheduled and optional repayments. At December 31, 1982, $42 million fluctuated with lending rates, compared with $31 million at the end of 1981.

In addition to cash and short-term investments of approximately $79 million at the end of 1982, the company had long-term investments with an approximate market value of $50 million and $89 million of available unsecured credit lines.

During the year, the company and its major subsidiaries purchased annuities for certain retiree groups, thereby improving the funding status of pension plan liabilities for active employees with a net reduction in contributions required. Reduced amortization of prior service costs to recognize the largely funded status of the plans and the amortization of actuarial gains resulting from the purchase of these annuities, combined to reduce pension contributions by approximately $37 million and the provision for pension expense by approximately $25 million relating to 1982.

Analysis By Segment

Crane Co. and Subsidiaries

(In Thousands)	1982 Amount	%	1981 Amount	%	1980 Amount	%
Net Sales:						
Crane Domestic	$ 260,590	23	$ 298,671	19	$ 303,702	20
CF&I Steel Corporation	362,835	32	723,768	45	614,003	40
Medusa Corporation	149,010	13	183,914	11	214,392	14
Huttig Sash & Door Company	147,747	13	160,669	10	156,678	10
Crane Canada Inc.	134,838	12	165,183	10	150,875	10
International Operations	71,378	7	79,137	5	87,950	6
Total Net Sales	$1,126,398	100	$1,611,342	100	$1,527,600	100
Operating Profit (Loss):						
Crane Domestic	$ 14,424	33	$ 24,120	20	$ 26,037	29
CF&I Steel Corporation	(57,972)	(134)	76,873	64	33,686	37
Medusa Corporation	(16,272)	(37)	(7,742)	(6)	940	1
Huttig Sash & Door Company	7,461	17	10,130	8	10,732	12
Crane Canada Inc.	2,605	6	10,932	9	10,345	11
International Operations	6,357	15	6,222	5	9,158	10
	(43,397)	(100)	120,535	100	90,898	100
Corporate	(6,464)		(7,603)		(7,776)	
Total Operating Profit (Loss)	$ (49,861)		$ 112,932		$ 83,122	
Assets:						
Crane Domestic	$ 94,407	12	$ 106,556	12	$ 112,543	13
CF&I Steel Corporation	374,425	49	393,504	46	390,199	44
Medusa Corporation	133,805	18	182,457	21	204,259	23
Huttig Sash & Door Company	60,133	8	58,145	7	61,260	7
Crane Canada Inc.	55,020	7	66,793	8	61,489	7
International Operations	42,394	6	47,344	6	51,514	6
	760,184	100	854,799	100	881,264	100
Corporate	96,993		107,864		122,853	
Total Assets	$ 857,177		$ 962,663		$1,004,117	

	Capital Expenditures			Depreciation		
	1982	1981	1980	1982	1981	1980
Crane Domestic	$ 6,919	$ 6,765	$ 5,427	$ 6,354	$ 6,112	$ 6,690
CF&I Steel Corporation	97,336	47,182	31,903	41,645	52,872	45 410
Medusa Corporation	7,194	5,920	11,662	19,320	21 734	23 333
Huttig Sash & Door Company	1,945	2,352	1,088	1,700	1,574	1 439
Crane Canada Inc.	1,045	3,159	1,719	1,674	1 782	1 851
International Operations	2,706	1,743	3,281	2,203	2,714	2,960
Total	$117,145	$67,121	$55,080	$72,896	$86,788	$81,673

Impact of Inflation (Unaudited)
Crane Co. and Subsidiaries

The supplemental information reflecting the effects of inflation as measured through "Constant Dollars" and "Current Cost" methods is set forth in the following tables.

The supplemental information concerning the effects of inflation under either of the two methods is not a comprehensive application of inflation accounting and only reflects: (1) the effect on inventories and properties (excluding natural resource reserves prior to 1980) and related cost of goods sold and depreciation expense, and (2) the effect of general inflation on certain monetary assets and liabilities. Both of the methods inherently involve the use of assumptions, approximations and estimates and, therefore, the resulting measurements should be viewed in that context and not as precise indications of the effects of inflation particularly as it relates to the company.

Constant Dollars

This method attempts to measure the effect of increases in the general price level, as measured by the U. S. Government Consumer Price Index for All Urban Consumers (CPI) on the purchasing power of the dollar. The general inflation (Constant Dollars) data has been stated in average 1982 dollars by applying the CPI to the historical cost information. An adjustment to certain monetary assets and liabilities is made with reference to converting opening and closing year-end balances by the actual and average CPI.

Current Cost

This method attempts to measure the effect of specific price changes experienced by the company. In estimating current costs various methods such as published indices for specific types modified to local conditions, approximate replacement costs and appraisals are used.

The adjustments on cost of sales, under either method, are minimal since the historical inventories have been determined principally on the LIFO basis, which matches current sales dollars with current inventory replacement cost.

The effect of the general inflation adjustment on properties was determined by applying the CPI to the historical cost in the year of acquisition. The comparable adjustment on a current cost basis was determined through the use of specific price indices, particularly as to the steel and cement industries, appraisals, replacement cost, unit of space costing and recoverable amount valuation. Depreciation expense for both adjustments was calculated by applying the straight-line method to the respective adjusted property amounts already determined, without benefit of income tax deductions, for the difference between historical cost depreciation and either constant dollars or current cost depreciation.

Unrealized Gain in Purchasing Power

Since the closing CPI for both 1982 and 1981 exceeded the average CPI for those years and monetary liabilities exceeded monetary assets, the results were notional gains. These gains represent the decline in book value of net monetary liabilities. The notional gains will not be recognized until long-term debt, for example, is repaid with deflated dollars (reduced purchasing power dollars). However, since approximately $42 million of debt ($31 million in 1981) fluctuates with lending rates, and these tend to follow inflation, the effect of this will be charged to income as incurred.

Mineral Reserves

The company's present mineral reserves are expected to be in adequate supply for its steel and cement operations for the foreseeable future. Production of coal and iron ore for use in steel operations has been suspended due to current economic factors. Under normally competitive conditions, this production must be received at cost or at a slight profit for the finished steel and cement products to earn a reasonable profit.

Proven mineral reserves at December 31 were:

	Proven Reserves		Production	
	1982	1981	**1982**	1981
	(Thousands of Tons)			
Coal	**36,000**	36,000	**221**	662
Iron Ore	**21,500**	22,500	**—**	72
Limestone/Dolomite	**737,637**	1,070,175	**6,838**	9,326
Stone and Sand	**65,417**	121,750	**2,382**	2,870

Consolidated Statement of Income Adjusted for Changing Prices

(In Thousands)

Year Ended December 31, 1982	As Reported in Primary Statement	Adjusted For General Inflation (Constant Dollars)	Adjusted For Changes in Specific Prices (Current Cost)
Net Sales	$1,126,398	$1,126,398	$1,126,398
Cost of Sales	987,982	987,982	987,982
Depreciation	72,896	98,541	102,739
Selling, General and Administrative	115,382	115,382	115,382
Other Income—net	(21,169)	(21,169)	(21,169)
Provision (Benefit) for Income Taxes	(25,350)	(25,350)	(25,350)
	1,129,741	1,155,386	1,159,584
Net Income (Loss)	$ (3,343)	$ (28,988)	$ (33,186)
Per common share	$(.33)	$(2.90)	$(3.32)
Unrealized gain in purchasing power from holding net monetary liabilities		$ 10,599	$ 10,599
Effect on inventory and property, plant and equipment held during the year:			
General inflation			$ 44,500
Specific price changes			(700)
Difference			$ 45,200
Current cost:			
Inventory			$ 209,824
Property, Plant and Equipment—net of depreciation			$ 804,023

Five Year Comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices (In Thousands of Average 1982 Dollars)

Years Ended December 31	1982	1981	1980	1979	1978
Net Sales					
As reported	**$1,126,398**	$1,611,342	$1,527,600	$1,573,199	$1,227,449
Adjusted for general inflation	**1,126,398**	1,711,311	1,790,659	2,093,498	1,817,303
Net Income (Loss)					
As reported	**$ (3,343)**	$ 53,811	$ 42,596	$ 55,029	
Adjusted for general inflation	**(28,988)**	35,844	29,841	58,589	
Adjusted for specific price changes	**(33,186)**	28,303	19,378	46,844	
Net Income (Loss) per common share*					
As reported	**$ (.33)**	$5.17	$4.03	$5.18	
Adjusted for general inflation	**(2.90)**	3.44	2.82	5.52	
Adjusted for specific price changes	**(3.32)**	2.71	1.83	4.40	
Unrealized gain in purchasing power from holding net monetary liabilities	**$ 10,599**	$ 24,399	$ 46,686	$ 64,449	
Net assets at year-end					
As reported	**$ 380,995**	$ 415,747	$ 395,912	$ 371,316	
Adjusted for general inflation	**754,244**	839,016	871,146	893,369	
Adjusted for specific price changes	**796,793**	940,471	995,136	1,104,336	
Difference between general inflation and specific price changes on inventory and property, plant and equipment	**$ 45,200**	$ 28,500	$ 102,800	$ 20,200	
Cash dividends declared per common share*					
As reported	**$1.60**	$1.67	$1.54	$1.37	$1.29
Adjusted for general inflation	**1.60**	1.77	1.81	1.82	1.79
Market price per common share at year-end					
As reported	**$24.13**	$36.00	$44.75	$33.25	$25.63
Adjusted for general inflation	**24.13**	38.23	52.46	44.25	37.95
Average Consumer Price Index	**289.1**	272.4	246.8	217.4	195.4

*Adjusted for 2% stock dividends

Crane Domestic

Crane Domestic manufactures and distributes a wide variety of industrial products. Five operations—Valves & Fittings, Engineered Products, Plumbing, Crane Supply and Hydro-Aire—make up this segment of the company's business.



Final adjustments are made in drill settings on one machining unit in a six-station turntable developed by Crane to machine bodies of new high performance steel butterfly valves.

Fluid and Pollution Control Products

Results from the Valves & Fittings and Engineered Products Divisions were disappointing in 1982. Sales and earnings were off in the face of weak demand and stiff price competition brought on by depressed business conditions.

With lower volume, valve operations concentrated on reducing expenses and controlling inventories. Continued emphasis on quarter-turn products, with the extension of one butterfly valve line to larger sizes and the introduction of a new ball valve, will enable the company to compete on a wider range of applications.

Valve sales were reorganized to place marketing responsibility for all quarter-turn products and their actuators with a separate Crane Controls sales force. Greater penetration of a growing market segment is anticipated as a result of this change.

Deming pump sales were also severely depressed by the business downturn. To meet this condition, stringent cost cutting measures were taken, including reductions in personnel, unprofitable product lines and inventory. Labor negotiations also led to concessions that will improve efficiency and enhance the company's competitive position.

Consolidation of the two Salem, Ohio plants was completed early in 1982 in order to streamline operations. Programs to upgrade and standardize Deming product lines were initiated and the distributor network strengthened.

Demand for Chempump canned motor pumps in the chemical processing and domestic nuclear markets fell in 1982, but sales and earnings held up as the result of increased activity from the Navy nuclear program and rapid expansion of the marine market. Development of the latter is a new area for Chempump and has an attractive future potential.

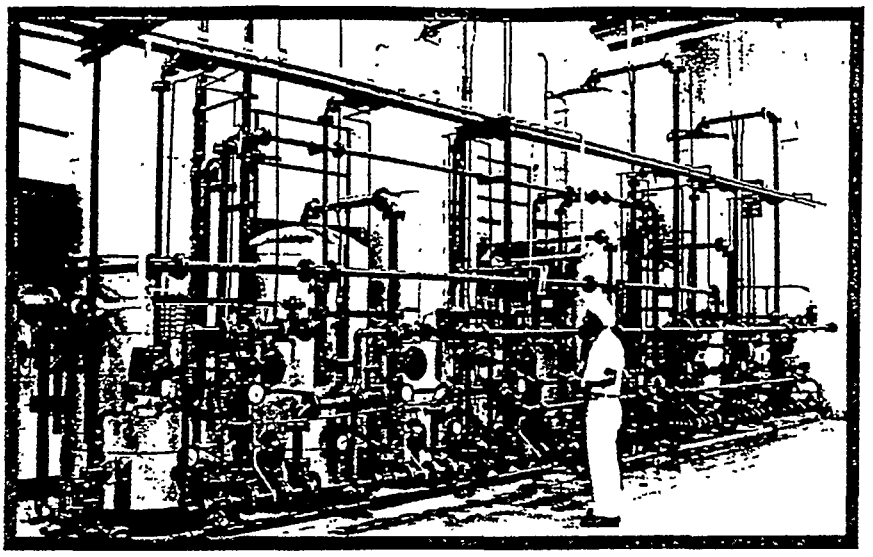
Sales of water treatment systems by Cochrane were somewhat below 1981. Lower activity in the electric power generating market was partially offset by increased business from the pulp and paper industry. The modular demineralizer and filtering equipment product lines were expanded during the year.

Moderate improvement is expected in the overall sales of fluid and pollution control products in 1983. Forecasts do not indicate a sharp spending rise in this capital-intensive market. However, continued implementation of cost reduction measures instituted in 1982 should result in a more satisfactory performance.

Building Products

Sales of plumbing products showed little improvement as high interest rates continued to stifle home building and construction activity. The Plumbing Division introduced additional acrylic tubs and other fixtures, strengthening both its residential and commercial lines.

Increased automation during 1982 helped raise productivity, and the installation of computerized material resource planning (MRP) at the potteries has developed more accurate production scheduling and better quality control.



Six Cochrane engineered modular demineralizers treat process water for a midwestern pharmaceutical manufacturer. These EMD units are pre-engineered in various sizes for quick delivery and less costly installation.

Wholesale Operations

Although sales were lower, Crane Supply operated at a profit in 1982 with the help of cost savings and improved productivity programs. The division sells valves, fittings, pumps, plumbing and related products.

A new branch was opened in northern West Virginia to serve mechanical contractors and industrial users in the upper Ohio River Valley. Further expansion in the Sunbelt region is planned.

Hydro-Aire

The Hydro-Aire Division designs and manufactures aircraft brake control systems, fuel pumps and other accessories used throughout the aerospace industry.

While 1982 sales and earnings were off slightly, Hydro-Aire performed well. Commercial and business aircraft markets felt the effects of lower passenger travel and the high cost of money, and orders for new equipment were off substantially. However, the military market provided a stabilizing effect with increased orders and new retrofit programs.

Development and certification of the new digital brake control system for Boeing's 757 and 767 aircraft were completed during 1982. Customer deliveries of the 767 began in the latter part of the year, and 757 deliveries will commence in the first quarter of 1983. Also, the Cessna Citation III completed certification with Hydro-Aire brake controls and fuel pump equipment, with customer deliveries commencing during this period.

Hydro-Aire expects 1983 sales to continue at the present level, with a strong upturn occurring during 1984. This will be due in part to the anticipated improvement in the general economy, but more important, to the conversion by the airlines to more fuel-efficient aircraft. Military procurements are also expected to be strong during this period.

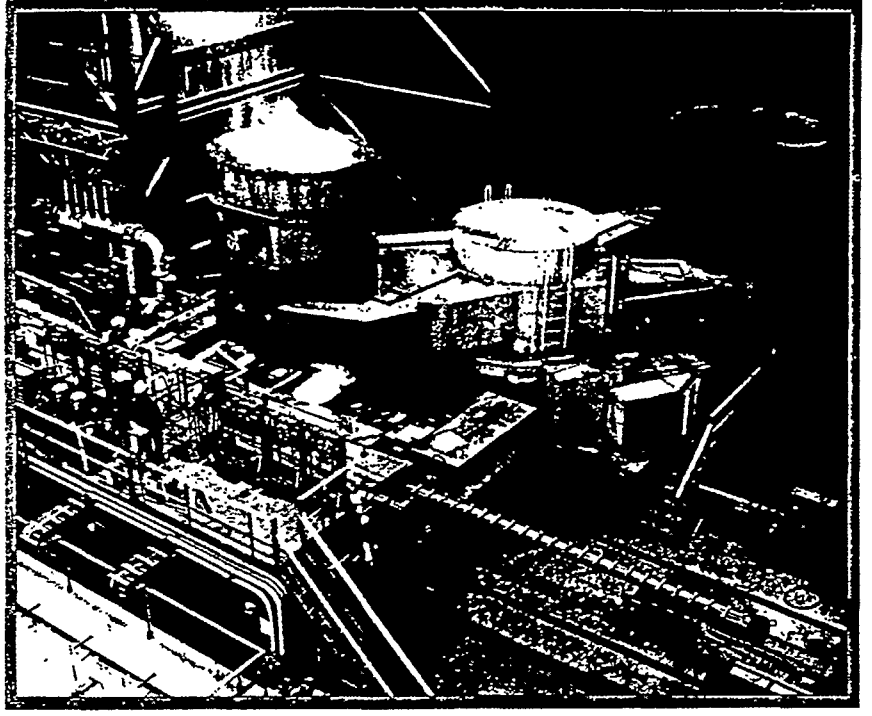
Commuter aircraft, including many designed and built outside the U.S., are a fast-growing market for Hydro-Aire braking controls and fuel pumps.



a—Beechcraft Commuter 1900C
b—Aerospatiale/Aeritalia ATR-42
c—Embraer EMB-120
d—de Havilland DHC-8
e—Fairchild Metroliner
f—de Havilland DHC-7
g—Saab/Fairchild SF340

CF&I Steel Corporation

CF&I, one of the largest vertically integrated steel manufacturers in the western United States, provides products for transportation, petroleum, mining, construction and agribusiness markets. The company's mines and quarries supply its own coking coal, limestone and dolomite. Water necessary for mining and manufacturing is obtained from company-owned or -controlled water rights.



CF&I shipment volume in 1982 was significantly below the previous year, reflecting the generally depressed state of the domestic steel industry. Each of the major markets served was affected. In addition to low demand, shipments were depressed by distributor and end-user efforts to minimize inventories.

This was especially true in oil country goods sales, where large inventories built in the field during 1981 remained unsold and unused.

Shipments of rail to domestic customers were also affected by lower demand as railroads deferred major track rehabilitation planned for 1982. Export markets for CF&I rail also weakened and available tonnage was subjected to intense international competition, much of which was government subsidized.

Sales of rolled, mining and wire products also declined but remained stronger than other lines.

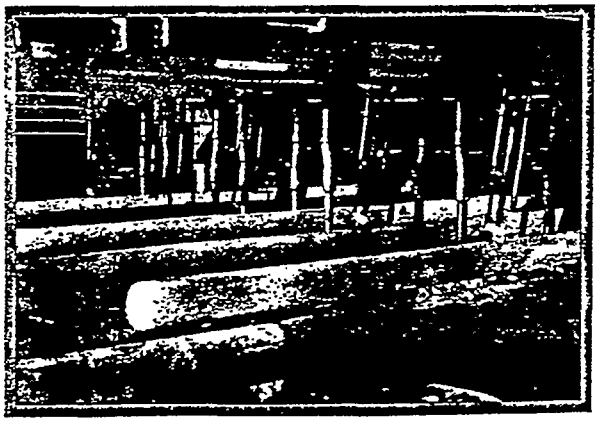
With the downturn in the economy, CF&I instituted an aggressive program to reduce expenses in all areas. A new agreement was reached between the company and the United Steelworkers of America to modify collective bargaining agreements. It provides for substantial wage and benefit reductions during the period October 1, 1982 through September 30, 1983 and creates a profit-sharing program for the employees. In another action, an agreement with the Steelworkers reduced production incentive rates by 25 percent in May. Both were ratified by an overwhelming majority of the union membership.

Improvements in steel production brought increased yields, contributing to the cost reduction program. Cost for raw materials was also cut significantly during the year. With the suspension of mining operations, lime plant, coke plant, basic oxygen furnace and blast furnace operations, new material consumption was shifted from coals and ores to cast and ferro scrap.

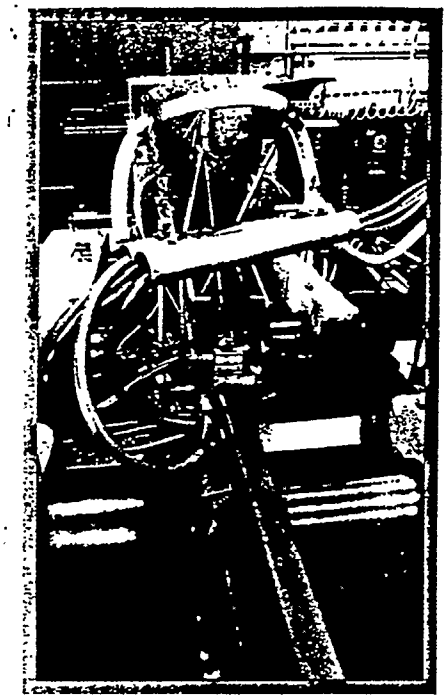
CF&I completed a new six-strand continuous caster late in the year. Producing either round or square billets, this equipment will help provide for more cost-efficient operations. Construction on the new seamless tube mill was suspended at the approximate mid-point until improved business warrants its completion.

Based on conservative industry forecasts, shipment levels are expected to in-

Two 155-ton capacity ladles, mounted on a turret, transfer molten steel from the furnaces to the new continuous caster unit.



Torches cut 8-inch rounds from the continuous caster into pre-programmed lengths to meet customer requirements and maximize yield.



Finished rail is scanned for defects by 10 ultrasonic transducers which display the information on CRT screens, enabling the operator to evaluate the rail's quality.

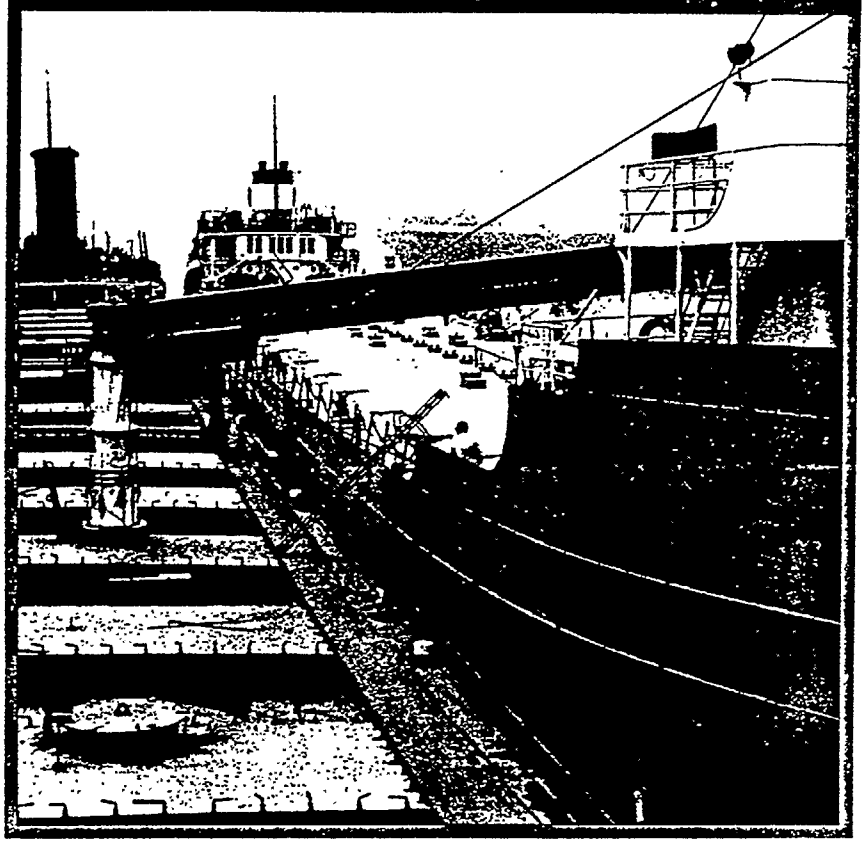
crease in 1983, but will remain below past years. CF&I will be able to respond rapidly to any increased demand in any, or all, of its product lines but 1983 will be a difficult year.

In 1983 and beyond, demand for railroad products should increase. With a modern rail facility, updated technology and the upgrading of products and quality, CF&I is well positioned to maintain and bolster its dominant position in the Western rail market.

Special bar and alloy products will comprise a greater percentage of rolled products in 1983. The new continuous caster will also serve the rod mill, permitting a number of wire products to be made from this more cost-efficient source.

The long-term demand for oil country tubular goods is expected to grow during the mid- and late 80's in CF&I's market, the area west of the Mississippi River and including the energy-rich Overthrust Belt of Montana, Wyoming and Utah.

Medusa produces portland and masonry cements, aggregates and asphalt, and provides road paving and highway safety construction services. Its principal market areas are the Great Lakes states, Georgia and northern Florida.



The Medusa Challenger *unloads cement at the new Chicago terminal.*

The continued decline in construction of all types, resulting from high interest rates and the depressed economy, was reflected in Medusa's 1982 results.

Cement shipments were below 1981 levels. The Great Lakes states, where most of Medusa's capacity is located were particularly hard hit. This lack of activity also caused prices to drop to unrealistically low levels throughout the company's markets.

Sales at the aggregates, paving and highway safety operations were also lower in 1982 with the slump in construction and cutbacks in federal and state funds for roadbuilding and public works programs.

Overhead and operating costs were closely monitored to effect reductions

CRTX 0555

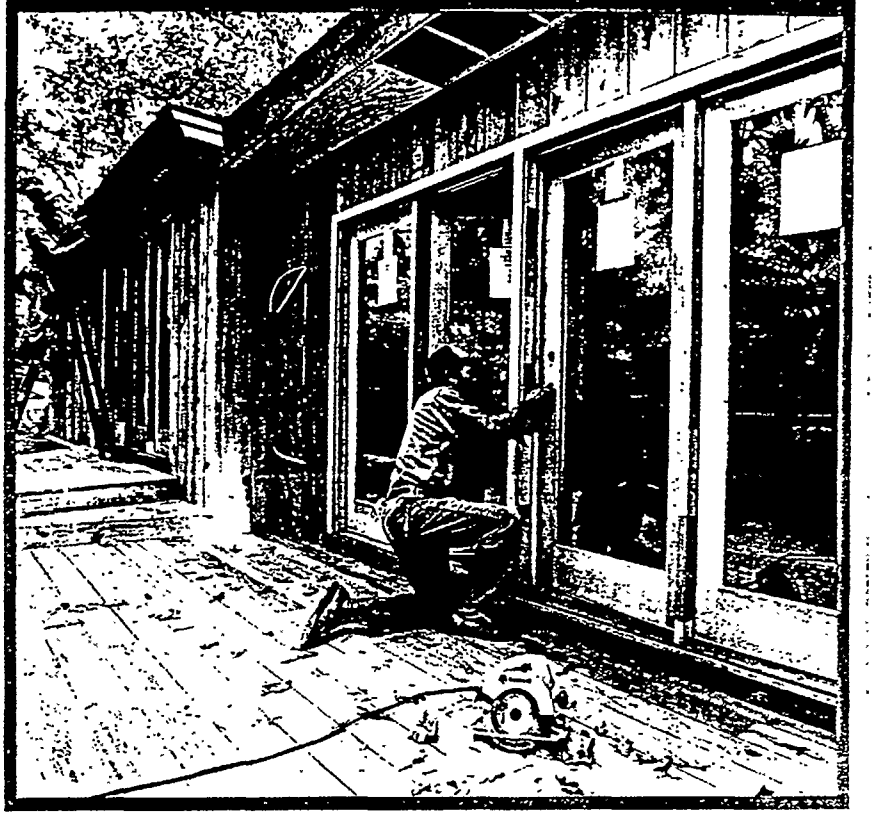
wherever possible. Salary freezes were instituted, personnel cutbacks were accomplished and wage concessions negotiated in union contracts. The cement plant facility at York, Pennsylvania was sold and several aggregates operations were closed or profitably sold.

A unique distribution terminal was completed in Chicago to serve northern Illinois and Indiana markets. A company-owned lake vessel was moored alongside a truck loading facility constructed on shore and used to store cement shipped by water from the Charlevoix plant. Other capital spending was limited to maintenance needed to keep plants at high levels of efficiency.

Medusa's outlook for 1983 and beyond is encouraging. With a continued decline in interest rates, building construction activity is expected to gain momentum by the second half of the year and carry forward to meet the backlog of demand in the private and public sectors.

Huttig Sash & Door Company

Huttig is a wholesale distributor of building materials, with special emphasis on windows, doors and related millwork products. It has branches in the southeastern, southwestern and midwestern states.



Huttig Garden Door units, glazed with tempered insulating glass, are being installed in new residential construction in North Carolina.

Huttig's 1982 results were affected by the continuing recession in homebuilding. With housing starts near a 36-year record low nationally and falling in the Sunbelt states more than they had in 1981, new construction markets weakened considerably.

The company's strategy of increasing penetration of the remodeling, replacement, light commercial and institutional markets played a big part in preventing sales and earnings from paralleling the full decline in new residential construction.

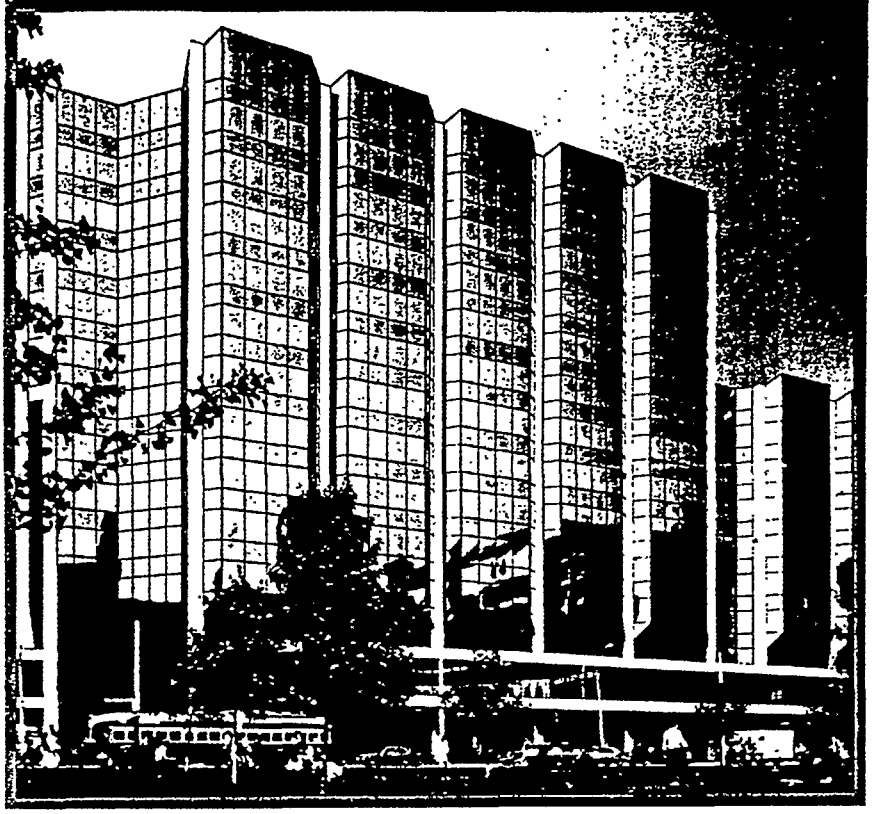
A new product, the Huttig Garden Door, was developed and test-marketed in 1982. Designed to replace the energy-inefficient aluminum sliding door, it has considerable potential as a replacement unit as well as in new construction. Marketing efforts will be accelerated this year.

Huttig opened a new operation in Clearwater to better serve the growing west coast area of Florida. Acquisition of a distribution business and window manufacturing facility in Orangeburg, South Carolina filled a void in Huttig's coverage in the South Atlantic states.

Until a recovery in residential building occurs, Huttig will continue to direct its efforts toward those other segments that provide a smaller but more stable market base.

Crane Canada Inc.

Crane Canada manufactures and distributes valves and plumbing products for construction and basic industrial applications. Crane Supply, a network of wholesale branches, is the company's largest division.



Toronto's new Atrium on Bay, a retail and office complex, is equipped with Crane plumbing fixtures.

Sales and earnings declined as Canada experienced deteriorating economic conditions during the year. With rising unemployment, inflation and interest rates, unused plant capacity greatly reduced industry's capital spending and housing starts fell to their lowest level in 20 years.

Demand in Crane Supply's markets was weak, and prolonged construction strikes in Ontario and the three western provinces cut further into the division's sales.

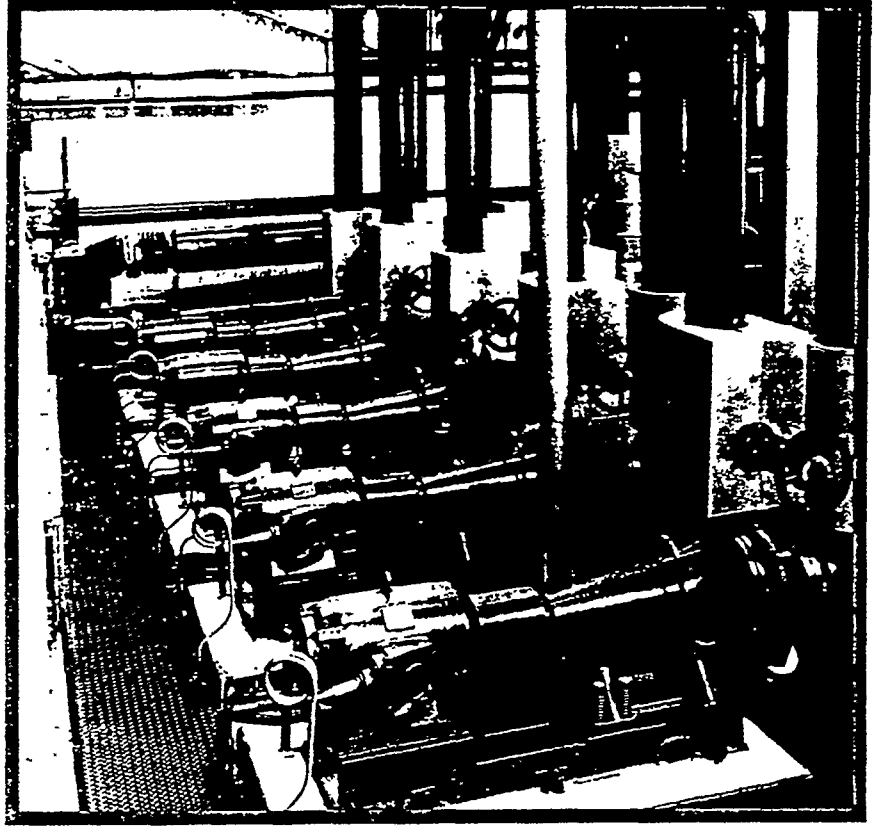
Throughout the year, particular attention was given to reducing expenses in all areas of Crane Canada's operations. Under a government-sponsored Work Sharing Program, the workweeks of all employees were reduced. Wage freezes were also imposed and executive compensation decreased.

Product development efforts were concentrated on existing lines. Several new acrylic plumbing fixtures were introduced during the year. Fabricated pulp stock valves underwent redesign, waterworks valves were upgraded and the quarter-turn ball and butterfly lines extended.

It is forecast that 1983 will be another difficult year for the Canadian economy. Business investment spending is expected to continue to remain cautious, and new residential construction will not show any marked improvement as long as interest rates fluctuate at a high level.

International Operations

Operations in the United Kingdom, Australia and Mexico supply valves, fittings and pumps to international chemical, petroleum, power and other industrial markets.



Crane pumps, installed in a nitrogen-pressurized high pressure system, supply hot water to a 60-acre site in England.

Crane Ltd. showed improved results even though the British economy was stagnant in 1982. Export sales were up, an inventory management program begun earlier led to better customer service, and the company broadened its profitable valve service and repair operations.

New product introductions included a malleable iron valve line, and work was started on an automated malleable foundry due to begin production in mid-1983.

While no significant upturn in the domestic economy is expected in the coming year, Crane Ltd. plans to continue its emphases on export sales and product development and to expand its service and repair capabilities through a recent acquisition.

Crane Australia Pty. Limited performed well, though it did not match the record results achieved in 1981. The boom in this country's natural resources development, where Crane enjoys a strong position in the valve market, has fallen off and is not expected to regain momentum in 1983.

Both sales and income were down for Crane-Deming de Mexico S.A. in 1982 as recession and devaluation of the peso devastated that economy. Demand for industrial and agricultural pumps manufactured there will probably remain weak in the coming year.

Directors

Theodore D. Brown
Chairman, IntraWest Financial Corporation, Banking

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

Walter J. P. Curley
Private Venture Capital Investments

William H. Donaldson*
Chairman and Chief Executive Officer, Donaldson Enterprises Incorporated, Management Corporation; former Dean of the School of Organization and Management and Professor of Management Studies, Yale University

Robert S. Evans**
Executive Vice President of the Company

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

Dante C. Fabiani
Retired President of the Company

Richard S. Forté***
General Partner, Forté Cashmere Company, Importer and Manufacturer

Dorsey R. Gardner*
President, Kelso Management Company, Investment Management

Dwight C. Minton***
Chairman of the Board and Chief Executive Officer, Church & Dwight Co., Inc., Chemical Manufacturer

Arthur A. Seeligson, Jr.
Independent Oil Producer and Investor, President of Seeligson Oil Company; Managing Partner of various other partnerships

Robert J. Slater**
President of the Company

*Member of the Audit Committee
**Member of the Executive Committee
***Elected January 24, 1983

Officers

Thomas M. Evans
Chairman

Robert J. Slater
President

Robert S. Evans
Executive Vice President

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

Gerald E. Bowers
Vice President-Management Information Systems

William R.T. Crolius
Vice President-Government Relations

William C. Dackis
Vice President & Assistant to the President

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

Paul R. Hundt
Vice President, Secretary & General Counsel

Ronald K. Leirvik
Vice President & General Manager Valves & Fittings Division

John C. Martineau
Vice President & General Manager Plumbing Division

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

Kenneth F. Webel
Vice President & General Manager Engineered Products Division

Richard J. Neville
Treasurer

Richard W. O'Donnell
Controller

Stock Listings

Crane Co. common stock is traded on the New York and Pacific Stock Exchanges; the preferred stock is traded over the counter.

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.

Operations

Crane Domestic

Crane-U.S.A.
New York, New York
R.S. Evans
Executive Vice President & General Manager

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

CF&I Steel Corporation
Pueblo, Colorado
F.J. Yaklich, Jr.
President

Huttig Sash & Door Company
Chesterfield, Missouri
S.P. Wells
President

Medusa Corporation
Cleveland, Ohio
W.M. Troutman
President

Crane Canada Inc.
Montreal, Canada
G.A. Kelly
President

International

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

Crane Ltd.
London, England
J.M. Fraser
Managing Director

Crane-Deming de Mexico S.A.
Monterrey, Mexico
W.M. Collins
General Manager

CRANE

Crane Co. 300 Park Avenue, New York, New York 10022

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Building products
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