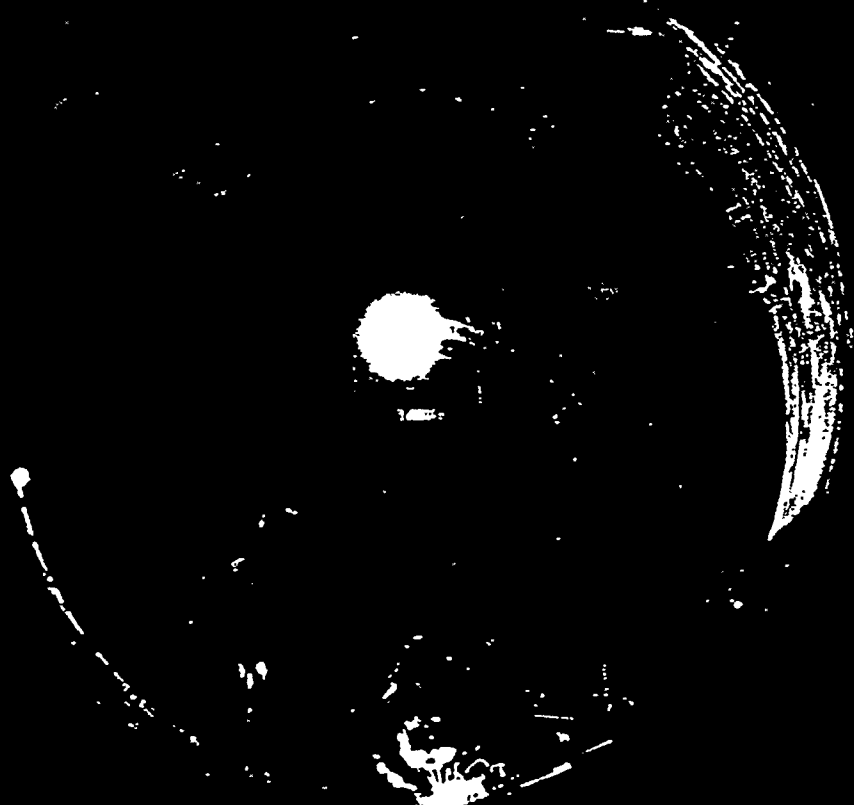


Crane Co. 1979 Annual Report

PLAINTIFF'S
EXHIBIT
CRA-33

Crane



CRTX 0433

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Annual Meeting

The Crane Co. 1980 annual meeting will be held on Monday, April 28, 1980, in Rooms B and C, 2nd Floor, Morgan Guaranty Trust Company of New York, 522 Fifth Avenue, New York City, at 10 A.M.

Form 10-K

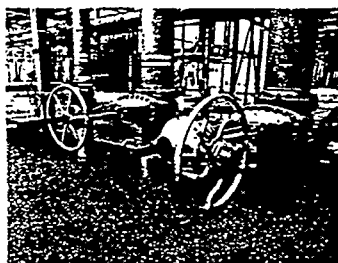
Copies of Form 10-K for the year 1979, which are to be filed with the Securities and Exchange Commission, are available without charge to each shareholder of the Company upon written request made to the Secretary, 300 Park Avenue, New York, New York 10022.

On the Cover

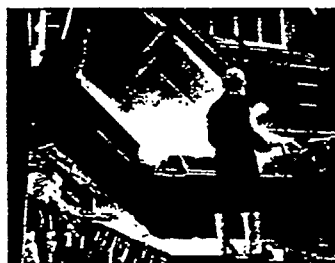
Workmen are converting the kiln at Medusa's Charlevoix plant to the more fuel-efficient preheating, flash calcining process. This is part of the \$56 million expansion and modernization program which will increase capacity approximately 80% while reducing fuel cost-per-ton by one-third.

Crane Co., celebrating its 125th anniversary in 1980, 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 Limited and International Operations. Principal products include steel, cement, fluid and pollution control equipment, building products, aircraft and aerospace systems.

Crane at a Glance



Fluid Control



Steel



Building Products

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

Cavalier Corporation
Chattanooga, Tennessee
W. W. Williams, President

CF&I Steel Corporation

Pueblo, Colorado
R. J. Slater, President

Huttig Sash & Door Company

St. Louis, Missouri
S. P. Wells, President

Medusa Corporation

Cleveland, Ohio
W. M. Troutman, President

Crane Canada Limited

Montreal, Canada
G. A. Kelly, President

International

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-Deming de Mexico S.A.
Monterrey, Mexico
L. B. Obeso,
General Manager

Clean air, one result of CF&I Steel's ten-year, \$77 million expenditures for air and water pollution controls, is evident in this view of the blast furnaces at the Pueblo plant.

Financial Highlights

	1979	1978 ¹
Sales	\$1,573,199,000	\$1,227,429,000
Net Income	\$55,029,000	\$45,355,000
Per Common Share:		
Primary earnings	\$5.50	\$3.44
Cash dividends	\$1.45	\$1.37
Net Working Capital	\$248,313,000	\$221,448,000
Total Assets	\$1,042,254,000	\$881,325,000
Current Ratio	2.2	2.4
Common Shareholders' Equity	\$371,316,000	\$335,565,000
Per share	37.32	33.34
Common Shares Outstanding at Year-end	9,949,472	9,866,891

¹ Per share amounts adjusted for 2% stock dividend in February 1979.

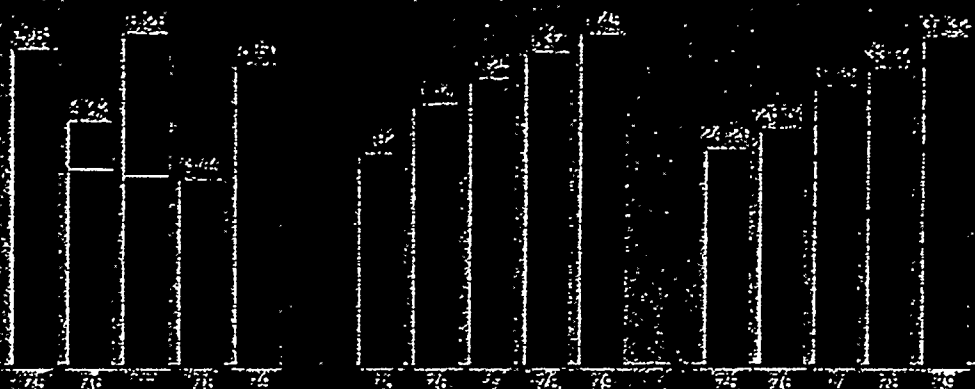
Net income per common share would amount to \$5.29 (\$3.30 in 1978) assuming conversion of subordinated debentures.

CRTX 0435

Net Income Per Share

Dividend Per Share

Shareholders' Equity Per Share



Non-Preferred



To Our Shareholders:

Crane Co. sales were \$1,573,199,000 in 1979 compared with \$1,227,449,000 in 1978. Net income for the year rose 55.6 percent to \$55,029,000 from \$35,355,000 a year earlier. Net income per share was \$5.50 compared with \$3.44 in 1978.

Depreciation for the year amounted to \$73,869,000 compared with \$51,189,000 in 1978. Capital expenditures were \$85,315,000 in 1979 compared with \$57,403,000 in 1978.

The company's improved performance reflects the inclusion of Medusa Corporation results from April 1, 1979 and increased earnings from steel, aerospace and international operations.

Medusa, a major producer of cement and aggregates, is an important part of Crane's long-term plan to maintain a strong position in basic industries. Medusa owns or controls most of the raw materials required for its operations.

To meet the requirements of an agreement with the Federal Trade Commission, Medusa plans to sell its Dixon, Illinois cement plant and, in December, an agreement of sale was made with Lone Star Industries Inc. The capacity lost by this divestiture will, however, be offset by the expansion and modernization of the Charlevoix, Michigan plant. This project is on schedule for completion this summer. Located on Lake Michigan, the Charlevoix plant has the advantage of being able to ship by lake carrier to serve the Great Lakes market.

Medusa is continuing several additional projects to improve profitability. By year-end, two obsolete high-cost cement facilities and some marginal aggregates operations had been closed. Organizational changes have been made to improve sales, marketing and plant operations.

CF&I Steel Corporation's results improved in 1979 and the outlook for earnings growth remains favorable. The new rail mill has been completed and startup costs, for the most part, have been eliminated. Rail capacity has been increased by 50 percent and demand for rails continues to be strong. With the expansion of drilling activity in the west, the market for oil country tubular products is also encouraging. CF&I has begun a program to upgrade production of casing and tubing.

Huttig Sash & Door Company sales and earnings held up well in 1979 despite weakness in housing starts. Branches in the southeast and sunbelt states continued to perform well. New facilities which were opened during the year also contributed to the increase in sales.

With the exception of specialty aircraft and aerospace operations, which achieved record sales and earnings, 1979 was a difficult year for Crane's Domestic Operations. Action has been taken, however, to strengthen these activities. Crane Supply, the company's wholesale distribution network, has been scaled down to improve profitability. Twenty-six branches were sold in August.

Crane Canada and International Operations performed well during the year. While operations in the Netherlands were sold in June, increased sales in the United Kingdom more than offset the contribution that had been made by the Dutch operation.

Crane enters the 1980s with strong operating and financial positions. The company's investment in the natural resources needed to produce steel and cement should provide some hedge against inflation. Crane also continues to hold one million shares of Atlantic Richfield Company common stock as a long-term investment.

Although the acquisition of Medusa with cash and subordinated debentures increased Crane's debt in 1979, the company has made good progress in retiring outstanding long-term debt.

In November, the Board increased the quarterly cash dividend rate from 35 to 40 cents per share. During 1979, shareholders received cash dividends of \$1.45, and a two percent stock dividend. This compared with \$1.37 the previous year. In February 1980, Crane again paid a two percent stock dividend, the twelfth year that such a stock dividend has been paid.

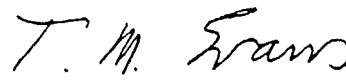
At the annual meeting in April 1979, Robert S. Evans, Executive Vice President, was elected to the Board of Directors. William M. Troutman, who has been with Medusa Corporation since 1961, was named President of the cement company in May. Ronald K. Leirvik joined Crane in January 1980 as Vice President and General Manager of the Valves & Fittings Division.

As we celebrate Crane's 125th anniversary this year, we sincerely thank the company's shareholders, employees, customers and suppliers for their continuing support.

Respectfully submitted,

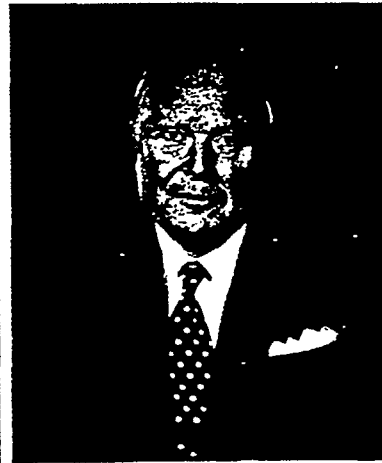


D. C. Fabiani, President



T. M. Evans, Chairman

February 20, 1980



Consolidated Statement of Income

For Years Ended December 31	1979	1978
Net Sales	\$1,573,199,215	\$1,227,449,118
Operating Costs and Expenses:		
Cost of sales	1,272,213,938	999,751,793
Selling, general and administrative	125,107,617	108,845,415
Depreciation	73,868,510	51,188,976
	1,471,190,065	1,159,786,184
Operating Profit	102,009,150	67,662,934
Other Income (Deductions):		
Interest—net	(38,386,297)	(25,186,280)
Dividend income on investments	5,836,380	5,782,013
Miscellaneous—net	(2,012,890)	2,203,251
	(34,562,807)	(17,201,016)
Income Before Income Taxes	67,446,343	50,461,918
Provision for Income Taxes	12,417,572	15,106,504
Net Income	\$ 55,028,771	\$ 35,355,414
Net income per common share:		
Average shares outstanding	\$5.50	\$3.44
Assuming conversion of debentures	\$5.29	\$3.30

Consolidated Statement of Earned Surplus

For Years Ended December 31	1979	1978
Balance at Beginning of Year	\$236,923,265	\$231,049,733
Net Income	55,028,771	35,355,414
	291,952,036	266,405,147
Dividends:		
Preferred shares—\$3.75 per share	87,837	88,241
Common shares:		
Cash—\$1.45 per share (\$1.37 in 1978)	14,474,675	14,043,605
Stock—2%, market value of 197,008 shares (200,301 in 1978)	5,504,404	5,081,636
Excess of Cost Over Par Value of Reacquired Shares—Net:		
68 preferred (305 in 1978) and 200,000 common (462,400 in 1978) reacquired, less 33,250 issued under stock options (21,978 in 1978)	4,399,046	10,268,400
	24,465,962	29,481,682
Balance at End of Year	\$267,486,074	\$236,923,265

Consolidated Statement of Capital Surplus

For Years Ended December 31	1979	1978
Balance at Beginning of Year	\$ 36,973,609	\$ 32,494,625
Excess of debentures converted over par value of 52,323 common shares issued (89,813 in 1978)	398,637	649,229
Excess of market value over par value of common shares issued as a 2% stock dividend	4,273,104	3,829,755
Balance at End of Year	\$ 41,645,350	\$ 36,973,609

Consolidated Statement of Changes in Financial Position

For Years Ended December 31	1979	1978
Source of Funds:		
Operations:		
Net Income	\$ 55,028,771	\$ 35,355,414
Depreciation	73,868,510	51,188,976
Amortization of debt discount	3,645,777	2,082,257
Other, net	(18,049)	2,254,712
	132,525,009	90,881,359
Increase in long-term debt	114,920,550	34,250,000
Increase in capital leases—net	6,808,922	10,649,431
Conversion of debt to common stock	729,200	1,213,400
Decrease in long-term investments	61,180,342	32,361,349
Disposals of property, plant and equipment	10,412,786	5,883,953
	326,576,809	175,239,492
Application of Funds:		
Additions to property, plant and equipment	85,314,963	57,403,054
Acquisition of Medusa Corp. property, plant and equipment—net	141,665,000	—
Increase in long-term investments	2,394,803	61,180,342
Increase in other assets—net	10,231,300	5,486,166
Decrease in reserves and other liabilities	1,957,375	10,475,934
Reduction in long-term debt	38,236,706	31,959,312
Reacquisition of shares, less options exercised	5,349,113	12,987,865
Cash dividends	14,562,512	14,131,846
	299,711,772	193,624,519
Net Source (Application) of Funds	\$ 26,865,037*	\$ (18,385,027)

* Includes Medusa's working capital of \$31,202,000 at March 31, 1979, less cash tender cost of \$17,232,000.

Increase (Decrease) in Components of Working Capital:

Current assets:		
Cash and short-term investments	\$ 1,875,951	\$ (24,008,030)
Accounts receivable	38,747,791	(5,594,022)
Inventories	30,365,477	1,810,676
Prepaid expenses	1,481,183	312,440
	72,470,402	(27,478,936)
Current liabilities:		
Current maturities of long-term debt	(3,791,285)	(6,701,215)
Loans payable to banks	2,610,047	(5,711,708)
Accounts payable	12,773,091	3,989,255
Accrued payrolls, taxes and other liabilities	26,080,445	(2,524,913)
U.S. and foreign taxes on income	7,933,067	1,854,642
	45,605,365	(9,093,909)
Increase (Decrease) in Working Capital	\$ 26,865,037	\$ (18,385,027)

See Financial Review

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Consolidated Balance Sheet

At December 31	1979	1978
Assets		
Current Assets:		
Cash	\$ 31,367,545	\$ 51,702,431
Short-term investments, at lower of cost or market	70,535,634	48,324,797
Accounts receivable, less allowances of \$3,472,642 (\$2,786,165 in 1978)	175,112,126	136,364,335
Inventories, at lower of cost, principally last-in, first-out, or market.		
LIFO reserves amounted to \$83,372,559 (\$74,369,923 in 1978):		
Finished goods	84,660,137	74,197,648
Work in process	53,316,042	45,075,142
Raw materials and supplies	38,900,550	27,238,462
	<u>176,876,729</u>	<u>146,511,252</u>
Prepaid expenses	3,996,853	2,515,670
Total Current Assets	457,888,887	385,418,485
Investments and Other Assets:		
Investments (see page 11)	45,811,803	104,597,342
Unamortized debt discount	8,240,982	6,920,407
Construction fund	4,293,119	6,255,408
Outlying lands	1,224,283	1,228,425
Other assets	6,057,722	783,256
	<u>65,627,909</u>	<u>119,784,838</u>
Property, Plant and Equipment at Cost:		
Land	34,799,160	21,692,903
Buildings and improvements	208,387,435	166,343,598
Machinery and equipment	856,244,060	575,164,290
	<u>1,099,430,655</u>	<u>763,200,791</u>
Less accumulated depreciation	580,693,139	387,078,758
	<u>518,737,516</u>	<u>376,122,033</u>
	\$1,042,254,312	\$881,325,356

	1979	1978
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 8,042,880	\$ 11,834,165
Loans payable to banks	9,711,274	7,101,227
Accounts payable	86,673,001	73,899,910
Accrued payrolls, taxes and other liabilities	91,138,213	65,057,768
U.S. and foreign taxes on income	14,010,817	6,077,750
Total Current Liabilities	209,576,185	163,970,820
Long-Term Debt (see page 10)	349,718,973	273,035,129
Capital Leases: (see page 12)		
Industrial revenue bonds	50,105,601	42,957,900
Other	9,255,540	9,594,319
	59,361,141	52,552,219
Deferred Income Taxes—Depreciation	22,162,549	23,529,444
Reserves and Other Liabilities	27,781,040	30,327,201
Redeemable Preferred Shares:		
Cumulative preferred shares, 3¾%, par value \$100:		
Authorized—35,202 shares (39,402 in 1978);		
Outstanding—23,388 shares (23,456 in 1978)	2,338,800	2,345,600
Common Shareholders' Equity:		
Common shares, par value \$6.25: Authorized—20,000,000 shares;		
Outstanding—9,949,472 shares (9,866,891 in 1978) after deducting		
5,229,094 shares in treasury (5,029,094 in 1978)	62,184,200	61,668,069
Capital surplus	41,645,350	36,973,609
Earned surplus—\$112,783,103 (\$100,828,824 in 1978) is not restricted		
under a long-term debt indenture	267,486,074	236,923,265
Total Common Shareholders' Equity	371,315,624	335,564,943
	\$1,042,254,312	\$881,325,356

See Financial Review

Details of Long-Term Debt

At December 31	1979	1978
Crane Co.:		
6½% Sinking fund debentures due 1992, \$2,000,000 due annually	\$ 21,409,000	\$ 22,526,000
15½% Bank term loan due 1984, \$2,187,500 due quarterly, commencing August 31, 1980*	30,625,000	35,000,000
15¼% Bank term loan due 1985, \$1,500,000 due quarterly, commencing March 31, 1981*	30,000,000	30,000,000
	<u>82,034,000</u>	<u>87,526,000</u>
Subordinated debentures:		
10½% Sinking fund debentures due 1994, \$4,567,000 due annually	57,276,900	—
8% Sinking fund debentures due 1985, \$8,241,000 due annually	40,771,600	49,442,140
7% Sinking fund debentures due 1993, 5% due annually	11,855,400	11,867,400
7% Debentures due 1994	48,259,000	48,259,000
5% Convertible debentures due 1993, convertible at \$12.50 per share (59,152 common shares reserved in 1979)	739,400	902,000
5% Convertible debentures due 1994, convertible at \$14.37 per share (349,297 common shares reserved in 1979)	5,019,400	5,586,000
	<u>163,921,700</u>	<u>116,056,540</u>
	245,955,700	203,582,540
CF&I Steel Corporation:		
8% First mortgage and collateral trust bonds, sinking fund series due 1983, \$1,000,000 due quarterly	13,000,000	17,000,000
15½% Bank term loan due 1985, \$2,500,000 due quarterly, commencing August 1, 1981*	40,000,000	40,000,000
8% Mortgage note due 1983, \$71,429 due annually	214,284	285,713
	<u>53,214,284</u>	<u>57,285,713</u>
Medusa Corporation:		
15¼% Bank term loan due 1987, \$1,000,000 due quarterly commencing September 30, 1982*	20,000,000	—
9¾% Unsecured notes due 1991, \$1,250,000 due annually	13,750,000	—
7.35% Unsecured note due 1987, \$1,300,000 due annually	9,100,000	—
5¾% Convertible subordinated debentures due 1988	172,000	—
Other	577,885	—
	<u>43,599,885</u>	<u>—</u>
Huttig Sash & Door Company:		
7½% Loan payable due 1980	—	131,860
Cavalier Corporation:		
15¾% Bank term loan due 1983, \$250,000 due quarterly*	2,500,000	3,500,000
Crane Canada Limited:		
5¾% Sinking fund debentures (collateralized by a general claim on property and assets), due 1985, \$376,000 due annually	3,762,000	4,089,800
International Operations:		
Bank term loan, due 1981	—	2,040,000
Bank term loan, due 1982	—	510,000
Other	687,104	1,895,216
	<u>687,104</u>	<u>4,445,216</u>
	<u>\$349,718,973</u>	<u>\$273,035,129</u>

*Fluctuating with minimum commercial lending rate

Financial Review and Accounting Policies

Consolidation

The consolidated financial statements include all subsidiaries, with foreign currencies translated at the appropriate rates. Subsidiaries operating outside the United States and Canada represented 7 percent of shareholders' equity in 1979, approximately the same as in 1978.

The operations of Medusa Corporation, a 96 percent owned subsidiary, are fully consolidated using the purchase method from April 1, 1979, the date Crane acquired effective control. Results of operations on a pro forma basis, assuming Medusa was acquired as of December 31, 1978, would be: Sales \$1,606,000,000; net income \$52,159,000; per common share \$5.21. The demand for cement and aggregates is strongest in the second and third quarters of the year, and the first and fourth quarters experience seasonal slacking.

In 1978, as a result of a Consent Order, only cash dividends on the 43 percent common shares then owned were recorded as income. Pro forma statistics for the year ended December 31, 1978 have not been compiled because of significant differences in accounting policies between Crane and Medusa prior to acquisition, and changes in organizational structure and producing plants subsequent to acquisition by Crane.

Investments and Other Assets

Long-term investments are valued, in the aggregate, at the lower of cost or market.

At December 31, 1978, Crane held 1,300,100 shares, 43 percent of the outstanding common shares of Medusa Corporation. In January, 1979, Crane purchased, pursuant to a tender offer, 1,712,000 Medusa Corporation common shares in exchange for \$10 cash and \$40 principal amount of Crane Co. 10½% Subordinated Sinking Fund Debentures due February 1, 1994 for each common share of Medusa tendered. The total cost was \$142,090,000 of which \$78,574,000 was cash and the balance in debentures.

On December 11, 1978, Crane and the staff of the Federal Trade Commission (FTC) reached agreement upon the terms of a Hold Separate Agreement and upon the substantive terms of a Consent Order to be submitted to the FTC for approval. The Hold Separate Agreement permitted Crane to consummate its tender offer without litigation with the FTC and required Crane not to influence or seek to influence in any way Medusa's management or the conduct of Medusa's business, vote its shares of Medusa common stock or seek representation on the Medusa Board until the earlier of the Annual Meeting of Medusa or final approval or rejection of the proposed Consent Order.

The Consent Order also required the divestiture of Medusa's cement plant at Dixon, Illinois as a going concern. On December 10, 1979 Medusa entered into an agreement to sell this plant to another cement company, subject to FTC final approval, prior to March 15, 1980 for \$10,000,000, an amount which approximates the fair value assigned.

Details of Long-Term Investments are as follows:

	1979	1978
	(in thousands)	
Atlantic Richfield Company—1,000,000 common shares, excluding 100,000 common shares in 1979 (300,000 in 1978) included with short-term investments	\$47,500	\$47,500
Medusa Corporation—1,300,100 common shares	—	61,180
Deferred income taxes on unrealized gain	(4,083)	(4,083)
Other	2,395	—
	<u>\$45,812</u>	<u>\$104,597</u>

Property, Plant and Equipment

The basis of charging depreciation for buildings, plant and equipment acquisitions was stepped up to the accelerated method from the straight-line method during 1977 in order to provide a better matching of costs and revenues in an inflationary environment.

This method of computing depreciation eliminates a substantial reporting difference between financial and income tax basis.

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 running from one to thirty years. Certain leases may be renewed for periods of from three to twenty-five years and provide for an option to purchase or for reduced annual rental payments of minimal amounts.

Property, plant and equipment includes the following amounts for capitalized leases at December 31, 1979 and 1978:

	December 31, 1979	1978
	(in thousands)	
Buildings and improvements	\$21,870	\$20,857
Machinery and equipment	50,697	38,498
	<u>72,567</u>	<u>59,355</u>
Less accumulated amortization	15,790	11,936
	<u>\$56,777</u>	<u>\$47,419</u>

Pensions

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

Pension costs charged against operating income were \$46,501,000 in 1979, compared with \$34,691,000 in 1978. The increase from 1978 was primarily due to the inclusion of Medusa Corporation and costs relating to terminated operations.

Based upon latest estimates as of December 31, 1979, vested benefits exceeded pension plan assets and balance sheet accruals by \$51,000,000 (\$106,000,000 at December 31, 1978) before future income tax credits.

An adjustment was made in 1979 to the interest rate and salary scale assumptions to align these more closely to past experiences and to anticipated future experience. These adjustments had no effect on the pension provision during 1979, but caused a significant reduction in the amount of vested benefits at December 31, 1979.

Miscellaneous—Net	Components	
	1979	1978
	(in thousands)	
Gain on investments—net	\$ 2,547	\$8,079
Termination of certain operations	(1,427)	(5,243)
Disposal of capital assets—net	(1,379)	969
Minority interest	(1,733)	(701)
Foreign exchange adjustments	485	(659)
Loss on repurchase of debentures	(178)	(168)
Other	(328)	(74)
	<u>\$(2,013)</u>	<u>\$2,203</u>

Long- and Short-Term Financing

At December 31, 1979, the principal amounts of long-term debt repayments, net of amounts held in treasury, required for the next five years were \$8,043,000 in 1980, \$35,751,000 in 1981, \$47,705,000 in 1982, \$52,232,000 in 1983 and \$42,519,000 in 1984.

At year-end there were \$106,000,000 of unused short-term credit lines available with domestic and foreign banks, and such lines are subject to annual review.

Covenants contained in a long-term debt indenture require the Company to (i) maintain consolidated working capital of at least \$185,000,000 and consolidated tangible net worth of at least \$250,000,000; (ii) restrict payments of cash dividends; and (iii) restrict issuance of additional senior funded debt.

Reserves and Other Liabilities	Components	
	1979	1978
	(in thousands)	
Deferred income taxes—other	\$ 6,446	\$13,658
Minority interest in subsidiaries	18,917	12,010
Pension and wage benefits	1,698	2,353
Retainage on long-term contracts	30	382
Miscellaneous	690	1,924
	<u>\$27,781</u>	<u>\$30,327</u>

Income Taxes

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.

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

	1979	1978
	(in thousands)	
Income before income taxes	\$67,446	\$50,462
Less permanent tax adjustments:		
Depletion	7,589	3,290
Nontaxable domestic dividends	5,232	4,914
Nontaxable foreign income	6,494	—
Nontaxable net capital gains	1,138	370
Original issue bond discount	660	720
Foreign exchange adjustments	535	(272)
Other	(2,281)	776
	<u>19,367</u>	<u>9,798</u>
Taxable income for accounting purposes	48,079	40,664
Composite tax @ 48% (50% in 1978)	23,078	20,332
Less investment tax credit realized	10,660	5,225
	<u>\$12,418</u>	<u>\$15,107</u>

The foregoing provision includes foreign taxes of \$4,091,000 and \$4,568,000, and state taxes of \$2,702,000 and \$1,673,000 in 1979 and 1978, respectively.

The provision for income taxes is composed of the following:

	1979	1978
	(in thousands)	
Deferred income taxes	\$12,804	\$ 2,220
Current income taxes	15,222	13,087
	<u>\$12,418</u>	<u>\$15,107</u>

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, 1979:

	Capital leases	Operating leases	Minimum sublease income	Net
	(in thousands)			
1980	\$ 6,285	\$ 5,496	\$ 2,047	\$ 9,734
1981	6,214	4,830	1,878	9,166
1982	6,191	3,810	1,456	8,545
1983	8,019	2,678	1,019	9,678
1984	5,921	1,858	297	7,482
1985 & beyond	68,296	8,035	153	76,178
Total minimum lease payments	100,926	\$26,707	\$ 6,850	\$120,783
Interest	(39,238)			
Present value	<u>\$ 61,688</u>			
Portion:				
Current	\$ 2,327			
Long-Term	<u>59,361</u>			
	<u>\$ 61,688</u>			

Rental expense was as follows for all leases not capitalized:

	1979	1978
	(in thousands)	
Rentals on operating leases:		
Minimum	\$13,934	\$12,719
Contingent	2,160	764
Sublease income	(905)	(587)
	<u>\$15,189</u>	<u>\$12,896</u>

Stock Options

A summary of stock option transactions follows:

	Number of Shares	Price Per Share
Outstanding January 1, 1979	121,253	\$ 8.61 — \$34.65
2% Stock dividend	2,368	—
Options granted	1,000	30.69
Options expired	(5,618)	10.59 — 33.71
Options exercised	(33,250)	8.61 — 32.04
Outstanding December 31, 1979	<u>85,753</u>	<u>\$18.40 — \$34.65</u>

At December 31, 1979 options for 64,418 shares were exercisable and 38,589 shares were available for grant. In 1978, options for 31,110 were granted and options for 21,978 were exercised. Shares and per share statistics have been adjusted for the 2 percent stock dividend. The plan is not a compensatory plan which would require charges to income.

Analysis by Segment of Business

An analysis by segment of sales, operating profit and assets plus additional segment information regarding capital expenditures and depreciation appears on page 17.

Segment description by products and industries served is given on pages 18 through 27.

Estimated Replacement Cost Information (Unaudited)

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, 1979 and 1978, 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 estimates with respect to replacement cost.

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.

Auditors' Opinion

To the Shareholders of Crane Co.

We have examined the consolidated balance sheet of Crane Co. and subsidiaries as of December 31, 1979 and the related consolidated statements of income, earned surplus, capital surplus and changes in financial position for the year then ended. Our examination was 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. The consolidated financial statements of Crane Co. and subsidiaries for the year ended December 31, 1978 were examined by other auditors whose report, dated January 22, 1979, expressed an unqualified opinion on those statements.

In our opinion, such financial statements present fairly the consolidated financial position of Crane Co. and subsidiaries at December 31, 1979 and the consolidated results of their operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Deloitte Haskin & Sells

New York, New York
January 28, 1980

Supplemental Information on the Effects of General Inflation (Unaudited)

As required by the Financial Accounting Standards Board (FASB) Statement No. 33, "Financial Reporting and Changing Prices," the supplemental information concerning the effects of general inflation is set forth in the tables below.

The Consumer Price Index (CPI), which has been selected, may or may not reflect the effects of inflation experienced by the Company; therefore, the data provided is extremely difficult to evaluate and should only be utilized in a very general way.

The general inflation data has been stated in constant 1979 dollars applying the CPI to the historical cost information. The supplemental information on general inflation is not a comprehensive application of inflation accounting and only reflects: (1) the effect on inventories and properties (excluding natural resource reserves) and related cost of goods sold and depreciation expense, and (2) the effect on certain monetary assets and liabilities.

The effect of this adjustment on cost of sales is minimal since the historical inventories have been principally determined on

the LIFO basis, which matches current sales dollars with current inventory replacement cost. The effect of this adjustment on depreciation was determined by applying the actual CPI to the year of acquisition of properties and calculating the depreciation on a straight-line basis, without benefit of income tax deductions, for the difference between historical and general inflation depreciation.

The adjustment to certain monetary accounts was determined with reference to converting opening and closing 1979 balances by the actual and average CPI. Since closing CPI exceeded the average CPI for 1979 and monetary liabilities exceeded monetary assets, the result was a notional gain. This gain represents the decline in book value of net monetary liabilities. The notional gain will not be recognized until long term debt, for example, is repaid with deflated dollars (reduced purchasing power dollars). However, since approximately 134 million dollars of debt fluctuates with lending rates, and these tend to follow inflation, the effect of this will be charged to income as incurred.

Consolidated Statement of Income

Year Ended December 31, 1979	As Reported in Primary Statements	Adjusted For General Inflation
	(In Thousands)	
Net Sales	\$1,573,199	\$1,573,199
Cost of Sales	1,272,214	1,272,214
Depreciation	73,868	86,143
Selling, General and Administrative	125,108	125,108
Other Deductions (Income)	34,563	34,563
Provision for Income Taxes	12,417	12,417
	1,518,170	1,530,445
Net Income	\$ 55,029	\$ 42,754
Per Common Share	\$5.50	\$4.27
Unrealized Gain in Purchasing Power from Holding Net Monetary Liabilities		\$48,431
Net Assets at Year-End	\$ 371,316	\$ 605,131

Five Year Comparison of Selected Financial Data
Adjusted for General Inflation (In Constant 1979 Dollars)

	1979	1978	1977	1976	1975
	(In Thousands)				
Net sales	\$1,573,199	\$1,365,647	\$1,358,088	\$1,386,777	\$1,509,789
Per Common Share					
Dividends:					
Cash*	\$1.45	\$1.52	\$1.50	\$1.45	\$1.24
Stock	2%	2%	2%	2%	2%
Market Price—Year-End	\$33¼	\$28½	\$31¾	\$37	\$32¼
Average Consumer Price Index	217.4	195.4	181.5	170.5	161.2

* Adjusted for 2% stock dividends

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Quarterly Results for the Year (Unaudited)
(In Thousands)

Quarter	Sales	Gross Profit	Net Income	Net Income Per Common Share	
				Primary	Fully Diluted
1979					
1st	\$ 313,558	\$ 40,594	\$ 8,145	\$.81	\$.78
2nd	431,512	63,066	16,402	1.64	1.57
3rd	427,712	64,009	17,031	1.70	1.64
4th	400,417	60,832	13,451	1.35	1.30
	\$1,573,199	\$228,501	\$55,029	\$5.50	\$5.29
1978					
1st	\$ 287,880	\$ 37,583	\$ 5,145	\$.49	\$.47
2nd	322,655	47,055	11,417	1.11	1.06
3rd	311,299	44,614	8,492	.83	.79
4th	305,615	49,172	10,301	1.01	.98
	\$1,227,449	\$178,424	\$35,355	\$3.44*	\$3.30*

Market and Dividend Information—Common Shares

Quarter	New York Stock Exchange Price Per Share				Dividends Per Share	
	1979		1978		1979	1978*
	High	Low	High	Low		
1st	\$32¾	\$25½	\$28¾	\$24½	\$.35	\$.35
2nd	32½	28	31¾	26¾	.35	.34
3rd	36½	28½	37	26¾	.35	.34
4th	36¾	30	34¾	23	.40	.34
					\$1.45	\$1.37

*Adjusted for 2% stock dividend in February, 1979

Five Year Summary of Operations
(In Thousands)

	1979	1978	1977	1976	1975
Net Sales	\$1,573,199	\$1,227,449	\$1,133,822	\$1,087,606	\$1,119,494
Depreciation	73,869	51,189	44,192	36,380	35,784
Operating Profit	102,009	67,663	67,119	80,595	125,736
Interest Expense	43,247	29,802	23,574	22,699	15,905
Income Before Income Taxes	67,446	50,462	78,795	76,778	114,202
Income Taxes	(12,417)	(15,107)	(12,624)	(28,819)	(50,594)
Net Income	\$ 55,029	\$ 35,355	\$ 66,171	\$ 47,959	\$ 63,604
Net Income per Common Share:					
Average Shares Outstanding	55.50	33.44	56.26	34.43	55.81
Assuming Conversion of Debentures	5.29	3.30	5.94	4.15	5.17
Dividends per Common Share:					
Cash	1.45	1.37	1.25	1.14	.92
Stock	2%	2%	2%	2%	2%

Analysis of Summary of Operations

Sales

Consolidated sales for 1979 were \$1,573,199,000, 28.2 percent higher than 1978. Medusa Corporation's operations were included from April 1, 1979. Sales of Medusa were \$251,750,000 and accounted for 72.8 percent of the increase. Crane Domestic sales were 2.0 percent below the 1978 level mainly due to the sale of 26 wholesaling branches in the third quarter of 1979, partially offset by much higher market demand for the aerospace product lines. CF&I Steel Corporation sales increased 17.3 percent in 1979 due to higher shipments of rolled products and increased selling prices on all product lines. Huttig Sash & Door Company's sales were 4.6 percent higher than in 1978, primarily due to additional branches. Crane Canada sales were 11.4 percent above 1978 primarily due to increased valves and fittings activity at its wholesaling branches. International sales in 1979 only include the Netherlands operations until sold during the month of June. Increased sales of the United Kingdom operation more than offset this decrease.

Consolidated sales for 1978 were \$1,227,449,000, 8.3 percent higher than 1977. Crane Domestic sales were 10.3 percent above the 1977 level, mainly due to the addition of the vending machine product line in 1978 and higher aerospace and building products demand. CF&I Steel Corporation sales increased 7.5 percent in 1978 due to additional shipments of wire and rolled products, moderately higher selling prices on all products, partially offset by lower rail tonnage due to the modernization program. Huttig Sash & Door Company's sales were 20.0 percent higher than in 1977, reflecting substantially higher sales at its Florida branches and higher price realization. Crane Canada's sales in local currency were about the same as last year. International Operations' sales increase of 8.4 percent over a year ago was attributable to improved price realization. Certain international operations were terminated in 1978 and their sales are included for only ten months.

Operating Profit

Consolidated operating profit in 1979 increased 50.8 percent from 1978. Medusa Corporation was included in the 1979 results from April 1 and represents 60.5 percent of the increase. Crane Domestic's operating profit in 1979 increased 13.3 percent from 1978. Profitability of the aerospace product lines increased with the much higher demand in 1979. Valve product income was well below the 1978 levels. The sale of the 26 wholesaling branches of Crane Domestic, which had annual sales of \$60,000,000 and modest profits, resulted in a net gain. The gain arose primarily from the sale of inventory above its carrying value which was reduced by certain costs incurred as a result of the sale. CF&I Steel Corporation had increased shipments and prices, which were partially offset by higher energy and labor costs and rail mill startup, which resulted in a 37.4 percent increase in operating profit over 1978. Huttig Sash & Door Company's operating profit in 1979 decreased 4.3 percent reflecting higher direct and

bulk shipments which carry lower trading margins. Crane Canada, with continuing improved margins in the distribution business, had an operating profit increase in 1979 over 1978 of 37.1 percent. International operating profit increased 39.3 percent over 1978 due to higher profits in the United Kingdom operations and not incurring in 1979 the losses on operations terminated during 1978.

Consolidated operating profit for 1978 remained about the same as 1977. Crane Domestic showed an increase of 12.4 percent over 1977, primarily due to higher aerospace and distribution profits and the addition of the vending machine product line. CF&I Steel Corporation had a 25.8 percent decline in operating profit in 1978, primarily due to higher costs caused by the rail mill startup expense and higher depreciation. Huttig Sash & Door Company's operating profit in 1978 increased 24.5 percent over 1977, reflecting a significant increase in sales. Crane Canada's operating profit increased 21.0 percent over 1977 due primarily to improved margins in the distribution business. International operating profit increased 8.0 percent over 1977, primarily due to higher profits in the United Kingdom operations, partially offset by losses at certain operations eliminated in 1978.

Depreciation

Depreciation expense increased 44.3 percent over 1978. The inclusion of Medusa Corporation from April 1, 1979 caused 72.2 percent of this increase and the completion of the rail mill and other capital expenditures at CF&I Steel Corporation caused the balance.

Depreciation expense increased 15.8 percent in 1978 over 1977, primarily due to the company's continuing capital expenditure program, particularly at CF&I Steel Corporation's Pueblo plant.

Other Income (Deductions)

Interest expense in 1979 increased 45.1 percent from 1978, due to debentures issued for Medusa Corporation, the consolidation of Medusa's interest, the inclusion of a full year's interest on a \$30,000,000 term loan and an increase in the prime lending rate. Interest expense in 1978 increased 26.4 percent from 1977, largely due to an increase in the prime lending rate and the inclusion of a full year's interest on a \$35,000,000 term loan.

Miscellaneous—Net in 1979 was a net expense of \$2,013,000 compared to income of \$2,203,000 in 1978. See page 12, "Miscellaneous—Net," for details.

Income Taxes

Income taxes in 1979 were at an effective rate of 18.4 percent compared with 29.9 percent for 1978. The lower rate in 1979 was primarily because of the application of larger investment tax credits relating to capital expenditures, higher depletion and non-taxable income. The effective tax rate for 1978 was higher than 1977 due to more income being subject to maximum tax rates and less investment tax credits realized.

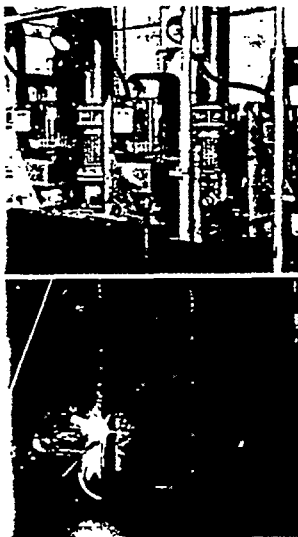
Analysis by Segment (In Thousands)

	1979 Amount	%	1978 Amount	%	1977 Amount	%	1976 Amount	%	1975 Amount	%
Net Sales:										
Crane Domestic	\$ 348,154	22	\$ 355,328	29	\$ 322,187	29	\$ 325,897	30	\$ 355,341	32
CF&I Steel Corporation	557,231	35	475,143	39	441,869	39	413,054	38	427,900	38
Medusa Corporation	251,750	16	—	—	—	—	—	—	—	—
Huttig Sash & Door	190,222	12	181,905	15	151,628	13	116,328	11	80,495	7
Crane Canada Limited	139,736	9	125,387	10	135,383	12	151,030	14	157,386	14
International Operations	86,106	6	89,686	7	82,755	7	81,297	7	98,372	9
Total Net Sales	<u>\$1,573,199</u>	<u>100</u>	<u>\$1,227,449</u>	<u>100</u>	<u>\$1,133,822</u>	<u>100</u>	<u>\$1,087,606</u>	<u>100</u>	<u>\$1,119,494</u>	<u>100</u>
Operating Profit:										
Crane Domestic	\$ 27,857	25	\$ 24,585	32	\$ 21,869*	29	\$ 31,648	36	\$ 38,081	28
CF&I Steel Corporation	25,315	23	18,431	24	24,855*	34	29,611	33	67,788	50
Medusa Corporation	20,779	19	—	—	—	—	—	—	—	—
Huttig Sash & Door	18,035	16	18,838	25	15,133	20	10,861	12	5,110	4
Crane Canada Limited	9,186	8	6,701	9	5,540	8	8,448	9	15,995	12
International Operations	10,182	9	7,310	10	6,766	9	8,520	10	7,841	6
	<u>111,354</u>	<u>100</u>	<u>75,865</u>	<u>100</u>	<u>74,163</u>	<u>100</u>	<u>89,088</u>	<u>100</u>	<u>134,815</u>	<u>100</u>
Corporate	(9,345)		(8,202)		(7,044)		(8,493)		(9,077)	
Total Operating Profit	<u>\$ 102,009</u>		<u>\$ 67,663</u>		<u>\$ 67,119*</u>		<u>\$ 80,595</u>		<u>\$ 125,738</u>	
Assets:										
Crane Domestic	\$ 129,411	14	\$ 142,347	20	\$ 139,551	20	\$ 116,731	18	\$ 124,369	21
CF&I Steel Corporation	400,217	43	402,900	58	391,442	56	353,309	56	308,814	52
Medusa Corporation	237,442	25	—	—	—	—	—	—	—	—
Huttig Sash & Door	60,486	7	57,220	8	50,960	7	36,135	6	29,360	5
Crane Canada Limited	58,985	6	51,429	7	53,084	8	61,033	10	62,859	10
International Operations	45,074	5	45,805	7	60,651	9	60,345	10	69,680	12
	<u>931,615</u>	<u>100</u>	<u>699,701</u>	<u>100</u>	<u>695,688</u>	<u>100</u>	<u>627,553</u>	<u>100</u>	<u>595,082</u>	<u>100</u>
Corporate	110,639		181,624		179,521		133,008		127,119	
Total Assets	<u>\$1,042,254</u>		<u>\$ 881,325</u>		<u>\$ 875,209</u>		<u>\$ 760,561</u>		<u>\$ 722,201</u>	
Capital Expenditures:										
Crane Domestic	\$ 4,214		\$ 3,770				\$ 7,653		\$ 8,037	
CF&I Steel Corporation	34,999		45,131				44,235		37,942	
Medusa Corporation	36,262		—				16,370		—	
Huttig Sash & Door	2,998		2,334				1,297		1,181	
Crane Canada Limited	2,188		1,514				1,655		1,696	
International Operations	4,654		4,654				2,659		2,333	
Total Capital Expenditures	<u>\$85,315</u>		<u>\$57,403</u>				<u>\$73,869</u>		<u>\$51,139</u>	
Depreciation:										
Crane Domestic							\$ 7,653		\$ 8,037	
CF&I Steel Corporation							44,235		37,942	
Medusa Corporation							16,370		—	
Huttig Sash & Door							1,297		1,181	
Crane Canada Limited							1,655		1,696	
International Operations							2,659		2,333	
Total Depreciation							<u>\$73,869</u>		<u>\$51,139</u>	

* Changed from straight-line to accelerated depreciation, which increased depreciation by \$862,000 and \$4,676,000, respectively, a total of \$5,538,000 in 1977.

Crane Domestic

Crane Domestic, through six operations—Valves & Fittings, Engineered Products, Plumbing, Crane Supply, Hydro-Aire and Cavalier—manufactures and markets a variety of industrial products.



(Top) Deming vertical process pumps furnish water for a curtain wall in the paint-spraying operation at a metalworking plant.

(Bottom) A leakproof Dynapump circulates the solution used in a solar-powered residential air conditioning system.

Fluid and Pollution Control Products

Operating results for the Valves & Fittings and Engineered Products Divisions were disappointing in 1979.

Demand for valves in major markets—power, chemical, petrochemical and pulp and paper industries—showed little increase and is expected to remain constant in 1980.

During the year, the Valves & Fittings Division experienced a ten-week strike at one plant and operating problems at two other facilities. Action has been taken to correct this situation and a more aggressive marketing policy has been adopted.

In addition to being one of the three largest American suppliers of gate, globe and check valves, Crane has increased its manufacturing capability for ball and butterfly valves. These quarter-turn products have been well-received in industrial markets because of advantages in weight, cost and ease of installation.

Demand for the Engineered Products Division's Deming industrial, water system and agricultural pumps continued at high levels and is expected to be steady in 1980. Production problems, which affected 1979 results, should be corrected by the end of this year. Deming's domestic water systems manufacturing operations have been expanded and located at a new facility in Winter Haven, Florida.

In 1979 sales of Chempump leakproof canned motor pumps to the chemical process industries increased. This improved business helped offset a slowdown in demand for nuclear applications.

Shipments of Cochrane water and wastewater treatment equipment also rose in 1979 and the product line was expanded with the acquisition of several new fluid monitoring products. Principal markets include the chemical process, pulp and paper and metal finishing industries and municipalities. Continued growth is expected as metal finishers must meet new federal effluent guidelines.

Building Products

The Plumbing Division's sales increased despite a 14 percent decline in housing starts. Through the Classic Home Products Division, Crane has entered the growing remodeling and replacement markets. While housing starts are expected to continue dropping through mid-1980, the company's retail presence should help offset reduced demand from residential building markets.

Wholesaling Operations

In August, the company sold twenty-six Crane Supply wholesale branches. The remaining twelve outlets have been strengthened and will continue to serve industrial and construction markets with Crane valves, fittings, pumps and plumbing products as well as related products from other manufacturers.

Specialty Products

Hydro-Aire sales and earnings achieved records in 1979. Hydro-Aire brake control systems, fuel and hydraulic pumps and other accessories, designed to improve aircraft safety and dependability, are found on virtually all commercial transport aircraft and the majority of military and general aviation craft. Expansion in airline travel in 1979 and unparalleled growth in new equipment orders for business aircraft and commercial transports pushed production to an all-time high.

In 1979, Hydro-Aire's new all-digital Mark IV automatic braking control system was chosen for Boeing's 757 and 767 airplanes.

Hydro-Aire products designed for jet and turboprop aircraft include power brake/anti-skid packages and inverter motor fuel boost pumps. Certification testing is underway with Cessna's Citation III and Gates' Learjet 55 with advanced anti-skid controls and with Canadair's CL-600 with new cartridge inverter motor fuel boost pumps.

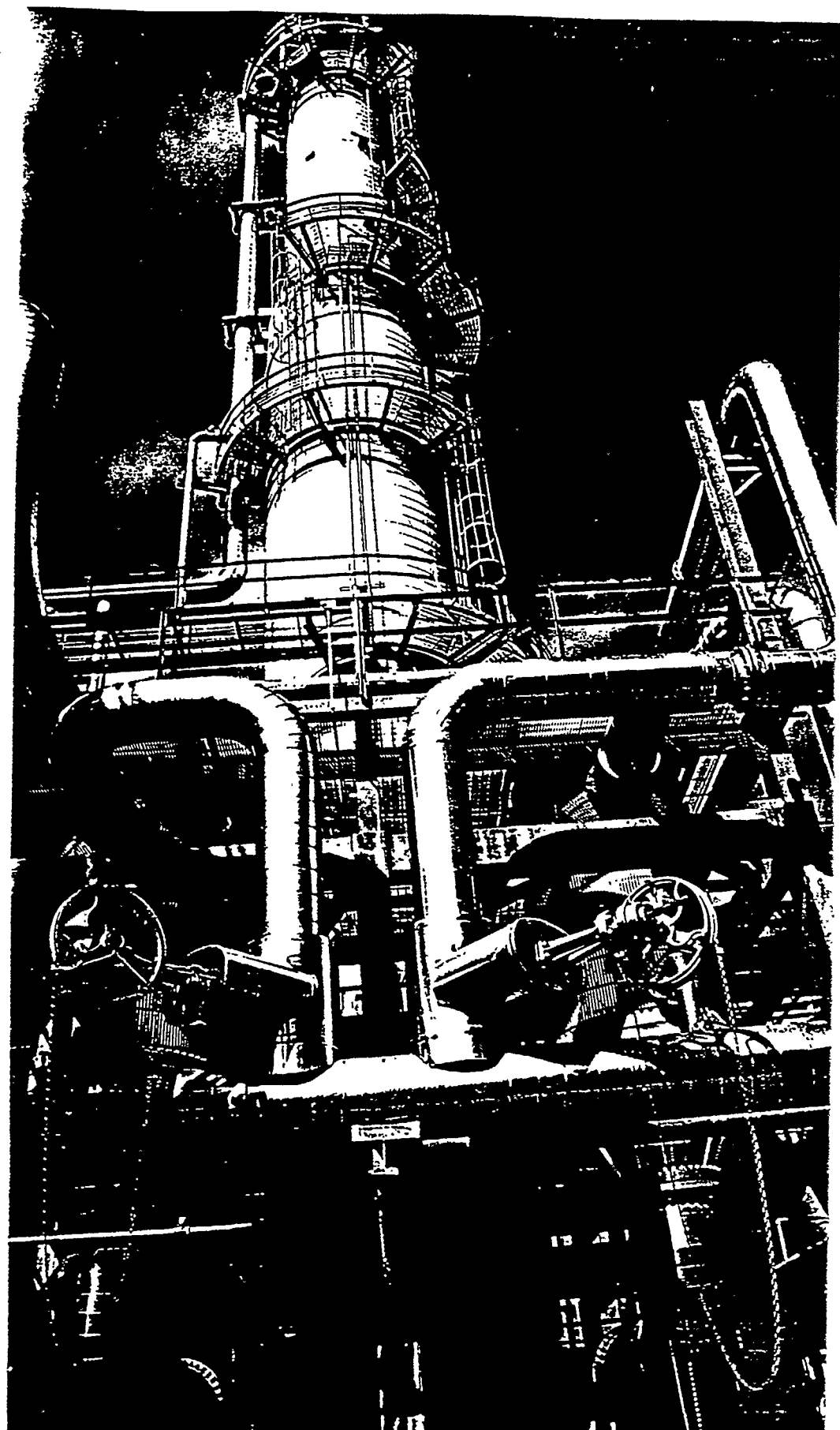
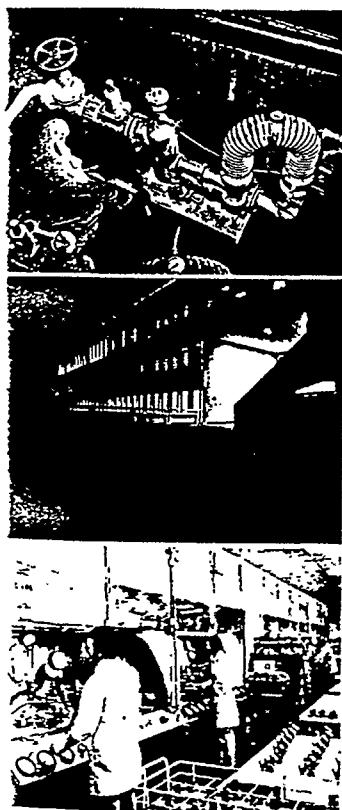
Sales of Cavalier Corporation's refrigerated, coin-operated soft-drink vending machines were lower than a year ago. The company's machines, sold to soft drink bottlers in the United States and Canada, are used in supermarkets, service stations and other high traffic locations. Cavalier will introduce a redesigned machine in 1980, which should make the company more competitive.

(Top) Cochrane CBA units aid in heat recovery and keep plywood driers operating at peak efficiency in a West Coast plant.

(Center) Crane plumbing fixtures were selected for the Alabama Blue Cross/Blue Shield building in Birmingham.

(Bottom) Brake control valves being tested in Hydro-Aire's new hydraulic manufacturing and testing facility.

(Right) Crane valves are used throughout this major petrochemical plant on the Gulf Coast.



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 most of its own coking coal, iron ore, limestone and dolomite. Water necessary for mining and manufacturing is obtained from extensive and valuable company-owned or controlled water rights.



Molten steel from an electric furnace being poured into the continuous caster at CF&I.

Operations

CF&I's operating results were strong in 1979. Rail and accessory shipments exceeded those of the previous year even though production was affected by the rail mill expansion program. The three-year, \$85 million project to expand and modernize the rail mill was completed in early summer.

Sales of long length rail—more than twice standard length—increased as several railroads began modifying welding plants to handle this product.

During the year CF&I made initial commercial shipments of CROMORAIL, a high-strength alloy rail.

Demand for rail products is expected to remain strong as the Western railroads upgrade trackage to meet energy development needs.

Sales of CF&I's oil country casing and tubing remained at capacity in 1979. While drilling declined nationally, the number of rigs in the Rocky Mountain area increased to an all-time high and activity in the southwest rebounded late in the year. The long-term outlook for this market appears excellent.

Rolled product shipments approached record levels as construction, metalworking and agricultural equipment industries provided strong

demand. CF&I has improved its marketing flexibility by installing a new conditioning and billet inspection facility for volume production of special bar quality hot rolled carbon and alloy bars. This new equipment will increase capacity and reduce production costs.

Sales of wire products, such as baler and barbed wire, to agribusiness markets increased during 1979. Despite a softening economy, the outlook for these products remains reasonably strong.

Demand for mining products, used principally in iron ore, copper, uranium and molybdenum production, should remain stable.

Facilities

In 1979, CF&I invested \$35 million in capital spending programs to improve production facilities and achieve greater self-sufficiency in energy and raw materials. This followed capital expenditures of \$120 million for major expansion projects during 1977 and 1978.

CF&I's new rail mill is now fully operational, with most major startup problems resolved. The Pueblo plant now has rail producing capacity of 550,000 tons per year.

A program to upgrade oil country products was begun during 1979 with the installation of a new carbide casing threader. New tubular product heat treat equipment is being designed and will be installed during late 1980 and early 1981.

CF&I began engineering work in 1979 for a new under-

ground mine for low-sulfur metallic coal at Bokoshe in eastern Oklahoma. Bokoshe development expenditures are expected to total \$13.5 million through 1983.

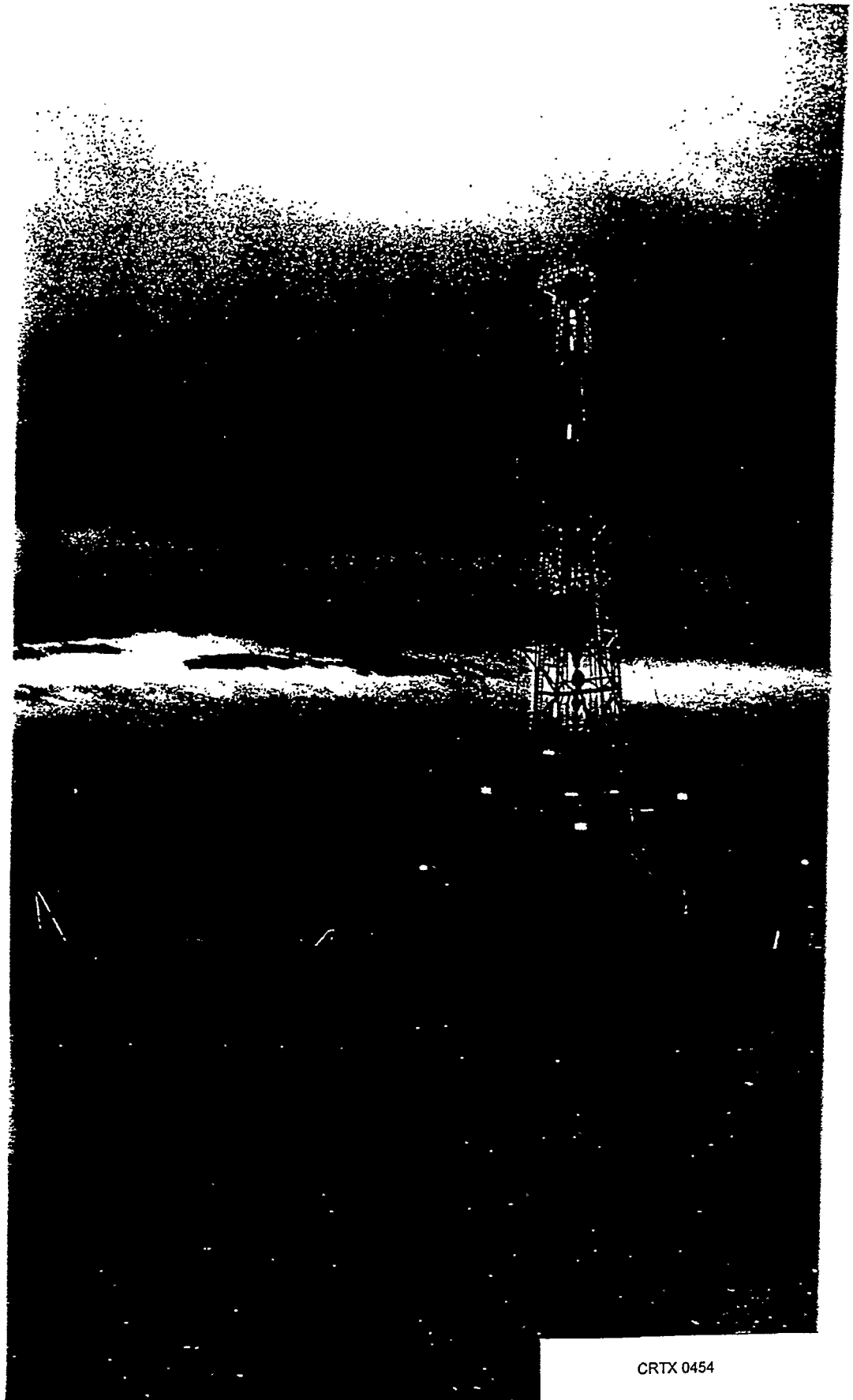
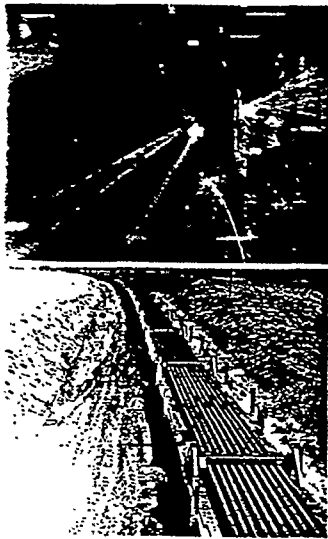
In 1979, CF&I completed its program of major capital projects to comply with EPA and Colorado air and water standards. This ten-year program represents an investment of approximately \$77 million for air and water pollution control. It has added more than \$10 million per year to the company's operating and maintenance costs without providing any earnings increase. Today, the Pueblo facility is among the cleanest, if not the cleanest, integrated steel mill in North America.

The Colorado & Wyoming Railway Company, CF&I's common carrier subsidiary, completed major track improvements during the year for all three of its divisions and installed an electronic scale at its Pueblo division. This railway transports raw materials from CF&I's Colorado and Wyoming mines and serves other customers in the region.

CF&I Energy Resources Company, established to develop CF&I's natural resources, signed an option for a long-term contract with a prominent mining company, which will develop and market 6,000 acres of bituminous coal reserves in Fremont County, Colorado.

CF&I long length rails are welded into quarter-mile sections (top), then transported to the site (bottom) on special cars.

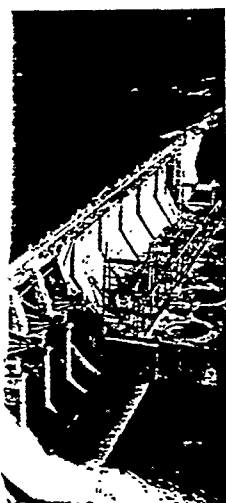
(Right) The superior wall strength of CF&I seamless tubing makes it ideally suited to offshore drilling or deep holes like this one in Wyoming.



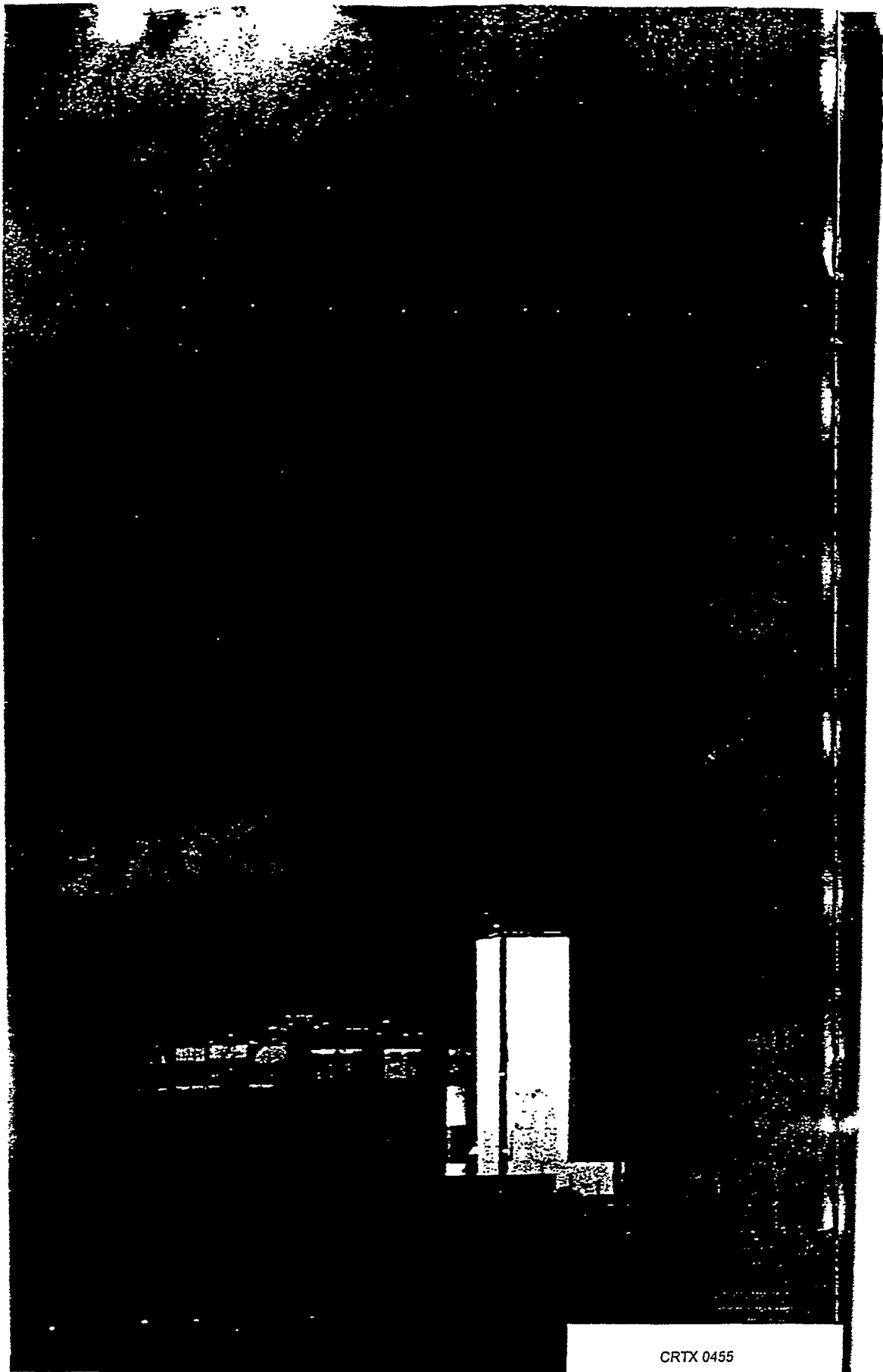
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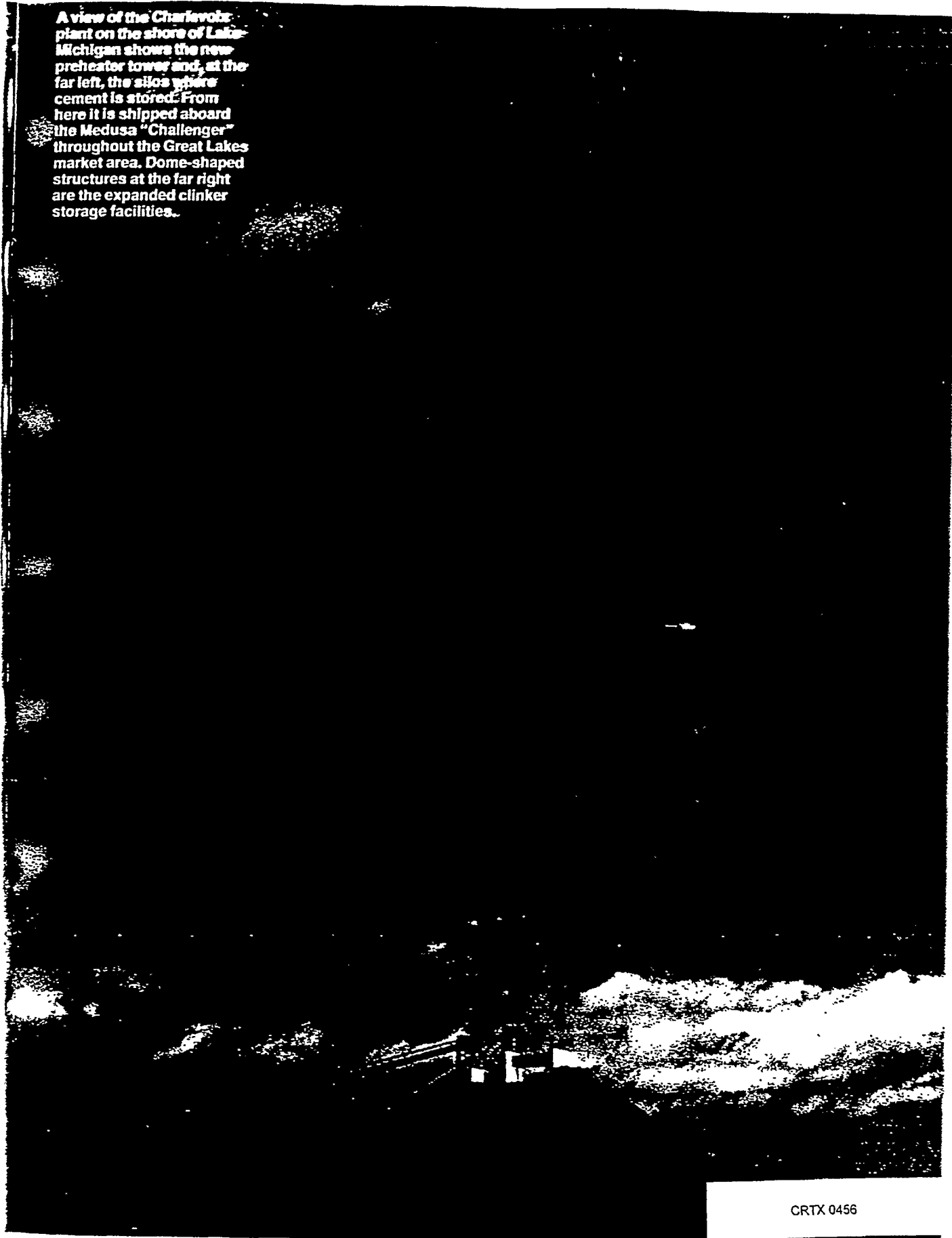
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sa was acquired by
early in 1979.



usa furnished all the
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in central Georgia.



A view of the Charlevoix plant on the shore of Lake Michigan shows the new preheater tower and, at the far left, the silos where cement is stored. From here it is shipped aboard the Medusa "Challenger" throughout the Great Lakes market area. Dome-shaped structures at the far right are the expanded clinker storage facilities.



CRTX 0456

During the year, Medusa made several changes to realign operations. Technical functions at the cement plants, sales and marketing efforts, and the aggregates company operating structure have been reorganized. Corporate offices, as well as cement and aggregate headquarters, are now located in Cleveland Heights.

Cement

Markets for Medusa cement were moderately strong in 1979 although a slowdown in sales in all markets began late in the third quarter.

Softening in residential sales is anticipated through mid-1980 as housing starts turn down during the first half

and recover slowly during the second half and into 1981.

Nonresidential building, including commercial and industrial construction projects, represents a substantial portion of Medusa's market and is expected to be down in 1980. In the first half of the year, the company is scheduled to supply several large nonbuilding projects, which will offset to some extent the slowdown in sales to the residential and nonresidential sectors. Medusa's market share in 1980 is expected to be about the same as in 1979.

Medusa in 1979 invested \$44 million in capital spending projects. A two-year, \$56 million program to modernize and expand the Charlevoix, Michigan plant is on schedule. The new facility began to produce cement in December 1979 and, with the addition of a new grinding mill, will be completed in the summer of 1980. This project will increase plant capacity approximately 80 percent and reduce fuel cost per ton about 33 percent.

Because of the added low cost capacity at Charlevoix, it is possible to reach the market area formerly served by the Toledo, Ohio plant. This high-cost, obsolete facility was shut down at year-end.

Medusa also closed the Manitowoc, Wisconsin plant at year-end, but will continue to serve this plant's market area from other locations.

The company continued to improve and replace outmoded equipment at other facilities. During the year, a new crusher and an overland conveyor were installed at the Clinchfield, Georgia plant at a cost of over \$2.5 million and air pollution control devices were installed at York, Pennsylvania. At Wampum, Pennsylvania over \$3 million was spent for a new electrostatic precipitator and for

bulk storage of bag construction

Aggregates

Demand for Medusa Aggregates Company products was generally strong early in 1979, but declined in some local markets during the third and fourth quarters. Unfavorable weather during the construction season was an important factor in curtailing sales. Major products include crushed stone, sand and gravel for construction purposes. Agricultural and industrial limestone products are also sold in the eastern and midwestern United States.

During the year, Medusa closed or sold several marginal aggregates operations.

Due to high transportation costs, the aggregates and asphalt business is largely determined by local economic conditions. In 1980, volume is expected to decline somewhat as many areas face uncertainties in local construction projects and reduced road surfacing programs.

Mobile and plant equipment replacement represents the largest portion of the aggregates company's capital expenditures. Emphasis has been placed on cost reduction and production efficiency projects and on equipment to meet noise, water and dust pollution standards.

Construction Services

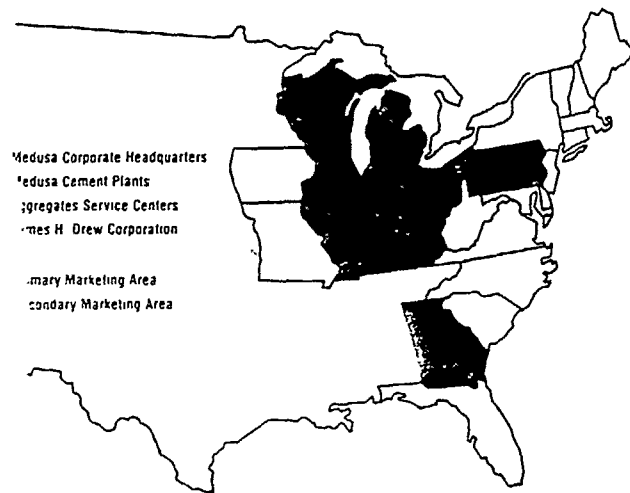
James H. Drew Corporation, a subsidiary operating in Indiana and Missouri, installs guard rails, median barriers, fences, signs, traffic signals and lights for highways. 1979 was the second best year in the company's history.

Although funds for government-financed highway construction are down and eroded by inflation, more of the available money is being spent on safety systems.

his large quarry in Columbus supplies crushed stone to the construction industry in central Ohio.



Medusa Operations and Market Areas



Huttig Sash & Door Company

Huttig manufactures and distributes millwork and allied building products, primarily to residential construction markets. Its wholesale branches are concentrated in the southeast, southwest and midwest United States.

In 1979, energy-saving window and door products accounted for a larger percentage of total sales than in previous years.

Huttig was able to take advantage of the booming housing market in Florida with four strategically located distribution warehouses. Other Huttig operations in the southeast sunbelt states performed well during 1979. Results from midwest facilities, affected by the substantial decline in housing starts in that area, were not as strong as they had been in 1978.

High interest rates and lack of available residential mort-

gage money were the major causes of the decline in housing in the midwest. While the sunbelt states were affected by the same conditions, population growth in these areas offset a portion of this decline.

For 1980, housing starts are expected to decline even further during the first half, with a gradual improvement beginning in the late second quarter and continuing through the balance of the year.

During 1979, Huttig opened a new distribution warehouse at Scottsbluff, Nebraska to serve parts of Nebraska, Wyoming, Colorado and South Dakota. This operation should produce sales and

profits in 1980 to partially offset an anticipated decline at other locations. The company also built a new facility at Cedar Rapids, Iowa to replace a smaller leased operation and moved the Knoxville branch to a larger, more modern building.

The long-term forecast for residential construction is encouraging, but as in the past, the availability and cost of home mortgage funds will play a large part in the actual number of units constructed. Huttig plans to continue expanding existing facilities and opening new ones to improve sales and services.

Modern shop area in new Lexington, Kentucky facility increased productivity.



Crane Canada Limited

Crane Canada Limited manufactures and distributes valves, industrial pumps, and plumbing products for the construction industry, and water and waste treatment equipment for basic industrial applications.

Crane Canada achieved both strong sales and profit improvement in 1979.

Fluid and Pollution Control

Demand for Valve and Industrial Division products strengthened during the year and continued growth is expected in 1980. Crane Canada forecasts increased sales to the pulp and paper and metals mining industries as well as to municipalities. Demand for valves in the electric power and petroleum and gas production markets is also expected to remain at high levels.

Building Products

New residential construction, the major market for Crane's plumbing products, declined in 1979. Sales to commercial and institutional construction markets, however, were at higher levels than a year ago. Some decline in housing de-

mand for plumbing is expected in 1980, while other construction demand is expected to remain stable.

Wholesaling Operations

Markets for industrial products distributed by the Crane Supply Division were strong in 1979, particularly in the energy-related growth area of western Canada. The Division achieved substantially higher sales to the chemical process, mining and exploration industries, and to steel mills and pulp and paper companies. Sales of plumbing products were steady. During the year, Crane Supply completed a new building in Regina, Saskatchewan to replace an older facility and to meet growing demand in this prairie region. Sales of valves, welding fittings and flanges and steel pipe are expected to continue strong in 1980.

Crane International

Through operations in the United Kingdom, Australia and Mexico, Crane supplies valves, fittings and pumps to international chemical, petroleum, power and other industrial markets.

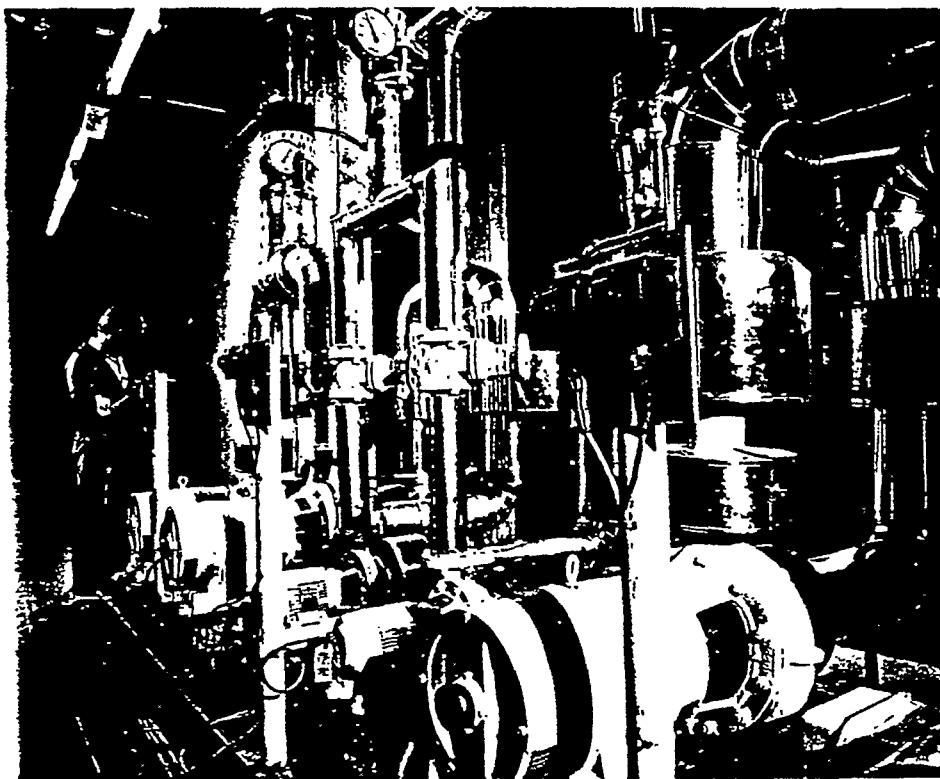
During 1979, economic growth in the United Kingdom was slow as the country experienced accelerating inflation and high interest rates. Crane Ltd.'s international markets also showed little expansion because of the strong British currency.

Bookings for most products in industrial and petrochemical markets in the United Kingdom, however, improved over last year. Sales of fittings and bronze valves, in particular, increased with greater market penetration. Despite rising inflation levels, Crane Ltd. was able to maintain margins for most products. Domestic demand is expected to remain reasonably strong in 1980; however, as is usual in the United Kingdom, results could be influenced by the labor situation.

Crane Australia Pty. Limited continued to perform well and the outlook is encouraging. Demand for Crane valves should remain strong, as many large oil and gas refinery and aluminum projects, deferred in 1979, are scheduled for 1980.

Crane-Deming de Mexico, S.A., which manufactures pumps for industrial and agricultural markets, showed continuing improvement in 1979. Plans are being formulated to expand this operation in order to participate in the growing Mexican economy.

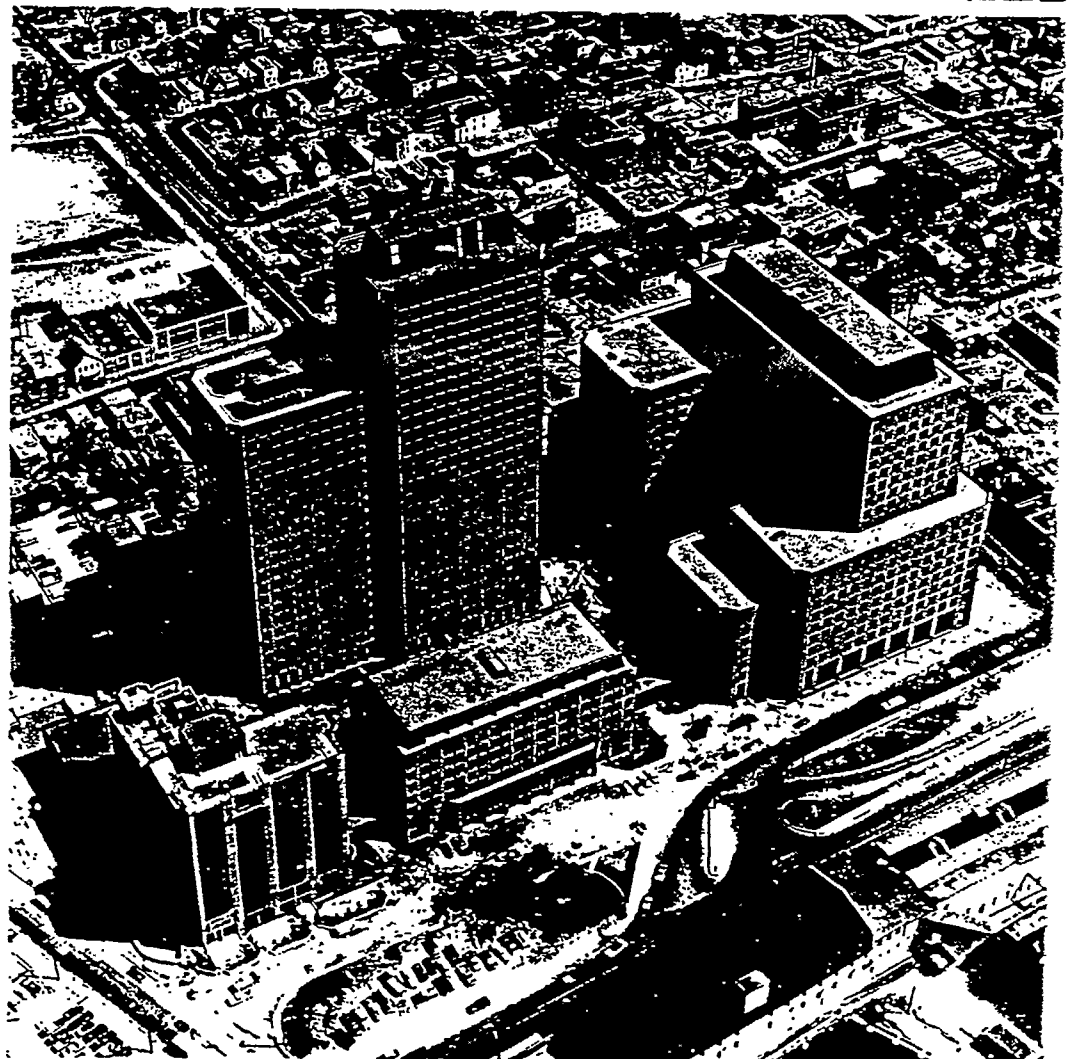
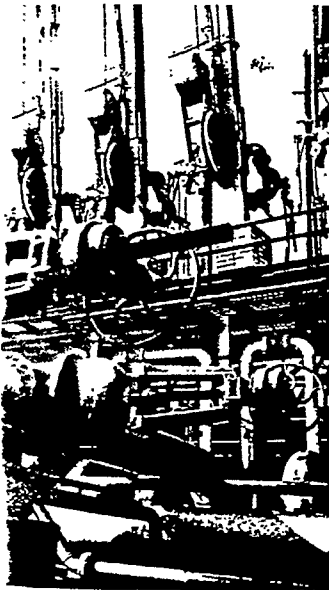
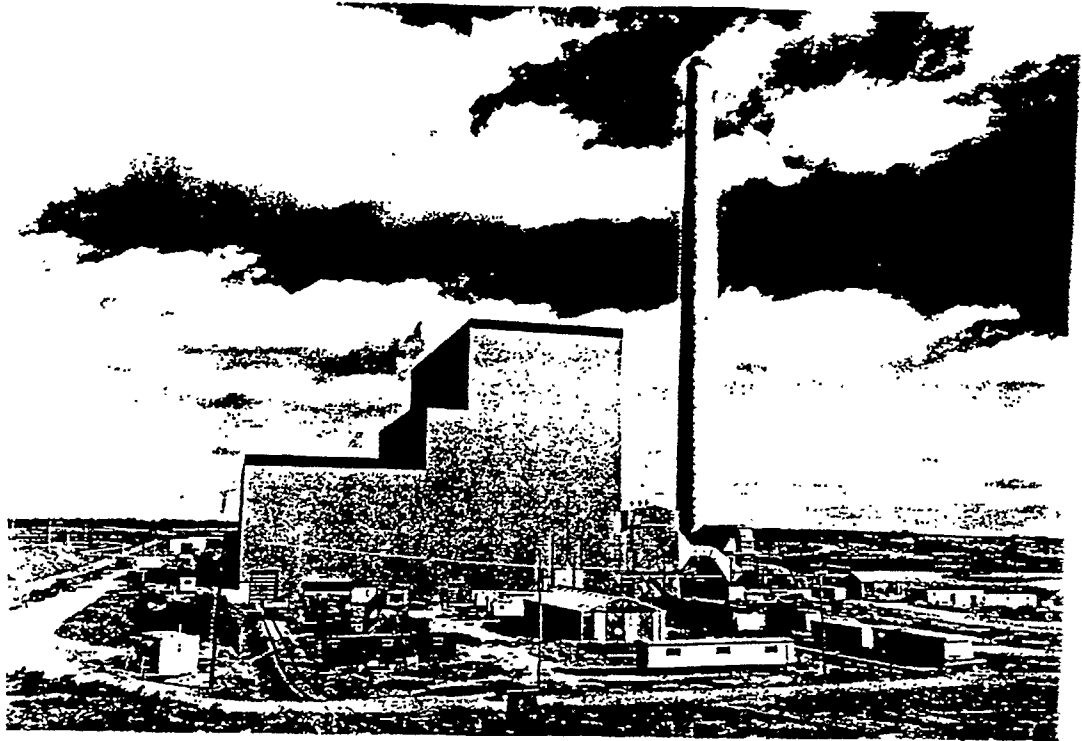
A large office headquarters building in England installed Crane valves and pumps in its heating system.



(Top right) Crane Canada supplied bronze, iron and steel valves for this thermal generating station in Nova Scotia.

(Bottom right) The new Les Terrasses de la Chaudière complex in Hull, Quebec, is equipped with Crane plumbing fixtures, pumps and valves.

(Below) Crane cast iron gate valves, equipped with Con-vento Gear operators, provide fire and foam service at an Australian refinery's loading dock.



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Stock Listings

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

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 10004

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.

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