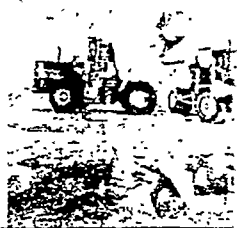


PLAINTIFF'S
EXHIBIT
CRA-37



CRTX 0561

Annual Meeting

The Crane Co. annual meeting will be held at 10 A.M., Monday, April 30, 1984, 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 1983, 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.

Executive Offices

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

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Financial Highlights

Crane Co. and Subsidiaries

	1983	1982*	1981*
Net Sales	\$ 771,679,000	\$763,563,000	\$887,574,000
Net Income (Loss)			
Continuing Operations	\$ 26,377,000	\$ 19,290,000	\$ 16,020,000
Discontinued Operations	(135,437,000)	(22,633,000)	37,791,000
Total	<u>\$(109,060,000)</u>	<u>\$ (3,343,000)</u>	<u>\$ 53,811,000</u>
Per Common Share**			
Continuing Operations	\$ 2.59	\$ 1.89	\$1.51
Discontinued Operations	(13.29)	(2.22)	3.56
Total	<u>\$(10.70)</u>	<u>\$ (3.33)</u>	<u>\$5.07</u>
Common Shareholders' Equity	\$ 253,217,000	\$380,995,000	\$415,747,000
Per Common Share	\$24.80	\$37.43	\$39.74
Cash Dividends Declared			
Per Common Share	\$ 1.60	\$ 1.57	\$ 1.63
Common Shares Outstanding	10,212,159	9,978,052	10,056,539

*Restated to reflect segment held for disposal.

**Assuming conversion of subordinated debentures, net income (loss) per common share would amount to \$(10.70) \$(3.33) in 1982 \$4.91 in 1981.

*Per share amounts adjusted for 2% stock dividends.

1984 marked Thomas Mellon Evans' 25th anniversary as chairman and chief executive officer of Crane Co. It also marked his retirement from the company's affairs when he resigned as chairman and a director on February 27th.

Thomas Mellon Evans brought to Crane a new management philosophy, one which basically altered the direction of the company. Instead of distribution, which represented the major portion of its business in 1959, the company was redirected to participation in the industrial field, an area that held far greater growth and profit potential. In many ways, this paralleled Richard Teller Crane's decision, a few years after founding the company, to tie its future to the development of steam power.

Twenty five years of asset-based investment attest to the wisdom of this philosophy. Thus it is appropriate that, on this occasion, tribute should be paid to Thomas Mellon Evans for his leadership and many contributions to Crane Co. and its shareholders.

To Our Shareholders:

Crane Co. results continued to reflect the recession throughout much of 1983. Following historical patterns, capital goods markets served by the company were slow to recover, lagging behind the rest of the economy. Steelmaking operations were especially depressed and, as a result, the company decided to deconsolidate and hold this segment for disposal effective December 31, 1983. All financial data and discussion excludes CF&I Steel Corporation.

Net sales of continuing operations were \$771,679,000, up slightly from \$763,563,000 in 1982. Net income was \$26,377,000, or \$2.59 per share, compared with \$19,290,000, or \$1.89 per share, the prior year.

Depreciation expense amounted to \$25,488,000 in 1983, compared with \$31,251,000 reported the year before. Net interest expense was approximately \$13,504,000 below 1982 as a result of higher short-term investments and a reduction of \$18,312,000 in long-term debt.

Capital expenditures were \$12,843,000, compared with \$18,708,000 in 1982.

Sales by Crane Domestic were somewhat below the prior year, due largely to the slow recovery in capital goods markets. Earnings improved, however, as the aerospace division posted strong results.

Medusa Corporation's results were affected by continued depressed construction activity. Though this segment did not report a profit, operating losses were considerably less than in 1982. Marginal asphalt and aggregates facilities were disposed of during the year.

The upturn in residential construction plus increased replacement and remodeling business resulted in substantially improved performance by Huttig Sash & Door Company. Sales reached a record high in 1983.

Crane Canada Inc. showed a modest improvement as residential construction in that country rose sharply. Industrial product sales lagged, however, as capital spending remained depressed.

International Operations continued at a low level with intense price competition as depressed demand and unsettled economic conditions affected the world markets Crane serves.

CF&I Steel Corporation, like other major domestic steel producers continued to operate at a loss. Therefore, in December, 1983 the company decided to restructure CF&I's steelmaking facilities and hold it as a business segment held for disposal. The investment in CF&I is now carried at its estimated net realizable value.

This restructuring of steel operations involved permanent shutdown of coke ovens, blast furnaces and basic oxygen furnaces, thus concentrating raw steel production in electric arc furnaces and utilizing continuous casters and finishing mills to manufacture rails, oil country tubular goods and wire products for the agricultural and construction markets. The estimated \$80,106,000 net loss on disposal included gains on the sale of certain coal properties and water rights.

CF&I also sold land and water rights not needed for steelmaking operations to a subsidiary of the company to retire a \$50,000,000 secured note Crane held. These assets will be marketed and net proceeds in excess of the note's value will be paid to CF&I.

Cash dividends of \$1.60 per share were declared in 1983 as well as a two percent stock dividend. The fourth quarter dividend was paid in January, 1984 and in February, the company paid a two percent stock dividend for the sixteenth time.

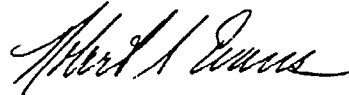
At its January, 1984 meeting, the board elected E. Thayer Bigelow, vice president-finance of Time Inc., a director to fill the vacancy created when William H. Donaldson resigned earlier in the month. At the February meeting, after 25 years of dedicated service, Thomas M. Evans resigned as chairman and a director. Robert S. Evans, executive vice president, was elected chairman and chief executive officer in his place.

On behalf of the board of directors, we wish to thank the company's shareholders, employees, customers and suppliers for their continued support.

Respectfully submitted,



Robert J. Slater
President



Robert S. Evans
Chairman

February 27, 1984

Crane Domestic manufactures and distributes a wide variety of industrial products.

Valves and Fittings

Valve operations continued to emphasize product development, particularly in the quarter-turn lines with the introduction of new ball and butterfly valves. A new CAD/CAM system, installed in the central engineering facility, will help with design and development of new products.

As part of the ongoing efforts to become more cost effective, valve facilities were rationalized, expenses reduced and new production tech-

nologies introduced. Increased shipments of special fittings improved the results for that portion of the Division. Overall these operations did not perform profitably, however.

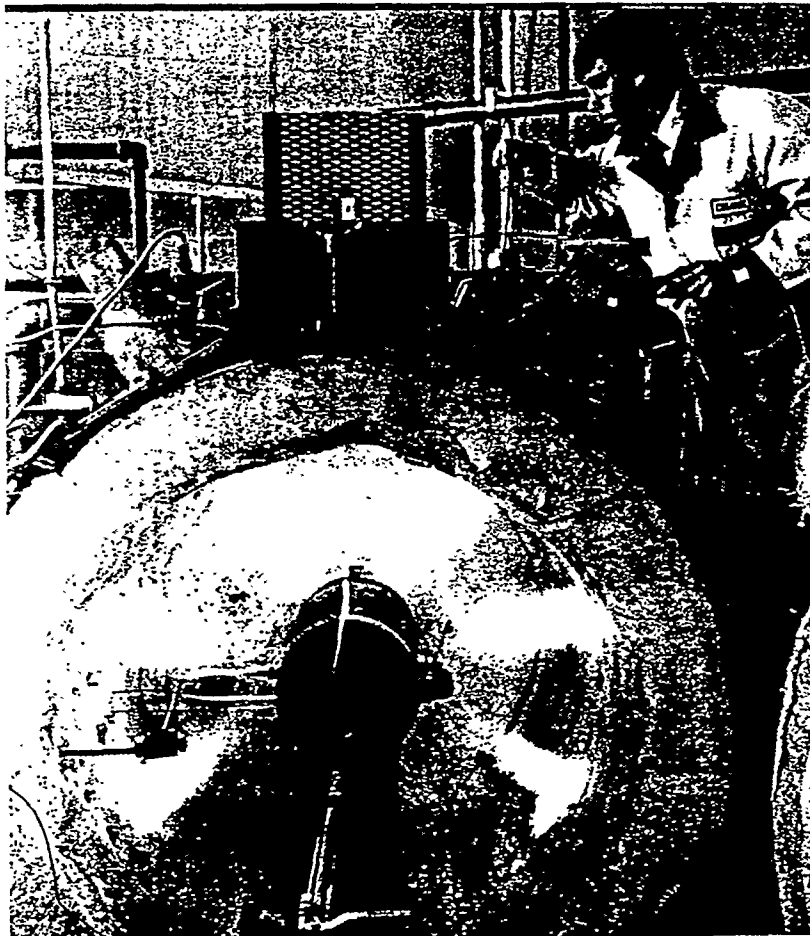
Pumps

Deming experienced a disappointing year. Pump sales were down as the result of depressed industrial activity and minimal capital spending. Continued cost cutting has reduced expenses, and operations were streamlined to improve efficiency. The water systems manufacturing facility in Florida was sold because of the lack of profit potential for this product line.

Chempump sales and earnings were about the same as 1982 despite overcapacity throughout the chemical process industries, the Division's major market, and increasing competition.

4

Engineer adjusts intensity of heat in a unit designed to test the fire-safe feature of Crane ball valves.



Whirlpool tubs were among the Crane fixtures chosen for luxury condominiums at Brandermill, a planned community in Virginia.

Business with the government marine sector remained strong and is expected to be increasingly important over the next several years.

Fluid Treatment

Cochrane sales were substantially lower, due to the continued slump in demand for engineered water treatment systems. However, increased activity in pre-engineered systems and replacement parts enabled the Division to operate profitably though substantially below last year. Installation of a CAD system has improved Cochrane's ability to respond more rapidly to market needs.

Building Products

Plumbing product sales rose as construction activity of all types strength-

ened in 1983 after being held down for two years by high interest rates, but the Division did not operate profitably. The residential line with new whirlpool tubs was expanded, and a luxury family suite of china fixtures and other products was introduced along with several new decorator colors.

Wholesale Operations

Though Crane Supply's sales were somewhat below 1982, the Division operated profitably with results that were substantially better than 1982. Plumbing sales rose with housing starts, but industrial and commercial market segments were weak. This affected the movement of valves, fittings, pumps and related products.

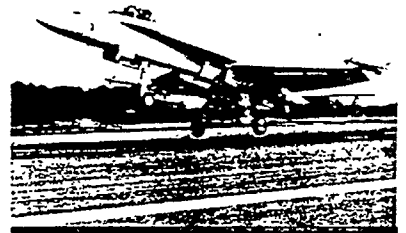
Hydro-Aire

This Division designs and manufactures aircraft brake control systems, fuel pumps and other accessories used throughout the aerospace industry.

Operations improved significantly in 1983, with record sales and earnings being posted. Lower commercial and business aircraft equipment business was more than offset by strong military equipment sales.

1983 saw the first deliveries of braking control equipment for the new commuter aircraft group, including the Beech 1900, de Havilland DHC-8, Embraer EMB-120, Saab-Fairchild 340 and Aerospatiale/Aeritalia ATR-42. Also, the first year's commercial service of Hydro-Aire's Mark IV digital braking control was successfully achieved on Boeing's 767 aircraft.

New Cochrane Computer-Aided Design and Drafting facility has increased internal operating efficiency and speeded response to customer requirements.



Hydro-Aire provides braking controls for the McDonnell Douglas F-18 Hornet multi-mission fighter aircraft and the Rockwell International B-1B long-range multi-role strategic bomber.

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Medusa Corporation

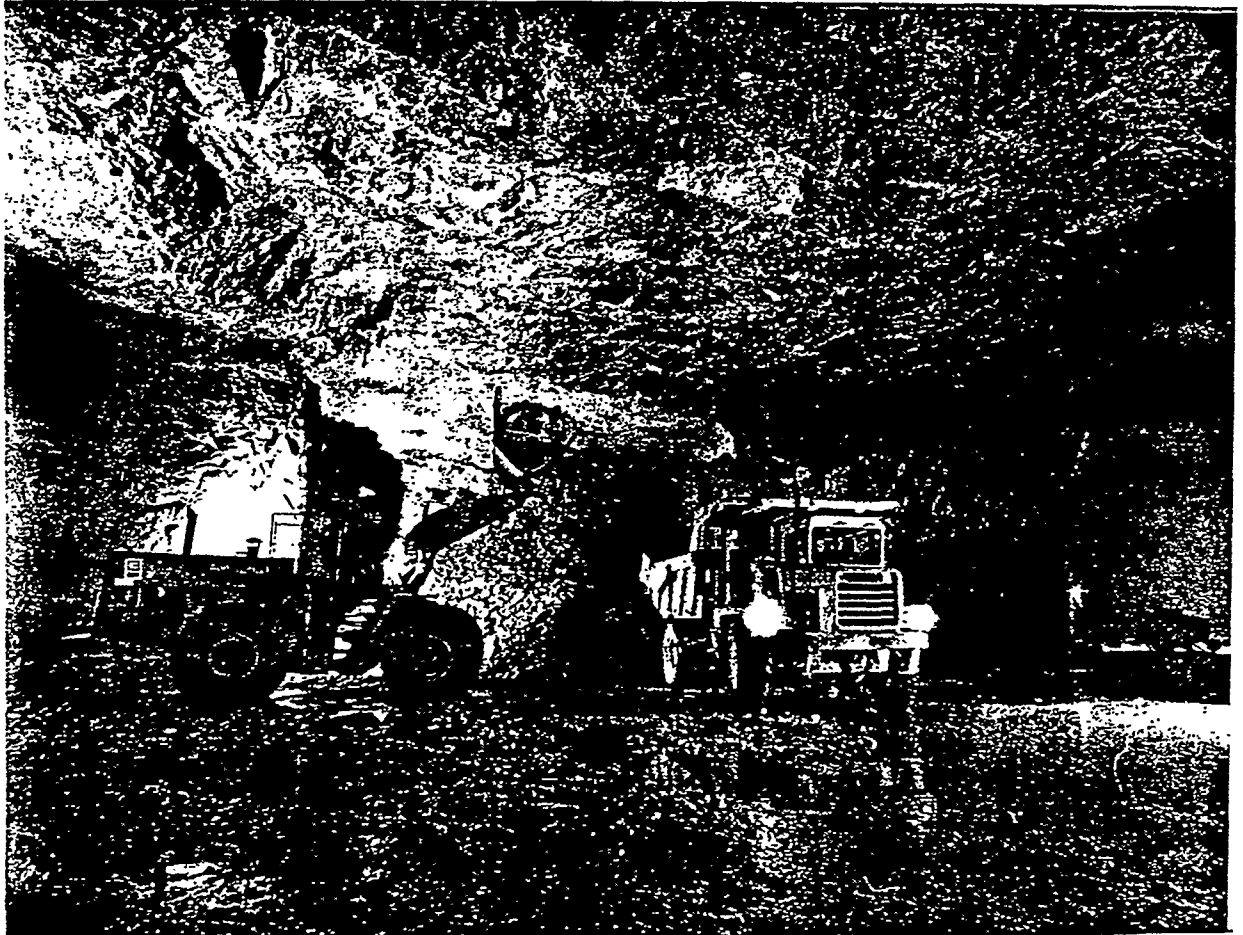
Medusa produces portland and masonry cements, aggregates and asphalt, and provides road paving and highway safety construction services. Its principal market areas are the Great Lakes states, western Pennsylvania, Georgia and northern Florida.

While 1983 cement shipments were slightly ahead of the prior year, demand in Medusa's market areas paralleled the rest of the industry, which lagged behind the overall rise in the economy.

Aggregate, paving and highway safety operations also experienced a slow recovery in their markets, with moderate improvements in the sales of continuing operations.

Several marginal aggregate facilities were sold at a profit as the stringent cost reduction programs instituted earlier were carried on throughout 1983.

6 *Medusa produces industrial and agricultural minerals at an underground limestone mine in eastern Pennsylvania.*



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.

As the country's largest wholesaler of millwork, Huttig had a record year in 1983. The resurgence of new residential construction, along with increased remodeling and replacement activities, resulted in record high sales for the year.

The Huttig Garden Door, introduced at the end of 1982, is finding growing acceptance in the marketplace. In addition to new construction, this unit is being used to replace sliding doors because of its greater energy efficiency.

Early in 1984, a new branch was opened in Dothan, Alabama to serve the southern parts of that state and Georgia as well as the panhandle area of Florida.

Huttig's new Garden Door units, with energy-saving insulating glass, are being used in replacement markets as well as new home construction.



Crane Canada Inc.

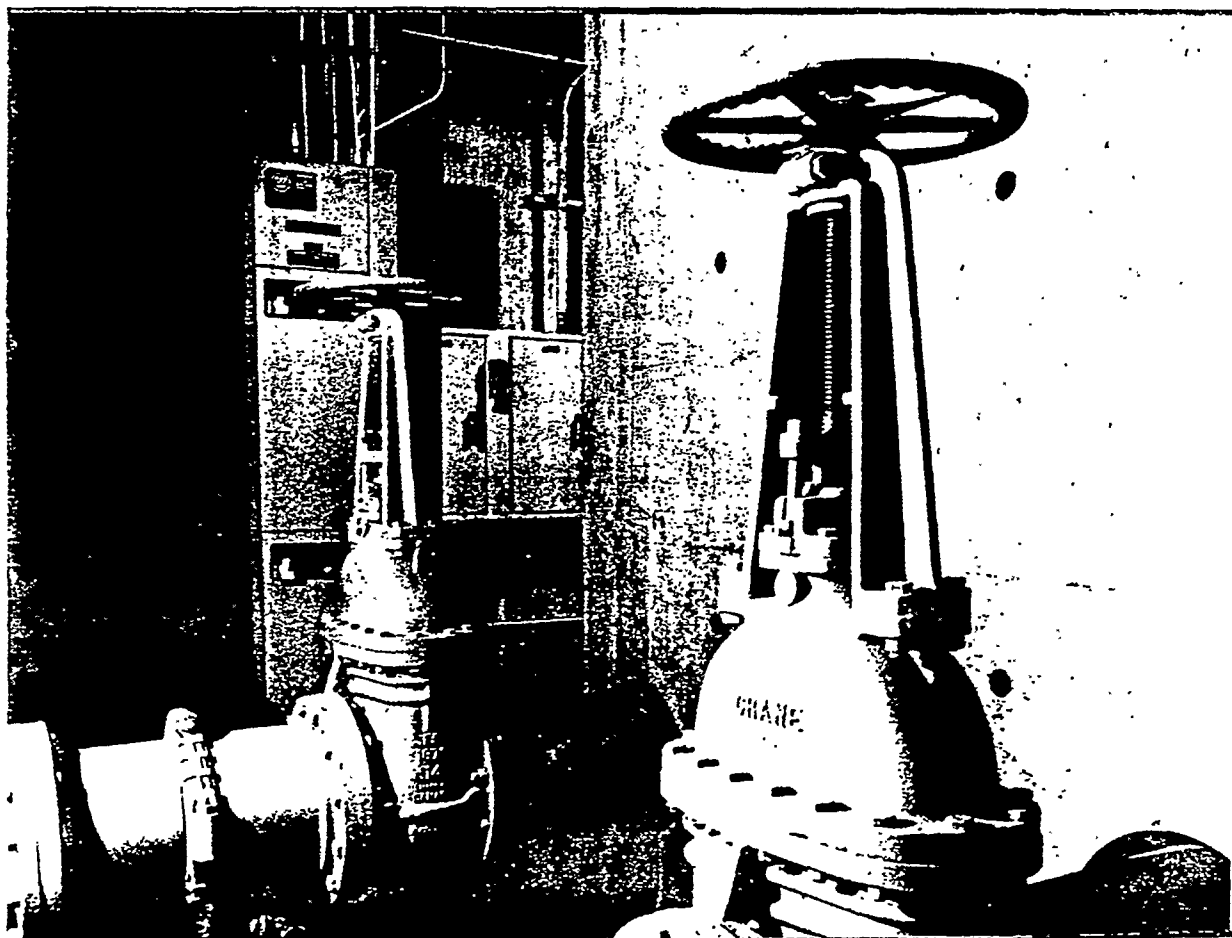
Crane Canada manufactures and distributes plumbing products and valves for construction and basic industrial applications. Crane Supply, a network of wholesale branches, is the company's largest division.

Overall, Canadian operations showed a modest improvement in 1983. This was due almost entirely to higher plumbing sales and earnings as new home construction rose substantially, aided by lower mortgage rates and government grants to buyers.

Results for Crane Supply and valve and industrial product sales were adversely affected by the reduced level of capital spending throughout industry and the municipal sector.

Crane Canada continued to attack expenses and costs in order to reduce breakeven points and compensate for lower volume. New product development for the plumbing and valve areas led to the introduction of items to complement existing lines.

8 *Crane bronze, iron and steel valves are installed throughout Montreal's new sewage treatment complex handling sewage for the entire island.*



International Operations

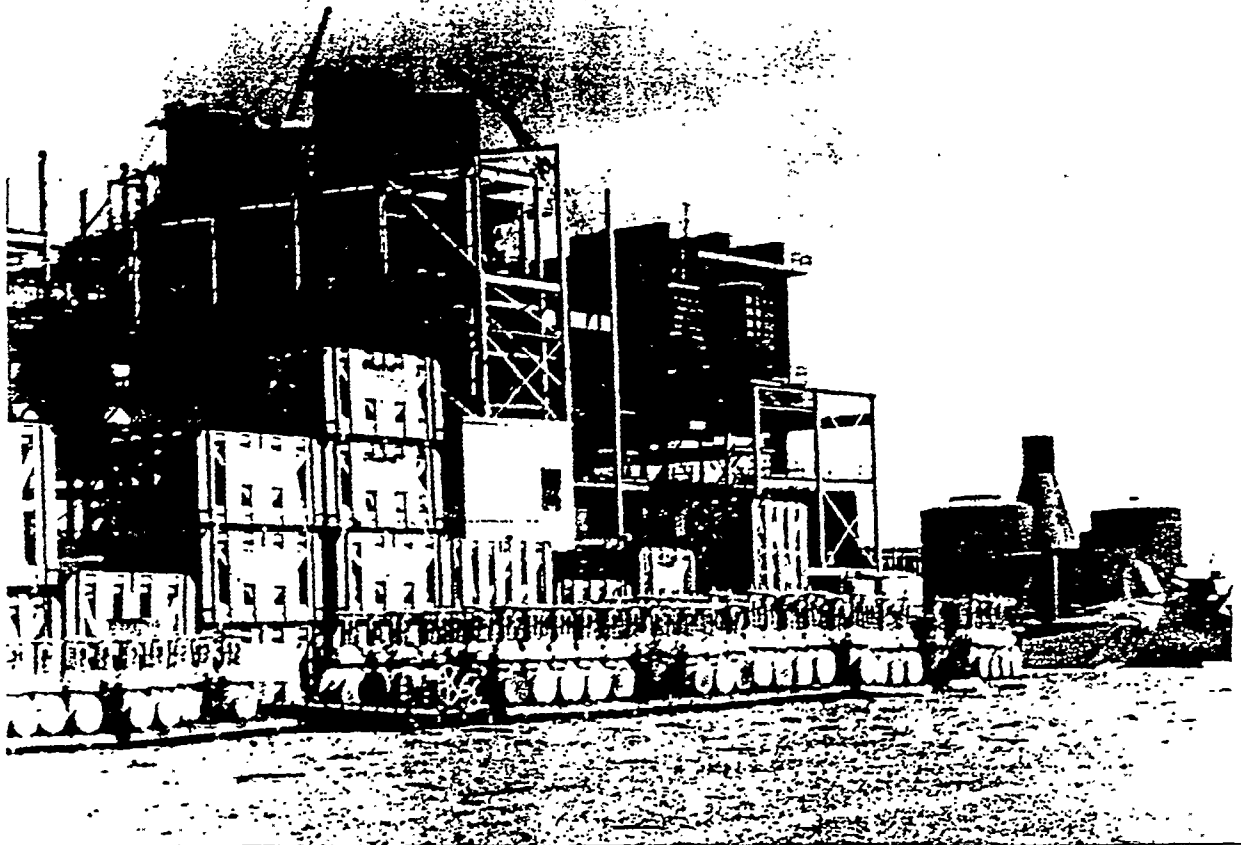
Operations in the United Kingdom, Australia and Mexico supply valves, fittings and pumps to international chemical, petroleum, power and other industrial markets.

The continuing depressed state of the British economy caused results in the United Kingdom to fall below 1982. The valve service and repair business continued to expand. Initiated two years ago, it has yet to reach its full potential. Malleable fittings production showed improved operating efficiency as the new automated foundry went on line during the year.

Sales and earnings were down somewhat from 1982 for Crane Australia Pty. Limited during the year as that country's economy slid into a recession. This will affect 1984 results as well, with recovery of capital spending by business not expected until late in the year or early in 1985.

Crane-Deming de Mexico S.A. continued to feel the effects of devaluation and unsettled business conditions.

Crane steel valves at the job site prior to installation at a large automated alumina refinery in Western Australia.



Consolidated Statements of Income

Crane Co. and Subsidiaries

For Years Ended December 31	1983	1982*	1981*
Continuing Operations:			
Net Sales	\$771,679,465	\$763,563,193	\$887,574,027
Operating Costs and Expenses:			
Cost of sales	627,139,146	624,238,061	711,038,854
Selling, general and administrative	93,457,386	99,003,269	105,600,198
Depreciation	25,487,756	31,250,613	33,916,184
	<u>746,084,288</u>	<u>754,491,943</u>	<u>850,555,236</u>
Operating Profit	25,595,177	9,071,250	37,018,791
Other Income (Deductions):			
Interest expense—net of interest income of \$13,711,610, \$5,366,325 and \$10,281,642 in 1983, 1982 and 1981	(7,879,569)	(21,383,486)	(20,154,530)
Dividend income on investments	720,000	6,463,480	6,113,135
Miscellaneous—net (see page 17)	27,929,298	32,762,922	(2,101,486)
	<u>20,769,729</u>	<u>17,842,916</u>	<u>(16,142,881)</u>
Income Before Taxes—Continuing Operations	46,364,906	26,914,166	20,875,910
Provision for Income Taxes (see page 17)	19,987,946	7,624,471	4,856,148
Income—Continuing Operations	26,376,960	19,289,695	16,019,762
Discontinued Operations—CF&I Steel Corporation: (see page 16)			
Income (Loss) from operations, net of taxes	(55,331,000)	(22,632,265)	37,790,903
Estimated loss on disposal, net of taxes	(80,106,000)	—	—
Income (Loss)—Discontinued Operations	<u>(135,437,000)</u>	<u>(22,632,265)</u>	<u>37,790,903</u>
Net Income (Loss)	<u>\$ (109,060,040)</u>	<u>\$ (3,342,570)</u>	<u>\$ 53,810,665</u>
Net income (loss) per common share:			
Average shares outstanding—			
Continuing Operations	\$ 2.59	\$ 1.89	\$ 1.51
Discontinued Operations	(13.29)	(2.22)	3.56
	<u>\$ (10.70)</u>	<u>\$ (.33)</u>	<u>\$ 5.07</u>
Assuming conversion of debentures—			
Continuing Operations	\$ 2.53	\$ 1.85	\$ 1.47
Discontinued Operations	(13.23)	(2.18)	3.44
	<u>\$ (10.70)</u>	<u>\$ (.33)</u>	<u>\$ 4.91</u>

*Restated to reflect segment held for disposal.

See Financial Review

Consolidated Statements of Earned Surplus

Crane Co. and Subsidiaries

For Years Ended December 31	1983	1982	1981
Balance at Beginning of Year	\$268,583,058	\$301,243,194	\$284,292,588
Net Income (Loss)	(109,060,040)	(3,342,570)	53,810,665
	159,523,018	297,900,624	338,103,253
 Dividends Declared:			
Preferred shares—\$3.75 per share.	6,191	6,191	79,960
Common shares:			
Cash—\$1.60 per share (\$1.57 in 1982 and \$1.63 in 1981) ..	16,316,111	15,955,745	17,300,463
Stock—2%, market value of 199,554 shares (199,193 in 1982 and 202,630 in 1981)	4,988,850	6,151,080	8,344,303
 Excess of Cost Over Par Value of Reacquired Shares—Net:			
Preferred, none (1,182 in 1982 and 20,443 in 1981) and 3,223 common (297,446 in 1982 and 367,280 in 1981) reacquired, less 5,498 common issued under stock options (609 in 1982 and 37,108 in 1981)	(43,750)	7,204,550	11,135,333
	21,267,402	29,317,566	36,860,059
Balance at End of Year	\$138,255,616	\$268,583,058	\$301,243,194

Consolidated Statements of Capital Surplus

Crane Co. and Subsidiaries

For Years Ended December 31	1983	1982	1981
Balance at Beginning of Year	\$ 60,742,128	\$ 55,688,760	\$ 48,257,058
Excess of debentures converted over par value of 32,278 common shares issued (19,157 in 1982 and 46,101 in 1981)	252,210	147,244	353,836
Excess of market value over par value of common shares issued as a 2% stock dividend	3,741,638	4,906,124	7,077,866
Balance at End of Year	\$ 64,735,976	\$ 60,742,128	\$ 55,688,760

See Financial Review

CRTX 0573

Consolidated Balance Sheets

Crane Co. and Subsidiaries

At December 31	1983	1982*
Assets		
Current Assets:		
Cash	\$ 12,224,517	\$ 9,151,714
Short-term investments, at lower of cost or market	94,041,112	63,811,330
Accounts receivable, less allowance of \$1,962,043 (\$1,922,849 in 1982) ..	89,174,642	86,565,125
Refundable income taxes (see page 17)	15,811,000	21,700,000
Inventories, at lower of cost, principally last-in first-out, or market; LIFO reserves amounted to \$56,726,401 (\$61,752,168 in 1982):		
Finished goods	66,670,888	70,885,571
Work in process	16,472,195	15,275,384
Raw materials and supplies	11,909,492	10,103,772
	<u>95,052,575</u>	<u>96,264,727</u>
Prepaid expenses	1,786,283	2,051,574
Total Current Assets	308,090,129	279,544,470
Investments Held for Disposal: (see page 16)		
Equity in CF&I Steel Corporation	105,880,315	247,726,887
Less: Reserve for possible loss on sale	43,650,800	—
	<u>62,229,515</u>	<u>247,726,887</u>
Land and water rights	50,000,000	—
	<u>112,229,515</u>	<u>247,726,887</u>
Investments and Other Assets:		
Investments (market \$50,400,000 in 1982) (see page 16)	—	26,050,080
Unamortized debt discount	2,716,887	3,726,739
Construction fund	3,958,471	1,832,468
Other assets	2,729,674	3,080,107
	<u>9,405,032</u>	<u>34,689,394</u>
Property, Plant and Equipment at Cost:		
Land	10,751,139	11,543,694
Buildings and improvements	90,605,369	93,139,515
Machinery and equipment	314,731,644	327,808,073
	<u>416,088,152</u>	<u>432,491,282</u>
Less accumulated depreciation	269,896,422	264,995,523
	<u>146,191,730</u>	<u>167,495,759</u>
	<u><u>\$575,916,406</u></u>	<u><u>\$729,456,510</u></u>

*Restated to reflect segment held for disposal.

See Financial Review

	1983	1982*
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	\$ 7,313,686	\$ 13,399,651
Loans payable to banks	10,135,424	11,042,071
Accounts payable	33,837,266	33,202,556
Accrued liabilities (see page 17)	46,680,891	44,418,126
U.S. and foreign taxes on income	2,674,648	1,932,961
Total Current Liabilities	100,641,915	103,995,365
Long-Term Debt (see page 15)	170,970,470	189,281,972
Capital Leases: (see page 17)		
Industrial revenue bonds	24,261,130	24,230,691
Other	7,000,757	7,567,969
	31,261,887	31,798,660
Deferred Income Taxes—Depreciation	4,414,793	4,864,788
Reserves and Other Liabilities (see page 17)	15,245,061	18,355,550
Redeemable Preferred Shares:		
Cumulative preferred shares, 3¾%, par value \$100:		
Authorized—19,383 shares (24,223 in 1982)		
Outstanding—1,651 shares (1,651 in 1982)	165,100	165,100
Common Shareholders' Equity:		
Common shares, par value \$6.25:		
Authorized—20,000,000 shares		
Outstanding—10,212,159 shares (9,978,052 in 1982) after deducting 5,978,004 shares in treasury (5,974,781 in 1982)	63,825,994	62,362,825
Capital surplus	64,735,976	60,742,128
Earned surplus—\$22,448,214 (\$49,345,969 in 1982) is not restricted under a long-term debt indenture (see page 17)	138,255,616	268,583,058
Currency translation adjustment (see page 16)	(13,600,406)	(10,692,936)
Total Common Shareholders' Equity	253,217,180	380,995,075
	\$575,916,406	\$729,456,510

Consolidated Statements of Changes in Financial Position

Crane Co. and Subsidiaries

For Years Ended December 31

1983

1982*

1981*

Source of Funds:

Operations:

Continuing:

Income	\$ 26,376,960	\$ 19,289,695	\$ 16,019,762
Depreciation	25,487,756	31,250,613	33,916,184
Deferred income taxes	(3,279,268)	(4,034,309)	1,865,141
Amortization of debt discount	1,009,852	1,091,116	1,345,332
Pension provision	796,000	1,339,188	—
Other—net	599,247	162,906	737,562
Funds provided from continuing operations	50,990,547	49,099,209	53,883,981
Dividends from discontinued operations	—	3,820,402	13,371,375
	50,990,547	52,919,611	67,255,356
Increase in long-term debt	—	30,106,174	—
Conversion of debt to common stock	456,675	268,600	645,900
Decrease in long-term investments	28,500,000	81,945,899	—
Disposals of property, plant and equipment—net	8,576,576	16,949,198	8,552,812
	88,523,798	182,189,482	76,454,068

Application of Funds:

Additions to property, plant and equipment	12,843,463	18,708,080	19,938,479
Decrease (increase) in reserves and other liabilities	3,159,519	(6,297,224)	2,316,300
Increase in long-term investments	—	18,671,647	29,341,556
Decrease (increase) in capital leases—net	536,773	7,000,276	(304,272)
Reduction in long-term debt	18,311,502	52,359,709	29,755,196
Reacquisition of shares, less options exercised	(55,242)	9,179,606	15,247,140
Cash dividends declared	16,322,302	15,961,936	17,380,423
Currency translation adjustments	2,907,470	6,654,523	4,038,413
Increase in other assets—net	2,598,902	304,024	1,518,006
Increase in investments held for disposal	—	50,000,000	—
	56,624,689	172,542,577	120,231,241

Net Source (Application) of Funds

\$ 31,899,109	\$ 9,646,905	\$ (43,777,173)
---------------	--------------	-----------------

Increase (Decrease) in Components of Working Capital:

Current assets:

Cash and short-term investments	\$ 33,302,585	\$ 15,247,671	\$ (33,231,128)
Accounts receivable	2,609,517	(13,469,011)	(5,340,937)
Refundable income taxes	(5,889,000)	21,700,000	—
Inventories	(1,212,152)	(16,509,315)	(12,151,031)
Prepaid expenses	(265,291)	(410,889)	(487,259)
	28,545,659	6,558,456	(51,210,354)

Current liabilities:

Current maturities of long-term debt	(6,085,965)	9,726,251	910,340
Loans payable to banks	(906,647)	(4,163,986)	4,962,797
Accounts payable	634,710	(1,318,059)	(10,296,788)
Accrued liabilities	2,262,765	(6,493,982)	4,922,805
U.S. and foreign taxes on income	741,687	(838,673)	(7,932,935)
	(3,353,450)	(3,088,449)	(7,433,181)

Increase (Decrease) in Working Capital

\$ 31,899,109	\$ 9,646,905	\$ (43,777,173)
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*Restated to reflect segment held for disposal.

See Financial Review

CRTX 0576

Details of Long-Term Debt

Crane Co. and Subsidiaries

At December 31	1983	1982
Crane Co.:		
6½% Sinking fund debentures due 1992, \$2,000,000 due annually, after deducting \$1,723,000 in treasury in 1983	\$ 16,000,000	\$ 17,911,000
*Bank term loan due 1985, \$1,500,000 due quarterly, commencing March 31, 1985	6,000,000	12,000,000
*Bank term loan due 1989, \$1,875,000 due quarterly, commencing September 1, 1985	30,000,000	30,000,000
	<u>52,000,000</u>	<u>59,911,000</u>
 Subordinated debentures:		
10½% Sinking fund debentures due 1994, \$4,567,000 due annually, after deducting \$5,042,600 in treasury in 1983	45,191,500	46,243,500
8% Sinking fund debentures due 1985, \$8,241,000 due annually, after deducting \$1,569,920 in treasury in 1983	8,240,460	16,480,920
7% Sinking fund debentures due 1993, 5% due annually, after deducting \$721,980 in treasury in 1983	11,381,400	11,541,400
7% Debentures due 1994, after deducting \$3,818,000 in treasury in 1983	48,259,000	48,259,000
5% Convertible debentures due 1993, convertible at \$12.50 per share (36,292 common shares reserved in 1983)	453,650	509,650
5% Convertible debentures due 1994, convertible at \$14.37 per share (231,169 common shares reserved in 1983)	3,321,900	3,722,575
	<u>116,847,910</u>	<u>126,757,045</u>
	168,847,910	186,668,045
 Crane Canada Inc.:		
5¾% Collateralized sinking fund debentures, due 1985, \$354,000 due in 1984, after deducting -0- in treasury in 1983	2,122,560	2,494,800
 Other Operations:		
Miscellaneous	—	119,127
	<u>\$170,970,470</u>	<u>\$189,281,972</u>

*Floating with lending rate, which was 11.305% and 11.055% respectively, at December 31, 1983.

Financial Review

Crane Co. and Subsidiaries

Consolidation

The consolidated financial statements include all subsidiaries except CF&I Steel Corporation, which is being held for disposal. See comments below under Investments Held for Disposal. Foreign currencies are translated in accordance with Statement of Financial Accounting Standards No. 52.

Currency translation adjustments for the years 1983, 1982 and 1981 were \$2,907,470, \$6,654,523 and \$4,038,413, respectively. Subsidiaries operating outside the United States and Canada represented approximately 10 percent of common shareholders' equity at December 31, 1983 (7 percent at December 31, 1982).

During 1983 and 1982, inventory quantities in certain of the business segments were reduced as a result of continuing low market demand. The LIFO effect on continuing operations was a reduction in cost of approximately \$8,000,000 in 1983 and \$13,000,000 in 1982.

Investments Held for Disposal

In December 1983, the company decided to restructure the steelmaking facilities of its subsidiary, CF&I Steel Corporation, and to hold CF&I as a business segment held for disposal. Accordingly, the Consolidated Financial Statements have been restated to report the discontinued operations separately and the investment at estimated net realizable value assuming sale.

The \$80,106,000 estimated loss on disposal of CF&I, net of a tax benefit of \$8,500,000, includes the net cost of restructuring its steelmaking facilities, and the provision by the company of a reserve for possible loss on sale. The restructuring costs, which related to the permanent shutdown of primary steelmaking facilities and certain rolling mills, were net of gains on the sale of two coal mines and certain land and water rights.

Income (loss) from operations that have been discontinued are net of income tax benefits of \$40,861,000 and \$32,974,000 in 1983 and 1982, and an income tax provision of \$26,742,000 in 1981. Sales were \$231,093,000 in 1983, \$362,835,000 in 1982 and \$723,768,000 in 1981.

As part of the restructuring, a subsidiary of the company purchased from CF&I certain land and water rights not necessary for CF&I's steelmaking operations. The consideration for the purchase was the surrender by the company of the \$50,000,000 secured note of CF&I it held and its release of certain subsidiaries pledged as security. The company intends to actively market the land and water rights and has agreed to pay as additional consideration to CF&I any proceeds realized on the sales, net of all costs incurred, in excess of \$50,000,000.

Investments

During the first half of 1983 the company sold the remaining 1,200,000 common shares of its investment in Atlantic Richfield Company in open market transactions for \$51,887,000, resulting in a before-tax gain of \$23,387,000 (\$11,557,000 after tax).

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:

	1983	1982
	(in thousands)	
Buildings and improvements	\$22,238	\$22,565
Machinery and equipment	33,820	34,161
	56,058	56,726
Less accumulated depreciation	25,199	23,396
	<u>\$30,859</u>	<u>\$33,330</u>

Pensions

The company and its subsidiaries have pension plans which cover substantially all of their employees. Pension expense (\$2,559,000 in 1983, \$3,566,000 in 1982 and \$8,217,000 in 1981) 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 1983 and 1982 decreases in pension expense relate 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 guaranteed annuities for certain retiree groups. The assumed rate of return on investments is 8% for all years.

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

	1983	1982
	(in thousands)	
Actuarial present value of accumulated plan benefits:		
Vested	\$ 72,337	\$ 51,577
Nonvested	4,141	7,061
	<u>\$ 76,478</u>	<u>\$ 58,638</u>
Net assets available for benefits	<u>\$143,460</u>	<u>\$130,723</u>

The weighted average rate of return assumed in determining the actuarial present value of accumulated plan benefits was approximately 10 percent for 1983 and 8 percent for 1982.

Miscellaneous—Net

For Years Ended December 31	1983	1982	1981
	(in thousands)		
Gain on investments—net (see page 16)	\$23,387	\$22,074	\$ 56
Gain on disposal of capital assets—net	5,651	11,453	2,700
Termination of certain operations	(2,126)	(4,333)	(6,234)
Gain on repurchase of long-term debt	568	2,741	1,962
Minority interest	(399)	(203)	(334)
Other	848	1,031	(251)
	<u>\$27,929</u>	<u>\$32,763</u>	<u>\$ (2,101)</u>

The major portion of the gains on disposal of capital assets in 1983 and 1982 was from the sale of various Medusa Corporation aggregate and cement facilities.

Accrued Liabilities

At December 31	1983	1982
	(in thousands)	
Payrolls	\$ 9,720	\$ 8,677
Taxes other than income	2,976	2,864
Interest	4,849	5,048
Employee benefits	3,590	2,474
Insurance	3,656	3,232
Dividends	4,085	3,991
Capital lease obligations	3,301	5,368
Sales allowances	3,644	2,921
Other	10,860	9,843
	<u>\$46,681</u>	<u>\$44,418</u>

Reserves and Other Liabilities

At December 31	1983	1982
	(in thousands)	
Minority interest	\$ 7,583	\$ 8,796
Deferred income taxes—other	1,941	3,387
Pension and wage benefits	3,317	2,921
Miscellaneous	2,404	3,252
	<u>\$15,245</u>	<u>\$18,356</u>

Long and Short-Term Financing

At December 31, 1983, the principal amounts of long-term debt repayments, net of amounts held in treasury, required for the next five years were \$7,314,000 in 1984, \$26,662,000 in 1985, \$14,613,000 in 1986, \$14,586,000 in 1987 and \$14,560,000 in 1988.

At year-end there were available with domestic and foreign banks \$87,015,000 in short-term credit lines of which \$76,880,000 was unused at that time. At December 31, 1983, cash balances of \$2,850,000 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 1983. These credit lines are subject to annual review.

At December 31, 1983, the aggregate amount of subsidiary earnings available for dividends was \$99,497,000.

Covenants contained in a long-term debt indenture, amended as of year-end 1983, 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 \$225,000,000, (ii) restrict payments of cash dividends and (iii) restrict issuance of additional senior funded debt.

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, 1983:

	Capital Leases	Operating Leases	Minimum Sublease Income	Net
	(in thousands)			
1984	\$ 5,670	\$ 6,519	\$ 770	\$11,419
1985	6,774	4,813	718	10,369
1986	6,525	2,688	424	3,789
1987	6,225	1,175	218	7,152
1988	3,627	525	119	4,033
Thereafter	19,690	2,407	4	22,093
Total minimum lease payments	48,511	\$18,127	\$2,253	\$64,385
Interest	(13,948)			
Present value	<u>\$34,563</u>			
Portion:				
Current	\$ 3,301			
Long-term	31,262			
	<u>\$34,563</u>			

The weighted average interest rate for capital leases is 6.4%. These obligations mature in varying amounts through 2009.

Rental expense was as follows for all operating leases:

	1983	1982	1981
	(in thousands)		
Minimum	\$11,480	\$11,429	\$10,390
Contingent	587	489	557
Sublease income	(316)	(414)	551
	<u>\$11,751</u>	<u>\$11,504</u>	<u>\$10,362</u>

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.

Five Year Summary of Selected Financial Data

Crane Co. and Subsidiaries

(In Thousands)					
Years Ended December 31	1983	1982*	1981*	1980*	1979*
Net Sales	\$771,679	\$763,563	\$887,574	\$913,597	\$1,015,968
Depreciation	25,488	31,251	33,916	36,263	29,634
Operating Profit	25,595	9,071	37,019	50,396	77,654
Interest Expense	21,591	26,750	30,436	34,114	34,150
Income Before Taxes	46,365	26,914	20,876	36,346	50,676
Income Taxes	(19,988)	(7,624)	(4,856)	(12,059)	(10,454)
Net Income	<u>\$ 26,377</u>	<u>\$ 19,290</u>	<u>\$ 16,020</u>	<u>\$ 24,287</u>	<u>\$ 40,222</u>
Net Income Per Common Share:†					
Average Shares Outstanding	\$2.59	\$1.89	\$1.51	\$2.25	\$3.71
Assuming Conversion of Debentures	2.53	1.85	1.47	2.18	3.58
Dividends Declared Per Common Share:					
Cash*	\$1.60	\$1.57	\$1.63	\$1.51	\$1.34
Stock	2%	2%	2%	2%	2%
Assets	\$575,916	\$729,457	\$792,237	\$812,577	\$ 647,220
Long-Term Debt	170,970	189,282	211,536	241,291	- 296,505
Capital Leases	31,262	31,799	38,799	38,495	31,189
Common Shareholders' Equity					
Total	\$253,217	\$380,995	\$415,747	\$395,912	\$ 371,316
Per Common Share†	24.80	37.43	39.74	36.80	34.48

*Restated to reflect segment held for disposal.

†Adjusted for 2% stock dividends in February, 1983.

Quarterly Results for the Year (Unaudited)

Crane Co. and Subsidiaries

(In Thousands)						
					Net Income (Loss) Per Common Share	
Quarter	Net Sales	Gross Profit	Income Continuing Operations	Net Income (Loss)	Continuing Operations	Total
1983						
1st.	\$164,132	\$ 25,072	\$10,084	\$ (7,120)	\$ 99	\$ (70)
2nd.	195,139	31,124	7,017	(7,113)	69	(70)
3rd.	217,910	31,605	4,486	(8,127)	44	(50)
4th.	194,498	33,495	4,790	(86,700)	47	(50)
	<u>\$771,679</u>	<u>\$121,296</u>	<u>\$26,377</u>	<u>\$ (109,060)</u>	<u>\$2.59</u>	<u>\$ (270)</u>
1982*						
1st.	\$172,570	\$ 24,940	\$ 1,034	\$ 5,651	\$ 10	\$ 56
2nd.	200,209	29,858	2,463	(3,233)	24	(32)
3rd.	206,253	24,749	5,144	(6,421)	51	(64)
4th.	184,531	30,354	10,649	660	1.04	07
	<u>\$763,563</u>	<u>\$109,901</u>	<u>\$19,290</u>	<u>\$ (3,343)</u>	<u>\$1.89</u>	<u>\$ (33)</u>

*Restated to reflect segment held for disposal. †Adjusted for 2% stock dividends in February, 1983.

Management's Discussion of Operations and Financial Condition

Results of Continuing Operations

Results of 1983 continuing operations compared with 1982 reflected the substantial improvement in North American residential construction and demand for aircraft components. Partially offsetting this were the continued depressed conditions worldwide for capital goods to which major portions of the company's operations are directed.

Crane Domestic sales were lower in 1983 than the previous two years, primarily due to weak market demand for fluid and pollution control products. Earnings did improve over 1982, but were below 1981 levels. The increase in earnings was wholly due to higher sales of aircraft components. Crane Domestic has continued programs to introduce competitive new products, to dispose of certain marginal operations and to use foreign sourcing to stay competitive given the strength of the U.S. dollar. These management actions plus major cost reduction programs in 1983 should enable Crane Domestic to adequately meet the demands of a stronger economy.

Medusa sales, particularly for its cement operations, remained at low levels as the construction and road building industries remained depressed, resulting in a net loss in 1983. However, the operating loss incurred from Medusa's reduced operating base was less than the previous year. Additional marginal aggregates and asphalt facilities were sold during 1983. Programs aimed at improving long-term profitability are progressing according to plan and are expected to contribute substantially to operating results with the expected higher demand for cement and aggregates products in 1984 and 1985.

Huttig Sash & Door Company sales and earnings increased significantly from 1982 levels. Huttig's improved market penetration and a substantial upturn in residential construction contributed to improved operating margins. The outlook for the immediate future for Huttig given the continued high level of single family housing starts is excellent.

Crane Canada Inc. results improved over 1982 but were well below those for 1981. All of the improvement came from the sales of plumbing products with the large increase in residential construction. Sales of fluid control products remained depressed with the continued low level of capital spending. A major pickup in capital spending plus continued residential construction at current levels should substantially improve operating results.

International Operations sales and operating profits continued to be at low levels primarily reflecting the low demand and competitive pricing of fluid control products. This situation was particularly true for the United Kingdom operation. The program to modernize production facilities at the large plant at Ipswich in the United Kingdom was continued so as to maintain its ability to keep its costs competitive.

Net interest expense decreased substantially from 1982 due to much higher short-term investments and reductions

in long-term debt. The company sold the remainder of its long-term investment in the Atlantic Richfield Company common shares for a pre-tax gain of \$23.4 million. A similar gain was made in 1982 on the sale of long-term investments. Marginal or excess facilities, primarily at Medusa, were disposed of at pre-tax gains of \$5.7 million. Similar actions in 1982 resulted in pre-tax gains of \$11.5 million.

Depreciation decreased \$5.8 million from 1982. The reduced capital spending, particularly at Medusa, accounted for the decrease.

Income taxes in 1983 were considerably above 1982 and 1981. The increased effective rate of 43.1% compared with 28.3% in 1982 and 23.3% in 1981 was primarily due to reduced non-taxable dividend income and lower investments tax credits realized.

Discontinued Operations

The decision was made in December, 1983 to hold CF&I Steel Corporation as a segment held for disposal and to write-down the investment to estimated net realizable value assuming sale. The loss incurred from operations of CF&I was \$55.3 million net of taxes. In addition, an estimated loss on disposal of \$80.1 million net of taxes was incurred.

As part of the restructuring of CF&I the company purchased from CF&I land and water rights not necessary for steelmaking operations. The purchase consideration was the surrender of the \$50 million secured note of CF&I, that arose from a cash payment made in December, 1982 to retire a bank revolving credit agreement, and release of other security. The result was to relieve CF&I of current charges against cash flow for interest and principal repayments. The company will actively market the properties and has agreed to pay to CF&I any proceeds, net of all costs, which exceed \$50 million.

Liquidity and Capital Resources

The company has depended primarily upon earnings and bank borrowings (including short-term credit lines) to furnish capital to finance operations and working capital. However, in 1983 and 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.

Over the past three years, depreciation incurred and proceeds from disposals have exceeded capital expenditures for most business segments. During this period major expansion programs at Medusa were largely completed. All operations, except the United Kingdom, had lower capital expenditures in 1983 compared to 1982.

Long-term debt has been decreased by approximately \$18 million through various scheduled and optional repayments. At December 31, 1983, \$36 million fluctuated with lending rates, compared with \$42 million at the end of 1982.

The company had cash and short-term investments of \$106 million at the end of 1983. In addition there was available \$77 million of unsecured credit lines.

Analysis by Segment

Crane Co. and Subsidiaries

(In Thousands)	1983		1982*		1981*	
	Amount	%	Amount	%	Amount	%
Net Sales:						
Crane Domestic	\$241,102	32	\$260,590	34	\$298,671	34
Medusa Corporation	110,719	14	149,010	20	183,914	21
Huttig Sash & Door Company	221,164	29	147,747	19	160,669	18
Crane Canada Inc.	134,736	17	134,838	18	165,183	19
International Operations	63,958	8	71,378	9	79,137	8
Total Net Sales	<u>\$771,679</u>	<u>100</u>	<u>\$763,563</u>	<u>100</u>	<u>\$887,574</u>	<u>100</u>
Operating Profit:						
Crane Domestic	\$ 17,635	59	\$ 14,424	99	\$ 24,120	56
Medusa Corporation	(10,490)	(35)	(16,272)	(112)	(7,742)	(18)
Huttig Sash & Door Company	17,628	58	7,461	51	10,130	23
Crane Canada Inc.	2,976	10	2,605	18	10,932	25
International Operations	2,574	8	6,357	44	6,222	14
	<u>30,323</u>	<u>100</u>	<u>14,575</u>	<u>100</u>	<u>43,662</u>	<u>100</u>
Corporate	(4,728)		(5,504)		(6,643)	
Total Operating Profit	<u>\$ 25,595</u>		<u>\$ 9,071</u>		<u>\$ 37,019</u>	
Assets:						
Crane Domestic	\$ 85,334	24	\$ 94,407	24	\$106,556	23
Medusa Corporation	106,879	30	133,805	35	182,457	40
Huttig Sash & Door Company	71,916	20	60,133	16	58,145	13
Crane Canada Inc.	50,046	14	55,020	14	66,793	14
International Operations	45,333	12	42,394	11	47,344	10
	<u>359,508</u>	<u>100</u>	<u>385,759</u>	<u>100</u>	<u>461,295</u>	<u>100</u>
Investments Held for Disposal	112,230		247,727		223,078	
Corporate	104,178		95,971		107,864	
Total Assets	<u>\$575,916</u>		<u>\$729,457</u>		<u>\$792,237</u>	
Capital Expenditures						
	1983	1982*	1981*	Depreciation		
				1983	1982*	1981*
Crane Domestic	\$ 3,897	\$ 5,818	\$ 6,765	\$ 6,411	\$ 6,354	\$ 6,112
Medusa Corporation	2,856	7,194	5,920	14,240	19,320	21,734
Huttig Sash & Door Company	1,384	1,945	2,352	1,477	1,700	1,574
Crane Canada Inc.	602	1,045	3,159	1,461	1,674	1,782
International Operations	4,104	2,706	1,743	1,899	2,203	2,714
Total	<u>\$12,843</u>	<u>\$18,708</u>	<u>\$19,939</u>	<u>\$25,488</u>	<u>\$31,251</u>	<u>\$33,916</u>

*Restated to reflect segment held for disposal.

Market and Dividend Information—Common Shares

Crane Co. and Subsidiaries

Quarter	New York Stock Exchange Price Per Share				Dividends Per Share	
	1983		1982		1983	1982*
	High	Low	High	Low		
1st	\$34 ⁵ / ₈	\$22 ⁵ / ₈	\$36 ¹ / ₄	\$23	\$.40	\$.39
2nd	34 ³ / ₈	26 ⁷ / ₈	29 ³ / ₈	22 ¹ / ₈	.40	.39
3rd	36	30 ⁵ / ₈	25 ³ / ₄	17 ³ / ₄	.40	.39
4th	34 ⁵ / ₈	26 ¹ / ₂	29	20 ¹ / ₄	.40	.40
					<u>\$1.60</u>	<u>\$1.57</u>

At December 31, 1983 there were approximately 9,472 holders of Crane Co. common stock.

*Adjusted for 2% stock dividend in February, 1983

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.

22 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 1983 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 cement industry, 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 1983 and 1982 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 \$36 million of debt (\$42 million in 1982) 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 cement operations for the foreseeable future. The minerals produced by quarries are used principally by the manufacturing operations. Due to competitive conditions, this production must be received at cost or at a slight profit for the cement products to earn a reasonable profit.

The decline in proven reserves during the year resulted from the sale of operations. Proven mineral reserves at December 31, were:

	Proven Reserves		Production	
	1983	1982	1983	1982
	(Thousands of Tons)			
Limestone	687,038	730,637	4,750	6,807
Stone and Sand	2,417	65,417	—	2,352

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Market and Dividend Information—Common Shares

Crane Co. and Subsidiaries

Quarter	New York Stock Exchange Price Per Share				Dividends Per Share	
	1983		1982		1983	1982
	High	Low	High	Low		
1st	\$34 ⁵ / ₈	\$22 ⁵ / ₈	\$36 ¹ / ₄	\$23	\$.40	\$.39
2nd	34 ³ / ₈	26 ⁷ / ₈	29 ³ / ₈	22 ¹ / ₈	.40	.39
3rd	36	30 ⁵ / ₈	25 ³ / ₄	17 ³ / ₄	.40	.39
4th	34 ⁵ / ₈	26 ¹ / ₂	29	20 ¹ / ₄	.40	.40
					<u>\$1.60</u>	<u>\$1.57</u>

At December 31, 1983 there were approximately 9,472 holders of Crane Co. common stock.

*Adjusted for 2% stock dividend in February, 1983

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.

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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 1983 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 cement industry, 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 1983 and 1982 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 \$36 million of debt (\$42 million in 1982) 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 cement operations for the foreseeable future. The minerals produced by quarries are used principally by the manufacturing operations. Due to competitive conditions, this production must be received at cost or at a slight profit for the cement products to earn a reasonable profit.

The decline in proven reserves during the year resulted from the sale of operations. Proven mineral reserves at December 31, were:

	Proven Reserves		Production	
	1983	1982	1983	1982
	(Thousands of Tons)			
Limestone	687,038	730,637	4,750	6,807
Stone and Sand	2,417	65,417	—	2,362

Consolidated Statement of Income Adjusted for Changing Prices
(In Thousands)

Year Ended December 31, 1983	As Reported in Primary Statement	Adjusted For General Inflation (Constant Dollars)	Adjusted For Changes in Specific Prices (Current Cost)
Net Sales	\$771,679	\$771,679	\$771,679
Cost of Sales	627,139	635,139	635,139
Depreciation	25,488	31,664	32,851
Selling, General and Administrative	93,457	93,457	93,457
Other Income—net	(20,770)	(20,770)	(20,770)
Provision for Income Taxes	19,988	19,988	19,988
	<u>745,302</u>	<u>759,478</u>	<u>760,665</u>
Net Income	<u>\$ 26,377</u>	<u>\$ 12,201</u>	<u>\$ 11,014</u>
Per common share	\$2.59	\$1.20	\$1.08
Unrealized gain in purchasing power from holding net monetary liabilities		<u>\$ 3,718</u>	<u>\$ 3,718</u>
Effect on inventory and property, plant and equipment held during the year:			
General inflation			\$ 21,400
Specific price changes			\$ (8,900)
Difference			<u>\$ 30,300</u>
Current cost:			
Inventory			<u>\$151,779</u>
Property, Plant and Equipment— net of depreciation			<u>\$318,252</u>

Five Year Comparison of Selected Supplementary Financial Data
Adjusted For Effects of Changing Prices (In Thousands of Average 1983 Dollars)

Years Ended December 31	1983	1982*	1981*	1980*	1979*
Net Sales					
As reported	\$771,679	\$763,563	\$887,574	\$ 913,597	\$1,015,968
Adjusted for general inflation	<u>771,679</u>	<u>788,126</u>	<u>972,291</u>	<u>1,104,608</u>	<u>1,394,502</u>
Net Income					
As reported	\$ 26,377	\$ 19,290	\$ 16,020	\$ 24,287	\$ 40,222
Adjusted for general inflation	<u>12,201</u>	<u>(1,648)</u>	<u>5,551</u>	<u>21,552</u>	<u>49,055</u>
Adjusted for specific price changes	<u>11,014</u>	<u>(2,911)</u>	<u>2,738</u>	<u>15,369</u>	<u>44,917</u>
Net Income per common share [†]					
As reported	\$2.59	\$1.89	\$1.51	\$2.25	\$3.71
Adjusted for general inflation	<u>1.20</u>	<u>(.16)</u>	<u>.52</u>	<u>1.96</u>	<u>4.53</u>
Adjusted for specific price changes	<u>1.08</u>	<u>(.29)</u>	<u>.25</u>	<u>1.42</u>	<u>4.15</u>
Unrealized gain in purchasing power from holding net monetary liabilities	<u>\$ 3,718</u>	<u>\$ 7,173</u>	<u>\$ 18,269</u>	<u>\$ 36,386</u>	<u>\$ 52,163</u>
Net assets at year-end**					
As reported	\$190,988	\$183,268	\$192,669	\$ 197,254	\$ 166,133
Adjusted for general inflation	<u>445,838</u>	<u>604,028</u>	<u>697,730</u>	<u>729,784</u>	<u>761,340</u>
Adjusted for specific price changes	<u>474,002</u>	<u>640,745</u>	<u>765,949</u>	<u>815,707</u>	<u>862,029</u>
Difference between general inflation and specific price changes on inventory and property, plant and equipment	<u>\$ 30,300</u>	<u>\$ 30,000</u>	<u>\$ 29,800</u>	<u>\$ 62,700</u>	<u>\$ 32,200</u>
Cash dividends declared per common share [†]					
As reported	\$1.60	\$1.57	\$1.64	\$1.51	\$1.34
Adjusted for general inflation	<u>1.60</u>	<u>1.62</u>	<u>1.69</u>	<u>1.56</u>	<u>1.38</u>
Market price per common share at year-end					
As reported	\$30.50	\$24.13	\$36.00	\$44.75	\$33.25
Adjusted for general inflation	<u>30.50</u>	<u>24.91</u>	<u>39.44</u>	<u>54.11</u>	<u>45.64</u>
Average Consumer Price Index	<u>298.4</u>	<u>289.1</u>	<u>272.4</u>	<u>246.8</u>	<u>217.4</u>

*Adjusted for 2% stock dividends

†Restated to reflect segment held for disposal.

**Excludes assets held for disposal.

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Directors

E. Thayer Bigelow
*Vice President-Finance, Time Inc.,
Information and Entertainment*

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

Walter J. P. Curley
Private Venture Capital Investments

Robert S. Evans**
*Elected Chairman of the Company
February 27, 1984*

Thomas M. Evans**
*Chairman of the Company, Retired
February 27, 1984; Chairman of the
Executive Committee, 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 Operator;
Investments*

Robert J. Slater**
President of the Company

*Member of the Audit Committee

**Member of the Executive Committee

Officers

Thomas M. Evans
Chairman, Retired February 27, 1984

Robert S. Evans
*Executive Vice President, Elected
Chairman February 27, 1984*

Robert J. Slater
President

Ray R. J. Baker
*Vice President & General Manager
Valves & Fittings Division*

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

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William C. Dackis
*Vice President & Assistant
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*Vice President & General Manager
Crane Supply Company*

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*Vice President, Secretary
& General Counsel*

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*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

R. Kenneth Whitley
Controller

Operations

Crane Domestic

Crane Group
New York, New York

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

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

Medusa Corporation
Cleveland, Ohio
D. E. Somes
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

Stock Listings

Crane Co. common stock is traded on the New York and Pacific Stock Exchanges; 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 10048

**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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Printed U.S.A.

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