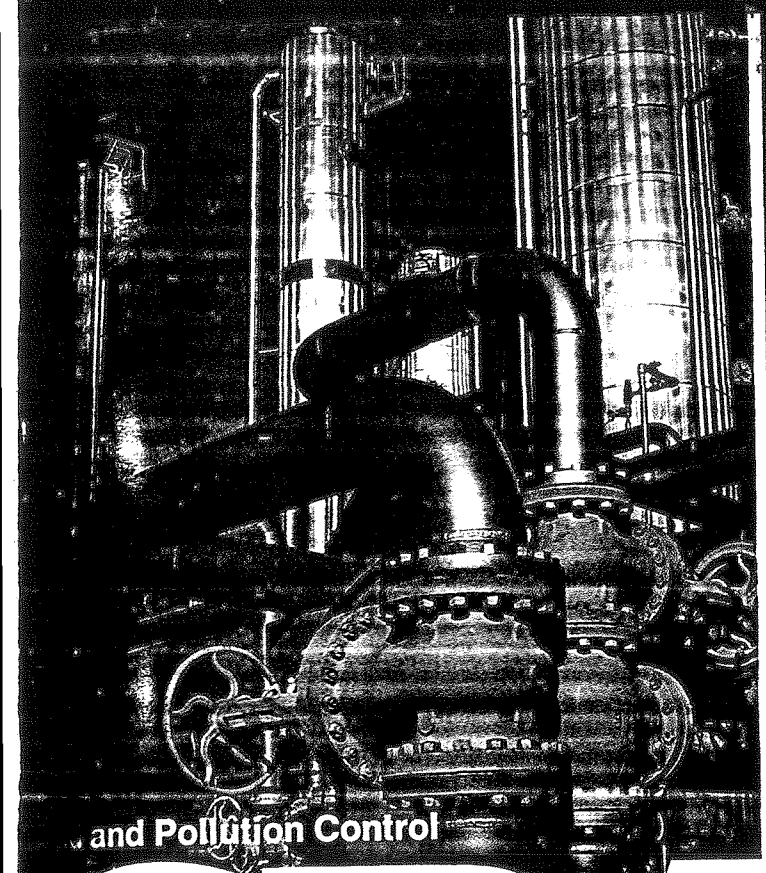
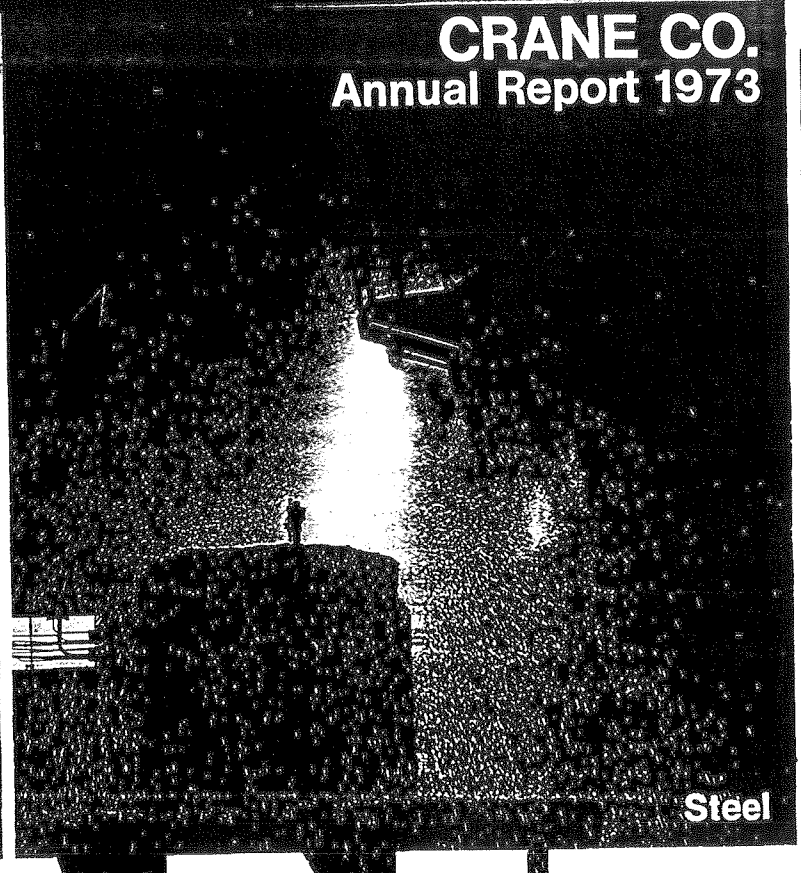
CRANE CO.
Annual Report 1973



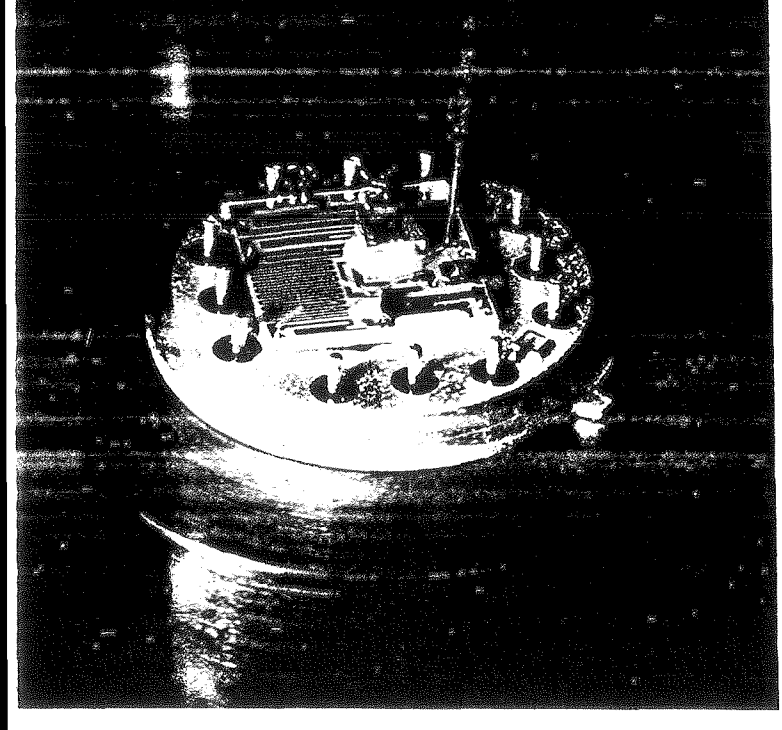
and Pollution Control

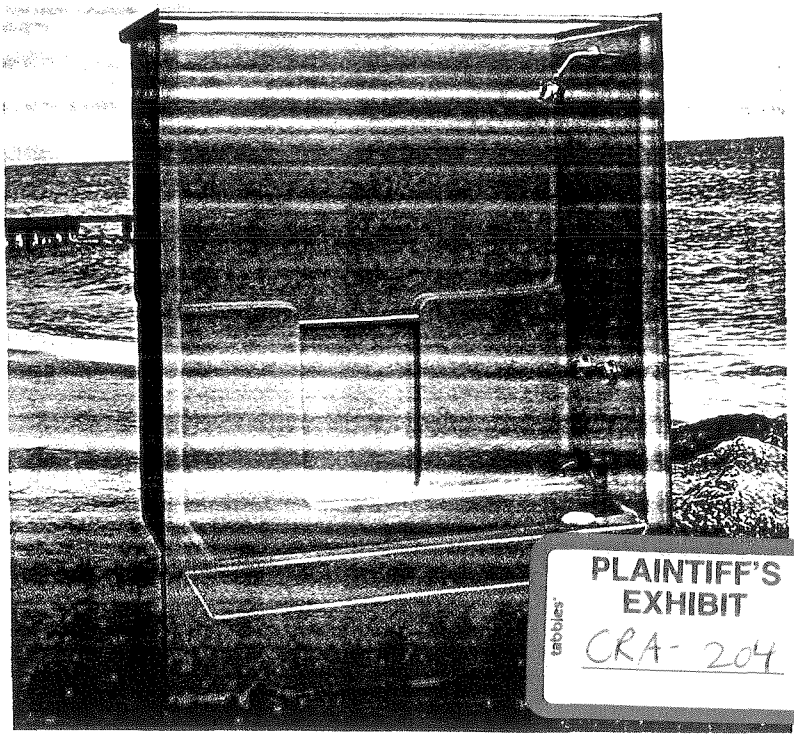


Steel

CRANE

aft and Aerospace





tabbies
PLAINTIFF'S EXHIBIT
CRA-204

Crane Serves

[illegible]

United States Operations

[illegible]

Contents

[illegible]

Annual Meeting

[illegible]

International Operations

Crane Australia Pty. Limited
St. Marys, Sydney, Australia
[illegible] *Managing Director*

Crane Canada Limited
[illegible]

Crane Ltd.
London, England
[illegible]

[illegible] *Managing Director*

Crane S.A.
[illegible]
Leon Skarniak, *President*

Crane Deming de Mexico S.A.
[illegible]

[illegible] N.V.
[illegible] The Netherlands
[illegible] *Managing Director*

Crane-USA, S.A.
[illegible]

Cover

The cover shows the worldwide use of Crane's products, from large steel valves in an Australian refinery to new plastic bathing units being introduced in this country, and the breadth of its facilities, ranging from the new electric [illegible] to the manufacture of microminiature electronic [illegible]

rane Co. Annual Report 1973

nancial Highlights

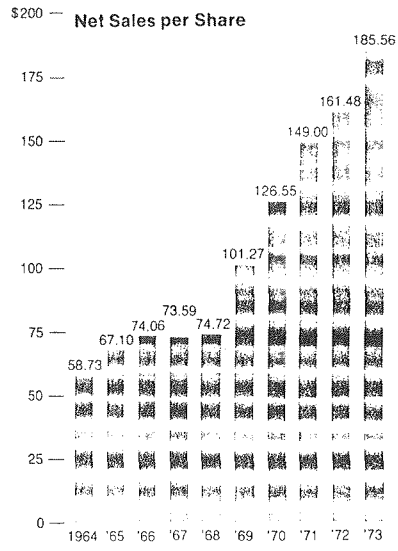
	1973	1972
les	$947,093,000	$844,395,000
come before income taxes	32,558,000	17,354,000
come taxes	11,981,000	4,901,000
come before extraordinary credit	20,577,000	12,453,000
traordinary credit	—	2,020,000
t income	20,577,000	14,473,000
sh dividends	4,940,000	4,360,000
working capital	146,942,000	164,494,000
tal assets	587,266,000	578,018,000
mmon shareholders' equity	174,112,000	161,357,000
mmon shares outstanding at year end	5,007,965	5,076,405

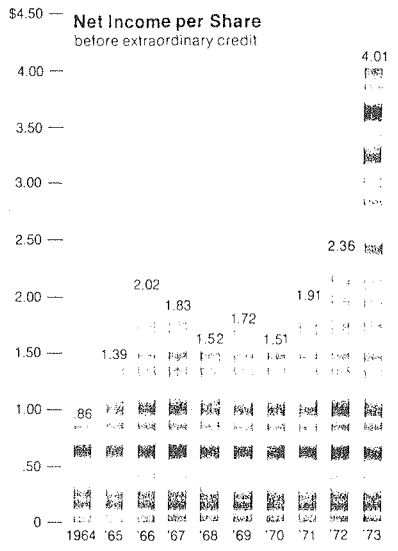
tios at year end:		
Net income to sales	2.2%	1.7%
Common shareholders' income to average equity	12.2%	9.1%
Current ratio	2.0	2.3

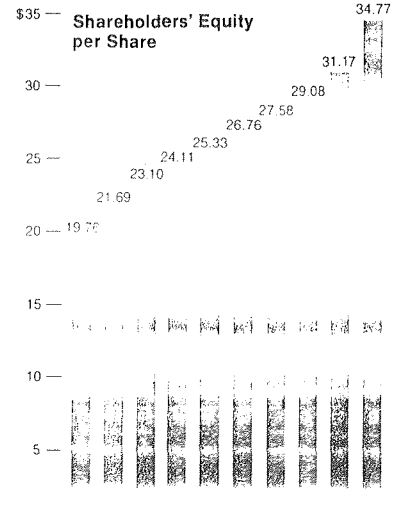
ommon share:		
come before extraordinary credit	$4.01	$ 2.36*
traordinary credit	—	.39*
t income	4.01†	2.75*
sh dividends	.95	.81*
ommon shareholders' equity	34.77	31.17*

justed for 2% stock dividend February, 1973.

uming conversion of subordinated
bentures, net income per common share would
ount to $3.12 ($2.17 in 1972).







To our shareholders:

Sales and net income for 1973 were a record $947,093,000 and $20,577,000, respectively, compared with $844,395,000 and $12,453,000 (before a net non-recurring gain of $2,020,000) in 1972. Sales in 1973 increased 12.2 per cent and net income increased 65.2 per cent above 1972. Net income per share on primary earnings was $4.01, compared with $2.36, before a non-recurring gain of $.39 per share, in 1972.

Crane's planned growth has positioned the Company in four basic business areas: fluid and pollution control, steel, building products and aerospace. These are expected to continue expanding at a better-than-average rate. Entering 1974, the backlog of orders exceeded $241,000,000, up 66 per cent from the previous year.

Products of Crane and its subsidiary CF&I Steel Corporation are in strong demand with the national energy shortage and are expected to continue so for some time to come.

Huttig Sash & Door Company and Crane Supply, both in the United States and Canada, enjoyed a high level of business during 1973. The expected decline in housing starts should have little effect on Crane Supply since it is particularly geared to service the expanding nonresidential and industrial construction market. Huttig's business, which is to a great extent directly related to residential construction, is going to depend largely on the availability and cost of mortgage funds in 1974. However, Huttig branches are principally located in the fastest-growing part of the country.

Hydro-Aire's projection for 1974 shows a continuing demand for its product lines, particularly those products used by airlines.

In keeping with the Company's stated policy of eliminating unprofitable and marginal operations, during 1973 CF&I Steel Corporation closed the Trenton wire rope and South San Francisco plants which had been a drain on profits. Further action was taken in Crane's domestic operation with the shutdown and sale of the Chattanooga enamelware and Colton facilities. The overall cost of disposing of these businesses was either charged to 1973 income or covered by reserves which were previously established.

In December, 1973, the regular quarterly dividend of $.20 was increased to $.25, and an extra dividend of $.10 per share was paid. Cash dividends totaled $.95 in 1973, compared with $.81 in 1972. At the regular January, 1974 meeting, the Board of Directors declared a 2 per cent stock dividend payable February 22, 1974, the same as paid in 1973. All per share statistics have been adjusted to reflect this 1973 dividend.

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

Respectfully submitted,

D. C. Fabiani
President

T. M. Evans
Chairman

February 26, 1974



T. M. Evans, Chairman



D. C. Fabiani, President

Consolidated Statement of Income
For Years Ended December 31

	1973	1972
Net Sales	$947,093,335	$844,395,475
Operating Costs and Expenses including depreciation of $30,162,531 ($28,276,882 in 1972):		
Cost of sales	807,808,174	727,889,297
Selling, general and administrative	88,311,712	81,456,431
	896,119,886	809,345,728
Operating Profit	50,973,449	35,049,747
Other Income (Deductions):		
Interest—net	(16,328,030)	(16,521,606)
Gain on disposal of capital assets—net	6,697	643,290
Dividend income on investments	1,084,751	1,367,586
Miscellaneous—net	(3,178,949)	(3,184,373)
	(18,415,531)	(17,695,103)
Income Before Income Taxes	32,557,918	17,354,644
Provision for Income Taxes	11,981,098	4,901,118
Income Before Extraordinary Credit—per share: $4.01 in 1973 and $2.36 in 1972 ($3.12 and $1.89 assuming conversion of debentures)	20,576,820	12,453,526
Extraordinary Credit	—	2,019,716
Net Income	$ 20,576,820	$ 14,473,242
Net income per common share:		
On average shares outstanding	$4.01	$2.75
Assuming conversion of debentures	3.12	2.17

Consolidated Statement of Earned Surplus
For Years Ended December 31

	1973	1972
Balance at Beginning of Year	$ 91,330,197	$ 82,244,357
Net Income	20,576,820	14,473,242
	111,907,017	96,717,599
Dividends:		
Preferred shares—$3.75 per share	106,120	108,807
Common shares:		
Cash—$.95 per share ($.81 in 1972)	4,833,542	4,251,624
Stock—2%, market value of 101,281 shares	2,122,850	—
Excess of Cost Over Par Value of Reacquired Shares—Net:		
1,995 preferred (292 in 1972) and 170,000 common reacquired (110,800 in 1972), less 260 issued under stock options (9,682 in 1972)	760,703	1,026,971
	7,823,215	5,387,402
Balance at End of Year	$104,083,802	$ 91,330,197

Consolidated Balance Sheet
at December 31

	1973	1972
ASSETS		
Current Assets:		
Cash	$ 15,492,229	$ 14,092,131
Short-term investments	22,468,552	17,037,527
Accounts receivable, less allowances of $2,110,053 ($1,732,685 in 1972)	126,449,350	119,020,539
Inventories, less LIFO reserves of $35,007,170 ($34,257,314 in 1972), at lower of cost or market:		
Finished goods	69,657,563	72,039,563
Work in process	36,429,335	43,527,500
Raw materials and supplies	24,547,981	20,681,070
	130,634,879	136,248,133
Prepaid expenses	2,641,833	1,985,292
Total current assets	297,686,843	288,383,622
Investments and Other Assets:		
Investments at cost:		
Southern Pacific Company, 500,000 common shares	21,480,599	21,480,599
Outlying lands	1,244,581	1,247,432
Miscellaneous	342,556	862,880
	23,067,736	23,590,911
Other assets	2,754,115	4,479,016
	25,821,851	28,069,927
Property, Plant and Equipment at Cost:		
Land	16,755,412	16,434,990
Buildings and improvements	124,108,618	134,812,287
Machinery and equipment	433,382,207	434,814,734
	574,246,237	586,061,937
Less accumulated depreciation	310,488,671	324,497,087
	263,757,566	261,564,850
	$587,266,260	$578,018,399

	1973	1972
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	$ 6,311,987	$ 6,578,100
Loans payable to banks	25,089,348	17,727,384
Accounts payable	66,303,607	48,295,640
Accrued payrolls, taxes and other liabilities	49,994,040	48,473,855
U.S. and foreign taxes on income	3,045,378	2,814,697
Total current liabilities	150,744,360	123,889,676
Long-Term Debt (see details on page 7)	211,887,774	244,703,568
Reserves and Other Liabilities	26,767,867	22,788,165
Minority Interest in Subsidiaries	18,749,750	20,046,230
Shareholders' Equity:		
Preference stock of Glenfield & Kennedy Holdings Limited, 5½%	2,320,000	2,350,000
Cumulative preferred shares, 3¾%, par value $100 (redeemable at the option of the Company and subject to sinking fund requirements): Authorized—60,509 shares (64,711 in 1972); outstanding—26,842 shares (28,837 in 1972) after deducting 33,667 shares in treasury (35,874 in 1972)	2,684,200	2,883,700
Serial preferred shares, par value $5: Authorized—600,000 shares	—	—
Common shareholders' equity:		
Common shares, par value $12.50: Authorized—20,000,000 shares; outstanding—5,007,965 shares (5,076,405 in 1972) after deducting 810,348 shares in treasury (640,348 in 1972)	62,599,562	63,455,063
Capital surplus	7,428,945	6,571,800
Earned surplus—$8,680,801 in 1973 ($9,847,580 in 1972) is not restricted under the terms of a long-term debt indenture	104,083,802	91,330,197
Total common shareholders' equity	174,112,309	161,357,060
Total shareholders' equity	179,116,509	166,590,760
	$587,266,260	$578,018,399

See Financial Review.

Consolidated Statement of Capital Surplus for Years Ended December 31

	1973	1972
Balance at Beginning of Year	$ 6,571,800	$ 6,345,588
Excess of subordinated debentures converted over par value of 19 common shares issued (14,013 in 1972)	308	226,212
Excess of market value over par value of common shares issued as 2% stock dividend	856,837	—
Balance at End of Year	$ 7,428,945	$ 6,571,800

Consolidated Statement of Changes in Financial Position for Years Ended December 31

	1973	1972
Source of Funds:		
Operations:		
Income before extraordinary credit	$ 20,576,820	$ 12,453,526
Depreciation	30,162,531	28,276,882
Other, net	6,944,145	1,675,018
	57,683,496	42,405,426
Extraordinary credit	—	2,019,716
Increase in long-term debt	—	977,500
Reduction in investments	523,175	12,325,697
Disposals of property, plant and equipment	15,959,706	8,153,120
	74,166,377	65,881,459
Application of Funds:		
Additions to property, plant and equipment	48,314,953	38,372,018
Reduction in long-term debt	32,815,794	18,190,804
Reacquisition of shares less options exercised and stock issued for converted debentures	3,111,409	2,168,771
Cash dividends	4,939,662	4,360,431
Reduction in reserves, minority interest and other	2,536,022	11,704,392
	91,717,840	74,796,416
Net Source (Application) of Funds	$ (17,551,463)	$ (8,914,957)
Increase (Decrease) in Components of Working Capital:		
Current assets:		
Cash and short-term investments	$ 6,831,123	$ (16,988,400)
Accounts receivable	7,428,811	16,866,325
Inventories	(5,613,254)	2,096,132
Prepaid expenses	656,541	(3,064,206)
	9,303,221	(1,090,149)
Current liabilities:		
Current maturities of long-term debt	(266,113)	(6,046,364)
Loans payable to banks	7,361,964	7,845,133
Accounts payable	18,007,967	2,583,046
Accrued payrolls, taxes and other liabilities	1,520,185	2,763,039
U.S. and foreign taxes on income	230,681	678,154
	26,854,684	7,824,008
Increase (Decrease) in Working Capital	$ (17,551,463)	$ (8,914,957)

See Financial Review

Details of Long-Term Debt at December 31

	1973	1972
Crane Co.:		
6½% Sinking fund debentures due 1992, $2,000,000 due annually, after deducting $4,152,000 in treasury in 1973	$ 33,848,000	$ 35,761,000
10½% Bank term loans due 1974 (fluctuating with the prime rate), $1,000,000 due quarterly (6½% in 1972)	—	3,000,000
Miscellaneous	475,910	634,654
	34,323,910	39,395,654
Subordinated debentures:		
7% Sinking fund debentures due 1993, up to $1,000,000 due annually beginning in 1974, after deducting $2,226,000 in treasury in 1973	17,978,400	18,002,400
7% Debentures due 1994	52,077,000	52,077,000
5% Convertible debentures due 1993, convertible at $25 per share (642,904 common shares reserved in 1973), after deducting $4,107,000 in treasury in 1973	16,072,600	18,063,600
5% Convertible debentures due 1994, convertible at $28.75 per share (1,139,687 common shares reserved in 1973), after deducting $18,762,000 in treasury in 1973	32,766,000	34,762,600
	118,894,000	122,905,600
	153,217,910	162,301,254
CF&I Steel Corporation:		
8% First mortgage and collateral trust bonds, sinking fund series due 1983, $1,000,000 due quarterly beginning in May 1974 (7¾% in 1972)	37,000,000	50,000,000
4⅞% Convertible sinking fund debentures due 1977 (convertible into CF&I common shares at $31 per share), $1,000,000 due annually, after deducting $2,828,000 in treasury in 1973	3,692,500	4,025,400
5¾% First mortgage and collateral trust bonds, repaid in 1973	—	8,965,000
	40,692,500	62,990,400
Huttig Sash & Door Company:		
8½% Notes payable to banks due 1976, up to $625,000 due semi-annually (6½% in 1972)	1,500,000	2,625,000
Foreign Subsidiaries:		
Crane Canada Limited 5¾% sinking fund debentures (collateralized by a general claim on property and assets), due 1985, $440,000 due annually, after deducting $476,000 in treasury in 1973	7,004,000	7,004,000
Crane Ltd. (England):		
14¾% Bank term loan due 1977, fluctuating with bank rate (9¼% in 1972)	4,176,000	4,230,000
Glenfield & Kennedy Holdings Limited 5¾% unsecured loan stock due 1982	3,355,581	3,551,722
Miscellaneous	1,941,783	2,001,192
	16,477,364	16,786,914
	$211,887,774	$244,703,568

Financial Review and Accounting Policies

Consolidation

The consolidated financial statements include all subsidiaries. International operating and balance sheet accounts have been translated at current rates except for fixed asset and equity accounts which were translated at historical rates. Unrealized exchange gains or losses are credited or charged to a reserve for future foreign currency valuation, which reserve was increased by $558,000 during 1973 and reduced by $495,000 in 1972.

Extraordinary after-tax losses of $7,777,000 incurred in 1973 in connection with closing certain plants by CF&I Steel Corporation, a consolidated subsidiary, have been charged against the deferred credit from acquisition reserve, established at the time of acquisition, and minority interest, and thereby excluded from Crane's consolidated net income. The deferred credit from the CF&I Steel Corporation acquisition continued to be amortized to cost of sales at a rate of $2,633,000 annually, and the balance was $211,000 at December 31, 1973.

Subsidiaries operating outside the United States and Canada had net sales of $75,762,000 in 1973 compared with $76,343,000 in 1972. In 1973 income from foreign operations amounted to $1,509,000 compared with $449,000 in 1972 after deducting a loss of $1,004,000 in closing the operations in West Germany. These subsidiaries represented 15.9 per cent of shareholders' equity in 1973, essentially unchanged from 1972.

Plant Improvement

In 1973, $48,300,000 was invested in improving production facilities, principally at the CF&I Steel Corporation's Pueblo, Colorado, steel mill and Crane domestic facilities.

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

Research and Development

The Company's research and development activities are directed primarily toward improvement of existing products and development of new products in the Company's lines of business. Costs incurred in the development of new products and of changes to existing products are expensed as incurred.

Pensions

Pension costs charged against operations for the retirement plans maintained by the Company and its subsidiaries were $23,715,000 for 1973 compared with $16,619,000 for 1972. The increase in pension costs is partly due to a full year's application of the last labor contract including improved benefits to retirees at CF&I Steel Corporation. The additional cost of improved benefits to retirees (including closed plants) is being amortized and funded at an accelerated rate to maintain the pension funds on an actuarially sound basis. Current service and interest costs are funded annually, and prior service costs are amortized over periods of not more than 30 years. At December 31, 1973, vested benefits exceeded the total of pension plan assets and balance sheet accruals by $97,000,000 ($120,000,000 at December 31, 1972).

Miscellaneous Deductions

Components of miscellaneous follow:

	1973	1972
	(in thousands)	
Minority interest	$1,780	$1,155
Start-up and phase-out costs	2,577	3,963
Other	26	127
	4,383	5,245
Gain on repurchase of long-term debt	(1,204)	(858)
Gain on disposal of investments	—	(1,203)
	(1,204)	(2,061)
	$3,179	$3,184

Extraordinary Credit

The extraordinary credit in 1972 of $2,020,000 represented gain on the sale of real estate.

Long- and Short-Term Financing

Long-term debt was reduced by $32,816,000 during 1973 compared with a net amount of $17,213,000 during 1972. The 1973 decrease was accounted for principally by a prepayment in December of $18,965,000 of the CF&I Steel Corporation first mortgage and collateral trust bonds.

At December 31, 1973, the principal amounts of long-term debt repayments required for the next five years were $6,312,000 in 1974; $5,695,000 in 1975; $7,955,000 in 1976; $15,348,000 in 1977; and $7,450,000 in 1978.

At December 31, 1973, there were $45,000,000 of unused short-term credit lines available with various domestic and foreign banks, and such lines are subject to annual review. The Company's cash management system is such that cash balances recorded in its accounts are substantially less than actual cash on deposit in banks. This excess, commonly referred to as float, is used by the Company to satisfy its informal practice of maintaining compensating balances on deposit with banks.

Reserves and Other Liabilities

A summary of reserves and other liabilities follows:

	1973	1972
	(in thousands)	
Pension and wage benefits	$16,358	$ 6,249
Deferred taxes	6,118	3,857
Relining and rebuilding of blast furnaces	2,047	2,416
Future foreign currency valuations	721	163
Deferred credit from acquisition	211	9,130
Miscellaneous	1,313	973
	$26,768	$22,788

In 1973 CF&I Steel Corporation closed two plants and incurred an extraordinary after-tax loss of $7,777,000. This loss was charged against the deferred credit from acquisition and minority interest. The increase in pension and wage benefits was due principally to recording the vested pension liability arising from the closing of these plants.

Income Taxes

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

	1973	1972
	(in thousands)	
Income before income taxes	$32,558	$17,355
Permanent tax adjustments:		
Depletion	1,292	1,294
Original issue bond discount	1,080	1,080
Deferred credit amortization	2,633	2,633
Nontaxable domestic dividends	921	1,162
Nontaxable pension reserve	1,587	1,587
Minority interest	(1,780)	(1,155)
Other	989	952
	6,722	7,553
Taxable income for accounting purposes	25,836	9,802
Tax @ 50% (composite rate)	12,918	4,901
Less investment credit utilized	937	—
Provision for income taxes	$11,981	$ 4,901

The provision for income taxes is composed of the following:

	1973	1972
	(in thousands)	
Deferred taxes:		
Tax effect of timing differences:		
Depreciation	$ 3,504	$ 2,302
Pension expenses	1,111	2,130
Loss carryforward	2,900	(1,750)
Other	231	412
Total deferred taxes	7,746	3,094
Current income taxes paid or payable	4,235	1,807
Provision for income taxes	$11,981	$ 4,901

The above provisions include foreign taxes of $3,209,000 and $2,571,000, and state taxes of $1,115,000 and $387,000, in 1973 and 1972, respectively.

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

Investment tax credits of $4,600,000 are available to reduce future income taxes and will be recognized as realized.

Leases

Rental expense was as follows for all leases for the years ended December 31, 1973 and 1972:

	1973	1972
	(in thousands)	
Rentals on noncapitalized financing leases:		
Minimum	$ 5,440	$ 4,064
Contingent	438	379
Rentals on operating leases:		
Minimum	7,859	6,944
Contingent	1,084	1,015
	$14,821	$12,402

Rental expense has been reduced by rental income from subleases of $1,363,000 in 1973 and $1,004,000 in 1972.

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

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

		Operating Leases		Financing Leases	
	Total	Buildings	Machinery and Equipment	Buildings	Machinery and Equipment
		(in thousands)			
1974	$ 8,401	$2,088	$2,277	$ 751	$ 3,285
1975	7,604	1,899	1,464	760	3,481
1976	6,636	1,663	739	1,044	3,190
1977	5,882	1,357	322	1,226	2,977
1978	5,361	1,129	127	1,330	2,775
1979-83	24,262	3,903	146	7,338	12,875
1984-88	18,840	1,012	—	5,244	12,584
1989-93	15,856	53	—	3,852	11,951
1994-beyond	5,306	—	—	1,889	3,417

The above amounts have been reduced for rental income from noncancelable subleases by approximately

$1,278,000 in 1974 and lesser amounts thereafter (total reduction $5,429,000).

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

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

	December 31	
	1973	1972
	(in thousands)	
Buildings	$16,268	$15,468
Machinery and equipment	31,797	40,356
Subleases	(2,807)	(1,841)
Net present value	$45,258	$53,983

The weighted average interest rate used in the computations was 6¼ per cent and ranged from 4 per cent to 10 per cent.

If all financing leases had been capitalized, net income for the years ended December 31, 1973 and 1972 would not have been significantly affected.

Stock Options

A summary of option transactions under all plans follows:

	Number of Shares	Price Per Share
Outstanding January 1, 1973	112,276	$15.20-26.68
2% Stock dividend	2,191	
Options granted	11,000	17.50-20.25
Options expired	(39,255)	20.26-25.53
Options exercised	(260)	18.75
Outstanding December 31, 1973	85,952	$15.20-26.68

At December 31, 1973, options for 58,780 shares were exercisable and 47,320 shares were available for grant. In 1972 options for 23,900 shares were granted and options for 9,682 shares were exercised. All shares and per share statistics have been adjusted for the 2 per cent stock dividend in 1973. None of these are compensatory plans requiring charges to income.

Litigation

In December, 1973, the Court of Appeals reaffirmed its earlier decision that American Standard Inc. and Blyth & Company, Inc. were liable to Crane for violations of the Securities Exchange Act of 1934 in connection with the lawsuit arising out of the merger of Westinghouse Air Brake Company and American Standard, and directed the District Court to commence its assessment of damages. Crane intends to continue this case and seek appropriate recovery, but it is not possible at this time to determine the extent of the award. The Court of Appeals has also agreed to hear an interim appeal of American Standard's suit against Crane for so-called "insider's profits" in connection with the forced sale of American Standard stock which Crane received in the merger. Management continues to believe that Crane will ultimately prevail in this lawsuit, since even if American Standard were permitted recovery, counsel advises that it would be an element of Crane's overall damages.

Report of Independent Accountants

To the Shareholders of Crane Co.

We have examined the consolidated financial statements of Crane Co. and subsidiaries for the years ended December 31, 1973 and 1972. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the financial statements of CF&I Steel Corporation, a consolidated subsidiary, which statements were examined by other independent certified public accountants whose reports thereon have been furnished to us. Total assets and net sales of CF&I Steel Corporation constituted approximately 49% and 36%, respectively, of the related consolidated totals in 1973 (49% and 33% in 1972). Our opinion expressed herein, insofar as it is related to the amounts included for the foregoing subsidiary, is based solely upon the reports of the other independent certified public accountants.

In our opinion, based upon our examinations and the aforementioned reports of other independent certified public accountants, the accompanying balance sheet and statements of income, earned surplus, capital surplus and changes in financial position present fairly the consolidated financial position of Crane Co. and subsidiaries at December 31, 1973 and 1972, and the consolidated results of their operations, changes in shareholders' equity and changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

New York, N.Y.
January 28, 1974

n Year Consolidated Financial Summary

(thousands of dollars)

	Net Sales	Income Before Extra-ordinary Credits	Extra-ordinary Credits	Net Income	Depre-ciation	Common Shareholders' Equity Total	Common Shareholders' Equity Per Share*	Net Income Per Share*	Cash Dividends Per Share*
1964	$357,823	$ 5,530	—	$ 5,530	$ 8,316	$120,411	$19.76	$ .86	$.38
1965	370,084	7,991	—	7,991	7,847	119,580	21.69	1.39	.44
1966	405,907	11,251	—	11,251	8,124	126,579	23.10	2.02	.61
1967	403,361	10,228	—	10,228	8,632	132,155	24.11	1.83	.73
1968	409,549	8,495	$2,503	10,998	9,146	138,838	25.33	1.98	.72
1969	550,707	9,493	2,109	11,602	14,354	144,418	26.76	2.11	.76
1970	680,207	8,255	—	8,255	22,459	147,943	27.58	1.51	.77
1971	791,508	10,289	873	11,162	26,837	153,134	29.08	2.08	.78
1972	844,395	12,453	2,020	14,473	28,277	161,357	31.17	2.75	.81
1973	947,093	20,577	—	20,577	30,163	174,112	34.77	4.01	.95

*All per share amounts have been adjusted to reflect stock dividends and the stock split.

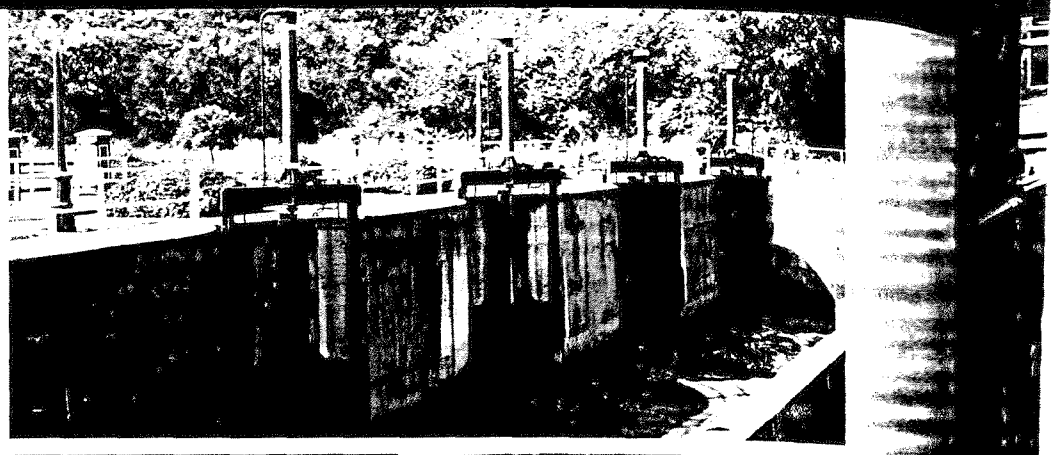
alysis of Net Sales and Operating Profit

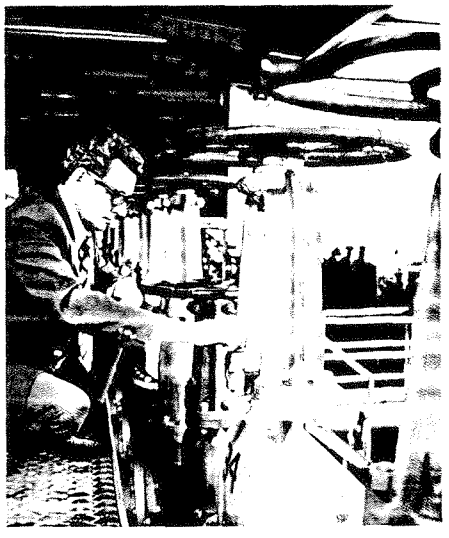
housands of dollars)

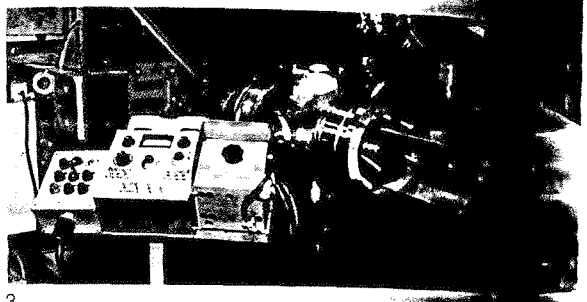
	1969 Amount	1969 %	1970 Amount	1970 %	1971 Amount	1971 %	1972 Amount	1972 %	1973 Amount	1973 %
Net Sales										
Crane Domestic	$280,699	51	$285,443	42	$291,515	37	$299,389	36	$319,423	34
CF&I Steel Corporation*	120,918	22	242,300	35	261,719	33	282,039	33	342,814	36
Huttig Sash & Door Company	—	—	—	—	70,530	9	84,300	10	93,904	10
Crane Canada Limited	88,079	16	86,301	13	98,337	12	102,324	12	115,190	12
International Operations	61,011	11	66,163	10	69,407	9	76,343	9	75,762	8
Total Net Sales	$550,707	100	$680,207	100	$791,508	100	$844,395	100	$947,093	100
Operating Profit										
Crane Domestic	$ 7,599	33	$ 5,163	20	$ 6,136	17	$ 7,776	20	$ 9,433	17
CF&I Steel Corporation*	7,585	33	13,696	54	17,193	49	15,304	38	27,016	48
Huttig Sash & Door Company	—	—	—	—	4,527	13	6,419	16	9,062	16
Crane Canada Limited	3,574	16	2,161	9	3,706	10	5,112	13	6,452	11
International Operations	4,120	18	4,156	17	3,955	11	5,202	13	4,551	8
	22,878	100	25,176	100	35,517	100	39,813	100	56,514	100
Corporate	(4,198)		(5,137)		(4,861)		(4,763)		(5,541)	
Total Operating Profit	$ 18,680		$ 20,039		$ 30,656		$ 35,050		$ 50,973	

*From July 1969.

Pages 12 through 20 describe the organization, products and services of these units.







1. Large remote-controlled, hydraulically operated sluices govern flow into the main inlet channel of a sewage plant in southern England.

2. Crane cast steel gate valves are used on distribution lines handling aviation fuel, gasoline and LP-Gas in this Australian refinery. Use of a Teflon insert provides shutoff with no leakage on LP-Gas service.

3. This 8-inch liquid sodium valve, shown during manufacture, is one of 24 specially designed by Crane for a test loop to check components of an atomic breeder reactor.

Fluid and Pollution Control

Crane is a major supplier of fluid and pollution control equipment. It produces a wide range of products used in oil and gas production, nuclear and fossil-fueled power generation, chemical processing, and municipal and industrial water and waste treatment. In recent years, the Company has greatly expanded its participation in these markets and today Crane valves, pumps and treatment products are used worldwide to control, transfer, govern, filter and clarify the flow of all types of fluids.

Crane Domestic

The Valves and Fittings Division showed improvement, especially during the second half of 1973. This was the result of higher capital spending, particularly by energy-related companies. New orders were well ahead of 1972 and the backlog is substantially above a year ago. Demand is expected to continue upward in 1974.

During the year, considerable progress was made in modernizing and consolidating valve production facilities. Product specialization within each factory has increased the ability to meet higher production levels. Final plans have been completed to double the output of steel valves and steel castings. Continued stress is being placed on product line simplification and cost reduction.

The production of Crane's bronze valve line is being relocated from Chicago to the newer, more modern plant in Rogers, Arkansas. Concurrent with this move, new, high-volume production machinery has been ordered. This will enable the Chicago operation to concentrate on the products it is uniquely qualified to produce, particularly for electric generating plants.

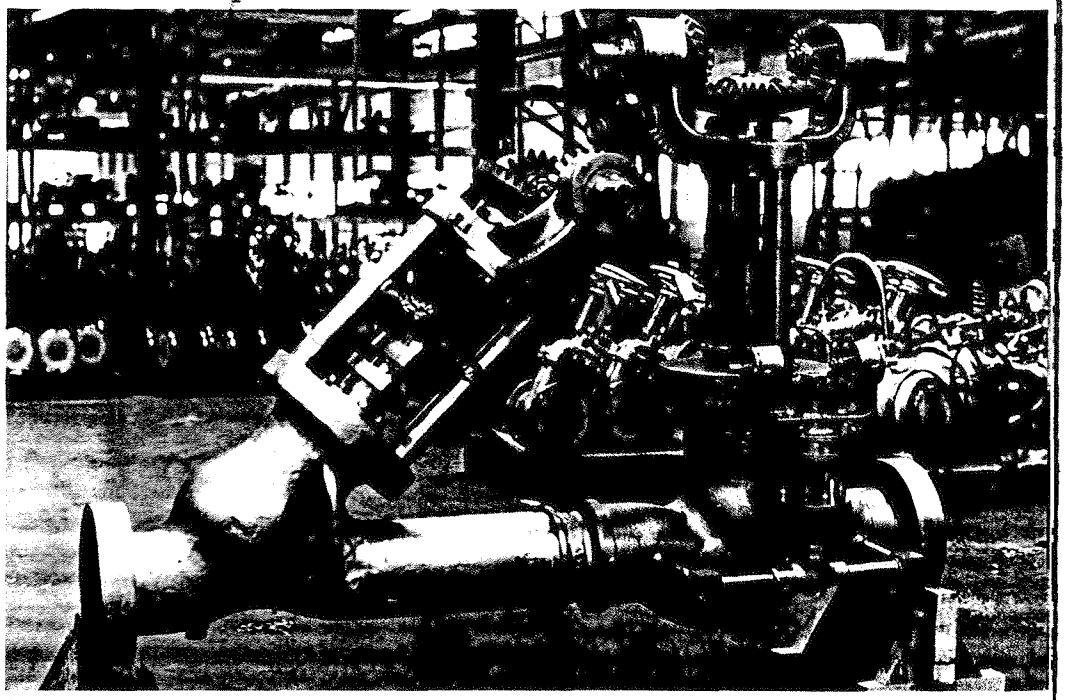
In the Engineered Products Division, Chempump enjoyed a considerably higher level of orders for leakproof pumps. This was due largely to increased capital spending by the chemical process industries and further penetration of other markets.

The industrial and nuclear pump markets continued to be a major growth area for Deming as sales rose in 1973. Several new sewage treatment pumps for municipal use were introduced during the year.

Last year, the new Deming tower dry became fully operational and a construction contract was awarded for the addition of 65,000 square feet of adjacent manufacturing space. In addition, the production of water systems has been transferred from Rogers to the new plant in Salem, Ohio, thereby consolidating all manufacturing in one location.

The continuing high level of business activity and emphasis on





1. These Glenfield recoil valves are part of a new water cooling system designed to increase blast furnace output over 50 per cent at a British steel plant. They will protect the pumps from reversal of flow.

2. Crane manufactured this 1500-pound globe valve in France for special marine service.

...ution control contributed to a rec-...level of new orders in 1973 for the ...chrane Environmental Systems op-...tion.

Because of Cochrane's recog-...d technological leadership, sales ...quipment for the treatment of ...er for industrial and utility boilers ...tinued to provide the major source ...income. A major eastern utility ...ded a contract for condensate ...mineralizers to treat water in a nu-...r power plant. When completed, ...will be one of the largest systems ...its type in operation. Significant ...rs were also received for hot proc-...water softening systems from a ...r oil company and a large steel

...In the waste water treatment ...several orders for Crane's new ...ier design were booked, and a ...ct was undertaken to design a ...m to treat wastes and reclaim ...icts from a battery reclamation ... The use of microstrainers for ...municipal and industrial waste ...ol was highlighted by the sale of ...units to a midwestern municipal-...or tertiary sewage treatment.

Through its research and devel-...ent efforts, Cochrane has devel-... several new concepts in the treatment of fluids. Most important of these is in the field of ozone generation. Ozone has wide application potential for water purification and control of odor and color. A new ozone generator, now on field test, appears to offer considerable cost savings in the production of ozone.

Crane's Off-Shore Industries operation has developed several new products for subsea oil well applications. The main product is an electronic position-indicating system. This system enables the drilling crew to determine the position of the blowoff preventer valves so as to facilitate drilling and avoid possible oil spills.

Plans for record capital spending in petroleum, petrochemical, chemical processing, power, and water and waste treatment should benefit all of Crane's domestic fluid and pollution control business in 1974. The Company has already experienced a strong upturn in steel valve orders in recent months.

Electric power generation requires large numbers of valves, pumps and boiler water treatment equipment. Because there is a large backlog of nuclear power plant work on order, capital spending in this sector is expected to be particularly strong.

The same general picture holds true for oil and gas production. Increased spending for petroleum refining and distribution facilities will create a rising demand for a variety of valves and pump products.

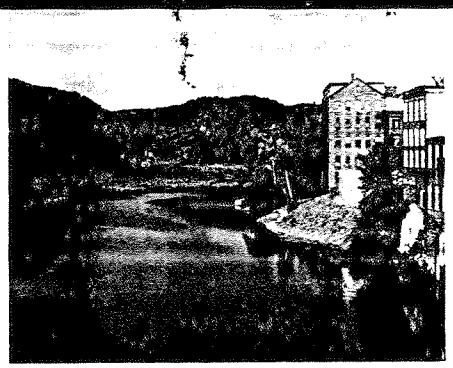
Plans for higher capital outlays in chemical processing, steel and other industrial markets during 1974 can benefit all domestic operations, not only with increased activity in valve and pump sales, but also with more emphasis on waste treatment products for pollution control.

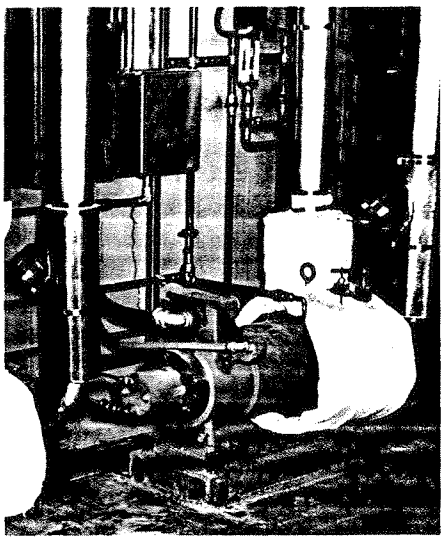
Municipal water and waste treatment can also be expected to receive continuing attention. Crane's expansion of its line of pollution control products in the past three years places it in a strong position to meet the growing demands from both municipal and industrial markets.

1

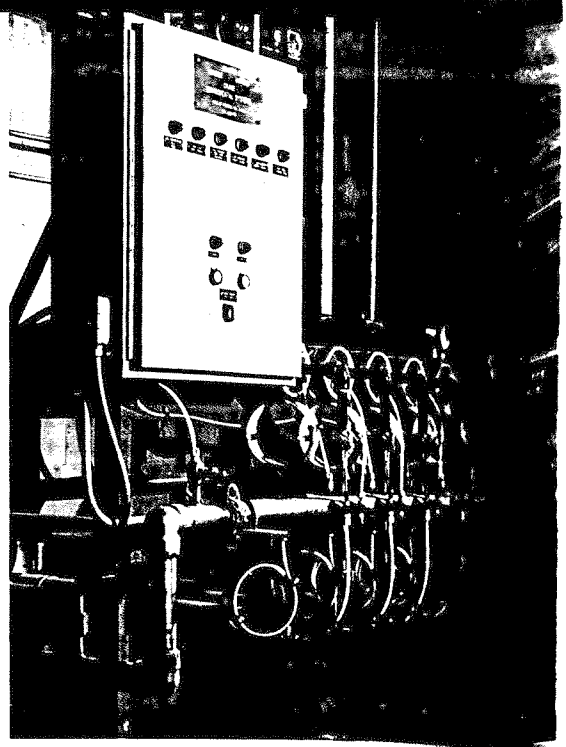


2





3



4

1. At Ludington, where the world's largest pumped storage plant is situated on the eastern shore of Lake Michigan, 195 Deming submersible pumps were installed around the perimeter of the dike to protect the asphalt inner surface from seepage.

2. To help clean waste water which would otherwise contaminate the river, two paper companies installed Crane microstrainers in a joint treatment plant they built.

3. Leakproof, high pressure Chempump units are used in the hydraulic system for the control rod mechanism of a nuclear reactor.

4. This Cochrane reverse osmosis system removes impurities from water used in the plating and finishing of appliance parts.

Late last year, the Company licensed an important Japanese firm to manufacture and sell Cochrane water and waste treatment equipment. This will enable Crane to expand its participation in Far Eastern markets.

Shortages of some basic materials, particularly steel and steel products, may present problems later in 1974. To offset this, emphasis is being placed on improving operations in Crane's own foundries, better order scheduling and close control of supplier deliveries.

Crane Canada

Capital spending in Canada rose substantially during 1973, as did commercial construction. The result was a satisfactory demand for valves and other industrial products.

This rise in spending should continue throughout 1974 and provide an active market for valves. Pump sales are expected to increase, and the Canadian Environmental Systems operation has a good backlog of orders.

Crane International

While sales of the United Kingdom's operations remained approximately the same in 1973, earnings were adversely affected by the downturn during the final quarter. In view of the many shortages and unsettled labor conditions in Great Britain, the outlook for this year cannot be optimistic.

Unsettled conditions and rising labor and material costs affected European operations last year. While sales were relatively unchanged, profits dropped in France and The Netherlands. The performance in Spain showed an improvement, aided by an active valve market. Although the order backlog in all three countries was higher entering 1974, the outlook is uncertain and will depend largely on international economic conditions.

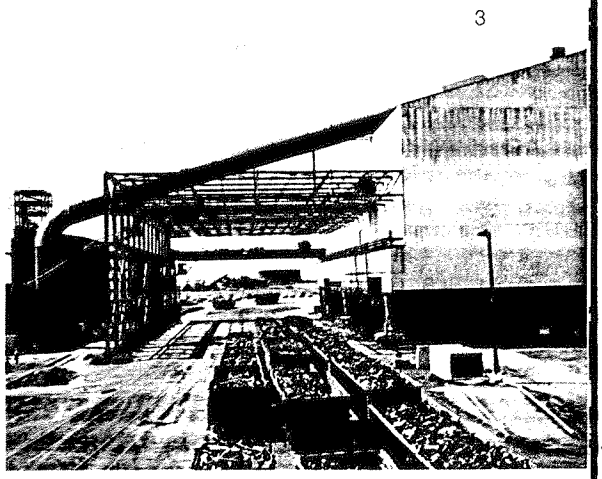
Capital spending remained low in Australia for the better part of 1973. Late in the year, the demand for industrial products improved and the outlook for 1974 is promising.

In Mexico, both sales and profits were up in 1973 and the trend is expected to continue this year.





2



3

1

teel

&I Steel Corporation is the major pplier of steel products to the Rocky ountain area. Its products are used in construction, petroleum, mining, talworking, transportation, and farm- and ranching markets. Subsidiaries clude The Colorado & Wyoming ilway Company, The Colorado & yoming Land Company, The Fountain d and Gravel Company, CF&I gineers, Inc. and Pueblo Metals mpany.

F&I Steel Corporation

During 1973, production and es continued at record levels at I's Pueblo plant. This reflected an reasing worldwide demand for l products.

The current national energy sis has resulted in an increase in ling activity for natural gas and oleum. Accelerated domestic ex- ation, coupled with increased well pletions, has created an apparent tage of tubular products.

CF&I tubular shipments ex- ed 1972. The outlook for 1974 ects a continued high demand for ular products with shipments ex- ted at a maximum level. Installa- n of new nondestructive testing ipment in 1974 will improve production yield and result in greater quality assurance for CF&I's tubular customers.

Milling of ores has continued at a high level, resulting in increased shipments of grinding media. The energy crisis has had an immediate effect in increased consumption of mine roof rock bolts in the United States, with shipments being made at a rate well in excess of a year ago. Demand for mining products is expected to be at an even higher level in 1974.

Demand for rolled and wire products increased in the latter half of 1973. Sales were above expectations last year and should remain strong this year.

Sales to railroads rose in 1973. The Hi-Guard rail anchor was introduced and the first orders for track installations have been received from a number of CF&I customers. This is a growth product and an important addition to the accessory line.

Continued demand for railroad products is anticipated in the coming year. At least a portion of this may be attributed to the Federal Railway Administration's Railway Safety Act which went into effect in October, 1973. The definite possibility of congressional action related to the difficulties of some eastern railroads may have a specific influence on total domestic railroad purchasing.

An abnormally high demand for agricultural products was experienced from farming and ranching markets in 1973. This situation is expected to continue throughout 1974.

1. CF&I rails, tie plates and other accessories are used throughout Southern Pacific's new freight terminal, one of the most technologically advanced facilities of this type in the world.

2. The new electric furnace at Pueblo replaces the last of the open hearths. For each heat, which takes 2½ to 3 hours from tap time to tap time, the furnace uses 125 tons of recycled steel and iron scrap.

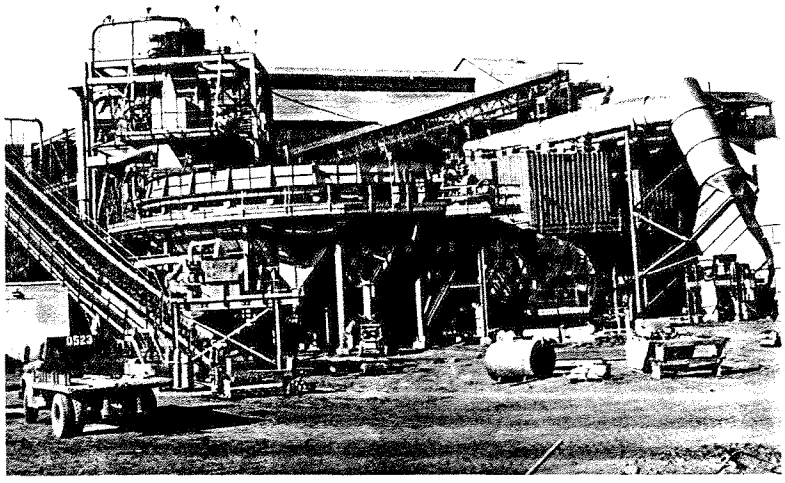
3. This facility is equipped with the most modern pollution control equipment. To prevent particulate emissions into the atmosphere, two huge fans can draw up to 360,000 cubic feet per minute of exhaust gases from the electric furnace melt shop on the right into the bag house at the left, where dust is removed and collected. All cooling water is also recycled.

Facilities

Expenditures of $37,459,000 were made during 1973 under CF&I's capital improvement program. This brings the Company's five-year modernization program to increase profitability to a total of $169,695,000.

A major project completed during 1973 was the new electric furnace melt shop. The new facility is equipped with the latest pollution controls and replaces open hearth

1



2



1. Extensive modifications in the sinter plant resulted in a higher quality of the sinter produced and a reduction in air pollution. Since this sinter is a major element used in charging blast furnaces, improved furnace operation is expected.

2. Water and sewage lines were laid in Minnequa Industrial Park last year.

furnaces which had no pollution control equipment. The new furnace uses recycled iron and steel scrap.

A second battery of 47 new coking ovens, incorporating the latest pollution control devices, went into operation in early January, 1974. The first battery of 65 ovens was placed in operation in 1972.

Major modifications were completed at the sinter plant during 1973 to improve the quality of sinter, a major element of the blast furnace charge. The improvements substantially reduce air pollution from the discharge end of the plant.

Late in 1972 a new facility for the production of rail anchors was completed and is now producing high-quality rail anchors for the railroad industry.

An induction electric furnace was placed in operation in mid-November at the casting foundry. The new facility provides high-quality iron for ingot molds and eliminates two existing cupolas, thereby greatly reducing air pollution.

At the Roebling Division plant in New Jersey, the rod mill is being extensively improved and modernized. When completed later this year, it will enable CF&I to produce control cooled rod of improved quality. This will permit the elimination of some operations in the wire mill where the rod is used, and will result in a better grade of finished wire products.

CF&I is taking all steps possible to conserve all forms of energy and, when practical, switching to alternate fuels that are more readily available. In addition, the Company is thoroughly examining the availability of fuels for the future.

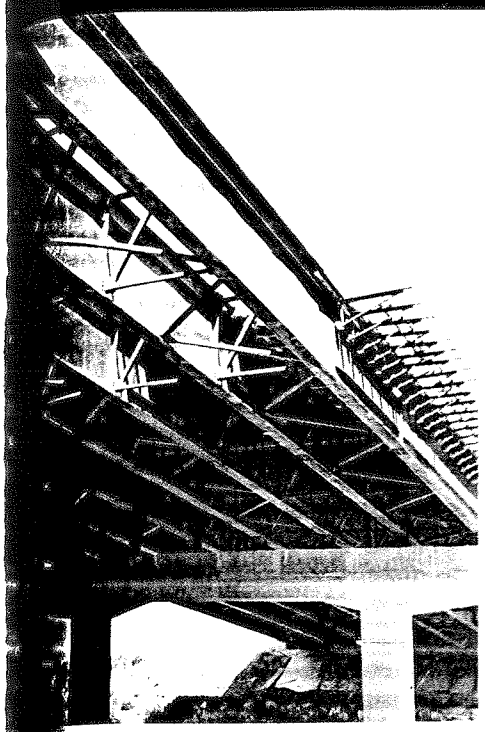
As a vertically integrated steel company, CF&I supplies its Pueblo works with coking coal, iron ore, limestone and dolomite from mines and quarries owned or leased in Colorado, Wyoming and Utah. In these and other holdings in South Dakota and New Mexico, the Company has adequate reserves to supply it for years to come. CF&I also owns the water rights under which Pueblo draws the water needed for its operations.

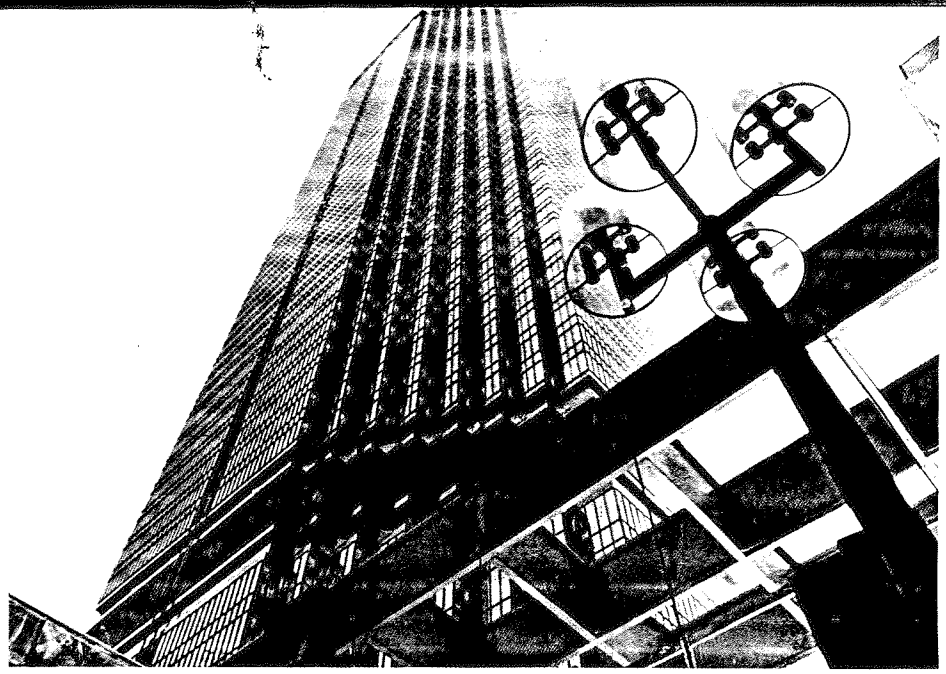
Subsidiaries

The Colorado & Wyoming Land Company progressed through the planning, subdividing and engineering phases of its new Minnequa Industrial Park, located adjacent to the Pueblo mill. Roads and utilities were begun late in the year and rail service is to be extended into the Park by The Colorado & Wyoming Railway Company.

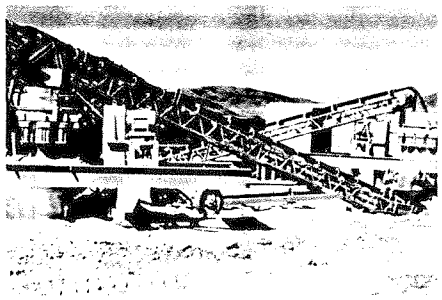
Today, CF&I owns in excess of 350,000 acres of outlying lands in the Rocky Mountain area. While much of the acreage is being held primarily for the mineral resources needed in steelmaking, the Company plans to explore the lands geophysically and will evaluate their possible development for recreational, residential or industrial use.

Late last year CF&I formed the Pueblo Metals Company to acquire the operating assets of the Pueblo Compressed Steel Corporation, a large scrap-processing yard in the Rocky Mountain region. The newly formed company is expected to supply a portion of CF&I's scrap needs.





3



2

ilding Products

ne produces and distributes a wide ge of products used in building and truction, including plumbing and ting in the United States and Canada heating in The Netherlands. bing is also marketed in France. ough its subsidiaries, Huttig Sash Door Company and CF&I Steel poration, Crane also serves the ding and construction industry.

ne Domestic

During 1973, Crane's Plumbing Heating Division operated at rec- levels, reflecting the high activity he construction industry. The all outlook for 1974 remains d. All plants are entering 1974 higher backlogs than a year ear- Vitreous china plumbing fixtures nue to be in short supply in the d States, and it is projected that sidential building activity will nue to be strong.

n the past year, Crane intro- a new line of fiberglass shower ub wall units in order to increase ration into the growing field of tic bathing units. At present, ane is one of the largest producers meled steel bathtubs and this will be expanded further. These ucts have good growth potential are designed to replace the cast iron products that were declining in popularity and which Crane discontinued last year.

It is anticipated that the hydronic heating business will continue at the 1973 level. A major portion of this product is for the replacement and remodeling market.

To capitalize on new construction where curtailment of oil and gas exists, Crane began production of electric boilers for residential applications during the fourth quarter of 1973. Electric boilers for commercial installations have also been added to the line. This strengthens the Company's market position by making electricity available as another fuel along with gas and oil.

Crane Supply Company, the distribution arm of Crane Co., offers a complete line of products purchased from Crane manufacturing divisions as well as other manufacturers. Major lines include pipe, valves, fittings, plumbing, heating, air conditioning, and related items for construction and industrial markets.

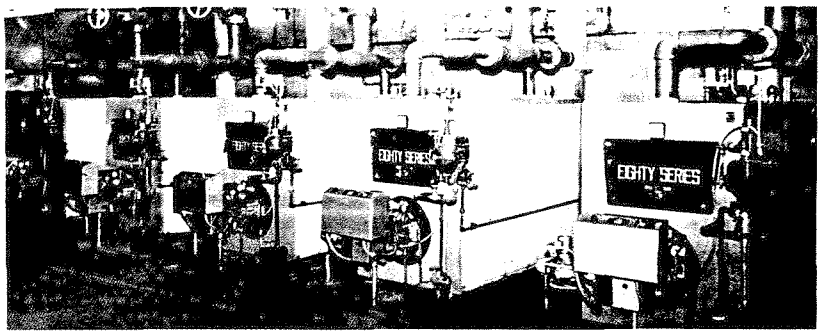
1. CF&I structural products are used in a bridge being built across the Arkansas River.

2. Porto-Mix Concrete, Inc., a CF&I acquisition last year, crushes and screens aggregate at Edwards, Colorado, to supply batch plants for its transit mixing operations at Glenwood Springs and Vail.

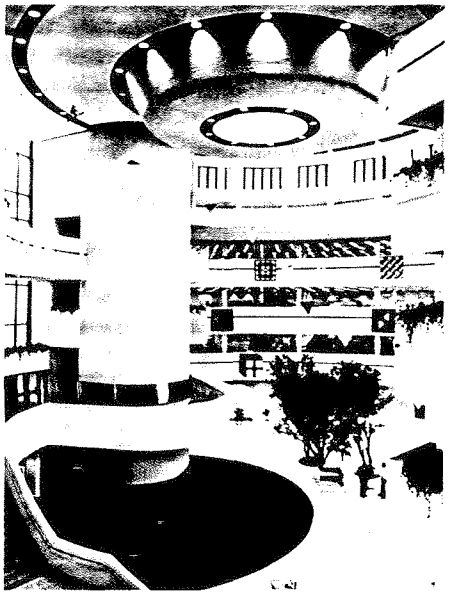
3. Plumbing fixtures used in the IDS Tower and motel-shopping complex in Minneapolis were furnished by the local Crane Supply Co. branch.

Substantial inventories maintained at all branches assure availability of a complete line of such quality products.

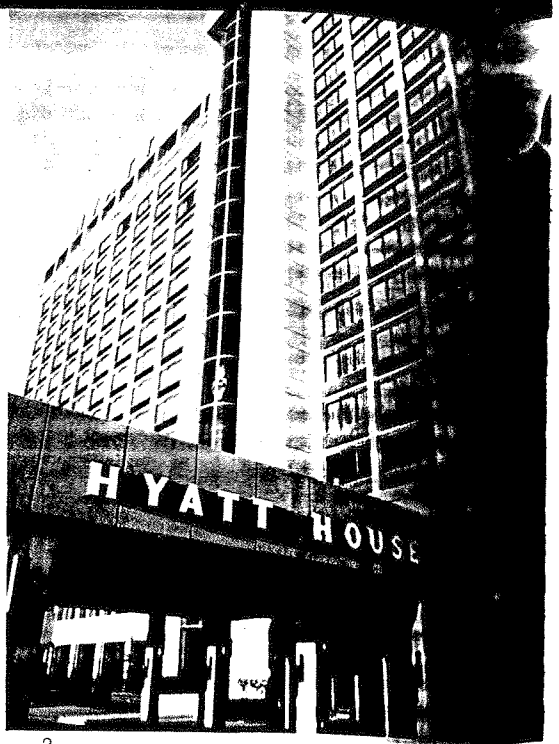
The high level of activity in building and construction markets resulted in a record performance in 1973 and is expected to continue during the coming year. A decline in housing starts should have little effect on the Division's overall level of operations. With 60 branches strategically located coast to coast, Crane Supply Company is particularly geared to service the expanding nonresidential and industrial construction market throughout the coming year.



1



2



3

1. This modular steam system, using Crane's combination gas- and oil-fired boilers, enables a large industrial plant with interruptible gas supply to switch fuels as needed. It has also made sizeable fuel savings possible.

2. Crane Canada furnished all the plumbing fixtures for the Scarborough Civic Centre in metropolitan Toronto.

3. Crane plumbing is used throughout the new Birmingham Hyatt House.

As a nationwide supplier, Crane Supply Company is also in a unique position to offer a comprehensive program designed to service companies having multiplant locations and whose operations are at a level that can utilize a single-source supplier for their maintenance and repair order needs.

Overall, the outlook for Crane's domestic operations is good. Plants are at capacity and expected to continue at or near this level. The decline in housing starts should have little effect if nonresidential building activity continues to be strong.

Crane Canada

With housing starts at a relatively high level throughout 1973, sales of plumbing fixtures and fittings ran well ahead of the previous year. A new line of volume-priced plumbing brass was successfully introduced.

The sales of Crane Supply Division in Canada were higher, and are expected to show further improvement in the current year.

While residential activity is expected to be somewhat lower in 1974, the outlook for Canadian operations is good. Commercial building should remain strong throughout the year.

Crane International

In The Netherlands, Crane continued to enjoy a strong position in the central home-heating market. Additional models are planned for introduction in 1974.

Introduction of the Unette fiberglass bathroom in France has attracted considerable interest in European markets.

Huttig Sash & Door Company

This St. Louis, Missouri-based company manufactures and sells millwork and other building products. Its market areas are the southeastern, midwestern and southern states, with the greatest portion of its business in single-family homes and apartment units.

Last year Huttig enjoyed another record year of sales and earnings as a result of a strong and continuing demand for residential construction, particularly in the areas served by Huttig branches. Approximately 40 per cent of the total housing starts in the United States during the year were in the 14 southern states where Huttig has strategically located 18 of its 26 branches.

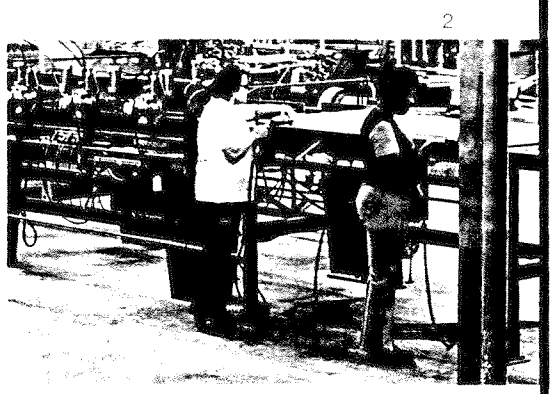
Interest in wood substitutes continues and Huttig is currently marketing a number of such items including fiberglass columns, steel entrance doors, plastic shutters and vinyl-clad window units.

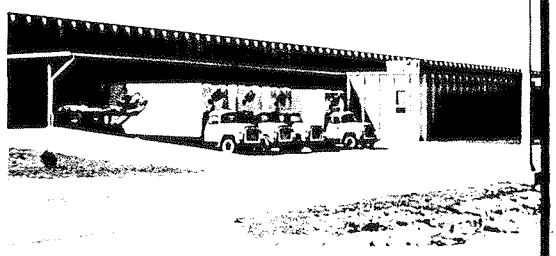
Three new branches began operations during 1973 in Macon, Georgia; Rocky Mount, North Carolina; and Shreveport, Louisiana. The operation at Franklin Park, Illinois, was closed during that period because of marketing difficulties in the Chicago area.

A new facility is under construction at Fort Myers, Florida, to serve the growing market for Huttig products in southwestern Florida. Although Huttig's interests have been primarily centered in the midwest, south and southeast, it is reviewing the possibility of locating facilities in the western states and is currently surveying locations in the southwest.

While the long-term future outlook is bright, Huttig's business is so







1. A fiberglass tub/wall unit, part of the new Galaxy line of plastic bathing units, attracted wide attention at the National Association of Home Builders show held in January of this year.

2. Pre-hung door units are assembled and finished at a Huttig branch warehouse.

3. The branch at Macon, Georgia was one of three opened by Huttig last year.

...rge extent directly related to resi-...tial construction. The prospects ...1974 are going to depend largely ...he availability and cost of mort-...funds.

...I Steel Corporation

CF&I manufactures dozer and ...per blades and structural products ...in building and construction. ...primary market area lies west of ...Mississippi, with sales through ...ers and original equipment manu-...urers.

Cutting edge sales were up in ... and this trend is expected to ...nue, particularly in heat-treated ...r and scraper blades. Substantial ...ases in heat-treated blade busi-...in the international market is ...expected.

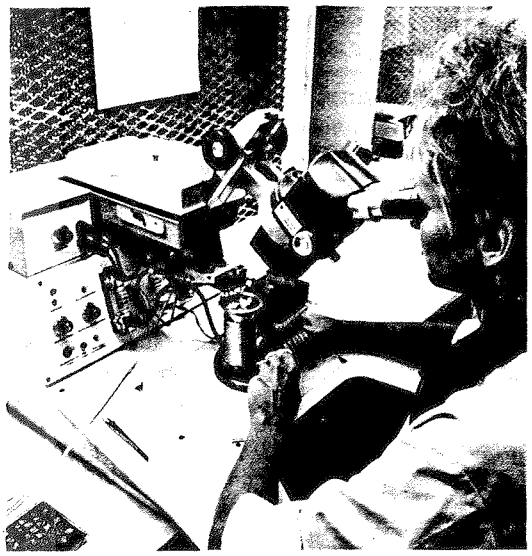
The demand for structural prod-...will be dependent on the overall ...my and capital spending.

...arly in 1973 The Fountain Sand ...ravel Company, a CF&I subsidi-...cquired 120 acres of land on the ...ide of Colorado Springs, Colo-... Fountain plans to use 40 acres of ... property for its own installations, ... the rest to be used for industrial ... site development. At present, a ready-mixed concrete plant has been put in operation and during the coming year an asphalt plant and industrial sand plant will be added. The Rocky Mountain Paving operation will also be moved to this location.

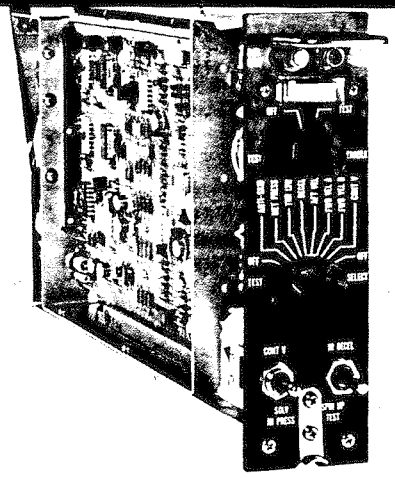
Alcora Materials Co., a subsidiary of Fountain Sand and Gravel, installed an aggregate crushing and screening plant near Farmington, New Mexico, to supply aggregate for the Navajo Irrigation Project. Road base is also being supplied to the Bureau of Indian Affairs for an extensive road building project. Rocky Mountain Paving has the contract to pave this road during the early part of this year.

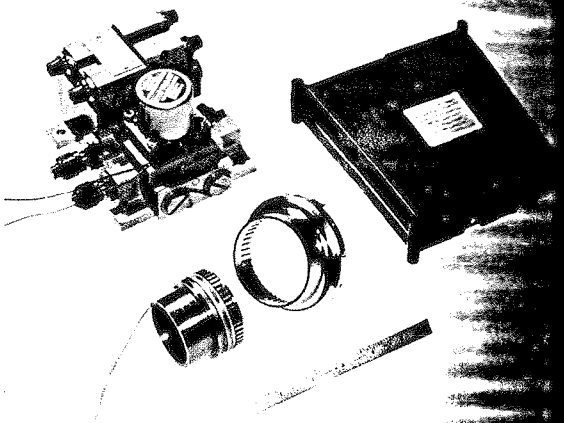
Late last year, Fountain Sand and Gravel also purchased Porto-Mix Concrete, Inc. of Glenwood Springs, Colorado, a transit-mix concrete supplier that will operate as a Fountain subsidiary. With three plants and aggregate supplies in the northwestern section of the state, its primary business has been furnishing concrete for construction in the Vail and Eagle ski areas.

1



2







3

Aircraft and Aerospace

The Hydro-Aire Division engineers and manufactures brake control systems, fuel and hydraulic pumps, controls and other accessories and systems used by the aerospace industry.

Crane Domestic

Hydro-Aire's sales and profit performance in 1973 were at an all-time high. This was due in part to the general improvement in commercial aircraft production and, of more importance, to an increased share of the aerospace market. More than 30 per cent of the Division's sales and earnings were from the Adel line and the new products that developed as a result of this acquisition in 1972.

The projections for 1974 show a continuing demand for Hydro-Aire's product lines.

The most successful of its products, the Hytrol Mark III anti-skid systems and the automatic brake controls, continue to lead other product lines. The performance of Boeing's passenger aircraft equipped with these systems has influenced operators of other wide-bodied aircraft to consider retrofit installations.

Combining light aircraft brake experience with Hytrol anti-skid technology, Hydro-Aire is offering a new power brake and anti-skid system for light jet and turboprop aircraft. Also to be introduced early in 1974 is a new "Invermotor" fuel pump for light aircraft. Utilizing solid-state electronics developed during the Apollo space program, this DC pump eliminates delicate parts that limit the life of present-day pumps and makes possible a significant improvement in service life. Both of these new products open new segments of the light aircraft market to Hydro-Aire.

While the company is advancing technology with many new products it is also continuing to update its manufacturing capabilities. The majority of mechanical components are fabricated with tape-controlled machinery. Its electronics assembly was converted to hybrid module production in 1972 and it reached full capacity this year with extremely high yields of reliable solid-state electronic components for its Hytrol circuits.

1. Hybrid circuits like the one shown in close-up on the front cover are manufactured by Hydro-Aire with metal oxide chips and inter-connected with 1 mil gold wire.

2. These circuits are used in components like the Hydro-Aire Select Decel System, which provides automatic aircraft brake control for constant deceleration. This package consists of a built-in self test

3. Cannister pumps eliminate the need to drain fuel tanks for inspection and maintenance. They incorporate an interlocking shut-off valve to seal the tanks during removal. Hydro-Aire designs these specifically for the general aviation and commuter aircraft market.

4. Hydro-Aire offers a new power brake and anti-skid system for general aviation's light jet and turboprop aircraft. This includes the electronic module, the hydraulic module and wheel speed sensors, one for each wheel brake combination on the particular aircraft. A hydraulic power package is also offered for those aircraft that do not incorporate one as original equipment.

rectors

Officers

Stock Transfer Agents

Registrars of Stock

Bond Trustees and Disbursing Agents

Auditors

Executive Offices

Equal Employment Opportunity Policy

CRANE CO.
300 Park Avenue
New York, N.Y. 10022

CRANE®

Fluid and Pollution Control
Steel
Building Products
Aircraft and Aerospace