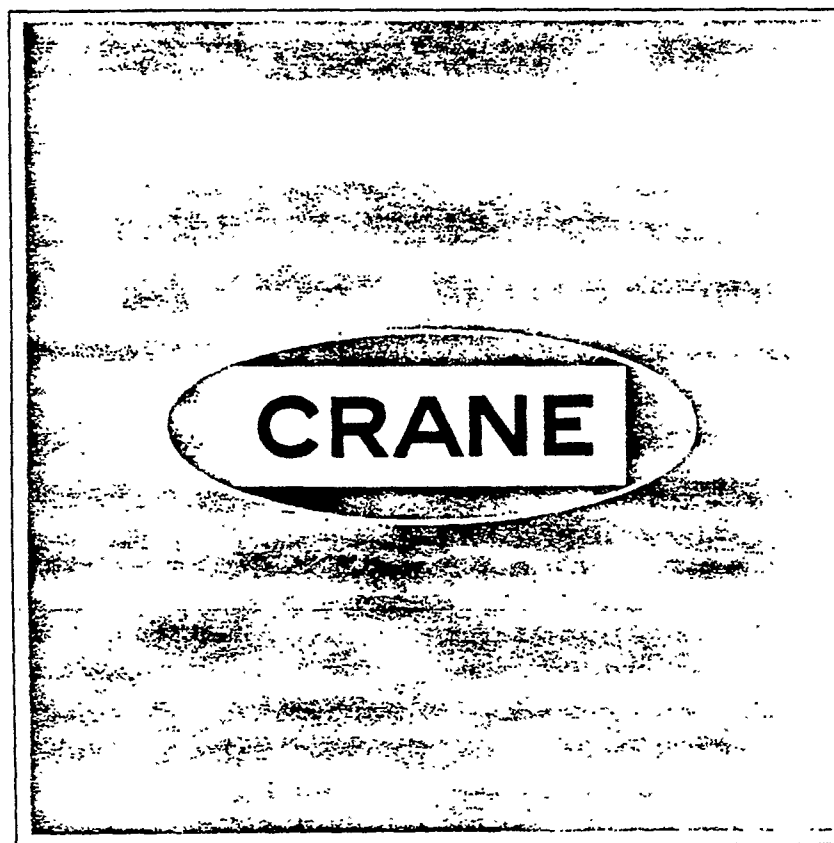
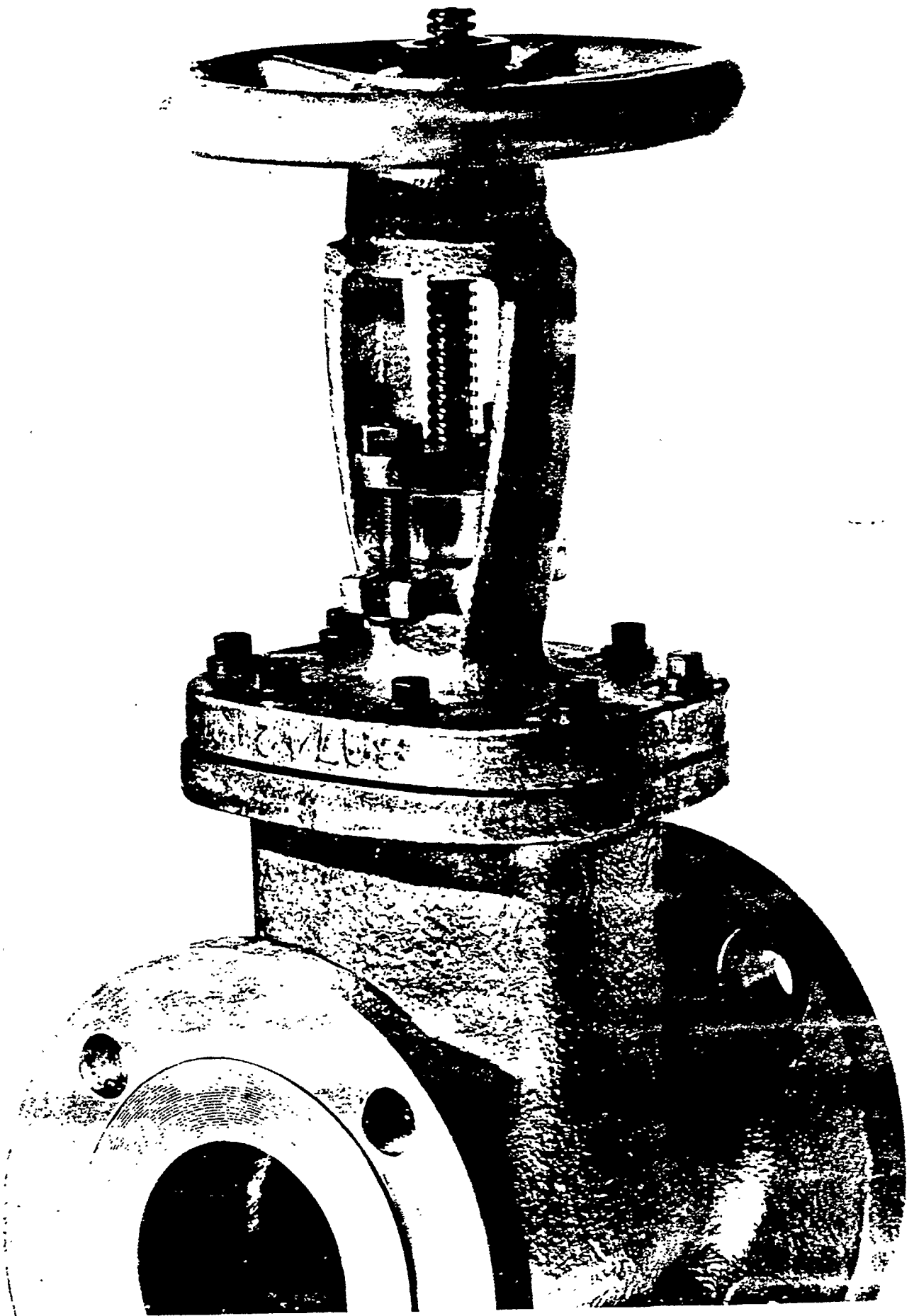


PLAINTIFF'S
EXHIBIT
CRA-19

CRANE CO. / ANNUAL REPORT / 1965



CRTX 0097



Crane Co.
Annual Report 1965

CONTENTS

Financial Highlights	2
Letter to Shareholders.....	3
Ten-Year Summary	4
Consolidated Statement of Income	5
Consolidated Statement of Earned Surplus....	5
Consolidated Balance Sheet	6-7
Consolidated Statement of Changes in Net Working Capital.....	8
Details of Long-Term Debt	8
Status of Stock Option Plans.....	9
Report of Certified Public Accountants.....	9
Review of 1965 Operations	10
Worldwide Facilities	16
Officers and Directors.....	Inside Back Cover

ane line of cast steel gate valves represents a signifi-
hrough in valve design by combining big valve per-
ith lightness and compact size for greater efficiency.

Financial Highlights

1965

1964

Sales	\$370,084,000	\$357,823,000
Net Income	7,951,000	5,530,000
Cash Dividends	2,709,000	2,644,000
Net Working Capital	105,844,000	96,098,000
Total Assets	206,929,000	206,404,000
Common Shareholders' Equity	119,774,000	121,605,000
Common Shares Outstanding at Year End	2,081,200	2,299,440*

Ratios At Year End:

Net Income to Sales	2.2%	1.5%
Net Income to Average Assets	3.9%	2.7%
Common Shareholders' Net Income to Average Equity	6.4%	4.3%
Current Ratio	3.6/1	3.2/1

Per Common Share:

Net Income	\$ 3.70	\$ 2.27*
Depreciation	3.77	3.62*
Cash Flow from Operations	7.47	5.89*
Cash Dividends	1.15	1.00*
Common Shareholders' Equity	57.55	52.89*

*Adjusted for 100% stock distribution in October 1965.

CRANE



T. M. Evans, Chairman, and D. C. Fabiani, President, review company plans and operations in the Executive Offices of Crane Co. in New York.

To The Shareholders:

Crane Co.'s net income in 1965 was \$7,991,000, or \$3.70 a share, compared with \$5,530,000, or \$2.27 a share, in 1964. The 1965 total earnings were the highest in eight years, and a record high per share.

Net sales in 1965 amounted to \$370.1 million, the highest in eight years. This represents an increase of \$12.3 million, or 3.4%, over 1964. The gain consisted of \$19.8 million, or 5.7%, of increased sales of current product lines reduced by \$7.5 million of unprofitable sales of terminated operations. Even with the higher volume of shipments in 1965, the backlog of orders increased during the year by almost 40%.

Cash flow from operations (net income plus depreciation) in 1965 amounted to \$15.8 million, or \$7.47 a share compared with \$13.8 million, or \$5.89 a share in 1964.

Common shareholders' net income to average equity rose to 6.4% in 1965—the highest in nine years—from 4.3% in 1964. Common shareholders' equity per share was \$57.55 at year end 1965—a record high—an increase of \$4.66 per share over 1964.

In October 1965, the Board of Directors declared a 100% common stock distribution to provide a broader base for common stock ownership. In November 1965, the quarterly dividend was increased from 25 cents to 40 cents on the new common shares.

The major gain in 1965 sales and income occurred within the United States in the industrial products—valves, pumps, water systems—which account for two-thirds of Crane product volume.

Investment in additional property, plant and equipment during the year, which amounted to \$5,748,000, was generally distributed throughout the entire Company to improve operations.

Continuing attention was given during the year toward improving the return on investment. The administration of certain operating groups in the United States was consolidated to gain the benefit of improved direction and lower costs. The administration of the Company's several Research and Development activities was centralized. Considerable work has been completed toward improvement in content and timeliness of in-

ternal financial data. An important improvement was made in production and inventory control procedures which is hoped will result in improved inventory turnover rates throughout the Company.

Early in 1965, the Company's Canadian subsidiary issued \$11,000,000 Canadian (\$10,175,000 U.S.) sinking fund debentures, which are secured by a general claim on the property and assets of that subsidiary. Late in 1965, the Company prepaid all the 1966 installments due under the U. S. bank loan agreement.

Operations in the United States and Canada produced 64.8% of consolidated net income and represented 89.6% of consolidated equity; comparative percentages for existing operations in 1964 were 66.8% and 89.7%, respectively. In early 1965, the reserve for foreign contingencies was increased \$1,000,000, by a charge to earned surplus, for possible future devaluation losses.

No payments to the trustees of the major pension plans were required either this year or last year, because payments made in prior years have accumulated funds in excess of the estimated pension rights vested in pensioners and employees. Pension costs paid under other arrangements amounted to \$640,000, compared with \$654,000 in 1964.

On behalf of the Board of Directors, we thank employees and shareholders alike for another year of loyal support.

Respectfully submitted,

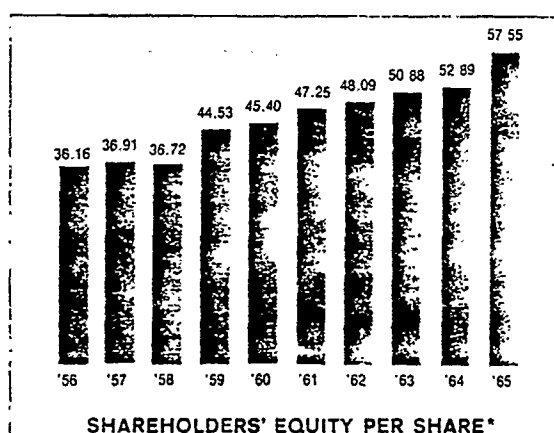
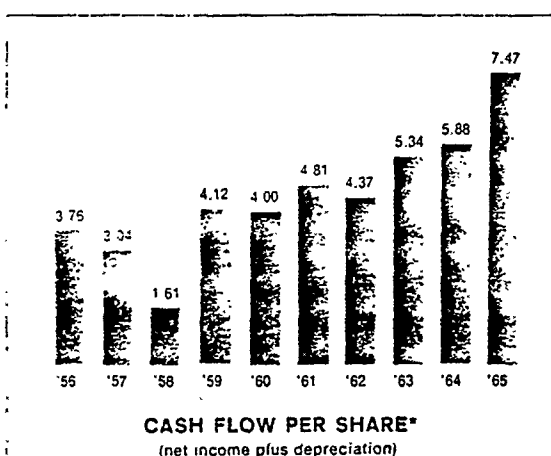
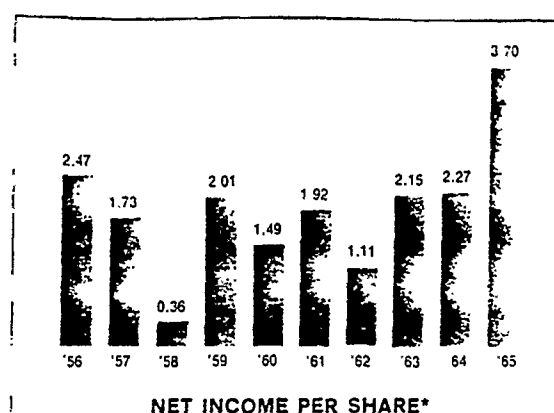
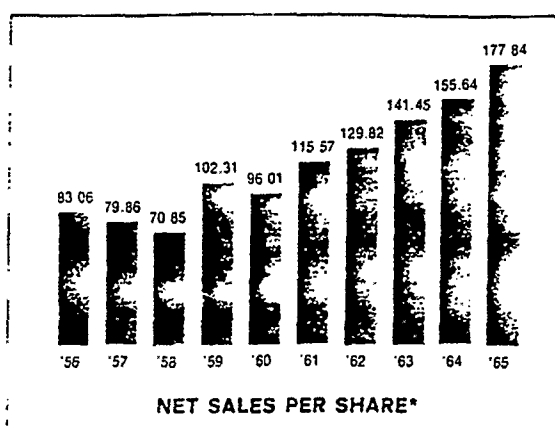
D. C. Fabiani

D. C. Fabiani, President

T. M. Evans

T. M. Evans, Chairman

March 18, 1966



*In dollars per common share outstanding at end of year.

TEN-YEAR CONSOLIDATED FINANCIAL SUMMARY

	Net Sales	Income Before Income Taxes	Net Income	Net Working Capital	Depreciation	Preferred Shares	Common Shareholders		
							Equity		Net Income Per Share*
							Total	Per Share*	
1956	\$394,132,662	\$22,923,629	\$12,203,059	\$128,122,909	\$6,109,485	\$12,295,705	\$171,571,876	\$36.16	\$2.47
1957	378,948,173	17,218,612	8,678,272	130,175,138	6,213,179	11,983,182	175,064,998	36.91	1.73
1958	336,196,279	3,897,185	2,167,345	136,163,472	5,915,406	11,406,185	174,250,476	36.72	0.36
1959	310,172,639	13,585,161	6,517,746	84,626,580	6,369,811	10,941,523	135,003,440	44.53	2.01
1960	285,618,712	7,216,250	4,824,463	89,560,647	7,457,676	10,459,300	135,064,791	45.40	1.49
1961	319,556,202	9,121,253	5,675,770	99,371,959	8,000,070	10,009,300	130,649,983	47.25	1.92
1962	333,766,863	6,926,092	3,194,032	88,226,079	8,383,196	9,109,300	123,623,143	48.09	1.11
1963	337,365,571	10,703,634	5,447,378	92,081,379	7,606,845	8,441,300	121,351,442	50.88	2.15
1964	357,823,354	10,028,987	5,529,829	96,098,246	8,316,181	8,069,300	121,604,518	52.89	2.27
1965	370,084,039	13,836,113	7,991,351	105,843,822	7,846,942	6,318,600	119,774,345	57.55	3.70

* Adjusted for 100% Stock Distribution in October 1965.

Crane Co. and Subsidiaries

Consolidated Statement of Income
For Years Ended December 31

	1965	1964
Net Sales	\$370,084,039	\$357,823,354
Operating Costs and Expenses:		
Cost of sales	307,332,642	302,010,037
Selling, general and administrative	46,588,097	44,050,568
	<u>353,920,739</u>	<u>346,060,605</u>
Operating Profit	16,163,300	11,762,749
Other Income (Deductions):		
Interest—net	(2,241,237)	(2,252,617)
Gain on disposal of capital assets—net	48,440	468,971
Miscellaneous	(134,390)	49,884
	<u>(2,327,187)</u>	<u>(1,733,762)</u>
Income Before Income Taxes	13,836,113	10,028,987
Provision for Income Taxes	5,844,762	4,499,158
Net Income	<u>\$ 7,991,351</u>	<u>\$ 5,529,829</u>

Consolidated Statement of Earned Surplus
For Years Ended December 31

	1965	1964
Balance at Beginning of Year	\$ 92,861,518	\$ 91,540,942
Net Income	<u>7,991,351</u>	<u>5,529,829</u>
Dividends:	100,852,869	97,070,771
Preferred shares—\$3.75 per share	290,522	310,967
Common shares:		
Cash—\$1.15 per share (\$1.00 in 1964)	2,418,045	2,333,115
Stock—par value of 1,035,550 shares issued in October 1965 as 100% stock distribution	25,888,750	—
Excess of Cost Over Par Value of Reacquired Shares—Net:		
17,507 preferred shares (3,720 in 1964)	(170,261)	(53,123)
101,620 common shares (42,700 in 1964)	3,681,468	1,618,294
Addition to Reserve for Foreign Contingencies	<u>1,000,000</u>	<u>—</u>
	<u>33,108,524</u>	<u>4,209,253</u>
Balance at End of Year	<u>\$ 67,744,345</u>	<u>\$ 92,861,518</u>

Consolidated Balance Sheet
At December 31

1965

1964

ASSETS

Current Assets:

Cash	\$ 17,512,868	\$ 21,845,858
Marketable securities, at cost which approximates market	5,156,241	—
Accounts receivable, less allowance for doubtful accounts—\$1,294,819 in 1965; \$1,091,836 in 1964	54,052,952	48,032,956
Inventories, at lower of cost or market (after deducting reserves of \$20,817,526 in 1965 and \$22,426,130 in 1964 to state the principal inventories in the U.S. on a LIFO basis):		
Raw materials and supplies	10,816,708	10,966,538
Work in process	24,618,710	23,882,248
Finished goods	33,084,054	33,439,965
	<u>68,519,472</u>	<u>68,288,751</u>
Prepaid expenses	631,831	603,246
Total Current Assets	<u>145,873,364</u>	<u>138,770,811</u>

Investments and Other Assets at Cost:

Investment in foreign affiliate (equity in net assets—\$1,768,208 in 1965; \$1,766,951 in 1964)	1,497,382	1,497,382
Investments and other assets	<u>1,156,224</u>	<u>1,943,453</u>
	2,653,606	3,440,835

Property, Plant and Equipment at Cost:

Land	5,085,524	5,564,948
Buildings and improvements	55,845,217	56,226,104
Machinery and equipment	<u>108,180,276</u>	<u>111,119,931</u>
	169,111,017	172,910,983
Less accumulated depreciation	<u>110,709,054</u>	<u>108,718,407</u>
	58,401,963	64,192,576
	<u>\$206,928,933</u>	<u>\$206,404,222</u>

Crane Co. and Subsidiaries

	1965	1964
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturity of long-term bank loan	\$ —	\$ 3,500,000
Loans payable by foreign subsidiaries	4,934,993	7,108,458
Accounts payable	15,855,997	15,332,432
Accrued payrolls, taxes and other liabilities	12,728,091	11,693,902
U.S. and foreign taxes on income	6,510,461	5,037,773
Total Current Liabilities	40,029,542	42,672,565
Long-Term Debt	37,992,850	32,371,097
Minority Interest in Foreign Subsidiaries	1,331,444	1,204,590
Reserve for Foreign Contingencies	1,482,152	482,152
Shareholders' Equity:		
Capital stock—		
Cumulative preferred shares, 3¾% par value \$100 (redeemable at the option of the Company and subject to sinking fund requirements):		
Authorized—92,057 shares in 1965 (96,008 in 1964); outstanding—63,186 shares in 1965 and 80,693 shares in 1964 (after deducting 28,871 shares in treasury in 1965 and 15,315 shares in 1964)	6,318,600	8,069,300
Common shares, par value \$25: Authorized—3,500,000 shares; outstanding—2,081,200 shares in 1965 and 1,149,720 shares in 1964 (after deducting 111,620 shares in treasury in 1965)	52,030,000	28,743,000
Earned surplus—\$25,918,511 in 1965 (\$29,442,920 in 1964) is not restricted as to payment of common dividends	67,744,345	92,861,518
Total Shareholders' Equity	126,092,945	129,673,818
	<u>\$206,928,933</u>	<u>\$206,404,222</u>

Consolidated Statement of Changes in Net Working Capital

For the Years Ended December 31

1965

1964

SOURCE OF NET WORKING CAPITAL

Net income	\$ 7,991,351	\$ 5,529,829
Depreciation	7,846,942	8,316,181
Cash flow from operations	15,838,293	13,846,010
Disposals of property, plant and equipment	3,691,258	2,137,012
Long-term debt—net	5,621,753	1,084,510
Consolidation of foreign subsidiary	—	2,100,400
Other	914,083	—
	<u>\$26,065,387</u>	<u>\$19,167,932</u>

USE OF NET WORKING CAPITAL

Acquisition of new business facilities	\$ 1,408,533	\$ 1,376,416
Addition to existing plant and equipment	4,339,054	7,964,874
Reacquisition of shares (less options exercised)	7,863,657	3,004,671
Cash dividends paid	2,708,567	2,644,082
Other	—	161,022
Increase in net working capital	9,745,576	4,016,867
	<u>\$26,065,387</u>	<u>\$19,167,932</u>

Details of Long-Term Debt

At December 31

1965

1964

U.S. bank loan payable \$875,000 quarterly through May 1, 1971 and \$1,750,000 quarterly through May 1, 1972 plus interest, currently at 5¼%	\$22,750,000	\$26,250,000
Canadian subsidiary's sinking fund debentures (secured by a general claim on property and assets), dated May 1, 1965, payable \$407,000 annually through May 1, 1984 and \$2,442,000 on May 1, 1985, plus interest at 5¾%	9,768,000	—
English subsidiary's term bank loan—payable February 28, 1969, interest currently at 6½%	5,040,000	5,040,000
Miscellaneous	434,850	1,081,097
	<u>\$37,992,850</u>	<u>\$32,371,097</u>

Status of Stock Option Plans

At December 31, 1965

Plan Adopted in 1951*	Number of shares	Price per share
Balance outstanding January 1, 1965.....	64,460	\$16.25 to \$34.88
Options granted	2,000	26.63
Options cancelled	(9,600)	27.00 to 32.75
Options exercised (5,000 shares issued from treasury)	(15,000)	19.50 to 32.75
Balance outstanding December 31, 1965.....	<u>41,860</u>	16.25 to 34.88

Of the balance outstanding at December 31, 1965, options for 32,060 shares were exercisable. No additional options are to be granted under this plan (compared with options for 180,040 shares at December 31, 1964).

Plan Adopted in 1965*

Authorization to grant options on 100,000 common shares was approved by shareholders in 1965. Options to purchase 19,000 shares were granted during the year and were outstanding at December 31, 1965 at prices ranging from \$29.50 to \$35.13 per share. None of these options were exercisable at December 31, 1965.

*Adjusted for 100% Stock Distribution in October 1965.

Report of Certified Public Accountants

TO THE SHAREHOLDERS OF CRANE CO.:

We have examined the accompanying consolidated balance sheet of Crane Co. and subsidiaries at December 31, 1965 and the related consolidated statements of income, earned surplus and changes in net working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Crane Co. and subsidiaries at December 31, 1965, the consolidated results of their operations and the changes in their net working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., February 14, 1966

ARTHUR YOUNG & COMPANY

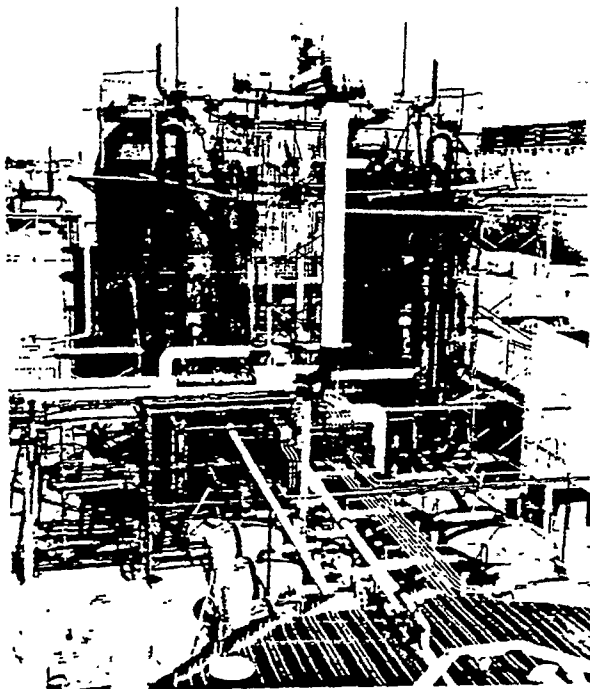
Review of 1965 Operations

This year took Crane a major step closer to the kind of manufacturing and marketing organization visualized in 1959. All programs have been planned to increase the Company's profitability, not only within the framework of present sales, but through achieving greater market penetration in such growth industries as the water, chemical, petrochemical, oil, gas, electric and aerospace fields.

The products and services produced by these industries are helping to fill the ever-increasing demands of the domestic and world markets, stimulated by a rising economy and population growth. Crane Co. is playing a vital role in providing the equipment for controlling the flow of liquids, semi-solids and gases used to help these industries keep up with their growing requirements.

Growth in Water Treatment Field

In 1965, industrial and consumer use of water continued increasing with the expanding economy, to a point where Federal, state and local governments were forced to take dramatic conservation measures and seek new sources of water.



Water treatment system designed and built by Crane Co.'s Cochrane Division for a large phosphate products manufacturing plant in Florida.

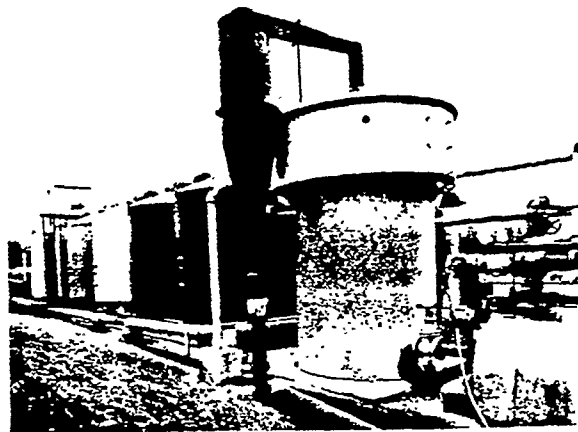
With a background of more than 100 years in the water treatment field, Crane Co.'s Cochrane Division has been playing an important role in what looms as one of the great growth markets of the next decade. While the Division does not design or manufacture complete water desalinization plants, it has been a key supplier of systems and components to three major projects of the U. S. Department of the Interior's Office of Saline Water developed at Roswell, N. M., Wrightsville Beach, N. C. and Webster, S. D. Experience from these research projects, and others on which the Company has been working with OSW, could lead the way to more commercial desalinization units in the future.

Until such time as the cost of water from desalinization processes is brought down to a more economic level, however, Crane's Cochrane Division will continue to help industry and communities make better and more frequent use of the water they have available.

The Cochrane Division's growing work in this area was shown in a substantial increase in shipments and orders received this year over 1964. These orders reflected additional sales to the utility, chemical and pulp and paper industries.

New Cochrane Developments

Product marketing this year was highlighted in three areas: 1) Water Treatment sales—by very large central station condensate scavenging demineralizer projects, where Cochrane has obtained a large part of available business because of its technological background; 2) Deaerator sales—which have increased sharply with heavy demand for naval and marine units, as well as industrial package systems; 3) Prefabrication of complete water treatment and chemical process systems—which is gaining rapid acceptance from customers.

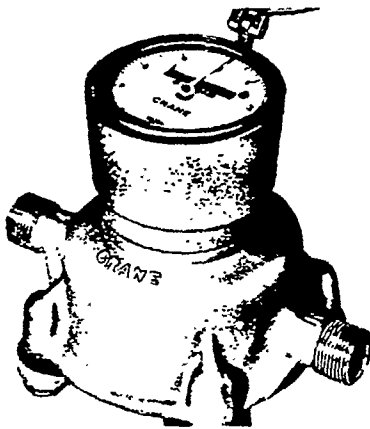


This Cyclone Foam Breaker, a new development from the Cochrane Division, saves and purifies more than 250,000 gallons of water per day.

Another area where Cochrane made a pioneering effort that could lead to future growth markets was the development of a new Cyclone Foam Breaker at the sewage waste water reclaiming plant for the Borough of Lansdale, Pa. This new system enables the Borough to save and purify more than 250,000 gallons of water per day. The water is used for cooling in the town's power plant.

Cochrane entered the sugar refining market for the first time with a sale to PepsiCo at Auburn, N. Y. This large installation utilized new techniques in sugar processing, involving ion exchange and carbon adsorption, for the clarification and deliming of sugar syrups.

Another approach to condensate treatment, known as the Cochrane Filterex system, has resulted in orders for full-scale operating plants. This system provides a more simplified system to remove suspended and dissolved iron in condensate loops.



Crane entered the water meter field with this 1/4" meter, which can be fitted to 90 per cent of presently metered homes in the United States.

Hydro-Aire Active in Aerospace

Increased acceleration of the nation's jet aircraft and aerospace programs helped the Company's Hydro-Aire Division achieve a successful year.

One of the major reasons for this success was the continued acceptance of the Hytrol Mark II, an advanced aircraft brake control system that helps make landings safer and smoother. The Mark II system is a second generation system utilizing solid state electronics and advanced hydraulic servo controls.

The Mark II is now standard equipment on practically all U. S. produced commercial and military jet aircraft.

Hydro-Aire is now the world's leading manufacturer of this specialized equipment. Since Hytrol was first introduced in 1948, more than 12,000 aircraft of all

types have been equipped with the system.

Hydro-Aire's role in the space technology and missile fields continues to expand. A new family of high performance pump assemblies have been developed for handling liquid coolants in both manned and unmanned space technology vehicles. Current applications include the Saturn, Apollo and Lunar Excursion Module (LEM).

One of the Hydro-Aire pumps was used to cool both the fuel cells and the animals in the General Electric Company's bio-satellite. The pumps will also be used for cooling electronic equipment and for keeping astronauts cool in manned space vehicles.

New Products For Growth

As part of Crane's increased emphasis on research, development and long-range planning, all of these functions have been put in charge of a Corporate Vice President. The department's function is to coordinate the research and development work of all Crane Co. operations in the U. S. and overseas and assist management in preparing long-range plans for the Company's future.

Under this program, key people from Crane operations in the U. S. and overseas meet regularly with management to review and coordinate R&D activities. This saves duplication of research and development effort, and makes it possible for each Crane operation to take advantage of the best thinking of units in other countries.

One highlight of the new product development program has been the full-scale introduction of the new Criterion line of cast steel gate valves, running from three through eight-inch diameters. Field tested for over a year, this new valve is a significant breakthrough by Crane. A 150-pound valve, for example, gives big valve performance in a compact size and is 30 per cent lighter than regular valves.

The new Criterion valve will bring Crane customers significant economies in installation and maintenance costs. Criterion valves incorporate many features presently found only in the most expensive high-pressure/temperature valves. The Company anticipates there will be hundreds of applications for these valves, including use in power, chemical, industrial and processing plants, steel and paper mills and in marine service.

New Industrial Products

In the industrial field, the Company's Deming Division introduced a new line of horizontal centrifugal pumps for chemical processing, petrochemical and general industrial applications.

This group of pumps brings Crane products up to three distinct lines. In addition to the new Deming AVS line (American Voluntary Standards set up by the chemi-



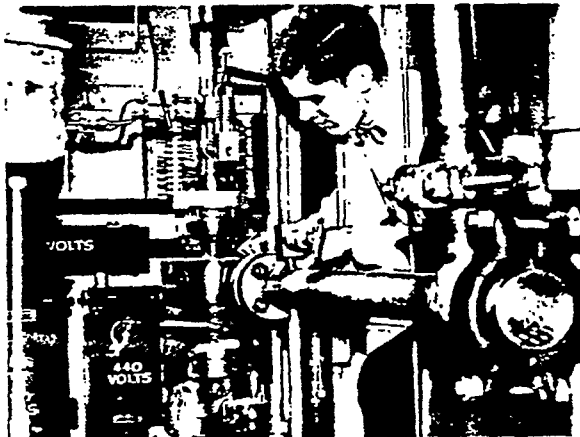
Advanced brass cleaning and pickling process at a leading metals producer and fabricator incorporates Deming pumps to create pressure for spraying the strip with the cleaning and pickling solutions.

cal industry), the Company also markets standard centrifugal pumps and the Chempump line of canned motor pumps for leakproof handling of sensitive and volatile materials.

The new Crane-Deming pumps, made to conform with AVS configurations and proposed American Standards Association standards, are available in nine sizes with capacities up to 800 gallons per minute and discharge pressures to 390 feet.

The newly acquired Chempump Division also brought out the world's first canned motor pump designed to conform to AVS standards. It was introduced and shown at the 30th Exposition of the Chemical Industries in New York.

Chempump's model GVBS is a leakproof centrifugal pump that can replace any conventional AVS pump

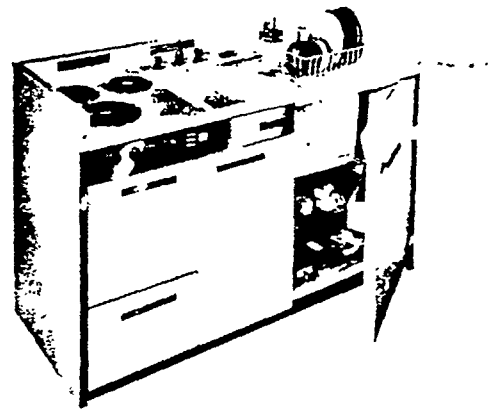


High pressure, seal-less canned pump by Chempump, Crane's newly acquired Division, is checked out for use in corrosion study of reactor materials at Hanford Atomic Products, Richland, Washington.

having the same suction and discharge sizes without changing piping or foundation. It is designed for leakproof handling of corrosive, toxic, explosive, radioactive and other problem fluids at line pressures to 300 pounds per square inch and temperatures to 400°F. and provides a capacity of 100 gallons per minute against a discharge pressure of 160 feet. Fluid viscosity is generally limited to 30 centipoise, although special engineering will increase this limit to 75 centipoise.

Compact Kitchens

In another marketing area, the Company introduced an all new line of compact kitchens at the National Association of Home Builders' Show in Chicago and the Hotel-Motel Exposition in New York. The new Crane Chef compact kitchen features clean, straight edge profiles and a number of unit combinations, styles and colors in kitchens for the apartment dweller, hotels, motels and other commercial and institutional users.



New Crane Chef® compact kitchen features clean lines and a variety of combinations for residential, commercial and institutional uses.

In plumbing, heating and air conditioning, 13 new products were released for marketing; other products were modified to reduce manufacturing cost and stimulate new market acceptance. For example, a new pump was developed for hydronic heating systems for use with Crane and National - U.S. packaged boilers.

Bathroom Remodeling Package

To improve the Company's share of the home building field in the U. S., new sources of distribution are being sought, endeavoring on the one hand to take

excess cost out of the selling effort while, at the same time, looking to new outlets for products.

Crane is working with its wholesalers to build their sales while helping them to control their costs and investment, to the mutual benefit of each. The Company also is working with large mass merchandisers, such as



Crane plumbing products provide quality, convenience and safety in new slip-resistant tubs, lavatory vanity combinations with hidden soap receptacle, leak-proof faucets and sweat-free tanks.

mail order houses and specialty chain stores, to broaden the distribution of Crane products and enhance the sale of complete residential remodeling packages. Management hopes to develop a sales package that will enable the homeowner to purchase the entire project through a single dealer, thereby eliminating the frustrations of dealing with numerous suppliers and contractors.

Another Crane plumbing innovation was introduced in a full line of cast iron bathtubs with full-width, slip-resistant bottom surfaces. This Crane safety factor in bathtubs should find new markets in retirement communities, hotels, hospitals and other institutions.

Consolidation in Chicago

Consolidation of the major part of U. S. operations in Chicago is progressing smoothly and resulting in greater economies and better marketing for the plumbing, heating, air conditioning, industrial and engineered products of the new Crane Group.

It provides for a program of broadening individual activities by having salesmen handle a number of Crane

product lines, rather than having a different salesman for each group of products.

Modernizing Plant and Equipment:

Two important programs being carried out in the Company to improve profitability are the modernization of plant and equipment and the building of new plants where it is not feasible to modernize an older plant, or where new production capacity is needed to keep up with a growth market. Examples of this program are: 1) a warehouse modernization program at the New Castle, Pa. plant to speed orders and reduce cost of shipping to customers; 2) re-allocation of part of the manufacturing space at the Middletown, Pa. facility to provide for more efficient production of small and large residential steel boilers and to expand finished product storage space; 3) the production of the Criterion valve line, which will be manufactured at the Chattanooga, Tennessee Division without any significant addition to plant and equipment.

The Chapman Division, Indian Orchard, Mass., started a \$1,750,000 program to expand and modernize its steel foundry. The modernization will enable the facility to manufacture castings of better quality at lower cost, in virtually the same amount of space.

Tape-Controlled Machines:

At the Chicago facility, further installations of highly efficient automatic machine tools continued at an accelerated rate during the year. Most important of these tools is a group of tape-controlled automatic chucking machines for the highly accurate machining of iron gate valve bodies. In addition, a series of automatic turret drills was added for machining of cast iron valve bonnets.

In the latter part of the year, the Deming Division completed construction of a new equipment test floor. With a tank capacity of 50,000 gallons, the Division is now able to test pumps up to 800 horsepower. Included in the test equipment are four large magnetic flowmeters and an electronic test center for the quick measurement of pumps of up to 30 horsepower.

Other new automatic turret lathes were also put into operation at the Company's Chattanooga Division. These sophisticated tools bring the latest and most modern equipment for machining techniques to the Division.

The Company is planning a \$1.4 million expansion program at the Rogers, Arkansas plant for the manufacturing of Crane's new 3/4 inch water meters and a new line of Deming hydronic heating circulator pumps. This program will involve the construction of a new 100,000 square foot addition to the present plant. The new plant should be in operation by the middle of 1966.

Single Source for World Markets

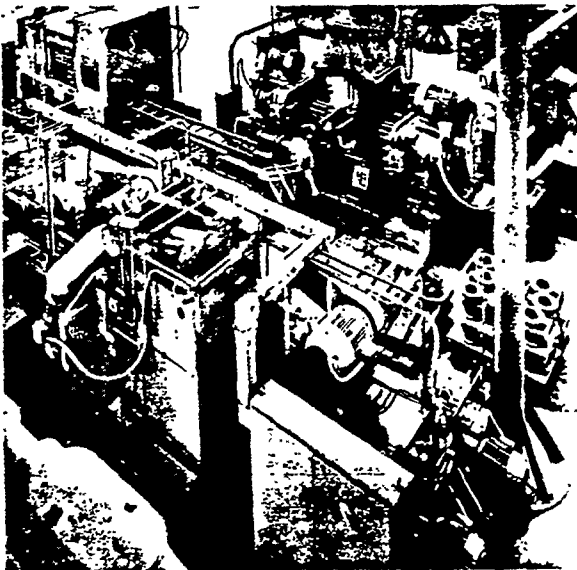
Crane Co. continued to expand its unique marketing concept of having a single sales and service source to serve world markets through its International Sales Division in New York.

This means that a customer can place an inquiry or order with International Sales and be assured that all his problems on price, product, delivery and service will be handled through one coordinated channel.

The Division decides which of the Company's multi-national manufacturing units, or combination thereof, is best able to fill the customer's requirements. On large projects, the Division may have several Crane plants fill various parts of the order to give the customer the best possible price and service advantages.

This system provides prospects with all the benefits of trading with various countries, yet requires that only one consolidated inquiry be submitted to the New York headquarters of International Sales.

Multi-national manufacturing units are also gaining from this concept, since each is obtaining business which might not be realized if their products were not part of the packaged presentation as made by International to all prospects.



These numerically tape-controlled machines turn out completely machined valve bodies at Crane Canada Limited, Montreal.

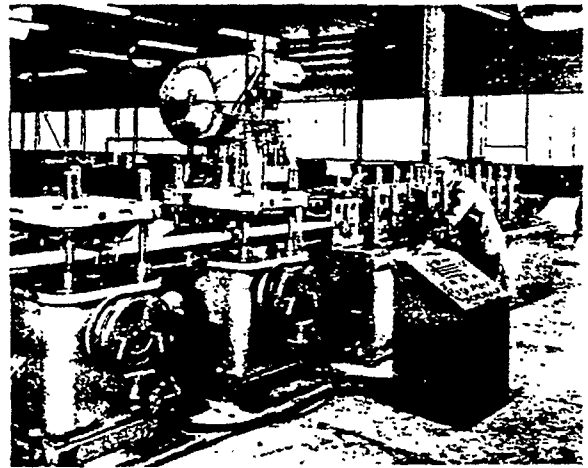
Canadian Mining Offers Growth Market

Crane Canada Limited, in addition to having a good sales year, also entered a period of intensified activity in 1965 to set the stage for future growth.

A modern valve machine shop went "on stream," utilizing several of the latest tape-controlled and automated machines that perform in one operation functions usually requiring up to seven machining operations.

To expand sales to the mining and smelting industry, a major part of the Canadian economy, a branch supply warehouse was opened in Timmins, Ontario to serve booming mining and smelting operations in that area. Later in the year, a mine supply business was acquired in Seven Islands, Quebec, to increase sales and service to the iron ore industry in that area.

Among many major projects to which the Canadian subsidiary will be making a contribution is the Athabaska Tar Sands Development in Northern Alberta. This multi-million dollar program to extract oil from the tar sands will expand Canada's crude oil output when completed. In the extraction and refining processes, the products will flow through piping fabricated by the Crane Piping Division at Hamilton, Ontario, and will be controlled by Crane valves produced at the Montreal plant.



Sunnybase baseboard heating units emerge from punching and forming machines at new Aycliffe Estate plant of Crane Ltd. in Durham County, England to meet growing demand for new heating equipment.

British Operations Satisfactory

Despite a slower economic growth and measures taken to adjust the British balance of payments problem, Crane Ltd. had satisfactory operations in 1965.

Greatly expanded research and development, new sales programs, industrial training and market research will be the basis for planned development of the British subsidiary. The new Research & Development building at Burgess Hill, Sussex, for Crane Ltd. was completed in November. This division is working on a number of new projects that show strong market potential.

As part of the British Government's program of diverting industry to development areas, the Company started production of Cavalier gas-fired boilers at its new 50,000 square foot plant on the Aycliffe Estate in the County of Durham. Production of boilers is now increasing rapidly and further expansion is anticipated.

New North Sea Gas Market

One of the brightest areas for potential growth for Crane Ltd. will come from the discovery of natural gas under the North Sea.

Crane cast iron and galvanized cast iron gate valves and bronze gate valves are being used in the fuel and water oil systems and pump rooms of the drilling rigs operating in many parts of the North Sea. This development may offer substantial demand for Crane products of all types in pumping stations and pipe lines carrying supplies of gas to the mainland.

Spanish Industrial Development High

Crane's newest subsidiary in Bilbao, Spain, Crane-FISA, S.A., participated in the high level of economic activity in Spain in 1965. This company obtained a foothold in the Spanish petroleum industry with substantial valve orders from several new refineries. Late in the year the company successfully introduced a new cast steel gate valve for the growing petroleum market there.

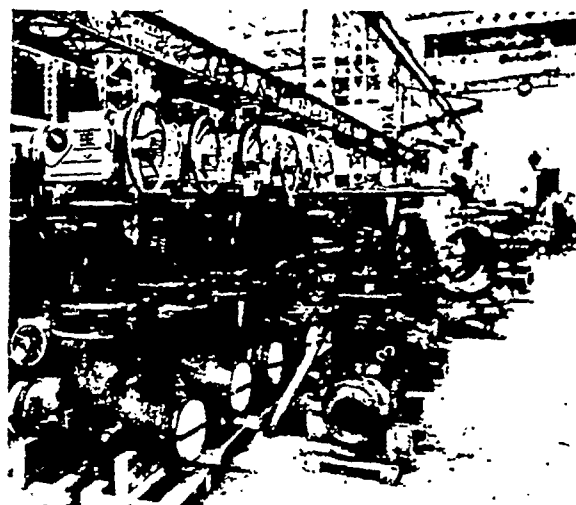
As part of the Company's increased marketing of Crane products in Spain, a new combination warehouse and showroom was opened in Barcelona to replace an obsolete facility. With little change in physical facilities and manpower, a substantial increase in production and sales was obtained in 1965.

Valves in Major French Utility

Crane S. A. France continued to be a major supplier of valves to the French Atomic Energy Committee, the French nationalized gas industry and Electricite de France. For the latter company, the French subsidiary provided large-size gate valves for superheated lines at the Le Havre power plant, the first 600 Mw plant put into operation in France.

As part of Crane's International program of service in depth, Crane S. A. worked in cooperation with Crane G.m.b.H., Germany, on the Porvoo Refinery Project in Finland and on the Chemical Complex Dow-Unquinesa, Spain Project in cooperation with Crane-FISA, S.A.

In December, Crane S. A. opened a new display room for plumbing fixtures, which should help expand sales in the growing French home building market.



Large motor-operated Crane gate valves are shipped from Crane S.A.'s Lille, France facility for use in major French utility plants.

Australian Plant to Expand

From the base of the Australian subsidiary in Sydney, Crane Australia Pty. Limited, the Company has been expanding its markets into New Zealand, the Philippines and other Southeast Asian countries.

To supply this growth market, the plant in Sydney is being expanded to increase its capacity by 70%.

Twelve new sizes of large diameter valves were successfully manufactured and marketed in the Australian market during the year. This continues the program of developing local manufacturing of Crane products to participate in this growing economy.

Crane sales engineers now operate from all principal cities in every state in Australia. Latest expansion of marketing efforts there was the opening of a new warehouse and sales office in Melbourne.

One of the major projects in which the Australian subsidiary is participating is the Queensland Alumina Refinery Project of Kaiser Engineers International. The engineers have chosen Crane valves for this project, one of the largest capital expenditures ever undertaken in Australia.

With international markets constantly expanding in both the developed and the emerging nations, and Crane's unique ability to coordinate orders both large and small from a single source, substantial growth is anticipated in this area.



Crane Co. Facilities

UNITED STATES OPERATING GROUPS

Crane Group

Chicago, Illinois
W. D. Graham, Jr., Executive Vice President

Crane Supply Company

Chicago, Illinois
E. L. Hannon, Jr., Vice President

Hydro-Aire Division

Burbank, California
D. A. Lichty, Vice President

FOREIGN SUBSIDIARIES

Crane Australia Pty. Limited

St. Marys, N.S.W., Australia
P. J. Farrell, Managing Director

Crane Canada Limited

Montreal, Canada
R. S. Reade, President

Crane Ltd.

London, England
R. H. Morris, Managing Director

Crane S.A.

Paris, France
R. D. Halpin, General Manager

Crane G.m.b.H.

Dusseldorf, Germany
Klaus Alms, Manager

Crane-Deming de Mexico S.A.

Monterrey, Mexico
H. F. McNiff, Manager

Crane-FISA, S.A.

Bilbao, Spain
L. R. Kowalski, General Manager

AFFILIATED COMPANY

Crane Nederland N.V.

Deventer, Netherlands
G. DeHorn, General Manager

Directors

THOMAS M. EVANS

DANTE C. FABIANI

JOHN D. GARRISON

P. BLAIR LEE

MARK W. LOWELL

LEWIS P. SEILER

A. VARICK STOUT

CHARLES W. VEATCH

R. ARTHUR WILLIAMS

Officers

THOMAS M. EVANS
Chairman

DANTE C. FABIANI
President

WILLIAM D. GRAHAM, JR.
Executive Vice President—Crane Group

ROBERT E. CASNER
Vice President—Operations—Crane Group

WILLIAM C. DACKIS
Vice President—Research and Development—
Crane Group

CHARLES R. EBLE
Vice President—Customer Relations

EUGENE L. HANNON, JR.
Vice President—Crane Supply Company

FRANK C. HESS
Vice President—European Operations

JOHN P. KINNANE
Vice President—International Sales

DALE A. LICHTY
Vice President—Hydro-Aire Division

JOHN H. REDMOND
Vice President—Research, Development
and Planning

HORACE R. RIGGS
Vice President—Assistant to President

JAMES F. O'BRIEN, JR.
Controller

NORMAN PACUN
Secretary and General Counsel

ROGER A. SCHLIEDER
Treasurer and Chief Financial Officer

LESLIE V. CHATER
Chairman—Crane Ltd. (Great Britain)

ROBERT H. MORRIS
Managing Director—Crane Ltd. (Great Britain)

RICHARD S. READE
President—Crane Canada Limited

STOCK TRANSFER AGENTS

Morgan Guaranty Trust Company
New York, New York 10015

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

REGISTRARS OF STOCK

The Chase Manhattan Bank
New York, New York 10015

The First National Bank of Chicago
Chicago, Illinois 60690

AUDITORS

Arthur Young & Company
New York, New York 10006

EXECUTIVE OFFICES

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

Crane Canada Limited 5800 Cote de Liesse
Road St. Laurent, Montreal 9, P. Q.

Crane Ltd., 15-16 Red Lion Court
Fleet Street, London, E. C. 4, England





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

Valves, Pumps, Fittings, Water Treatment, Piping, Plumbing, Heating, Air Conditioning