PLAINTIFF'S
EXHIBIT
CRA-26

CRANE CO.
Annual Report 1972

CRANE



CRTX 0257

Industrial markets with—

Fluid and Pollution Control Products
- Valves
- Fittings
- Pumps
- Meters
- Water conditioning systems
- Filtration equipment

Steel Products
- Rails and accessories
- Oil casing and tubular products
- Merchant shapes and structurals
- Wire and wire products

Aircraft and Aerospace Products
- Skid-control braking systems
- Aircraft and aerospace components

Building and construction markets with—

Building Products
- Plumbing and heating equipment
- Building materials
- Cutting edges
- Structurals
- Prestressing wire and strand
- Wire rope and slings

United States Operations

Crane U.S.A.
New York, New York
R. T. Biller, *Vice President & General Manager*

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

CF&I Steel Corporation
Pueblo, Colorado
C. C. Crawford, *President*

Huttig Sash & Door Company
St. Louis, Missouri
R. T. Eson, *President*

International Operations

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

Crane Canada Limited
Montreal, Canada
R. S. Reade, *President*

Crane Ltd.
London, England
Leslie V. Chater, *Chairman*
R. B. Hill, *Managing Director*

Crane S.A.
Paris, France
Leon Skarniak, *General Manager*

Crane-Deming de Mexico S.A.
Monterrey, Mexico
Luis Obeso, *Plant Manager*

Crane Nederland N.V.
Deventer, The Netherlands
G. J. DeHorn, *Managing Director*

Crane-HISA, S.A.
Bilbao, Spain
A. J. Pijuan, *General Manager*

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Annual Meeting

The Crane Co. 1973 annual meeting will be held Thursday, April 26, 1973, at the Lecture Room, 2nd floor, Morgan Guaranty, 299 Park Avenue, New York City, starting at 10 A.M.

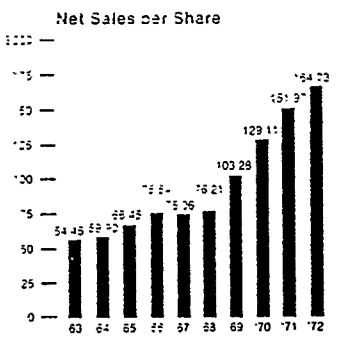
CRTX 0258

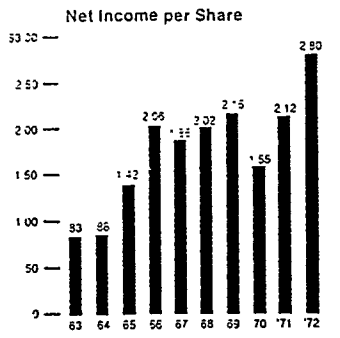
Crane Co. Annual Report 1972

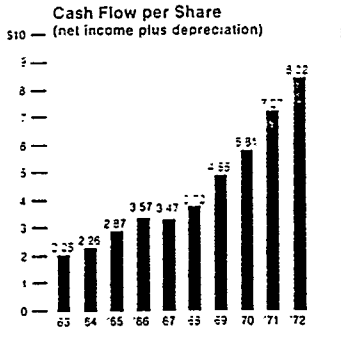
Financial Highlights

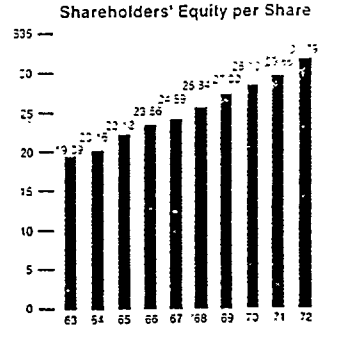
	1972	1971
Sales	$844,395,000	$791,508,000
Income before income taxes	17,354,000	13,458,000
Income taxes	4,901,000	3,169,000
Income before extraordinary credit	12,453,000	10,289,000
Extraordinary credit	2,020,000	873,000
Net income	14,473,000	11,162,000
Cash dividends	4,360,000	4,189,000
Net working capital	164,494,000	173,409,000
Total assets	578,018,000	589,202,000
Common shareholders' equity	161,357,000	153,134,000
Common shares outstanding at year end	5,076,405	5,163,510*
Ratios at year end:		
Net income to sales	1.7%	1.4%
Common shareholders' income to average equity	9.1%	7.3%
Current ratio	2.3	2.5
Per common share:		
Income before extraordinary credit	$ 2.41	$ 1.95*
Extraordinary credit	.39	.17*
Net income	2.80†	2.12*
Depreciation	5.52	5.15*
Cash flow from operations	8.32	7.27*
Cash dividends	.83	.80*
Common shareholders' equity	31.79	29.66*

*Adjusted for two-for-one stock split in May, 1972.
†Assuming conversion of subordinated debentures, net income per common share would amount to $2.20 ($1.70 in 1971).











T. M. Evans, Chairman



D. C. Fabiani, President

To our shareholders:

Crane Co. consolidated net income for 1972 increased 21 per cent to $12,453,000, or $2.41 per share, before a net non-recurring gain of $2,020,000, compared with 1971 earnings of $10,289,000, or $1.95 per share, before a net non-recurring gain of $873,000. Consolidated sales were $844,395,000, compared with $791,508,000 for 1971, an increase of 6.7 per cent.

Huttig Sash & Door Company, the Hydro-Aire Division and Crane Canada Limited contributed significantly to this overall performance. CF&I Steel Corporation earnings were down, however.

Cash flow (net income plus depreciation) was $42,750,000, or $8.32 per share, compared with $38,000,000, or $7.27 per share, for 1971.

The Company's investment in Southern Pacific Company was reduced from 750,000 common shares to 500,000 during the year. The gain on this transaction was offset by a loss in closing the German operation.

Crane's business is now largely in four fields: fluid and pollution control products, steel, building products, and aircraft and aerospace components.

In fluid and pollution control, Crane is a leader in valves, pumps, meters and water treatment products.

Through its subsidiary CF&I Steel, Crane is in a strong position as a fully integrated steel producer for the Rocky Mountain area, one of the fastest growing in the country.

In building products, a great deal of importance has been placed on wholesaling and distribution. Huttig Sash & Door and Crane Supply Company are expected to continue to expand in marketing areas with above-average growth potential.

Crane's Hydro-Aire Division has had, for some years, a strong position in the manufacture of highly engineered components for aircraft and aerospace. Its acquisition during 1972 of the Adel Aerospace Division product line from De Laval Turbine Inc. increased the sales base and opened new markets for this Division.

Crane plans to expand participation in these four basic areas primarily through internal growth and secondarily through possible acquisitions that might be compatible.

In early 1972, the common stock was split two-for-one. The regular $.20 quarterly dividend was paid, plus a $.03 extra dividend in December. All per share statistics have been adjusted to reflect the above stock split.

The Board of Directors at their regular January 22, 1973, meeting declared a 2 per cent stock dividend payable February 16, 1973.

On behalf of the Board of Directors, we wish to thank our shareholders employees, customers and suppliers The Company expects continued improvement during the year.

Respectfully submitted

D. C. Fabiani
President

T. M. Evans
Chairman

February 26, 1973

Consolidated Statement of Income for Years Ended December 31

	1972	1971
Net Sales	$844,395,475	$791,507,548
Operating Costs and Expenses including straight-line depreciation of $28,276,882 ($26,837,153 in 1971):		
Cost of sales	727,889,297	680,475,599
Selling, general and administrative	81,456,431	80,376,161
	809,345,728	760,851,760
Operating Profit	35,049,747	30,655,788
Other Income (Deductions):		
Interest—net	(16,521,606)	(17,582,502)
Gain on disposal of capital assets—net	643,290	1,370,447
Dividend income on investments	1,367,586	1,807,378
Miscellaneous—net	(3,184,373)	(2,793,248)
	(17,695,103)	(17,197,925)
Income Before Income Taxes	17,354,644	13,457,863
Provision for Income Taxes	4,901,118	3,168,956
Income Before Extraordinary Credit—per share: $2.41 in 1972 and $1.95 in 1971 ($1.92 and $1.58 assuming conversion of debentures)	12,453,526	10,288,907
Extraordinary Credit	2,019,716	872,870
Net Income	$ 14,473,242	$ 11,161,777
Net income per common share:		
On average shares outstanding	$2.80	$2.12
Assuming conversion of debentures	2.20	1.70

Consolidated Statement of Earned Surplus for Years Ended December 31

	1972	1971
Balance at Beginning of Year (1971 has been restated for prior period adjustment)	$ 82,244,357	$ 77,726,694
Net Income	14,473,242	11,161,777
	96,717,599	88,888,471
Dividends:		
Preferred shares—$3.75 per share	108,807	110,430
Common shares:		
Cash—$.83 per share ($.80 in 1971)	4,251,624	4,078,333
Stock—2%, market value of 101,478 shares	—	1,834,215
Excess of Cost Over Par Value of Reacquired Shares—Net:		
292 preferred (705 in 1971) and 110,800 common reacquired, less 9,682 issued under stock options (95,400 and 1,020, respectively, in 1971)	1,026,971	621,136
	5,387,402	6,644,114
Balance at End of Year	$ 91,330,197	$ 82,244,357

See Financial Review.

Consolidated Balance Sheet at December 31

ASSETS	1972	1971
Current Assets:		
Cash	$ 14,092,131	$ 20,071,799
Short-term investments	17,037,527	28,046,259
Accounts receivable, less allowances of $1,732,685 ($1,727,394 in 1971)	119,020,539	102,154,214
Inventories, less LIFO reserves of $34,257,314 ($32,134,035 in 1971), at lower of cost or market:		
Finished goods	72,039,563	72,403,292
Work in process	43,527,500	42,787,333
Raw materials and supplies	20,681,070	18,961,376
	136,248,133	134,152,001
Prepaid expenses	1,985,292	5,049,498
Total current assets	288,383,622	289,473,771
Investments and Other Assets:		
Investments at cost:		
Southern Pacific Company, 500,000 shares of common stock (750,000 in 1971)	21,480,599	31,839,976
Outlying lands	1,247,432	1,258,021
Miscellaneous	862,880	2,818,611
	23,590,911	35,916,608
Other assets	4,479,016	4,188,291
	28,069,927	40,104,899
Property, Plant and Equipment at Cost:		
Land	16,434,996	15,988,250
Buildings and improvements	134,812,187	129,982,753
Machinery and equipment	434,814,754	424,874,907
	586,061,937	570,845,910
Less accumulated depreciation	324,497,087	311,223,076
	261,564,850	259,622,834
	$578,018,399	$589,201,504

LIABILITIES AND SHAREHOLDERS' EQUITY	1972	1971
Current Liabilities:		
Current maturities of long-term debt	$ 6,578,100	$ 12,624,464
Loans payable	17,727,384	9,882,251
Accounts payable	48,295,640	45,711,694
Accrued payrolls, taxes and other liabilities	48,473,855	45,709,916
U.S. and foreign taxes on income	2,814,697	2,136,543
Total current liabilities	123,889,676	116,064,868
Long-Term Debt (see details on page 7)	244,703,568	261,916,872
Reserves and Other Liabilities	13,658,168	19,196,353
Minority Interest in Subsidiaries	20,046,230	23,526,802
Deferred Credit from Acquisition	9,129,997	9,849,889
Shareholders' Equity:		
Preference stock of Glenfield & Kennedy Holdings Limited, 5½%	2,350,000	2,600,000
Cumulative preferred shares, 3¾%, par value $100 (redeemable at the option of the Company and subject to sinking fund requirements): Authorized—64,711 shares (68,536 in 1971); outstanding—28,837 shares (29,129 in 1971) after deducting 35,874 shares in treasury (39,407 in 1971)	2,883,700	2,912,900
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—5,076,405 shares (5,163,510 in 1971) after deducting 640,348 shares in treasury (533,176 in 1971)	63,455,063	64,543,875
Capital surplus	6,571,800	6,345,588
Earned surplus—$9,847,580 in 1972 ($12,641,089 in 1971) is not restricted under the terms of the 6½% sinking fund debentures	91,330,197	82,244,357
Total common shareholders' equity	161,357,060	153,133,820
Total shareholders' equity	166,590,760	158,646,720
	$578,018,399	$589,201,504

See Financial Review.

Consolidated Statement of Capital Surplus for Years Ended December 31

	1972	1971
Balance at Beginning of Year	$ 6,345,588	$ 5,768,864
Excess of subordinated debentures converted over par value of 14,013 common shares issued (676 in 1971)	226,212	10,985
Excess of market value over par value of common shares issued as 2% stock dividend	—	565,739
Balance at End of Year	$ 6,571,800	$ 6,345,588

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

	1972	1971
Source of Funds:		
Operations:		
Income before extraordinary credit	$ 12,453,526	$10,288,907
Depreciation	28,276,882	26,837,153
Other, net	1,675,018	674,205
	42,405,426	37,800,265
Extraordinary credit	2,019,716	872,870
Long-term debt of Huttig Sash & Door Company	—	5,125,000
Increase in long-term debt	977,500	2,500,000
Reduction in investments	12,325,697	24,818,481
Disposals of property, plant and equipment	8,153,120	5,617,078
	65,881,459	76,733,694
Application of Funds:		
Additions to property, plant and equipment	38,372,018	50,788,861
Acquisition of Huttig Sash & Door Company non-current assets	—	4,646,740
Reduction in long-term debt	18,190,804	19,749,271
Reacquisition of shares less options exercised and stock issued for converted debentures	2,168,771	1,651,952
Cash dividend	4,360,431	4,188,763
Reduction in reserves, minority interest and other	11,704,392	2,651,577
	74,796,416	83,677,164
Net Source (Application) of Funds	$ (8,914,957)	$ (6,943,470)
Increase (decrease) in components of working capital:		
Current assets:		
Cash and short-term investments	$ (16,988,400)	$ 6,377,965
Accounts receivable	16,866,325	(9,225,485)
Inventories	2,096,132	(2,662,615)
Prepaid expenses	(3,064,206)	(70,492)
	(1,090,149)	(5,580,627)
Current liabilities:		
Current maturities of long-term debt	(6,046,364)	7,245,453
Loans payable	7,845,133	(6,657,549)
Accounts payable	2,583,946	(1,423,087)
Accrued payrolls, taxes and other liabilities	2,763,939	2,212,279
U.S. and foreign taxes on income	678,154	(14,253)
	7,824,808	1,362,843
Increase (decrease) in working capital	$ (8,914,957)	$(6,943,470)

See Financial Review.

Details of Long-Term Debt at December 31

	1972	1971
Crane Co.:		
6½% Sinking fund debentures due 1992, $2,000,000 due annually beginning in 1973, after deducting $4,239,000 in treasury in 1972	$ 35,761,000	$ 37,537,000
6½% Bank term loans due 1974, $4,000,000 due annually (5¾% in 1971)	3,000,000	7,000,000
Miscellaneous	634,654	1,095,312
	39,395,654	45,632,312
Subordinated debentures:		
7% Sinking fund debentures due 1993, up to $1,000,000 due annually beginning in 1974, after deducting $2,202,000 in treasury in 1972	18,002,400	18,398,400
7% Debentures due 1994	52,077,000	52,077,200
5% Convertible debentures due 1993, convertible at $25 per share (722,544 common shares reserved in 1972) after deducting $2,116,000 in treasury in 1972	18,063,600	18,779,600
5% Convertible debentures due 1994, convertible at $28.75 per share (1,209,134 common shares reserved in 1972), after deducting $16,766,000 in treasury in 1972	34,762,600	36,852,400
	122,905,600	126,107,600
	162,301,254	171,739,912
CF&I Steel Corporation:		
5¾% First mortgage and collateral trust bonds, sinking fund series due 1979, minimum of $2,000,000 due annually	8,965,000	10,965,000
7¾% First mortgage and collateral trust bonds, sinking fund series due 1990, $3,000,000 due annually beginning in 1975	50,000,000	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 $3,495,000 in treasury in 1972	4,025,400	4,025,900
	62,990,400	64,990,900
Huttig Sash & Door Company:		
6½% Notes payable to banks due 1976, up to $625,000 due semi-annually (1973 installments prepaid)	2,625,000	3,875,000
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 $916,000 in treasury in 1972	7,004,000	7,920,000
Crane Ltd. (England):		
5½% Bank term loan due 1973	—	2,841,712
9¼% Bank term loan due 1977 (6¼% in 1971)	4,230,000	4,680,000
Glenfield & Kennedy Holdings Limited 5¾% unsecured loan stock due 1982	3,551,722	3,929,564
Miscellaneous	2,001,192	1,939,784
	16,786,914	21,311,060
	$244,703,568	$261,916,872

Financial Review
and Accounting Policies

Consolidation

The consolidated financial statements include all subsidiaries. International accounts have been translated at current or historical rates as appropriate and unrealized exchange gains or losses are credited or charged to a reserve for future foreign currency valuation, which at December 31, 1972, amounted to $163,000 ($658,000 in 1971). 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.

Subsidiaries operating outside the United States and Canada had net sales of $76,343,000 in 1972, compared with $69,407,000 in 1971. In 1972, income before extraordinary credit, after deducting a loss of $1,004,000 in closing the operations in West Germany, amounted to $449,000, compared with $680,000 in 1971. These subsidiaries represented 16.2 per cent of shareholders' equity in 1972, unchanged from 1971.

Plant Improvement

In 1972, $38,372,000 was invested in improving production facilities, principally at the Pueblo, Colorado, steel mill and Crane-U.S.A. facilities. CF&I Steel is committed to spend approximately $30,000,000 during 1973 for plant improvement, which is the balance of a $50,000,000 commitment made at the beginning of 1972.

In 1972, CF&I Steel entered into a lease agreement with the City of Pueblo. The city provided financing for air pollution control facilities, consisting of coke ovens and related equipment, through the issuance of City of Pueblo, Colorado, Industrial Development Revenue Bonds, 1971 Series. These facilities were required by the State of Colorado to comply with emission standards.

Long-Term Financing

Long-term debt was reduced by a net amount of $17,213,000 during 1972, compared with $12,124,000 during 1971. At December 31, 1972, the principal amounts of long-term debt repayments for the next five years were $6,578,000 in 1973; $6,414,000 in 1974; $8,452,000 in 1975; $9,459,000 in 1976; and $16,400,000 in 1977.

At December 31, 1972, Crane and its subsidiaries were committed under leases expiring through 2002 for annual rentals of $8,060,000, compared with $6,507,000 in 1971.

Pensions

Pension costs charged against operations for the retirement plans maintained by the Company and its subsidiaries were $16,619,000 for 1972, compared with $13,944,000 for 1971. Current service and interest costs for all plans are funded annually and prior service costs of CF&I Steel and certain other of the Company's subsidiaries are funded over a maximum of 30 years. At December 31, 1972, CF&I Steel vested benefits exceeded the total of pension plan assets and balance sheet accruals by $120,000,000 ($65,000,000 at December 31, 1971). This increase was caused by the full application of the August 1, 1971 labor contract, which became effective August 1, 1972. The Company and all other subsidiaries have no unfunded vested benefits.

Depreciation

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 Costs

Costs incurred in the development of new products and of changes to existing products are expensed as incurred.

Miscellaneous

A summary of miscellaneous expense (net) follows:

	1972	1971
Minority interest	$1,155,000	$1,418,000
Start-up and phase-out costs	3,963,000	2,381,000
Other	127,000	132,000
	5,245,000	3,931,000
Gain on purchase of long-term debt	(858,000)	(944,000)
Gain on disposal of investments	(1,203,000)	(194,000)
	(2,061,000)	(1,138,000)
	$3,184,000	$2,793,000

The above summary includes the effects of the sale of 250,000 shares of Southern Pacific Company in each year and, in 1971, the receipt of appraisal proceeds from 135,052 North Jersey National Bank shares.

Income Taxes

The provision for income taxes amounted to $4,901,000 in 1972 and $3,169,000 in 1971 and included deferred income taxes of $3,094,000 and $1,829,000, respectively. The provision included $2,571,000 ($1,209,000 in 1971) of foreign income taxes. United States income taxes have not been provided on undistributed earnings of foreign subsidiaries since foreign tax credits available, on any portion of these earnings not required for indefinite reinvestment, are such that no tax would be payable upon distribution.

The customary relationship between the provision for income taxes and income before income taxes for both years is different, mainly because of permanent tax savings and non-taxable income. These consist of percentage depletion, tax deductible original issue discount, non-taxable portion of domestic dividends and the deferred credit amortization.

Investment tax credits of $4,900,000 and foreign tax credits of $2,500,000, none of which were applied in 1972 and 1971, are available to reduce future income taxes. In addition, there is available a tax loss carryforward of approximately $5,500,000, the effect of which when realized will be credited to the deferred tax liability.

Extraordinary Credits

The extraordinary gain in 1972 of $2,020,000 represented the gain on sale of real estate and, in 1971, represented income of a subsidiary as determined by the values realized through the sale of its operating assets.

Prior Period Adjustment

Certain civil anti-trust litigation, instituted in 1966 against the Company and other plumbing manufacturers, was settled during 1972 at a cost of $1,676,000 net of income tax credits of approximately $1,547,000. This settlement, which pertained to 1963 and prior, has been charged against operations of those years.

Stock Options

A summary of option transactions under all plans follows:

	Number of Shares	Price per Share
Outstanding January 1, 1972	106,032	$ 8.72—$27.21
Options granted	23,900	17.50— 25.25
Options cancelled	(7,974)	15.50— 24.84
Options exercised	(9,682)	8.72— 20.73
Outstanding December 31, 1972	112,276	$15.50—$27.21

In 1971, options for 24,480 shares were granted and options for 1,020 shares were exercised. At December 31, 1972, options for 66,084 shares were exercisable and 50,648 shares were available for grant. All shares and per share statistics have been adjusted for the two-for-one common stock split in 1972.

Litigation

The litigation between Crane and American Standard, Inc., and Blyth & Company, Inc., which commenced in 1968 and arose out of the merger of Westinghouse Air Brake Company and American Standard, as previously reported, remains pending. Crane has asked for an award of damages, but it is not possible to determine the extent of the recovery. There is also pending 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. Should American Standard be entitled to any recovery in this action, we have been advised by counsel that it would constitute an element of Crane's damages in its lawsuit, so that management continues to believe Crane will ultimately prevail.

Report of Independent Accountants

To the Shareholders of Crane Co.:

We have examined the consolidated balance sheet of Crane Co. and subsidiaries as of December 31, 1972 and 1971, and the related consolidated statements of income, earned surplus, capital surplus and changes in financial position for the years then ended. 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 for 1972 and 1971 have been furnished to us. Total assets and net sales of CF&I Steel Corporation constitute approximately 49% and 34%, respectively, of the related consolidated totals for both years. 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, 1972 and 1971, 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.

New York, N. Y.
January 22, 1973

Ernst & Ernst

Ten Year Consolidated Financial Summary
(in 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†
1963	$337,200	$ 5,363	—	$ 5,363*	$ 7,607	$120,158	$19.39	$ .83	$.39
1964	357,823	5,530	—	5,530	8,316	120,411	20.16	.88	.39
1965	370,084	7,991	—	7,991	7,847	119,580	22.12	1.42	.45
1966	405,907	11,251	—	11,251	8,124	126,579	23.56	2.06	.63
1967	403,361	10,228	—	10,228	8,632	132,155	24.59	1.88	.76
1968	409,549	8,495	$2,503	10,998	9,146	138,838	25.84	2.02	.76
1969	550,707	9,493	2,109	11,602	14,354	144,418	27.30	2.15	.77
1970	680,207	8,255	—	8,255	22,459	147,943	28.13	1.55	.79
1971	791,508	10,289	873	11,162	26,837	153,134	29.66	2.12	.80
1972	844,395	12,453	2,020	14,473	28,277	161,357	31.79	2.80	.83

*Adjusted to reflect portion of prior period adjustment.

†All per share amounts have been adjusted to reflect stock dividends and the stock split. Cash dividends were paid at a rate of $.80 per share from December, 1965 to 1971 inclusive.

Analysis of Net Sales and Operating Profit
(in thousands of dollars)

	1968 Amount	1968 %	1969 Amount	1969 %	1970 Amount	1970 %	1971 Amount	1971 %	1972 Amount	1972 %
Crane-U.S.A.	$251,286	61	$263,941	48	$270,703	40	$279,501	35	$284,634	34
CF&I Steel Corporation*	—	—	120,918	22	242,300	35	261,719	33	282,039	33
Huttig Sash & Door Company	—	—	—	—	—	—	70,530	9	84,300	10
Hydro-Aire Division	18,610	5	16,758	3	14,740	2	12,014	2	14,755	2
Crane Canada Limited	84,720	21	88,079	16	86,301	13	98,337	12	102,324	12
International Operations	54,933	13	61,011	11	66,163	10	69,407	9	76,343	9
Total Net Sales	$409,549	100	$550,707	100	$680,207	100	$791,508	100	$844,395	100
Crane-U.S.A.	$ 6,737	34	$ 5,153	22	$ 3,308	13	$ 4,702	13	$ 5,577	14
CF&I Steel Corporation*	—	—	7,585	33	13,696	54	17,193	49	15,304	38
Huttig Sash & Door Company	—	—	—	—	—	—	4,527	13	6,419	16
Hydro-Aire Division	3,684	19	2,446	11	1,855	7	1,434	4	2,199	6
Crane Canada Limited	4,623	24	3,574	16	2,161	9	3,706	10	5,112	13
International Operations	4,553	23	4,120	18	4,156	17	3,955	11	5,202	13
	19,597	100	22,878	100	25,176	100	35,517	100	39,813	100
Corporate	(4,339)		(4,198)		(5,137)		(4,861)		(4,763)	
Total Operating Profit	$ 15,258		$ 18,680		$ 20,039		$ 30,656		$ 35,050	

*From July 1, 1969

Pages 11 through 20 describe the organization, products and services of these units.

Fluid and Pollution Control

Crane makes and sells worldwide a variety of valves, pumps and meters used to control, measure or otherwise govern the flow of all kinds of fluids. It also designs and manufactures water and waste treatment equipment for industrial processing and pollution control.

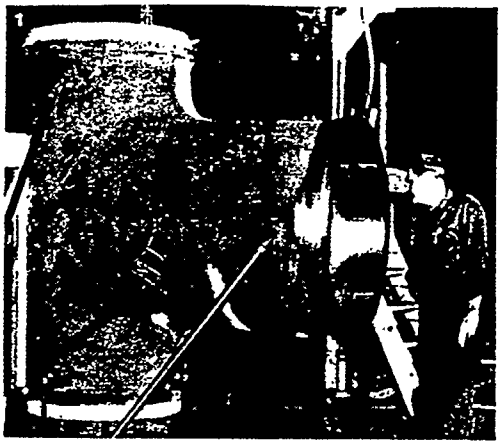
Overall, sales and operating profits were higher in 1972. Conservative capital goods spending by industry in some North American markets for fluid control products and depressed economic conditions in other countries caused lower growth than planned. Increased operating efficiency, particularly in European plants, helped to account for higher profits.

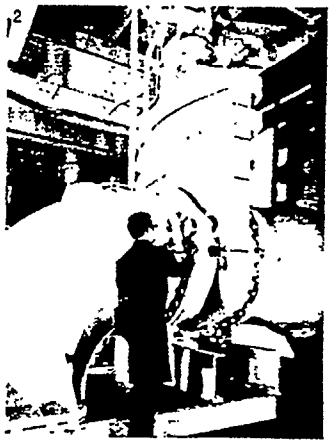
The outlook for 1973 is good. Capital spending is expected to rise, and greater emphasis is being put on both industrial and municipal pollution control.

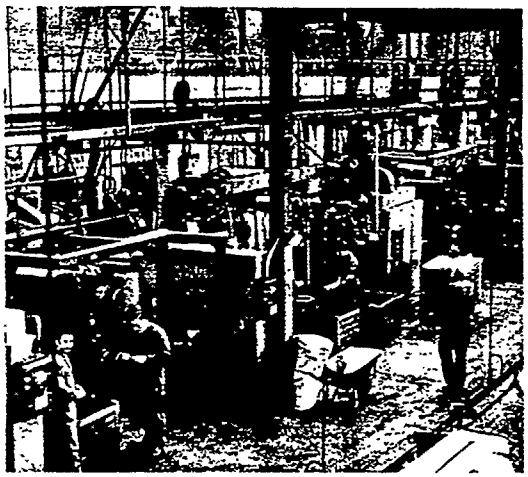
Valves and Fittings

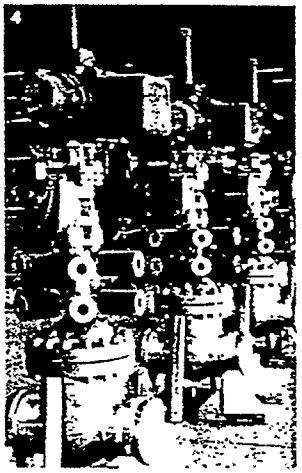
Crane makes a broad range of standard and specially engineered valves and fittings used throughout the world by industry, including power generation, chemical and petroleum processing and water control and treatment.

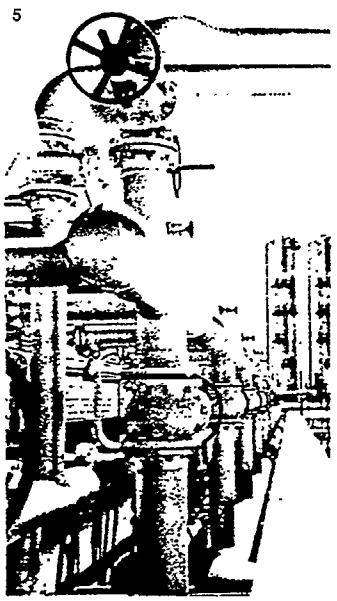
Sales were below expectations in the United States, but results are expected to improve substantially in 1973 as industrial spending moves from the planning stage to actual building. Recent petroleum industry developments suggest an encouraging upturn













1. The body of this large pressure seal steel gate valve is being machined prior to final assembly and testing. After final inspection, it will be shipped to an electric utility station.

2. Four electrically operated sluice gate valves, each 48 inches in diameter, are used to isolate the main drainage pumps at the Kingston-upon-Hull Pumping Station in England.

3. Automatic thread-cutting machines in operation at the Crane plant in Deventer, The Netherlands.

4. These 600-pound stainless steel wedge gate valves, equipped with cooling fins, were manufactured by Crane in France for use on air service at 1,500°F in a refinery in Brazil.

5. Several types of Crane valves are installed in this refinery handling offshore gas and oil production in Australia.

6. Specially designed Crane valves and operators control the flow of cooling water for the transformers at Churchill Falls in Labrador, the largest hydropower installation on one site in North America. The power house, shown during construction, is 900 feet underground.

in activity in this market. In addition, the electric utilities continue to plan major expansions which are expected to provide for significant participation for these products.

Development work on sophisticated valves for fast breeder reactors continued in the United States during 1972 under a contract with the Atomic Energy Commission. Crane has made satisfactory progress in this area, and it is expected that some of the knowledge gained will be applicable to future commercial nuclear power plants.

Further progress was made last year in consolidating facilities and upgrading manufacturing capabilities to reduce costs. Some unprofitable product lines were discontinued in order to improve performance.

Butterfly valve production was moved to the Washington, Iowa, factory. This enables Crane to utilize more fully the extensive production capacity at this modern automated facility. A new line of butterfly valves was introduced early in 1973. The ball valve line was extended, placing Crane in a better competitive position in that product category.

The distribution center at Carol Stream, now in its third year, handled 20 per cent more volume than in 1971. The facility is fully automated and stocks a broad range of standard, fast-selling valves. It is able to give fast shipment from stock to any point in the United States.

In Canada, the industrial economy has been sluggish, and this affected the valve market in 1972. As in the United States, the outlook for 1973 is for increased industrial activity and improved sales.

The program in Canada to increase participation in the butterfly valve market was actively pursued during 1972. It led to the sale and shipment of these valves to a number of waterworks installations, a rapidly growing potential for this line.

Despite the very slow recovery of the United Kingdom's economy, performance there improved moderately last year and the trend should continue this year. Export opportunities should be strengthened by entry into the European Common Market, and capital spending is expected to increase gradually.

Sales of bronze and iron valves and malleable iron pipe fittings reached new high levels for the United Kingdom in 1972, and should continue satisfactorily this year. Some important new business is also anticipated from the secondary industries that service the North Sea oil and gas rigs. The new Cadet butterfly valve line recorded a good introductory year and is expected to increase its market share.

Profits increased during 1972 in The Netherlands. The improvement was largely a result of effective cost reduction and the foundry modernization during the last two years. This performance was accomplished despite the somewhat depressed condition of the economy and competitive pressure from Japan and Eastern European countries in the malleable products market.

In France, 1972 results were below the previous year. The general slowdown in French industrial activity caused lower sales, and prices were down because of competition in both home and foreign markets. In addition, the fast-rising cost of living led to stronger claims for wage increases by workers, especially in the latter part of 1972.

In spite of the situation, Crane strengthened its position for French products in the Italian and Belgian markets. The introduction of the Cadet butterfly valve to the French market is expected to help performance.

Operations in Spain enjoyed a very good year in 1972. The main reason was the government's program, started in 1971, to lower borrowing costs and taxes on buying and installing new equipment.

The recent U.S.S.R.-Spain trade agreement should result in good sales opportunities, especially in the shipbuilding industry. The steel mill market should also remain strong.

The Australian operation reported a profit for 1972, though at a lower level than the previous year. Reduced capital spending, inflation and increasing unemployment during the year had a restraining effect on Australia's economy. The 1973 outlook is much brighter. Demand for industrial products should rise during the year and Crane is expected to benefit.

Pumps and Meters

In the United States, Chempump sales during 1972 were well above the previous year as a result of a high level of activity in the nuclear power industry.

Capital spending by the chemical process industries in 1973 is expected to be well above 1972. This, along with rising demand for Chempump products for pollution control applications, should offset an expected slight decline in sales to the nuclear power industry.

Chempump expanded its product line with the introduction of a new model that o:

fers the advantages of leakproof pump design competitively priced with conventional mechanical seal pumps.

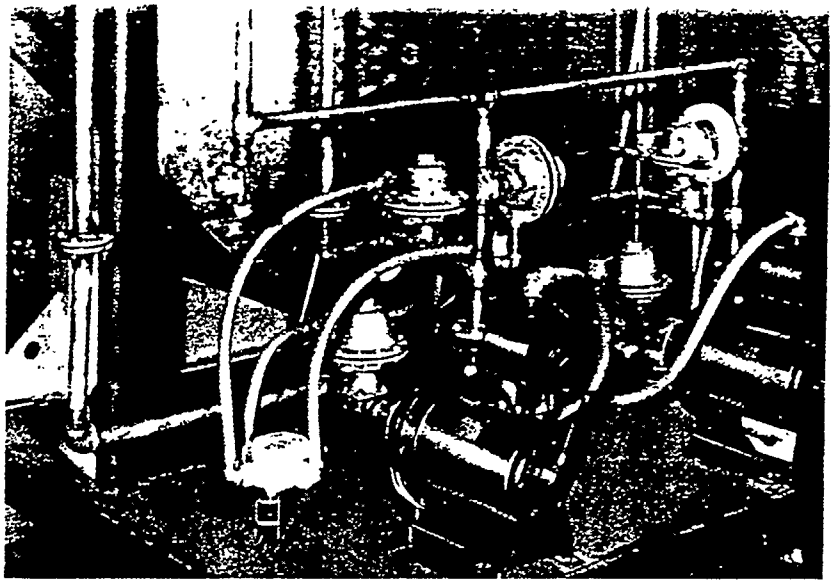
During 1972, the Warrington, Pennsylvania, and Salem, Ohio, plants qualified to use the "N" stamp of the American Society of Mechanical Engineers for Chempump, Flomatics and Deming products. With the "N" stamp authorization received in 1971 for several kinds of nuclear valves, pipe assemblies and fittings, Crane is in a unique position to serve fluid control applications in the growing nuclear power market.

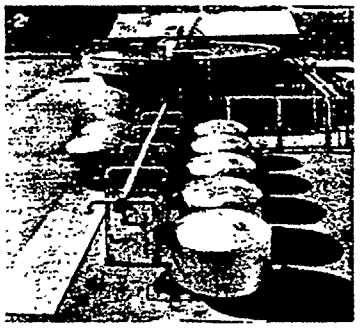
The increased capital spending and the emphasis on pollution control that stimulated Deming sales and profits in 1972 should continue this year.

The Company's new automated cast iron foundry in Salem, Ohio, went into operation in early 1972. Plans call for a new machine shop, engineering and test section, assembly line, warehouse and offices to be built at the same location in the future.

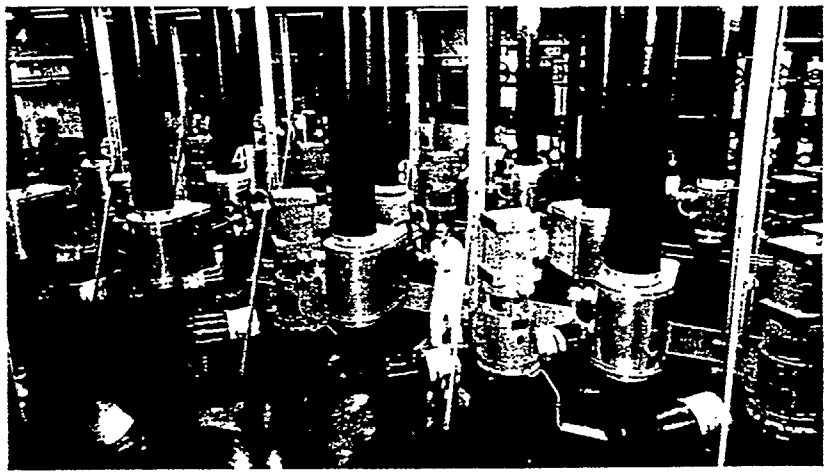
Although sales volume for water meters was unchanged last year, operating results showed an improvement. In 1973, the Company expects to be in a better position to increase its share of this market with the introduction of an entirely new water meter design.

The introduction of an improved range of piston and jet pumps in Canada enabled Crane

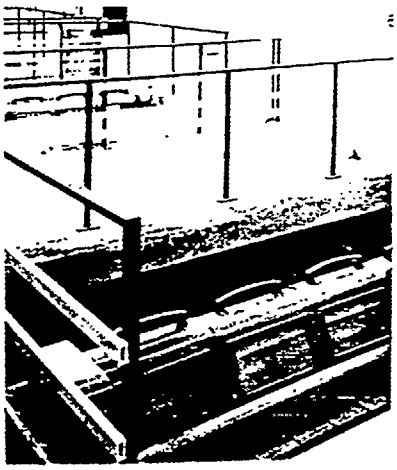












1. Five leakproof Chempump units are used on this radioactive liquid waste concentration system in a nuclear power facility. The system appreciably reduces the amount of waste to be disposed by removing pure water with a continuous-flow, high-vacuum process.

2. At a petroleum flooding operation in Texas, water is coagulated and filtered in this Cochrane reactor system before being injected into the underground reservoir to force out crude oil trapped in the crevices.

3. New Deming automated foundry, installed in an 36,500-square-foot building in Salem, Ohio, began operating last year.

4. Crane pumps are installed in the high-temperature, high-pressure water circuit at a manufacturing plant power house in England.

5. An easily removed metal tear strip makes the new Crane water meter much easier to service than existing designs.

6. Crane's Glenfield Series microstrainers were installed by the Central Scotland Water Development Board to filter water supplies as part of the Loch Lomond Scheme. There are over 450 Crane microstraining installations filtering more than 2 billion gallons of drinking water daily in 34 countries.

to increase its share of the domestic water systems market in that country.

Pump sales in other countries remained level for the most part. Crane brought out a new small circulating pump in Spain which was well accepted and is expected to achieve good volume this year.

In Mexico, pump sales were significantly higher in 1972 on the strength of the major recovery of the Mexican economy and the introduction of new products.

Environmental Systems

The general upturn in business activity and growing emphasis on pollution control in this country was reflected in increased orders and higher profits for water and waste treatment products.

Cochrane water treatment continued to provide the majority of sales in 1972. Several large orders were received for nuclear power plants. These included Ammonex systems, which use an exclusive and proven technique to ammoniate resins in condensate polishing systems. Other orders were for low-waste makeup treatment equipment.

During the year, a new deaerator design was developed that prevents internal damage because of system irregularities. The concept received wide acceptance from utilities, and two large units were shipped to an East Coast station in December.

Orders for waste treatment products increased in 1972, particularly for tertiary treatment of municipal wastes. Greater use of ozone to destroy odors resulted in several orders from sewage plants for ozonators. Ozonation, used for air pollution control as well as water and waste treatment, has a great market potential alone or in combination with microstraining.

The recently enacted Federal Clean Water Act is expected to give added impetus to industry to increase spending for waste-treating equipment. An improved clarifier design, a new Series II microstrainer, new high-rate filters and reverse osmosis systems give the Company a broader line of industrial pollution control products to meet the needs of the market.

Sales of water and waste treatment equipment in Canada and the United Kingdom were up significantly last year. The Glenfield microstrainer design, manufactured in Kilmarnock, Scotland, has worldwide acceptance. ■

Steel

CF&I Steel Corporation is the major supplier of steel products to the Rocky Mountain area. It ranks thirteenth in the industry in steel shipments. CF&I products are used in the construction, petroleum, mining, metalworking, transportation, and farming and ranching markets.

During 1972, production continued at a high rate at CF&I's Pueblo works and the sales volume increased. The improvement in sales is attributable to higher realization per ton, due mainly to a better product mix.

Net income, however, did not increase, primarily because of the Company's inability to raise prices to offset increases in wages, freight rates and other material costs. Adverse conditions at CF&I's eastern operations also resulted in lower sales and profits there. Late in 1972, the Price Commission granted CF&I permission to increase prices on all products manufactured at Pueblo. As a result, improved earnings are expected there for 1973.

CF&I's modernization program and acquisition of new facilities to increase profitability continued in 1972. Capital improvement spending totaled approximately $20,000,000, with an additional $30,000,000 expected to be spent during 1973. The Company also entered into a lease agreement with the City of Pueblo for coke ovens and related pollution control equipment.

Petroleum

Low levels of drilling and exploration activities in recent years and a strongly rising demand for natural gas and petroleum products have been reflected in a steadily declining level of proven reserves in the United States. However, the resultant "energy crisis" has sparked an increase in drilling activity. The recent discoveries and accelerated exploration in the Rocky Mountains and the Southwest and in the Gulf of Mexico continue to enhance CF&I's position because of the proximity of its seamless tube mill to these markets.

Additional heat-treating facilities completed in 1971 have improved CF&I's ability to furnish the higher-strength oil country casing and tubing needed to meet the more critical requirements of drilling deeper and more difficult wells.

Mining

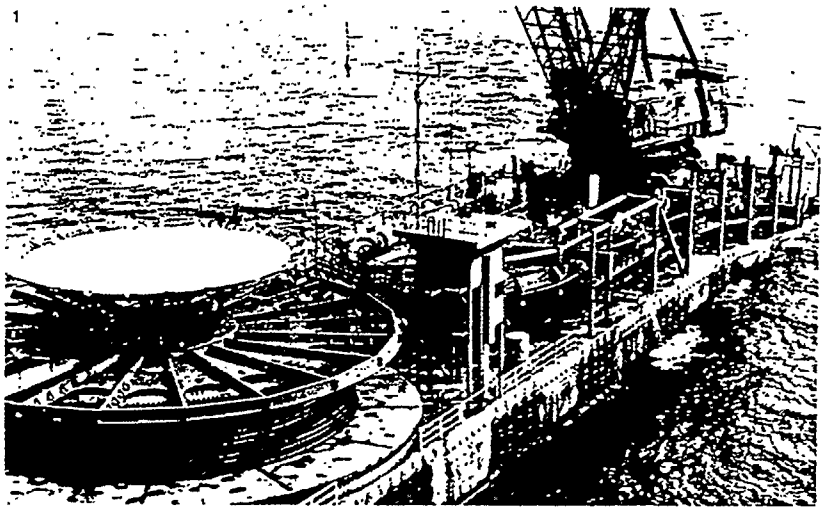
Recently enacted legislation has had an adverse effect on the rates of production and slowed development of the solid fuels industries—uranium and underground coal mines. Base metal mine production has also been affected. As a result, the sale of mining products to these markets has dropped.

This situation is expected to improve as adjustments are made to conform to the new regulations and new capacity is built to overcome a general shortage of most metals and fuels. Pilot plants for coal gasification are being constructed, thus developing a new market for western coals.

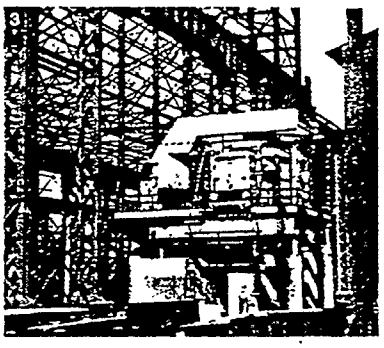
The cement industry operated at record production levels in 1972. With a number of expansion and new plant programs coming on stream, the outlook for CF&I's participation in this market appears bright in 1973.

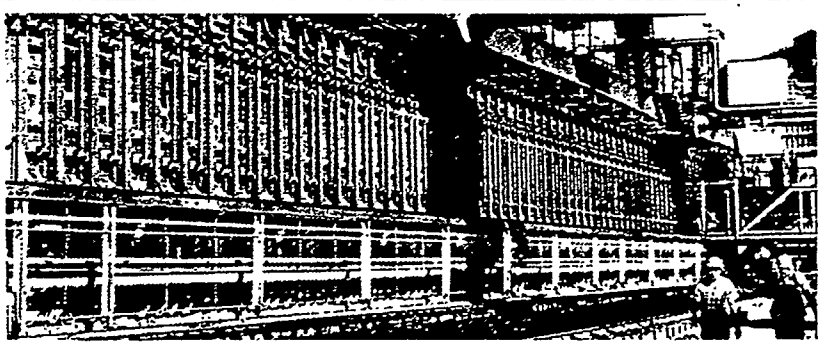
Metalworking

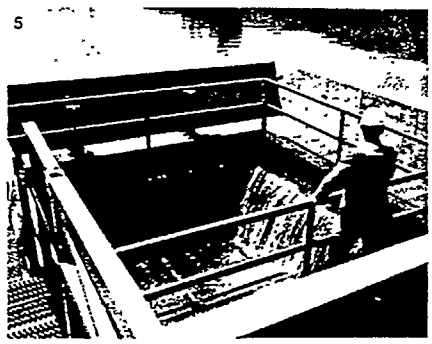
Shipments to this market increased in 1972 in line with growth in general economic activity. Acceptance of controlled cooled rods was excellent. Sales were above expectations last year and should remain strong this year.

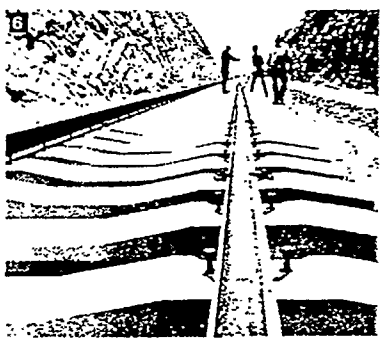












1. Over 20 miles of CF&I seamless steel line pipe, laid along the Gulf of Mexico floor, are used to carry oil from drilling platforms to shore. Here 10 miles of pipe, welded into a continuous string and wound around a giant spool, are unwound and straightened by hydraulic pressure as the pipe is laid in the Gulf by barge.

2. A ring of powered self-advancing roof supports surrounds the operator of the longwall mining system at the Allen Mine in southern Colorado. The shearer travels along the coal face at the right.

3. The furnace vessel, heart of the new electric furnace melt shop, is shown during construction. To combat pollution, 360,000 cubic feet per minute of exhaust gases will be passed through cleaning equipment to remove dust, and all cooling water will be recycled for reuse.

4. This new battery of 65 coke ovens is equipped with the most modern pollution control devices.

5. As part of the water quality control program, all the water from the north end of the Pueblo plant passes through this lagoon for secondary treating after receiving primary treatment at the scale pits of mills where it is used.

6. CF&I rails, welded in quarter-mile lengths, were laid across the Arizona desert in building a mine-to-plant automated railroad for the Navajo Generating Station.

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Transportation

All trends indicate a continued strength for railroad product sales for 1973.

CF&I rails were used exclusively in the construction of the highest voltage electric railroad system in the world. This fully automated train operation on the new Black Mesa and Lake Powell Railroad spans 78 miles of desert in Arizona.

The continued search for quality products to serve the railroad industry has resulted in another CF&I development, the Hi-Guard rail anchor. Introduction of this product substantially broadens the scope of railroad sales endeavors for 1973.

The rail anchor will be marketed this year. It follows the successful introductions of the HiSi rail and the Hi-Cant tie plate. Sales of these products, as well as standard rail and accessories, continued to reflect their wide acceptance by the industry. For example, several western railroads standardized on Hi-Cant plates for curved track. Most recently, sales of Hi-Cant were made to Canadian railroads, an area with good market potential.

Farming and Ranching

This market continues to be stable and profitable. Availability of fence post strip from the new 11-inch bar mill resulted in regaining the shipment levels of previous years. No significant change is expected in 1973.

Facilities

Air and water pollution control made tremendous advances during 1972 as a number of major projects were completed and others got underway.

A battery of 65 new coking ovens was placed in operation during the year. The ovens are equipped with the latest pollution control devices and provide facilities for smokeless charging. Work also began on a second battery of 47 ovens scheduled to be completed early in 1974. Both projects are financed in large measure by industrial revenue bonds issued by the City of Pueblo.

Water pollution control at the Pueblo works came into complete compliance with state and Federal regulations in June as the last of a number of water treatment and reuse facilities went into operation. Projects completed during the year include equipment for recycling water at the coal washery, a new scale pit for the rail mill, oil removal and collection facilities at each rolling mill, a closed recirculation system on the coke plant by-products operation, recirculating system at the blast furnaces and final settling and oil removal lagoon.

Construction was started and is well on its way to a mid-1973 completion of a new electric furnace melt shop. The new facility will contain the latest pollution controls and will replace open hearth furnaces which have no pollution control equipment. It will operate entirely on recycled iron and steel scrap.

Other projects to improve air quality which were begun in 1972 and are to be operational in 1973 include basic oxygen furnace charging emission controls, improvements to the sinter plant pollution control equipment, and a new induction furnace for the casting foundry. The modifications at the sinter plant and casting foundry are also aimed at improving product quality.

A major project completed in 1972 was the modernization of the 14-inch mill which provides a continuous rolling and finishing facility capable of operating at the maximum rolling rate of the mill. It provides continuous processing from billet to final product with no intermediate handling.

A new facility for the production of rail anchors was completed last December. It permits production of this new CF&I product using the latest technology and continuous line operation.

At the Allen Mine, a new longwall unit and additional continuous miners were placed in operation to insure continuity of coal production.

The Colorado and Wyoming Land Company

During 1972, CF&I continued to explore the development of its outlying lands.

In November, The Colorado and Wyoming Land Company was incorporated as a wholly owned subsidiary of CF&I. The Company is developing a 500-acre industrial area, called Minnequa Industrial Park, immediately adjacent to the Pueblo works. It is planned to attract clean, light manufacturing industries and commercial businesses. The industrial park provides all utilities and access to both rail and highway transportation. ■

Building Products

Crane makes and sells plumbing and heating products in the United States and Canada, and heating in the United Kingdom and The Netherlands. Plumbing is also marketed in France. Crane's subsidiaries, Huttig Sash & Door Company and CF&I Steel Corporation, also serve the building and construction industry.

Resurgence of home building in this country and Canada marked 1972 as a banner year for building products sales. A record number of housing starts were made in the United States, and construction activity increased.

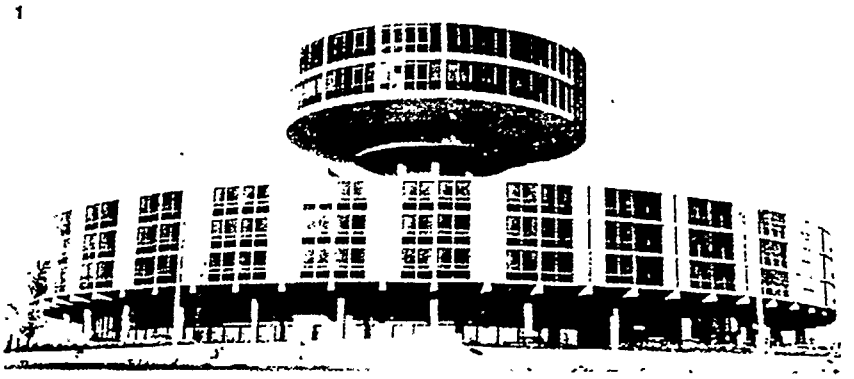
The outlook remains bright for 1973. While the building industry forecasts some decline in home building in this country, the number of starts will remain high and nonresidential construction is expected to increase. The continued shift in emphasis from multiple dwellings to single-family units in Canada is also significant.

Plumbing and Heating

During 1972, the expansion program at the Ferguson, Kentucky, pottery was completed to double that facility's capacity.

The fully automated foundry and enameling facility in Chattanooga, Tennessee, experienced a significantly slower startup than expected and had not reached full production by the end of 1972. Equipment changes and other alterations are being made to improve performance there.

A major machinery modernization program was carried out at the Jonesboro, Arkan-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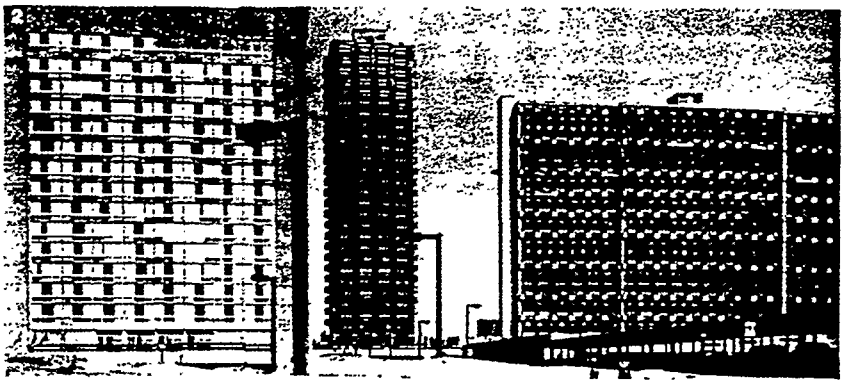
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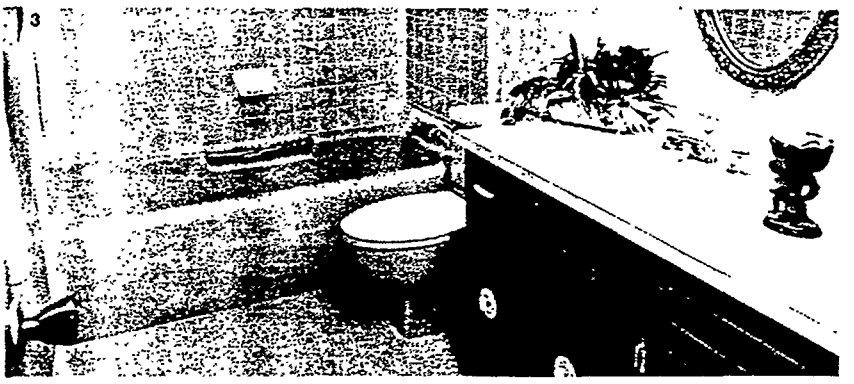
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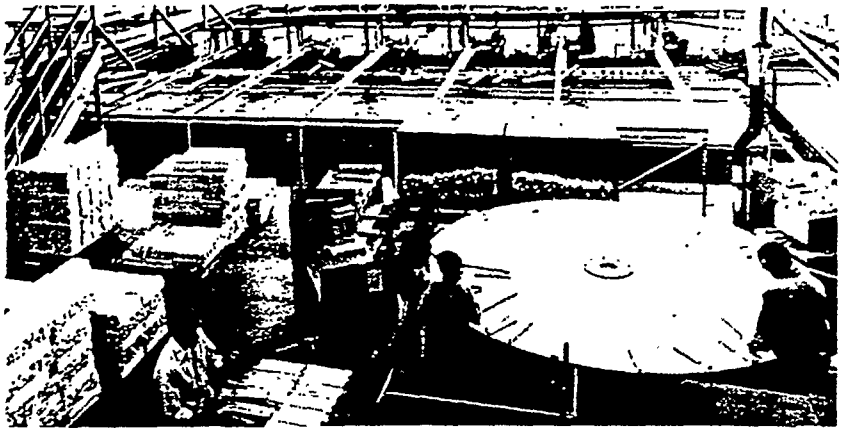
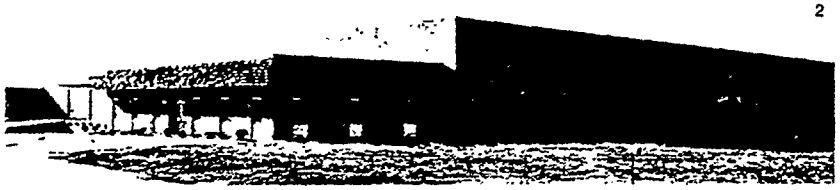
1. At Houston's Intercontinental Airport, the new 350-room Host Hotel and office/shopping complex use Crane plumbing throughout—a total of over 1,250 fixtures.

2. The Port de Mer apartment project and adjacent Holiday Inn on the south shore of the St. Lawrence River facing Montreal were completely equipped with plumbing fixtures by Crane Canada Limited.

3. Crane's Neu-Criterion tubs and water closets, along with Sonata lavatories with Criterion fittings, are featured in the bathrooms of a new development in Orlando, Florida.

4. Built in the early 1930's, 197 homes in Chatham Village, located in a Pittsburgh suburb, were recently equipped with Crane residential boilers to modernize their heating systems.

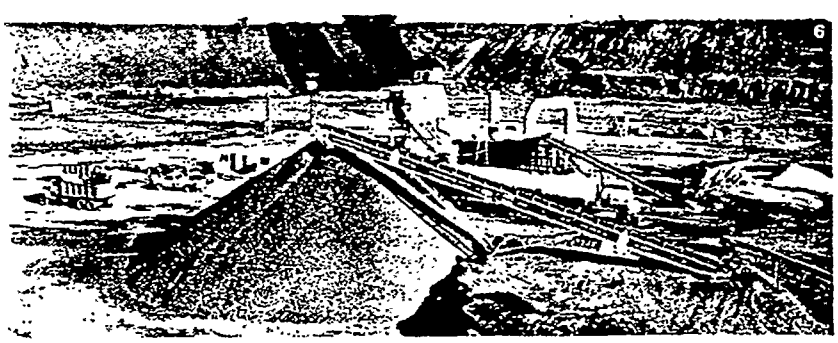












sas, plumbing brass factory. This greatly reduced costs while increasing the production capabilities.

Important improvements in pollution control are to be made during 1973 in the New Castle, Pennsylvania, hydronics factory.

The high level of plumbing product sales is expected to continue this year in view of the forecast for sustained home-building activity.

In the hydronic line, a new oil-fired home boiler will be introduced during 1973. This should enable the Company to capture a greater share of the oil-fired heating business which is increasing because of gas restrictions in many parts of the United States.

A new line of low profile, residential water closets was introduced in Canada last year with excellent market response. A new line of plumbing brass in decorator colors was also successfully introduced.

Crane began marketing the Unette fiberglass bathroom in France last year. Other Crane plumbing products are also sold in France.

The Company continues to make progress in The Netherlands' central home-heating market and plans to expand the boiler line manufactured there to include larger sizes this year.

1. In the sash ripping and cutting operation at Huttig Sash & Door's Missoula, Montana, mill, a "lazy Susan" is used to help pick the proper lengths.

2. The new branch warehouse at Fredericksburg, Virginia, is one of 25 such Huttig facilities selling to retail lumber dealers and contractors.

3. All designs and sizes of doors are available for immediate shipment as Huttig maintains adequate inventories of specialized building materials.

4. Crane gas-fired boilers for residential heating are assembled in The Netherlands.

5. The Fountain Sand and Gravel Company, acquired last year by CF&I, was the first in Colorado with ready-mixed concrete. It has furnished aggregates for a number of large construction projects in the Pueblo-Colorado Springs area.

6. Fountain Sand is expanding its participation in road construction with a new asphalt paving materials facility located adjacent to CF&I's Pueblo plant. The slag in the background, a by-product of steel-making operations, is utilized in producing asphalt.

Crane Supply Company

Crane Supply is the distributive division in this country and Canada for plumbing and heating equipment as well as valves, fittings, pumps and related products purchased from other manufacturers to serve building and other markets. Its branches are located in strategic market areas in both countries.

Performance in the United States ran well ahead of 1971, reflecting the high level of activity in building and construction, and is expected to continue in 1973. In Canada, total sales showed little change in 1972, but are expected to improve this year.

Huttig Sash & Door Company

Based in St. Louis, Missouri, Huttig Sash & Door manufactures and sells millwork and other building products. Its market areas are the southeastern, midwestern and southwestern states, with the greatest portion of its business in single-family home and apartment units.

In 1972, Huttig reported another year of record performance. Its high sales volume was due in large part to the increase in home-building starts and the improved home loan money market.

Demand for Huttig products is expected to slacken slightly in 1973, but business should nevertheless be good.

New branch facilities at Macon, Georgia, and Rocky Mount, North Carolina, are being built and will be in use early in 1973. The Macon branch is to serve central Georgia, while the Rocky Mount facility will serve tidewater Virginia and eastern North Carolina.

Growth plans provide for building branch facilities in Arkansas, Kentucky and Louisiana.

Huttig's sales policy remains flexible to meet local needs in its various markets. One way in which this is reflected is the growing emphasis it places on wood substitutes. In this way, Huttig plans to be in position to fill the rising demand for certain building goods even if the demand exceeds the availability of the traditional wooden products.

CF&I Steel Corporation

CF&I manufactures dozer and scraper blades and structural products used in building and construction. Sales in 1972 did not meet expectations, largely because industrial and commercial building in CF&I's market area did not expand as rapidly as anticipated. Increased shipments are forecast this year.

In May, CF&I acquired the business of The Fountain Sand and Gravel Company of Pueblo. This new operation, a leading producer of ready-mixed concrete, sand and gravel in the Rocky Mountain area, acquired the business of Rocky Mountain Paving, Inc., of Colorado Springs, which is engaged in highway-paving projects throughout the state. Plans are to broaden its aggregate business in Colorado, using CF&I's aggregate reserves in addition to those of Fountain Sand. In October, a new asphalt paving material plant was opened near CF&I's Pueblo works to broaden Fountain Sand's production and services. ■

Aircraft and Aerospace

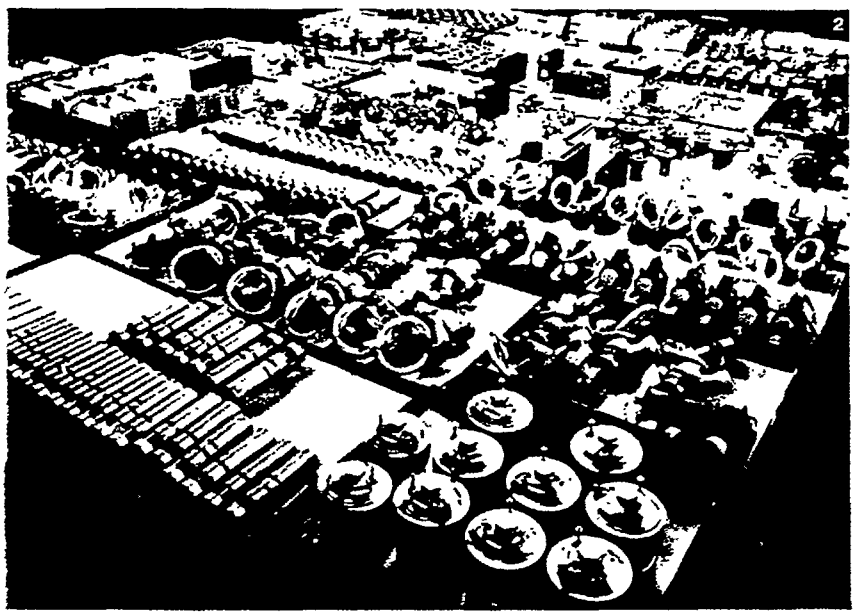
The Hydro-Aire Division engineers and produces brake control systems, fuel and hydraulic pumps, controls and other accessories and systems used by the aerospace industry.

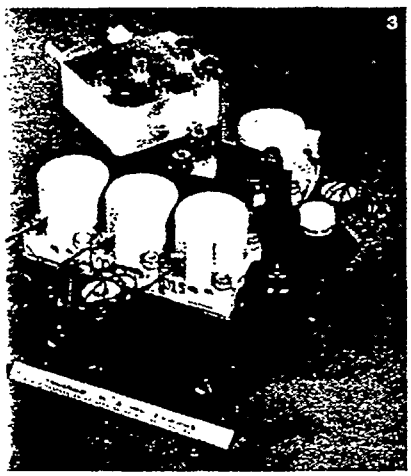
Sales and profits for Hydro-Aire during 1972 were well above projections as a result of improved conditions in the aerospace industry and a product acquisition.

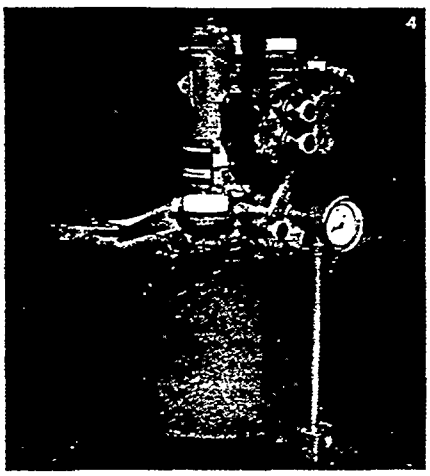
The division's 1973 outlook is good, based on the expected improvement in the national economy and in various segments of the aircraft industry. Commercial aircraft production schedules have stabilized and, in some cases, shown tendencies to rise. The military sector has also shown strength and has many new programs underway, but their full impact may not be felt by the industry for some time.

During 1972, Hydro-Aire bought the product line of the Adel Aerospace Division of









De Laval Turbine Inc. This acquisition greatly increased the sales base and added about 150 new products, mostly in the hydraulic field. It also stimulated production and opened new markets for hydraulic controls and fuel boost pumps as well as for products used in military aircraft and missiles.

However, the most important result of the acquisition was that it stabilized the division's operations and provided the needed ingredients for further performance improvement.

The Hytrol Mark III automatic brake control system, introduced in 1972 on the advanced Boeing 737, is now undergoing certification tests for a number of new aircraft. In addition to having good potential for future short take off and landing (STOL) airplanes, Hytrol has sales potentials in the small commuter and executive aircraft market.

During 1972, Hydro-Aire built a production facility for the assembly of hybrid and microminiature electronic parts. Plans call for all the division's electronics to be converted to this type to take advantage of the improved product reliability.

1. This new Hydro-Aire electronic production facility for the manufacture of hybrid and microminiature products was opened last year. Inset at the left shows the former size of a circuit module (bottom) compared to a new microminiature in the center. The new module is equal to approximately 10 per cent of its former mass.

2. These are typical Hydro-Aire products ready for shipment. Missile power supplies and aircraft fuel pumps are in the foreground, with Hytrol control boxes, wheel speed sensors and small hydraulic valves in the rear.

3. Skid-control valve is part of the Hytrol system on a fighter-bomber.

4. This Reservoir Level Sensing unit is used in military aircraft hydraulic systems to provide reserve fluid and also to monitor and correct for damage in the aircraft system.

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New York, New York 10005

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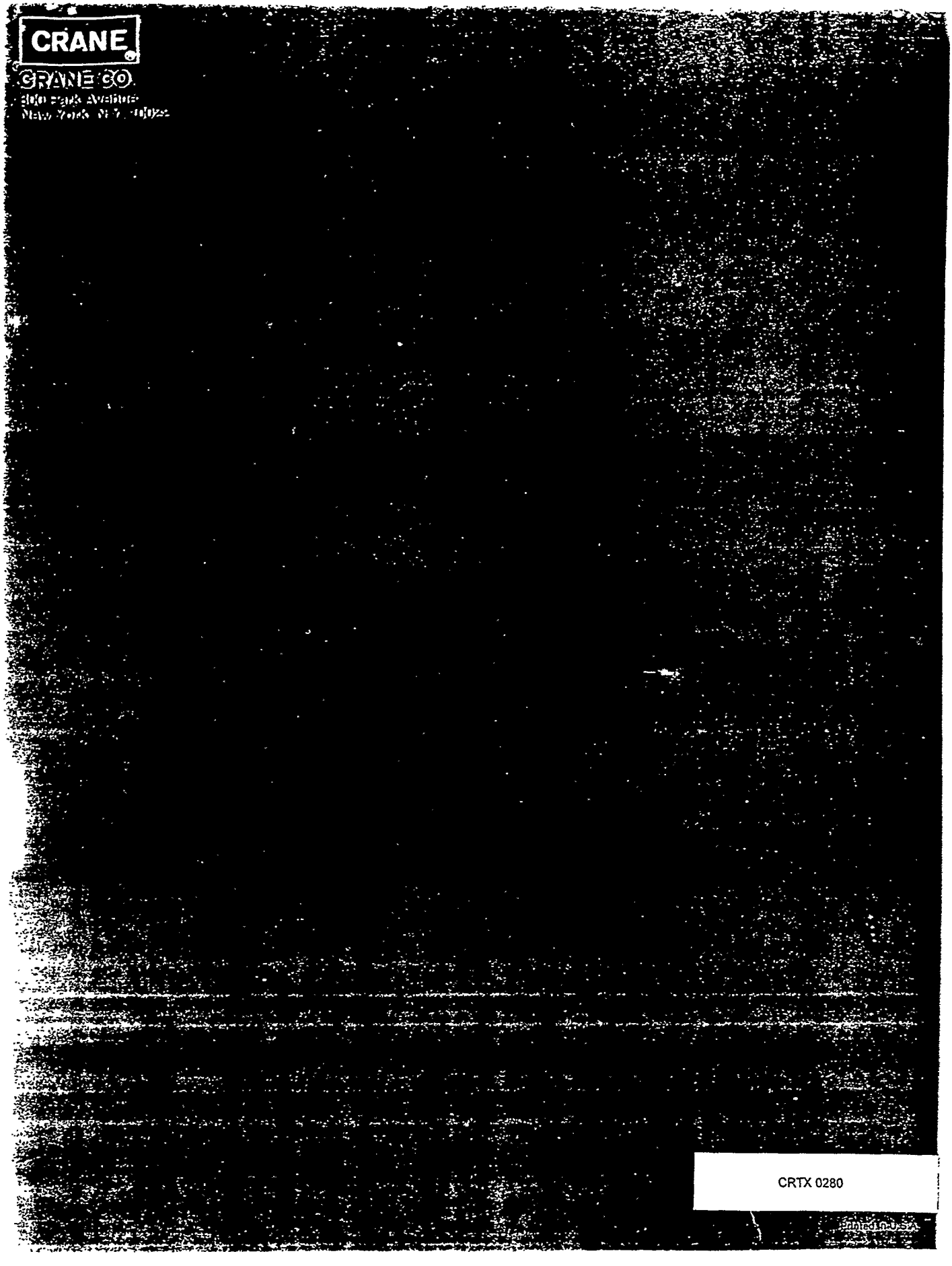

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