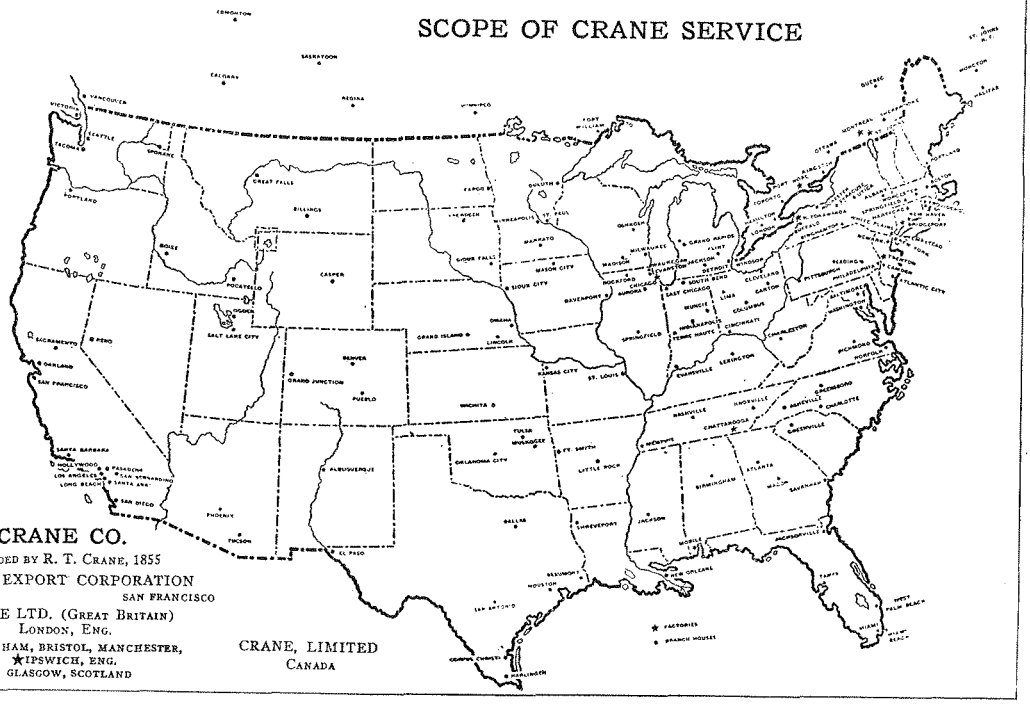
SCOPE OF CRANE SERVICE



CRANE CO.

FOUNDED BY R. T. CRANE, 1855

CRANE EXPORT CORPORATION

NEW YORK — SAN FRANCISCO

CRANE LTD. (GREAT BRITAIN)

LONDON, ENG.

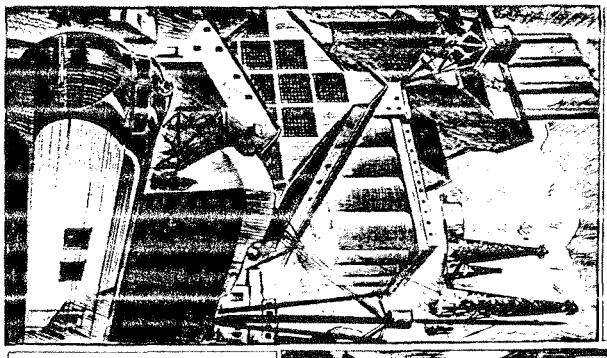
BIRMINGHAM, BRISTOL, MANCHESTER,
★IPSWICH, ENG.
GLASGOW, SCOTLAND

CRANE, LIMITED

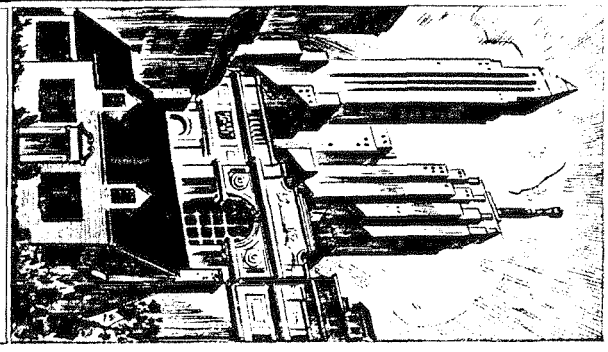
CANADA

CRANE PRODUCTS SERVE

ALL TYPES OF INDUSTRY ● ALL CLASSES OF BUILDINGS



VALVES, FITTINGS, PIPE AND FABRICATED PIPE



PLUMBING, HEATING AND AIR-CONDITIONING

PLAINTIFF'S EXHIBIT
tabbies
CRA-168

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ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1937

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BIGGS, MORRISON & CO.

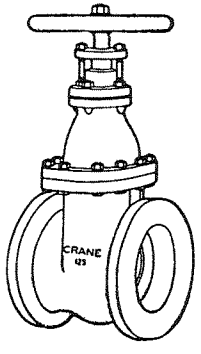
CRANE CO.

CRANE BUILDING

836 SOUTH MICHIGAN AVENUE CHICAGO

ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 1937



CRANE CO.

CRANE BUILDING

836 SOUTH MICHIGAN AVENUE · CHICAGO

CRANE CO.

DIRECTORS

JOHN B. BERRYMAN, *Chairman*

CORNELIUS CRANE
A. F. GARTZ, JR.
P. T. KELLY
F. R. LILLIE
MARK W. LOWELL
CHARLES B. NOLTE
E. A. RUSSELL
C. A. G. WAYMAN

EXECUTIVE COMMITTEE

CHARLES B. NOLTE

JOHN B. BERRYMAN
P. T. KELLY
MARK W. LOWELL
E. A. RUSSELL

OFFICERS

CHARLES B. NOLTE.....*President*
J. H. COLLIER.....*Vice President*
C. R. CRANE, II.....*Vice President*
P. T. KELLY.....*Vice President*
P. R. MORK.....*Vice President*
D. G. PARK.....*Vice President*
L. B. PEEPLES.....*Vice President*
H. W. SEYMOUR.....*Vice President*
J. L. HOLLOWAY.....*Secretary*
WALTER EVENSEN.....*Treasurer*
J. S. BELL.....*Assistant Secretary*
J. A. BROUGH.....*Assistant Secretary*
J. K. PRENTICE.....*Assistant Secretary*
C. W. DITTMAR.....*Assistant Treasurer*
R. O. SAMUELSON.....*Assistant Treasurer*

STOCK TRANSFER AGENTS

J. P. MORGAN & CO.
Wall and Broad Streets
New York City

L. E. BAKER, *Transfer Clerk*
Crane Co., 836 South Michigan Ave.
Chicago, Illinois

REGISTRARS OF STOCK

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
Pine and Nassau Streets
New York City

CONTINENTAL ILLINOIS NATIONAL BANK
AND TRUST COMPANY OF CHICAGO
231 South LaSalle Street
Chicago, Illinois

ANNUAL REPORT

To the Shareholders
of Crane Co.:

The management of your company, by order of the Board of Directors, is pleased to present its report for the year 1937.

FINANCIAL STATEMENTS

The Statements of Consolidated Income and Surplus and the Consolidated Balance Sheet of your company, as of December 31, 1937, are submitted herewith, together with Auditor's Certificate.

CONSOLIDATED INCOME AND SURPLUS:

The Income and Surplus Accounts are given for the year 1937, together with the Income Account for the year 1936 for comparative purposes.

The Income Account shows a net income for the year 1937 of $9,765,126.54, equal to earnings of $3.63 per share on the 2,348,628 shares of Common Stock issued, after allowance of $1,245,248.97 for the dividend requirements on 145,889 shares of 7% Cumulative Preferred Stock and on 192,803 shares of 5% Cumulative Convertible Preferred Stock for the periods of the year such shares were outstanding.

Total Consolidated Surplus at December 31, 1937 amounted to $10,672,077.85, of which $970,537.72 is allocated as Capital Surplus, leaving $9,701,540.13 as Earned Surplus.

Depreciation:

The charge for depreciation in 1937 amounted to $2,112,107.55, compared with $2,182,902.19 for the year 1936.

Capital Stock:

In June 1937, the company issued 192,803 shares of 5% Cumulative Convertible Preferred Stock of $100 par value as a part of a refinancing program which embraced the redemption and retirement, as of September 15, 1937, of all of its other Preferred Stock, consisting of 145,889 shares of 7% Cumulative Preferred Stock of $100 par value.

Through this procedure net additional working capital of approximately $2,750,000 was obtained with an over-all reduction of approximately $57,000 in the annual Preferred Stock dividend requirement. A Common Share conversion feature was incorporated in the new Preferred Shares, looking toward a possible future establishment of the Capital Stock on a purely Common Share basis.

Financial Condition:

The financial condition of the company is sound. Total Current Assets amounted to $52,015,133.08 at December 31, 1937 with total Current Liabilities of $7,199,101.11 reflecting a net working capital of $44,816,031.97, of which $11,715,309.65 was in cash and liquid securities.

The net working capital shows an increase of $7,351,121.76 over the position at December 31, 1936. The increase resulted principally from the retention of earnings and the acquisition of additional capital through the change in the Capital Stock.

The ratio of current assets to current liabilities was 7.23 to 1.00 on December 31, 1937.

The company owes no overdue accounts or obligations, and has no bank indebtedness.

OPERATING REVIEW

SALES VOLUME:

The sales of your company and its subsidiary companies for the year 1937 amounted to $98,543,063.00, 26% greater than in 1936; the sales in the United States were 27% greater than in 1936.

The dollar sales volume showed a marked increase during the first part of 1937; however, a downward trend developed toward the end of the year necessitating a material reduction in the production level of the company. Sales of valves and fittings contributed most toward the improvement for the year.

Your company is operating 163 distributing branches, 134 being in the United States. Three branches in Canada were closed during the year 1937, the activities being transferred to adjacent branches.

MANUFACTURING:

Improvements and replacements of equipment and facilities have been made in the plants of the company wherever they appeared economically sound. Expenditures for this purpose amounted to $2,903,700.00 during 1937. The plants are being maintained in efficient condition.

The increase in the demand for new and special products has been met by improved manufacturing facilities so that manufacturing operations now cover efficiently not only regular catalogued articles, but also special products in our field, manufactured to unusual specifications.

ENGINEERING AND RESEARCH DIVISION:

Effective December 1, 1937, the various departments of research, development and product engineering of the company were consolidated into a single new Division of Engineering and Research. This Division occupies the entire Engineering Building at the Chicago

(Corwith) Works where new and completely equipped chemical, metallurgical, hydraulic, heating, plumbing and other research laboratories have been installed. All engineering activities will be coordinated to further the progress of the company in engineering research, experimentation, design and testing in order to develop improvements and originate new lines of products to assist industry and bring greater satisfaction to customers of the company.

EMPLOYEE RELATIONS:

The work of the Department of Employee Relations has been materially broadened since its inauguration in 1936, with increasing benefits to employees and gratification to the management. Intensive attention will continue to be given to the best interests of the employees, for whose confidence and loyalty the company is sincerely grateful.

INVESTMENT IN FOREIGN SUBSIDIARIES:

The combined earnings of the foreign subsidiaries for 1937 were the greatest in the history of the company. The English Company again realized a substantial increase in earnings, and the Canadian Company showed the greatest improvement in earnings over the previous year.

All of the companies operated at a profit for the year, and the plants have been maintained to a high standard.

OUTLOOK

After considering the sudden decrease to a materially lower level during the latter part of 1937, following the large volume of business prevailing during the greater part of the year, and in view of the uncertainties of the many factors affecting business generally and the existing doubts and obscurities of the immediate future, it seems impracticable to attempt to predict the results of even the first half of the current year. The present business volume of the company is less than during the same period of 1937, but somewhat greater than for the corresponding period of 1936. There is no prospect at present of the peak of 1937 sales being reached. If some of the retarding uncertainties are cleared up by the middle of the year, and the Housing and Armament programs developed later in the year, the operations of the company for the year 1938 as a whole may be reasonably satisfactory.

CONCLUSION

The management and directors welcome the opportunity of expressing their genuine appreciation of the loyalty and cooperation of the company's employees, shareholders and customers who have been such important factors in the net results reported for the year 1937.

CHARLES B. NOLTE,
President.

JOHN B. BERRYMAN,
Chairman.

February 26, 1938.

To the President and Board of Directors
of Crane Co., Chicago.

We have made an examination of the consolidated balance sheet of Crane Co. (An Illinois Corporation) and subsidiary companies as at December 31, 1937, and of the consolidated income and surplus accounts for the year 1937. In connection therewith, we examined or tested accounting records of the company and of its subsidiaries and other supporting evidence and obtained information and explanations from officers and employes of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

The inventories have been valued at cost or market, whichever was lower. The quantities and condition of the inventories were certified to by the management and the prices and computations were tested by us.

The current assets and current liabilities of foreign subsidiary companies have been converted at the rates of exchange prevailing at December 31, 1937 or former "par", whichever was lower.

The provision for depreciation for the year 1937 amounted to $2,112,107.55 as compared to $2,182,902.19 for the year 1936. The procedures for computing provision for depreciation of certain foreign subsidiaries were amended during the year to bring them in line with those of Crane Co. and domestic subsidiaries, but the amendment effected a comparatively small change in the total provision for depreciation.

In our opinion, based upon such examination, the accompanying consolidated balance sheet and related consolidated income and surplus accounts fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position at December 31, 1937 and the results of operations for the year.

ARTHUR YOUNG & CO.,
Certified Public Accountants.

Chicago, Illinois,
February 17, 1938.