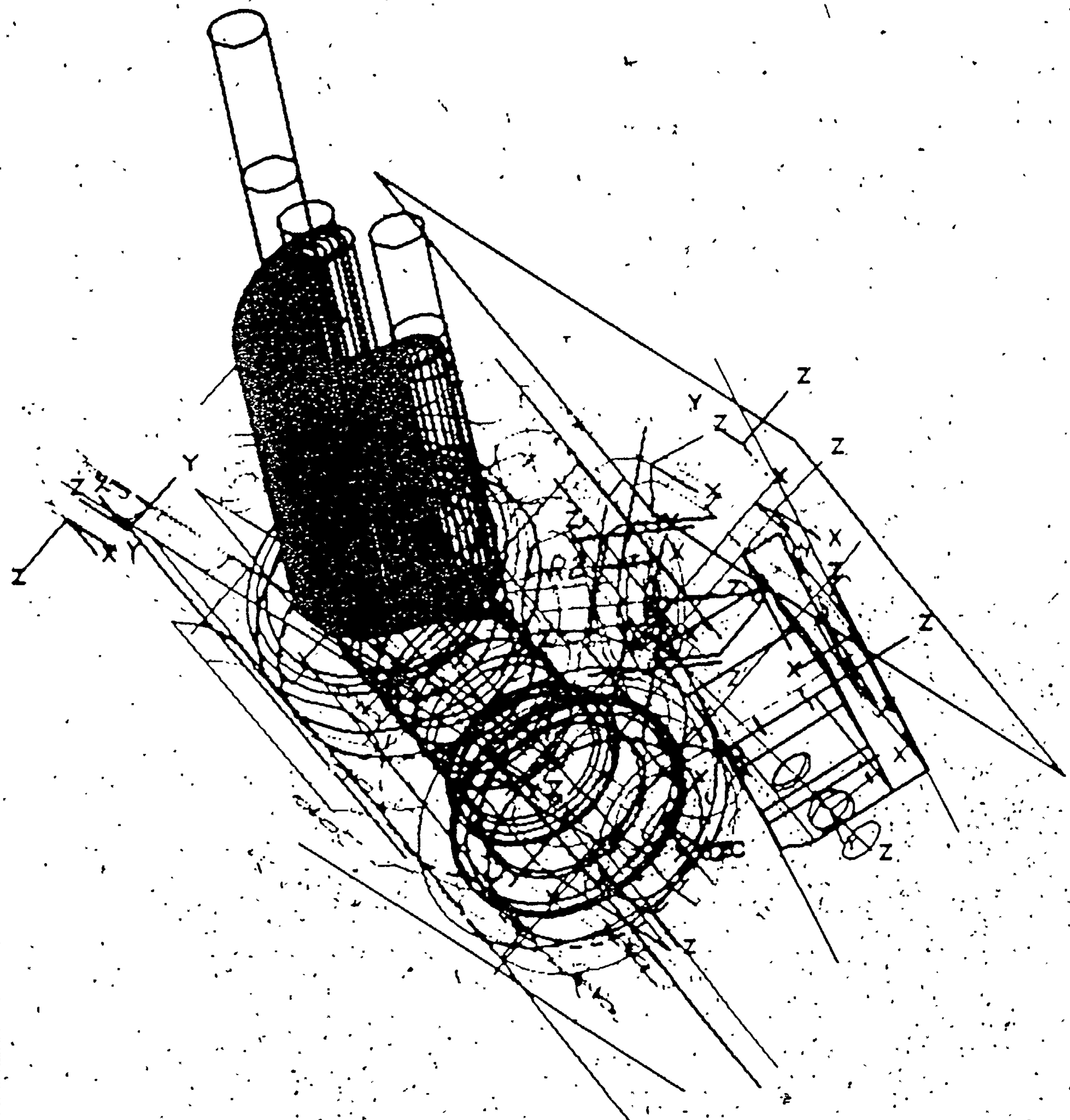
Crane Co.

1990 Annual Report



Crane Co.

Crane is a diversified manufacturer of engineered industrial products, serving niche markets in aerospace, fluid handling, automatic merchandising and the construction industry. Crane's wholesale distribution business serves the building products markets and industrial customers. Founded in 1855, Crane employs almost 10,000 people in North America, Europe and Australia.

Cover

A photograph of the Unigraphics CAD/CAM system's monitor, showing the 3-axis tool path of the control valve utilized on the Hydro-Aire Mark V digital anti-skid/autobrake system.

Table of Contents

This report was printed on recycled paper reflecting Crane's awareness of the need to conserve our nation's natural resources and improve the environment.

Operations

Engineered Industrial Products

Chempump Division
Warrington, Pennsylvania

Cochrane Environmental Systems Division
King of Prussia, Pennsylvania

CorTec Company
Washington Court House, Ohio

Crane Australia Pty. Limited
Sydney, Australia

Crane Canada, Inc.
Plumbing Division
Montréal, Canada

Crane Defense Systems
Conroe, Texas

Crane Ltd.
London, England

Crane Valves
Joliet, Illinois

Deming Division
Salem, Ohio

Ferguson
St. Louis, Missouri

Ferguson Machine Co., S.A.
Braine-le-Château, Belgium

Hydro-Aire Division
Burbank, California

Kemlite Company
Joliet, Illinois

Lear Romec Corporation
Elyria, Ohio

National Vendors
St. Louis, Missouri

National Rejectors, Inc., GmbH
Buxtehude, Germany

Polyflon Company
New Rochelle, New York

Resistoflex/Defense
Jacksonville, Florida

Resistoflex/Industrial
Marion, North Carolina

Unidynamics/Phoenix
Phoenix, Arizona

Wholesale Distribution

Huttig Sash & Door Co.
Chesterfield, Missouri

Crane Canada, Inc.
Supply Division
Montréal, Canada

Valve Systems & Controls
Houston, Texas

Financial Highlights

Crane Co. and Subsidiaries

(In thousands except per share data)	1990	1989	1988	1987	1986
Net Sales	$1,438,248	$1,455,589	$1,313,136	$1,099,596	$1,013,718
Operating Profit	113,311	105,015	95,666	75,130	75,014
Income before Taxes–Continuing Operations	102,488	91,579	81,490	58,541	55,305
Provision for Income Taxes	(39,753)	(35,660)	(32,304)	(25,837)	(26,520)
Income from Continuing Operations[a]	$ 62,735	$ 55,919	$ 49,186	$ 32,704[c]	$ 28,785
Per Primary Share:[b]					
Income from Continuing Operations[a]	$1.96	$1.72	$1.46	$.97[c]	$.91
Cash Dividends Declared	.73	.71	.62	.58	.52
Average Shares Outstanding	32,057	32,583	33,656	33,826	30,867

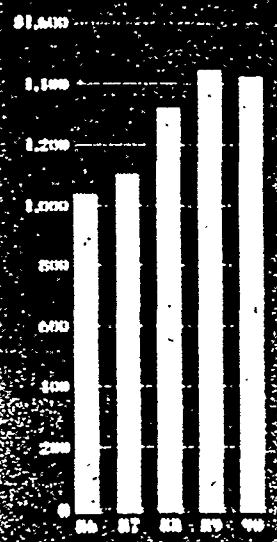
(a) Excludes income from segment distributed to shareholders of $13,297 ($.39 per share) in 1988; $20,909 ($.62 per share) in 1987; and $9,593 ($.31 per share) in 1986.

(b) Adjusted for 50% stock distribution in 1989, three-for-two stock split in 1987 and 50% stock distribution in 1986.

(c) Income before cumulative effect of a change in accounting of $5,673 ($.16 per share).

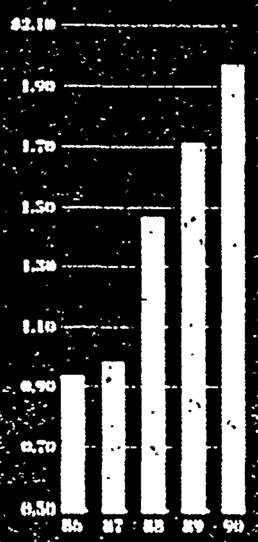
Continuing Operations

Net Sales
(in Millions)

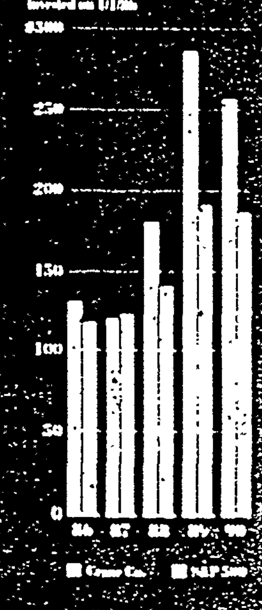


Operating Profit
(in Millions)

Earnings Per Share



Shareholder Return Compared to S&P 500
Cumulative Return on $100 Invested on 1/1/86



CRTX 0789

Letter to Shareholders

Robert S. Evans
Chairman,
Chief Executive Officer
and President

Dear Shareholders:

In a year which started slowly and ended in recession, Crane Co.'s overall performance was satisfactory. Earnings per share rose from $1.72 to $1.96, a 14 percent increase, despite a 1 percent decline in sales. Net income as a percent of sales continued to improve from 3.8 percent in 1989 to 4.4 percent in 1990. Cash flow, which consists of after-tax earnings plus depreciation, amortization and deferred taxes increased from $2.87 to $2.96 per share. Return on shareholders' equity exceeded 20 percent for the fifth consecutive year. This return, which ranks Crane in the top 20 percent of Fortune 500 companies, was achieved in spite of continued reduction in financial leverage, with the total debt to equity ratio declining from 53 percent to 45 percent.

I am pleased that improvements in operations took place at many of our business units. Particularly outstanding were Resistoflex/Industrial; NRI, GmbH and the U.S. Valve Division. However, Huttig Sash and Door sales dropped 6 percent for the year, as the market progressively shrank due to the accelerating decline in housing starts caused by the credit crunch. Canada also experienced a decline in housing, with starts dropping from 230,000 in 1989 to finish 1990 at a rate lower than 140,000. This 40 percent decline made 1990 the worst year since 1985 and the Canadian economy finished at levels similar to the severe recession in 1981 and 1982. The 1990 decline in Canadian earnings negatively impacted total company earnings by almost $.20 per share. Recession also impacted our operations in the U.K. and Australia, but to a lesser degree.

Crane's reported earnings per share in 1990 of $1.96 were reduced by a non-cash charge of $.06 per share due to the accelerated vesting of restricted stock grants, caused by the 50 percent increase of Crane's stock price over the price on the day of the grant. In 1989, a similar non-cash charge of $.08 per share was recorded. Crane has pursued a policy of aligning shareholder and management interests. Incentives such as stock options, stock appreciation rights and restricted stock have been used to achieve this goal. It is satisfying to note that over the last five years, Crane has provided a compounded average return to our shareholders of 20 percent, compared to 13 percent for the S&P 500.

In June, Standard & Poor's upgraded Crane's senior debt rating to BBB+ from BBB. This is the third upgrade of our credit rating over the past three years. Standard & Poor's said that the upgrade reflected an improved business profile due to acquisitions, divestitures and cost cutting measures over the past five years that enhanced the company's product mix and reduced earnings volatility. Standard & Poor's also indicated that Crane was well situated to weather a cyclical downturn.

Our performance in 1990 proved the validity of the S&P report. Ninety percent of our sales derive from businesses in which we have a number one or two market share position and 40-50 percent of our profits are generated by after-market sales. These factors, combined with our improved financial strength, position Crane well for the future.

In February, we acquired the Lear Romec Corporation, a manufacturer of pumps for the aerospace industry, for $40 million. Their products complement Hydro-Aire's capabilities in this market and had a positive impact on earnings.

In September, we announced we were considering the distribution of our defense businesses to our shareholders. We terminated consideration of the spin-off because of the low public market value of other recently spun-off defense companies, public costs which were considered to be disproportionate to the size of these small businesses and the lack of cash flow benefits to Crane.

Towards the end of the year, as part of our ongoing program of asset redeployment to improve performance, we sold the Sea-Pac Sales Co., a distributor of floor covering products, and our McAvity division in Canada, a manufacturer of waterworks valves and hydrants, for an aggregate sales price of approximately $19 million.

During the year, Crane continued its long-term share repurchase program by buying 899,061 shares on the open market at an average price of $20.76. Our policy is to buy Crane shares when they represent an appropriate investment.

With an economic downturn upon us, we are entering 1991 in a strong position, but also a period of great uncertainty. Our goals are to continue to strengthen our business units while adding value by taking advantage of opportunities which may be created by financial stress.

We continue to be concerned about the environment and I am pleased to report that we have made progress in 1990 in cleaning up prior problems and improving our processes and practices to insure the future.

I would like to thank all Crane employees for the success we have achieved and recognize that what makes Crane a strong company are the people who work to serve our customers and shareholders. In particular, I must mention Mr. Dante C. Fabiani, former President of Crane and a Director of the company for 30 years, who is retiring from our Board. His dedication, wisdom, and friendship have been invaluable to Crane Co. and will be missed by all who have had the privilege of working with him.

Sincerely,

R.S. Evans

R. S. Evans
Chairman,
Chief Executive Officer
and President
February 28, 1991

CRTX 0791

Management's Discussion and Analysis of Operations

Results of Operations

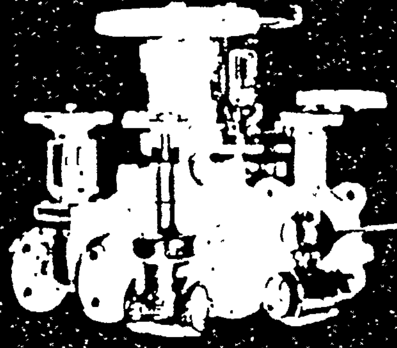
Consolidated

(In millions)	1990	1989	1988
Sales	$1,438.2	$1,455.6	$1,313.1
Operating Profit	$ 113.3	$ 105.0	$ 95.7
Operating Margin	7.9%	7.2%	7.3%

Sales of $1.4 billion in 1990 were 1 percent below the 1989 level. The acquisition of Lear Romec in February, 1990 and the company's strong market share position helped to soften the adverse impact of a weakening U.S. economy, a recession in Canada, reduced defense spending and the divestiture, in 1989 and 1990, of four small business units. Sales in 1989 were 11 percent higher than in 1988 due to growth through acquisitions, primarily Palmer G. Lewis, as well as through higher shipments from existing businesses.

1990 operating profit increased 8 percent to $113 million following a 10 percent increase in 1989. The continued improvement was principally due to Engineered Industrial Products which has improved operating margins and increased volume over the last two years. The 1990 improvement was partially offset by a decline in the U.S. and Canadian residential construction market which negatively impacted both Huttig and Canada Supply in the Wholesale Distribution segment. Operating profit was reduced in 1990 and 1989 by non-cash charges of $3.1 million and $4.1 million, respectively, for the early vesting of restricted stock awards due to the favorable performance of Crane stock.

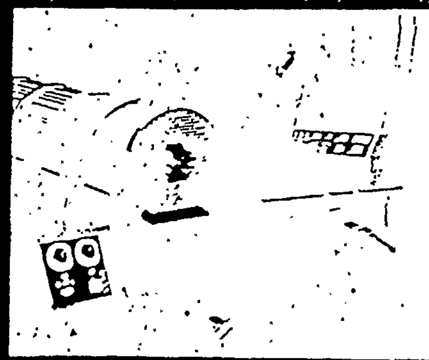
Net interest expense declined in 1990 due to a reduction in borrowing levels. Net interest expense in 1989 was less than in 1988 as a result of lower borrowing levels partially offset by higher interest rates. Miscellaneous income, consisting primarily of gains on sales of capital assets, was $4.7 million in 1990 compared to $3.4 million in 1989. Miscellaneous income of $2.9 million in 1988 included $1.5 million from gains on the sale of marketable securities. The company's effective tax rate was 38.8 percent in 1990, 38.9 percent in 1989 and 39.6 percent in 1988.



Crane Valves are offered in bronze, iron, stainless and carbon steel. Available in ball, butterfly, gate, globe and check configurations, they provide flow control for water, oil, steam, gas, acids and other corrosive fluids.

Income from continuing operations, net of taxes, was $62.7 million in 1990, compared to $55.9 million and $49.2 million in 1989 and 1988, respectively. The return on sales improved to 4.4 percent in 1990 from 3.8 percent in 1989 and 3.7 percent in 1988. Income per share from continuing operations increased 14 percent to $1.96 in 1990, compared to $1.72 in 1989 which was 18 percent above the $1.46 in 1988. Return on shareholders' equity has exceeded 20 percent for the last three years.

At the end of the third quarter of 1988, Medusa Corporation, a wholly-owned cement and aggregates business, was distributed tax-free to shareholders. Net income for 1988 was $62.5 million, reflecting Medusa's $13.3 million profit for the first nine months.



Torque controlled roller, expanding the tubes of a marine, main engine oil-cooled heat exchanger at Crane Industrial's Cardworth, U.K. Depot.

Engineered Industrial Products

(In millions)	1990	1989	1988
Sales	$762.8	$747.1	$706.1
Operating Profit	$103.9	$ 90.7	$ 80.8
Operating Margin	13.6%	12.1%	11.4%

The *Engineered Industrial Products* segment's operating profit increased 15 percent in 1990 and 12 percent in 1989 on sales gains of 2 percent and 6 percent, respectively. Operating margins have risen to 13.6 percent in 1990 from 12.1 percent in 1989 and 11.4 percent in 1988.

The domestic *Valve Division* operated at a small loss in 1990, recording three consecutive profitable quarters following a first quarter loss and a $6.5 million loss in 1989. The impact of cost reductions and consolidation programs implemented over the past two years is reflected in the improved results. 1989 results were negatively impacted by costs associated with discontinued products and closed facilities which totalled $4.7 million. Valves continued to eliminate unprofitable products in 1990 and sales declined 10 percent versus the prior year level following a 6 percent decline in 1989 vs. 1988. The valve businesses in Canada,

CRTX 0793

Chempump submerged canned motor pumps being installed at a large chemical manufacturer. Pumps mounted inside solvent storage/supply tanks help to eliminate pollution of the environment by providing positive containment of hazardous liquids and vapors.

Robotically applied plastic overflows on porcelain or steel lavatories are helping Crane Canada's Stratford, Ontario plant stay on the leading edge of new quality technology.

the United Kingdom and Australia all suffered from the economic downturn in 1990 with Canada operating at significantly lower levels. This compares to improved results at all three businesses in 1989. Canada sold its waterworks valve product line in November, 1990 and consolidated its remaining valve businesses into the company's other Canadian operations. Crane Ltd. sold its steel foundry in 1989. Both divested operations contributed marginally to sales and profits.

The Chempump and Deming pump businesses showed higher earnings and improved shipments in 1990 after recording lower profit on slightly higher sales in 1989. *Deming*, a manufacturer of pumps for the general industrial market, purchased an air-operated diaphragm pump line for $1.3 million in 1990. *Chempump*, the leading manufacturer of leakproof canned motor pumps, acquired an additional canned pump line from Dresser Industries for $.4 million in 1989.

Cochrane Environmental Systems designs and markets equipment for treating water and wastewater. The company reported a sharp increase in sales and profit following strong improvement in 1989. The parts and services business of Belco Water and Waste Treatment was acquired in 1989 for $.3 million.

The *Canadian Plumbing* operation, offering a full line of plumbing products for the residential and commercial building markets, was severely impacted in 1990 by the recession in Canada and the building trades strike in Ontario. Shipments and profit were down substantially in 1990. Although shipments in 1989 had improved over the prior year, operating margins had eroded due to strong price competition and a slow construction market.

Hydro-Aire is the world leader in the design and manufacture of electronically controlled anti-skid braking control systems for the aerospace industry. The division's profitability improved in 1990 despite a small decline in sales following a year of strong volume and profit growth in 1989. Shipments in 1990 were impacted by a decline in defense spending, however, the commercial aviation

CRTX 0794

market was extremely strong and is expected to remain near record levels through 1991.

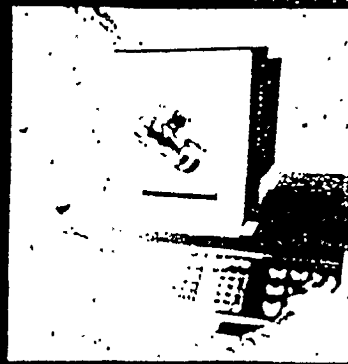
The defense businesses of *Crane Defense Systems*, *Unidynamics/Phoenix* and *Resistoflex/Defense* continued to be impacted by the reduction in military spending. These companies supply a variety of products and equipment such as separable fittings for aircraft engines, precision ordnance devices for defense and aerospace applications, as well as cargo and personnel elevators, cranes, special-duty winches and ammunition handling equipment for the Navy.

Sales and profit in 1989 were significantly below the 1988 level. In 1990 these businesses were slightly more profitable than in 1989 on sharply lower sales. These companies, which represent less than 5 percent of Crane's total sales, continue to focus on cost reduction. During the year, Crane Defense Systems was relocated to a new, more cost-efficient facility in Conroe, Texas.

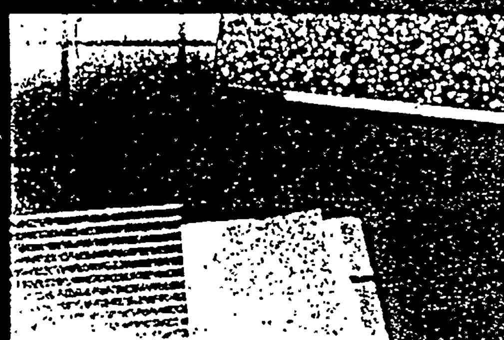
In February, 1990, the company acquired *Lear Romec*, a manufacturer of pumps for the aerospace industry, for $40 million. Lear Romec contributed significantly to the sales and operating profit increase of the Engineered Industrial segment in 1990.

Ferguson markets products for transferring and positioning components on assemblies in an automated process. Ferguson recorded a small profit in 1990 on lower sales following a breakeven year in 1989. The domestic business reduced its loss in 1990 compared to 1989, while the European operation improved its margin on lower volume resulting in a slight increase in earnings.

Kemlite is the leading supplier of fiberglass-reinforced panels to the transportation and building products markets. By introducing new products and expanding its distribution network, Kemlite continued to increase sales and gain market share in spite of depressed transportation and building products markets. Although profits have declined over the past two years, they remain at acceptable levels considering current market conditions. The company is positioned to take advantage of any economic upturn.



Hydro-Aire engineer using a CAD system to check the internal drill passages of a control valve prior to passing the model onto Numerical Control programming.

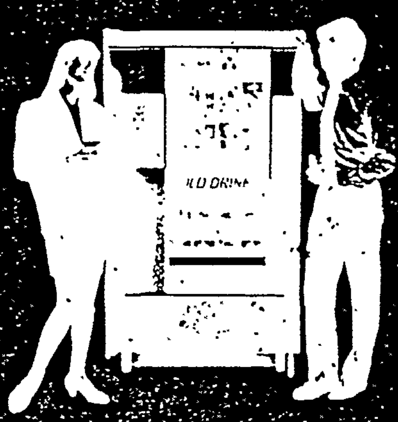


Enrision, a new dimension in durable, moisture-resistant, decorative wall paneling, was introduced by Kemlite in 1990. A smooth, Class "A" fire-rated panel, Enrision provides all the benefits of fiberglass panels, plus attractive designs.

CRTX 0795

Management's Discussion and Analysis of Operations (continued)

At Resistoflex/Industrial a PTFE pipe spool automatic flaring operation flares both ends of the pipe at the same time and delivers a full 100% hydro-test prior to customer shipping.



National Vendors Refreshment Center is the only automated vending machine capable of dispensing hot beverages and cold can beverages along with shelf stable food and snack products from within a common cabinet.

CorTec's sales and profits increased for the third consecutive year in 1990 in a very competitive transportation market in which three of its major competitors terminated their operations. *CorTec* is the largest and financially strongest manufacturer of fiberglass-reinforced plywood panels serving the truck and truck trailer industry.

Resistoflex/Industrial, a leading manufacturer of corrosion-resistant, plastic-lined pipe, fittings and valves had a record year in 1990; its third consecutive year of sales and profit improvement since relocating to North Carolina in 1987. Cost reduction programs, a strong industrial distribution network and new products should enable this trend to continue in 1991.

Polyflon manufactures high-performance substrates and radio frequency capacitors for commercial and aerospace uses and magnetic resonance imaging (MRI) for the medical industry. Sales and profit were below its record 1989 results, however this unit continued to make a good profit contribution relative to its small size.

National Vendors is the largest U.S. manufacturer of automated electronic vending machines. Sales and profits declined from its record level in 1989, which included a large postal vending order. Although 1990 results were impacted by a weak economy, National Vendors continued to gain market share in the U.S. through the introduction of new machines and continued acceptance of existing products. In addition, National Vendors expanded its distribution network in Europe, which should have a favorable impact in 1991.

National Rejectors, GmbH had a record year in 1990 following a significant improvement in 1989. The company designs and manufactures coin validators and handling systems for vending operations throughout Europe. They finished 1990 with a strong order backlog and expect to capitalize in the coming year on the opportunities presented with the reunification of Germany.

Wholesale Distribution

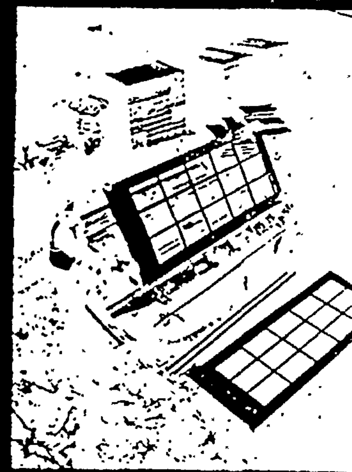
(In millions)	1990	1989	1988
Sales	$695.4	$732.2	$628.3
Operating Profit	$ 26.7	$ 31.7	$ 29.1
Operating Margin	3.8%	4.3%	4.6%

Sales and operating profit in 1990 declined 5 and 16 percent, respectively, from 1989 for the Wholesale Distribution segment. The increase in sales and profit in 1989 over 1988 was due primarily to the inclusion of Palmer G. Lewis, acquired in July, 1988, for a full year.

Huttig Sash and Door is the largest nationwide distributor of millwork, windows, doors and related products in the U.S. They experienced a difficult year due to the weakness in the housing industry, which declined to the second lowest level of new residential construction since World War II. Huttig's shipments declined 6 percent and operating profit was 12 percent lower in 1990. One third of the reduction in sales was due to the sale of the Sea-Pac and Cochrane units of Palmer G. Lewis in 1990 and 1989, respectively. In spite of these difficult conditions, Huttig was able to increase market share due to tight cost controls and further penetration of the replacement, remodeling and rehabilitation markets. Huttig's 1989 results were above the prior year due to the full year effect of the acquisition of Palmer G. Lewis. This more than offset weaknesses in Huttig's wholesale markets and difficulties at its manufacturing operations relating to a strike at the Rock Hill, South Carolina plant and start-up problems at the Fresno, California plant.

Crane Supply Canada, a wholesale distributor of plumbing supplies, valves and piping, experienced a 10 percent volume decline and 42 percent lower profit in 1990, due to a severe recessionary climate. This followed a reduction in profit in 1989 on a small sales increase. Canada Supply has been able to remain profitable and increase its market share despite fierce pricing pressures.

Valve Systems and Controls experienced strong demand for its actuated valves and flow control systems, particularly from the petrochemical industry. Sales and profit improved significantly in both 1990 and 1989 through the addition of distribution facilities in Louisiana and California.



A new Huttig "true divided light" door being built at the Missoula, Montana manufacturing facility using components milled at the Missoula location.

A Huttig window arrangement in a custom-built home.

Consolidated Statements of Income

Crane Co. and Subsidiaries

For Years Ended December 31 (In thousands except per share data)	1990	1989	1988
Net Sales	$1,438,248	$1,455,589	$1,313,136
Operating Costs and Expenses:			
Cost of sales	1,099,662	1,129,899	1,018,285
Selling, general and administrative	195,173	187,016	171,884
Depreciation and amortization	30,102	33,629	27,301
	1,324,937	1,350,544	1,217,470
Operating Profit	113,311	105,045	95,666
Other Income (Deductions):			
Interest expense—net of interest income of $1,224, $2,327 and $1,730 in 1990, 1989 and 1988	(15,522)	(16,850)	(17,112)
Miscellaneous—net	4,699	3,384	2,936
	(10,823)	(13,466)	(14,176)
Income before Taxes—Continuing Operations	102,488	91,579	81,490
Provision for Income Taxes	39,753	35,660	32,304
Income from Continuing Operations	62,735	55,919	49,186
Income from Segment Distributed to Shareholders—Medusa Corporation, net of taxes of $6,727	—	—	13,297
Net Income	$ 62,735	$ 55,919	$ 62,483
Primary Income Per Share from Continuing Operations	$1.96	$1.72	$1.46
Income from Segment Distributed to Shareholders—Medusa Corporation	—	—	.39
Net Income	$1.96	$1.72	$1.85
Average primary shares outstanding	32,057	32,583	33,656
Fully Diluted Income Per Share from Continuing Operations	$1.94	$1.69	$1.45
Income from Segment Distributed to Shareholders—Medusa Corporation	—	—	.38
Net Income	$1.94	$1.69	$1.83
Average fully diluted shares outstanding	32,299	33,036	34,019

See Financial Review

CRTX 0798

Consolidated Balance Sheets

Crane Co. and Subsidiaries

At December 31 (In thousands except share data)	1990	1989
Assets		
Current Assets:		
Cash and cash equivalents	$ 8,363	$ 4,855
Accounts receivable, less allowance of $1,090 ($1,502 in 1989)	170,954	173,050
Inventories, at lower of cost, principally LIFO, or market; replacement cost would be higher by $46,955 ($45,890 in 1989):		
Finished goods	133,388	134,624
Finished parts and subassemblies	24,370	23,654
Work in process	26,279	26,030
Raw materials and supplies	22,439	25,033
	206,476	209,341
Other current assets	6,449	11,089
Total Current Assets	392,242	398,335
Property, Plant and Equipment at Cost:		
Land	21,004	23,528
Buildings and improvements	125,019	127,500
Machinery and equipment	242,923	229,823
	388,946	380,851
Less accumulated depreciation	200,713	192,546
	188,233	188,305
Other Assets	19,619	26,134
Cost in Excess of Net Assets Acquired, less accumulated amortization of $6,232 ($4,516 in 1989)	64,717	41,783
	$664,811	$654,557
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt	$ 10,544	$ 11,223
Loans payable	27,621	20,422
Accounts payable	62,470	73,649
Accrued liabilities	72,621	77,271
U.S. and foreign taxes on income	1,202	1,873
Total Current Liabilities	174,458	184,438
Long-Term Debt	104,143	119,102
Reserves and Other Liabilities	8,825	9,266
Accrued Pension Liability	11,102	11,038
Deferred Income Taxes	49,477	46,869
Preferred Shares, par value $.01—5,000,000 shares authorized	—	—
Common Shareholders' Equity:		
Common shares, par value $1.00:		
Authorized—80,000,000 shares		
Outstanding—31,244,579 shares (31,808,027 in 1989) after deducting 16,243,735 shares in treasury (15,203,693 in 1989)	31,245	31,808
Capital surplus	48,027	63,260
Retained earnings	235,210	194,021
Currency translation adjustment	2,324	(5,245)
Total Common Shareholders' Equity	316,806	283,844
	$664,811	$654,557

See Financial Review

CRTX 0799

Consolidated Statements of Cash Flows

Crane Co. and Subsidiaries

For Years Ended December 31 (In thousands)	1990	1989	1988
Cash Flows from Operating Activities:			
Income from continuing operations	$ 62,735	$ 55,919	$ 49,186
Depreciation	23,118	21,314	19,744
Amortization	6,984	12,315	7,557
Deferred Taxes	2,023	3,796	1,993
Cash (used for) provided from operating working capital	(4,885)	7,790	(28,714)
Dividend received from Medusa	—	—	81,300
Other	(3,446)	(227)	3,354
Total from Operating Activities	86,529	100,907	137,420
Cash Flows from Investing Activities:			
Capital expenditures	(25,408)	(33,189)	(17,865)
Proceeds from disposition of capital assets	6,013	9,433	4,557
Equity investments	8,187	(8,080)	—
Payments for acquisitions, net of liabilities assumed of $3,976 in 1990, $143 in 1989 and $31,169 in 1988	(41,250)	(1,495)	(47,558)
Proceeds from divestitures	20,275	3,378	—
Total from Investing Activities	(32,183)	(29,953)	(60,866)
Cash Flows from Financing Activities:			
Equity:			
Dividends paid	(23,690)	(22,731)	(25,511)
Reacquisition of shares	(21,897)	(32,296)	(27,570)
Stock options exercised	3,993	3,146	2,424
Redemption of common share purchase rights	—	—	(738)
Net Equity	(41,594)	(51,881)	(51,428)
Debt:			
Proceeds from issuance of long-term debt	44,195	21,026	3,868
Repayments of long-term debt	(58,841)	(45,024)	(17,566)
Net increase (decrease) in short-term debt	5,093	(31,050)	15,767
Net Debt	(9,553)	(51,248)	2,069
Total from Financing Activities	(51,147)	(106,129)	(49,359)
Effect of exchange rate on cash and cash equivalents	309	30	190
Increase (decrease) in cash and cash equivalents	3,508	(35,145)	27,385
Cash and cash equivalents at beginning of year	4,855	40,000	12,615
Cash and cash equivalents at end of year	$ 8,363	$ 4,855	$ 40,000
Detail of Cash (Used for) Provided from Operating Working Capital			
Accounts receivable	$ 4,705	$ (6,532)	$ (6,952)
Inventories	8,624	1,847	(12,899)
Other current assets	5,148	(2,917)	3,500
Accounts payable	(14,006)	14,673	(3,892)
Accrued liabilities	(8,151)	1,155	(9,305)
U.S. & foreign taxes on income	(1,205)	(436)	834
Total	$ (4,885)	$ 7,790	$(28,714)
Supplemental disclosure of cash flow information:			
Interest paid	$ 16,702	$ 19,417	$ 17,656
Income taxes paid	34,578	35,619	19,852

See Financial Review

CRTX 0800

Consolidated Statements of Changes in Common Shareholders' Equity

Crane Co. and Subsidiaries

(In thousands except share data)	Common Shares	Capital Surplus	Retained Earnings	Currency Translation Adjustment	Total Common Shareholders' Equity
At December 31, 1987	$ 22,426	$ 109,666	$ 127,994	$ (4,362)	$ 255,724
Net income	—	—	62,483	—	62,483
Cash dividends	—	—	(20,468)	—	(20,468)
Distribution of Medusa Corporation common stock	—	—	(131)	—	(131)
Reacquisition of 1,108,481 shares	(1,108)	(26,462)	—	—	(27,570)
Exercise of stock options, 163,292 shares	163	2,261	—	—	2,424
Conversion of debentures, 53,269 shares	53	278	—	—	331
Restricted stock awarded, 324,296 shares, net	324	7,431	(6,155)	—	1,600
Redemption of common share purchase rights	—	(738)	—	—	(738)
Currency translation adjustment	—	—	—	972	972
At December 31, 1988	21,858	92,436	163,723	(3,390)	274,627
Net income	—	—	55,919	—	55,919
Cash dividends	—	—	(22,731)	—	(22,731)
50% stock distribution, 10,563,607 shares	10,564	(10,564)	—	—	—
Reacquisition of 1,269,035 shares	(1,269)	(31,027)	—	—	(32,296)
Exercise of stock options, 236,197 shares	236	2,910	—	—	3,146
Conversion of debentures, 23,377 shares	23	112	—	—	135
Restricted stock awarded, 395,420 shares, net	396	9,393	(2,890)	—	6,899
Currency translation adjustment	—	—	—	(1,855)	(1,855)
At December 31, 1989	31,808	63,260	194,021	(5,245)	283,844
Net income	—	—	62,735	—	62,735
Cash dividends	—	—	(23,690)	—	(23,690)
Reacquisition of 1,010,062 shares	(1,010)	(20,857)	—	—	(21,897)
Exercise of stock options, 385,711 shares	386	3,607	—	—	3,993
Conversion of debentures, 24,176 shares	24	72	—	—	96
Restricted stock awarded 66,890 shares, net	67	1,945	2,144	—	4,156
Currency translation adjustment	—	—	—	7,569	7,569
At December 31, 1990	$ 31,245	$ 48,027	$ 235,210	$ 2,324	$ 316,806

See Financial Review.

CRTX 0801

Financial Review

Accounting Policies

Principles of Consolidation—The consolidated financial statements include all subsidiaries. All significant intercompany items have been eliminated. Certain prior year amounts have been reclassified to conform with the 1990 presentation. Medusa Corporation, which was reported as a segment held for distribution, was distributed to shareholders on October 7, 1988.

Cash Equivalents—Highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

Inventories—Inventories are stated at the lower of cost or market principally on the last-in, first-out (LIFO) method of inventory valuation. The effect of inventory quantity reductions was a reduction in cost of approximately $1,300,000, $1,500,000 and $600,000 in 1990, 1989 and 1988, respectively.

Property, Plant and Equipment—Depreciation was provided primarily by the straight-line method over the estimated useful lives of the respective assets.

Intangibles—Cost in excess of net assets acquired is being amortized on a straight-line basis principally over forty years. Other intangible assets are being amortized on a straight-line basis over their estimated useful lives which range from five to twenty years.

Income Taxes—The provision for income taxes was, as in the prior years, determined in accordance with Accounting Principles Board Opinion No. 11. If the company had chosen to adopt Statement of Financial Accounting Standards No. 96 in 1990, the change would not have been material. United States income taxes have not been provided on undistributed earnings of foreign subsidiaries since these earnings will be required for indefinite investment and any taxes on dividends expected to be paid will be offset by foreign tax credits. At December 31, 1990 undistributed foreign subsidiary earnings totalled $69,000,000.

Net Income Per Share—Primary earnings per share calculations are based upon the weighted average number of common shares outstanding after giving effect to dilutive stock options. Fully diluted earnings per share gives effect to the assumed conversion of convertible debentures and the effect of dilutive stock options. All share information has been adjusted to reflect the 50% stock distribution in 1989, the three-for-two stock split in 1987 and the 50% stock distribution in 1986.

Revenues—Revenues are generally recorded when title passes to the customer. Revenues on long-term contracts are recognized under the percentage-of-completion method of accounting and are measured principally on either a cost-to-cost or a unit of delivery basis. These contracts represent approximately 5% of sales in any one year. Accounts receivable includes unreimbursed costs and accrued profits to be billed of $18,979,000 and $16,207,000 at December 31, 1990 and 1989, respectively.

Postretirement Benefits Other Than Pension—The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions", which will require accruals of postretirement health care and life insurance benefits during the years an employer provides services. The company currently expenses these benefits on a cash basis. The impact of this standard has not been fully determined, but the change is expected to increase the annual expense for postretirement benefits. The company is currently assessing the impact of SFAS 106 and its adoption which is required by fiscal 1993.

Acquisitions and Investments

In February 1990, the company acquired Lear Romec Corp., a manufacturer of pumps for the aerospace industry, for $40 million. The company purchased the diaphragm pump line of the Crown Pump Company as an addition to Deming in September 1990.

In January 1989, Crane Ltd. acquired the assets of The Heatex Group, Ltd., a specialist in the repair and refurbishment of heat exchangers. The company acquired the Pacific CMP canned motor pump product line as an addition to Chempump in March 1989 and certain assets of the parts, resin and service business of Belco Water and Waste Treatment as an addition to Cochrane in August 1989.

In June 1988, Huttig acquired Palmer G. Lewis Co., Inc., one of the largest independent wholesale distributors of building products and related materials in the western United States, for approximately $43.5 million. In addition, Huttig acquired two distribution centers in California in February 1988. A canned pump machining and service company was acquired as an addition to Chempump in July 1988.

Each of these acquisitions was accounted by the purchase method, and the results of operations for each has been included in the financial statements from their respective dates of purchase. Pro forma financial information assuming the acquisition of Palmer G. Lewis had taken place as of the beginning of 1988 is provided below. The remaining acquisitions did not have a material effect on the results of operations.

For the Year Ended December 31, (in thousands except per share data)	1988
Net sales	$ 1,409,279
Operating profit	96,631
Income from continuing operations	48,612
Income per share from continuing operations	$ 1.45

Investment Distributed to Shareholders

On October 7, 1988, the company distributed to its shareholders 100% of its cement and aggregates subsidiary, Medusa Corporation, on a tax-free basis to both the company and its shareholders. Immediately prior to the distribution, Medusa paid a special cash dividend to the company of $84.3 million. This transaction reduced the company's shareholders' equity by $131,000.

As a segment distributed to shareholders, the results of Medusa's operations have not been included in the continuing operations. Net sales of Medusa through the date of the distribution in 1988 were $138.7 million.

Pensions

The company and its subsidiaries have pension plans which cover substantially all of their employees and non-employee directors. The plans generally provide benefit payments using a formula based on length of service and final average compensation, except for some hourly employees for whom the benefits are a fixed amount per year of service. The company's policy is to fund at least the minimum amount required by the applicable regulations.

In 1987, the company adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions", for all U. S. pension plans. The company adopted this standard for all significant foreign plans in 1989. Pension costs for foreign plans in 1988 were determined under provisions of previous accounting standards.

	U.S. and Foreign Plans		U.S. Plans
(in thousands)	1990	1989	1988
Service cost—benefits earned during the period	$ 7,904	$ 7,011	$ 4,203
Interest cost on projected benefit obligation	13,773	11,586	5,222
Actual loss (gain) on plan assets	6,685	(24,292)	(6,065)
Net amortization and deferral	(24,510)	9,803	2,053
Pension expense	3,852	4,138	5,413
Pension costs for foreign plans prior to adopting SFAS 87	—	—	(298)
Pension expense for company sponsored pension plans	$ 3,852	$ 4,138	$ 5,115

CRTX 0803

Financial Review (continued)

The following table sets forth by funded status the amounts recognized in the company's balance sheet at December 31, for company sponsored pension plans:

(In thousands)	1990 Overfunded	1990 Underfunded	1989 Overfunded	1989 Underfunded
Actuarial present value of benefit obligation:				
Vested	$123,477	$12,898	$108,931	$1,425
Nonvested	5,245	508	4,275	155
Accumulated benefit obligation	128,722	13,406	113,206	1,580
Effect of future pay increases	35,740	264	35,069	128
Projected benefit obligation	164,462	13,670	148,275	1,708
Assets and book reserves relating to such benefits:				
Funded assets at fair value	173,523	10,465	179,713	679
Book provisions, net	6,012	2,951	8,974	901
	179,535	13,416	188,687	1,580
Assets and book reserves greater (less) than projected benefit obligations	$ 15,073	$ (254)	$ 40,412	$ (128)
Consisting of:				
Unrecognized net asset (liability) at date of adoption less amortization	$ 20,122	$ 189	$ 21,531	$ (446)
Unrecognized net gains (losses)	(4,259)	(2,880)	18,881	(420)
Unrecognized prior service cost	(790)	—	—	—
Adjustment required to recognize minimum liability	—	2,437	—	738
	$ 15,073	$ (254)	$ 40,412	$ (128)

The assumed discount rate, expected return on assets and rate of compensation level increases for final pay plans used to determine the pension expense and funded status information were 8.5%, 9.5% and 6.25%, respectively, for U.S. plans and 8.5% to 9%, 9% and 6.25% to 7.5%, respectively, for foreign plans.

The company participates in several multi-employer pension plans, which provide benefits to certain employees under collective bargaining agreements. Total contributions to these plans were approximately $1,298,000 in 1990, $1,377,000 in 1989 and $1,183,000 in 1988.

At December 31, 1990 all plan assets are invested in listed stocks and bonds. These investments include common stock of the company which represents 3% of plan assets.

The cost of providing health care and life insurance benefits on a claims paid basis for certain retired employees was approximately $2,000,000, $1,900,000 and $2,000,000 in 1990, 1989 and 1988, respectively.

Miscellaneous—Net

For Years Ended December 31 (In thousands)	1990	1989	1988
Gain on disposal of capital assets—net	$ 3,428	$ 2,949	$ 1,101
Dividend income	449	134	—
Gain on sale of marketable securities	150	—	1,462
Foreign exchange gain(loss)	43	(18)	341
Other	629	319	32
	$ 4,699	$ 3,384	$ 2,936

Accrued Liabilities

At December 31 (In thousands)	1990	1989
Payroll and other employee related expenses	$ 22,901	$22,139
Insurance	14,192	14,287
Sales allowances and other related costs	6,527	11,491
Pensions	5,827	4,814
Interest	3,300	3,492
Taxes other than income	3,062	3,030
Professional fees	2,313	2,596
Environmental	1,997	2,600
Other	12,502	12,822
	$ 72,621	$77,271

Reserves and Other Liabilities

At December 31 (In thousands)	1990	1989
Insurance	$ 4,727	$ 4,227
Employee benefits	1,823	1,996
Environmental	850	1,850
Other	1,425	1,193
	$ 8,825	$ 9,266

Short-Term Financing

At year-end there were available with domestic and foreign banks $188,000,000 in short-term credit lines of which $161,000,000 were unused at that time.

Long-Term Financing

At December 31 (In thousands)	1990	1989
Crane Co.		
Senior debt:		
Revolving credit facility due 1994	$ 13,700	$ 18,267
Subordinated debt:		
7% Sinking fund debentures due 1993	7,612	8,452
7% Debentures due 1994	44,781	44,781
5% Convertible debentures due 1993 and 1994, convertible at $3.70 and $4.26	994	1,090
Other, principally capital lease obligations	730	1,780
Total Crane Co.	67,817	74,370
Subsidiaries:		
9 1/2% Sinking fund debentures due 1999	10,000	11,250
Floating rate bank loans:		
Canada due 1991-1996	12,068	12,960
United States due 1991	—	1,500
Industrial Revenue Bonds	9,302	13,079
Other, principally capital lease obligations	4,956	5,943
Total subsidiaries	36,326	44,732
	$ 104,143	$119,102

The company had available $85,000,000 of unused long-term credit agreements at year-end. At December 31, 1990, the principal amounts of long-term debt repayments, net of amounts held in treasury, required for the next five years were $10,544,000 in 1991, $9,852,000 in 1992, $17,724,000 in 1993, $59,319,000 in 1994 and $4,644,000 in 1995.

During 1985 the company created an irrevocable trust of direct United States government obligations to satisfy the scheduled payments of principal and interest on the $10,606,000 outstanding principal amount of the company's 6 1/2% Sinking Fund Debentures due 1992 not held in the company's treasury. At December 31, 1990 there was $3,990,000 outstanding.

CRTX 0805

In 1989 the company redeemed all of its outstanding 10 1/2% Subordinated Sinking Fund Debentures due 1994 at the redemption price of 100% of the principal amount. The $22.8 million principal amount of the Debentures outstanding was refinanced through the company's revolving credit agreement at an interest rate of 9.15% and is to be repaid on the same schedule as the old issue, $4,567,000 annually.

The company's $100 million revolving credit agreement, which terminates on December 31, 1992, bears interest on the debt outstanding based on the lender's prime or certificate of deposit rate, or on the London Interbank market rate. The credit agreement contains various covenants, the most restrictive of these requires a minimum level of tangible net worth. At December 31, 1990, tangible net worth exceeded the required level by $114,482,000.

At December 31, 1990, the aggregate amount of subsidiary earnings available for dividends was $192,985,000.

Commitments and Contingencies

The company leases certain of its warehouse buildings, manufacturing facilities, vehicles and equipment under capital and operating leases with various terms. Certain leases contain renewal or purchase options. Future minimum payments, by year, and in the aggregate, under these leases with initial or remaining terms of one year or more consisted of the following at December 31, 1990:

(In thousands)	Capital Leases	Operating Leases	Minimum Sublease Income	Net
1991	$ 1,481	$ 12,311	$ 427	$13,365
1992	1,498	10,256	198	11,556
1993	671	7,879	109	8,441
1994	513	6,253	4	6,762
1995	392	4,112	3	4,501
Thereafter	2,609	14,282	—	16,891
Total minimum lease payments	7,164	$55,093	$ 741	$61,516
Interest	1,865			
Present value	$ 5,299*			

*Includes $1,150 due within one year.

The weighted average interest rate for capital leases is 7.2%.

Rental expense for all operating leases was $20,083,000, $20,368,000 and $18,769,000 for 1990, 1989 and 1988, respectively.

The cost of assets capitalized under leases is as follows at December 31:

(In thousands)	1990	1989
Buildings and improvements	$ 10,569	$ 12,518
Machinery and equipment	8,445	8,445
	19,014	20,963
Less accumulated depreciation	13,926	13,780
	$ 5,088	$ 7,183

The company has established a self-insurance program to cover certain liability costs excluded under deductible clauses of its various policies in force.

At December 31, 1990, the company had received certain proposed notices of adjustment to federal income tax and was involved in various other claims and legal actions, including those of an environmental nature, arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the company's financial condition.

Income Taxes

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

(In thousands)	1990	1989	1988
Income before taxes:			
Domestic	$ 86,116	$ 68,169	$ 60,353
Foreign	16,372	23,410	21,137
	102,488	91,579	81,490
Statutory federal tax at 34%	34,846	31,137	27,707
Increase (reduction) from:			
Foreign and local taxes	4,377	4,050	3,756
Goodwill	722	388	363
Non-taxable FSC income	(1,061)	(798)	(568)
Other	869	883	1,046
Provision for income taxes	$ 39,753	$ 35,660	$ 32,304
Percentage of income before taxes	38.8%	38.9%	39.6%

The foregoing provision includes charges for foreign taxes of $7,497,000, $9,380,000 and $9,188,000 and state taxes of $5,701,000, $4,482,000 and $4,147,000 in 1990, 1989 and 1988, respectively.

The provision for income taxes is composed of the following:

(In thousands)	1990	1989	1988
Deferred income taxes	$ 2,023	$ 3,796	$ 1,993
Current income taxes	37,730	31,864	30,311
	$ 39,753	$ 35,660	$ 32,304

The components of deferred income tax expense are as follows:

(In thousands)	1990	1989	1988
Excess (deficit) tax depreciation	$ (273)	$ 1,518	$ 1,690
Inventory capitalization	(338)	(468)	(862)
Reserves	812	1,075	(574)
Other	1,822	1,671	1,739
	$ 2,023	$ 3,796	$ 1,993

Research and Development

Product development and engineering costs aggregated approximately $17,000,000, $14,400,000 and $12,000,000 in 1990, 1989 and 1988, respectively. In addition, approximately $7,600,000, $4,100,000 and $7,500,000 was received in 1990, 1989 and 1988, respectively, for customer sponsored research and development relating to projects within Engineered Industrial Products.

Stock Options and Stock Award Plans

A summary of stock option transactions follows:

	Number of Shares
Outstanding January 1, 1990	1,398,953
Options granted	270,000
Options expired	(33,529)
Options exercised	(385,711)
Outstanding December 31, 1990	1,249,713

At December 31, 1990, options for 748,808 shares were exercisable and 206,258 shares were available for grant. Per share option prices ranged from $6.56 to $22.32. In 1989, options for 236,197 shares were exercised. The plan is not a compensatory plan which would require a charge to income.

The company's restricted stock award plan provides for awards of common stock to key officers and employees, subject to resale restrictions. The current restrictions on outstanding awards are scheduled to lapse, in part, over a five year period or upon the achievement of certain performance objectives. The company awarded 65,000 shares in 1990, and, as of December 31, 1990, 521,256 shares are available for future awards. Compensation expense is determined based on the market value at the time of award and is normally amortized over the five year restriction period. The 1988 and 1989 awards provided for early vesting if the company's stock price increased 50% from its market value on the date of the original award. Due to the favorable performance of the company's stock price, restrictions on the previously unvested portion of 1988 and 1989 awards lapsed in 1989 and 1990, respectively, resulting in a non-cash expense which reduced operating profit by $4.1 million or $.08 per share in 1989 and $3.1 million or $.06 per share in 1990.

Preferred Shares Purchase Rights

In July 1988, the company distributed one preferred share purchase right for each outstanding share of common stock. The preferred rights were not exercisable when granted and may only become exercisable under certain circumstances involving actual or potential acquisitions of the company's common stock by a person or affiliated persons. Depending upon the circumstances, if the rights become exercisable, the holder may be entitled to purchase shares of the company's Series A Junior Participating Preferred Stock, or shares of common stock of the acquiring person. Preferred shares purchasable upon exercise of the rights will not be redeemable. Each preferred share will be entitled to preferential rights regarding dividend and liquidation payment, voting power, and, in the event of any merger, consolidation or other transaction in which common shares are exchanged, preferential exchange rate. The rights will remain in existence until June 27, 1998, unless they are earlier terminated, exercised or redeemed. The company has authorized five million shares of $.01 par value preferred stock.

Analysis by Segment of Business

The company operates principally in two industries, Engineered Industrial Products and Wholesale Distribution. Operations in the Engineered Industrial Products segment involve the production and sale of various engineered products including valves, specialty pumps, anti-skid braking control systems for the aerospace industry, a variety of products and equipment with defense applications, electronic vending machines and coin handlers and fiberglass reinforced panels. Operations in the Wholesale Distribution segment involve the distribution of millwork, windows, doors and related products, plumbing supplies, valves and piping, actuated valves and flow control systems.

An analysis of sales, operating profit, assets, capital expenditures and depreciation and amortization appears on pages 22 and 23.

Management's Responsibilities for Financial Reporting

The accompanying consolidated financial statements of Crane Co. and subsidiaries have been prepared by management in conformity with generally accepted accounting principles and, in the judgment of management, present fairly and consistently the company's financial position and results of operations. These statements by necessity include amounts that are based on management's best estimates and judgments and give due consideration to materiality.

The accounting systems and internal accounting controls of the company are designed to provide reasonable assurance that the financial records are reliable for preparing consolidated financial statements and maintaining accountability for assets and that, in all material respects, assets are safeguarded against loss from unauthorized use or disposition. Qualified personnel throughout the organization maintain and monitor these internal accounting controls on an ongoing basis. In addition, the company's internal audit department systematically reviews the adequacy and effectiveness of the controls and reports thereon.

The consolidated financial statements have been audited by Deloitte & Touche, independent certified public accountants, whose report appears on this page.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with management and with the company's internal auditors and independent auditors to review matters relating to the quality of financial reporting and internal accounting control and the nature, extent and results of their audits. The company's internal auditors and independent auditors have free access to the Audit Committee.

R.S. Evans

R. S. Evans
Chairman, Chief Executive Officer and President

J.P. Cronin

J. P. Cronin
Vice President—Finance and Chief Financial Officer

Independent Auditors' Report

Deloitte & Touche

To the Shareholders of Crane Co.:

We have audited the accompanying consolidated balance sheets of Crane Co. and its subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, changes in common shareholders' equity and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Crane Co. and its subsidiaries at December 31, 1990 and 1989, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990 in conformity with generally accepted accounting principles.

Deloitte & Touche

New York, New York
January 28, 1991

Liquidity and Capital Resources

The company generated $86.5 million of cash from operating activities compared to $100.9 million in 1989 and $137.4 million in 1988, which included a special $84.3 million dividend from Medusa Corporation prior to its distribution to Crane shareholders.

During 1990, the company acquired two businesses for $41 million and sold two businesses for $19 million. Several small acquisitions were made in 1989 to expand units of Engineered Industrial Products, and in 1988 the company invested $48 million in new businesses, primarily in the Wholesale Distribution segment. During 1990, the company sold its 8.4% position in Milton Roy for approximately $8 million. Capital expenditures of $25 million were made in 1990 compared to $33 million in 1989 and $18 million in 1988.

The company continues to improve its financial condition. Net debt totalled only 45% of equity at the end of 1990 compared to 53% in 1989 and 64% in 1988. The current ratio at the end of 1990 remained unchanged from the prior year at 2.2 to 1 with working capital totalling $218 million at year-end. During the year $10 million of debt was retired. The company had $161 million of unused credit lines and $85 million of available financing under long-term credit agreements to provide sufficient financial flexibility.

If interest rates decline in 1991, the company plans to evaluate various financing alternatives to reduce its reliance on variable rate debt and provide for its future long-term debt refinancing needs.

During the year the company purchased approximately 1 million shares of its common stock for $21.9 million.

The company is currently assessing the impact of Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," which will require accruals of postretirement health care and life insurance benefits during the years an employee provides services. The company currently expenses these benefits on a cash basis. The impact of this standard has not been fully determined, but the change is expected to increase the annual expense for postretirement benefits.

Results of Operations — Last Three Years

Results are explained in detail in the Management's Discussion and Analysis of Operations, pages 4 through 9.

Analysis by Segment

Crane Co. and Subsidiaries

(In thousands)	1990 Amount	%	1989 Amount	%	1988 Amount	%
Net Sales:						
Industry Segments:						
Engineered Industrial Products	$ 762,774	52	$ 747,106	51	$ 706,101	53
Wholesale Distribution	695,423	48	732,215	49	28,272	47
	1,458,197	100	1,479,321	100	1,334,373	100
Intersegment Sales	(19,949)		(23,732)		(21,237)	
	$1,438,248		$1,455,589		$1,313,136	
Geographic Region:						
United States	$1,073,823	74	$1,093,416	74	$ 975,749	73
Canada	211,932	15	233,788	16	216,764	16
Other International	173,392	11	151,844	10	138,696	11
	1,459,147	100	1,479,048	100	1,331,209	100
Interregional Sales	(20,899)		(23,459)		(18,073)	
	$1,438,248		$1,455,589		$1,313,136	
Operating Profit:						
Industry Segments:						
Engineered Industrial Products	$ 103,923	80	$ 90,700	74	$ 80,844	74
Wholesale Distribution	26,697	20	31,744	26	29,131	26
	130,620	100	122,444	100	109,975	100
Corporate	(17,309)		(17,399)		(14,309)	
	$ 113,311		$ 105,045		$ 95,666	
Geographic Region:						
United States	$ 108,100	83	$ 92,572	76	$ 82,256	75
Canada	7,575	6	18,481	15	18,757	17
Other International	14,945	11	11,391	9	8,962	8
	130,620	100	122,444	100	109,975	100
Corporate	(17,309)		(17,399)		(14,309)	
	$ 113,311		$ 105,045		$ 95,666	
Assets:						
Industry Segments:						
Engineered Industrial Products	$ 426,459	67	$ 378,779	62	$ 388,978	62
Wholesale Distribution	211,277	33	235,953	38	240,136	38
	637,736	100	614,732	100	629,114	100
Corporate	27,075		39,825		52,626	
	$ 664,811		$ 654,557		$ 681,740	
Geographic Region:						
United States	$ 461,837	73	$ 442,547	72	$ 464,941	74
Canada	85,566	13	96,245	16	86,670	14
Other International	90,333	14	75,940	12	77,503	12
	637,736	100	614,732	100	629,114	100
Corporate	27,075		39,825		52,626	
	$ 664,811		$ 654,557		$ 681,740	

Analysis by Segment (Continued)

Crane Co. and Subsidiaries

	Capital Expenditures 1990	1989	1988	Depreciation and Amortization 1990	1989	1988
Industry Segments:						
Engineered Industrial Products	$20,685	$18,673	$11,825	$21,848	$23,652	$21,707
Wholesale Distribution	4,454	4,125	5,767	4,946	5,531	4,250
Corporate	269	10,391	273	3,308	4,416	1,344
	$25,408	$33,189	$17,865	$30,102	$33,629	$27,301
Geographic Region:						
United States	$13,626	$26,420	$11,479	$23,383	$27,889	$21,608
Canada	6,745	3,525	3,007	3,022	2,495	2,163
Other International	5,037	3,244	3,379	3,697	3,245	3,530
	$25,408	$33,189	$17,865	$30,102	$33,629	$27,301

Five Year Summary of Selected Financial Data

Years Ended December 31 (In thousands except share data)	1990	1989	1988	1987	1986
Net Sales	$1,438,248	$1,455,589	$1,313,136	$1,099,596	$1,043,718
Depreciation and Amortization	30,102	33,629	27,301	23,744	21,780
Operating Profit	113,311	105,045	95,666	75,130	75,044
Interest Expense	16,746	19,177	18,812	19,100	26,650
Income before Taxes—Continuing Operations	102,488	91,579	81,490	58,541	55,305
Provision for Income Taxes	(39,753)	(35,660)	(32,304)	(25,837)	(26,520)
Income—Continuing Operations	$ 62,735	$ 55,919	$ 49,186	$ 32,704*	$ 28,785
Income Per Common Share—Continuing Operations					
Primary	$1.96	$1.72	$1.46	$.97*	$.94
Fully Diluted	1.94	1.69	1.45	.94*	.87
Cash Dividends Declared Per Common Share	$.7500	$.7083	$.6167	$.5833	$.5200
Assets	$ 664,811	$ 654,557	$ 681,740	$ 634,767	$ 612,780
Long-Term Debt	$ 104,143	$ 119,102	$ 143,133	$ 151,096	$ 225,931

**Income before cumulative effect of a change in accounting of $5,673 ($.16 per share).*

See Financial Review

CRTX 0811

Quarterly Results for the Year (Unaudited)

Crane Co. and Subsidiaries

Quarter (In thousands except per share data)	First	Second	Third	Fourth	Year
1990					
Net Sales	$352,152	$380,366	$372,491	$333,239	$1,438,248
Gross Profit	75,000	84,194	80,885	76,244	316,323
Net Income	13,517	16,072	17,095	16,051	62,735
Primary Net Income Per Share	$ .42	$ .50	$ .53	$ .51	$ 1.96
1989					
Net Sales	$348,149	$383,938	$376,330	$347,172	$1,455,589
Gross Profit	69,529	79,233	76,215	76,255	301,232
Net Income	10,695	16,144	15,487	13,593	55,919
Primary Net Income Per Share	$ .33	$ .49	$ .48	$ .42	$ 1.72

Market and Dividend Information–Common Shares

	New York Stock Exchange Composite Price Per Share				Dividends Per Share	
	1990		1989*		1990	1989*
Quarter	High	Low	High	Low		
1st	$26⅞	$21	$17½	$15	$ .1875	$ .1666
2nd	27½	22¼	19	16⅞	.1875	.1667
3rd	27⅞	18¼	23¼	17⅞	.1875	.1875
4th	22⅞	17⅞	25	20	.1875	.1875
					$ .7500	$ .7083

At December 31, 1990 there were approximately 7,900 holders of record of Crane Co. common stock.

** Adjusted for 50% stock distribution in 1989.*

Directors

E. Thayer Bigelow, Jr. [1,3]
President, Home Box Office, Inc., Cable Programming and Entertainment

Robert S. Evans [1]
Chairman, Chief Executive Officer & President of the Company

Dante C. Fabiani
Retired President of the Company

Richard S. Forté [2]
President, Forté Cashmere Company, Inc., Importer and Manufacturer

Dorsey R. Gardner [2]
President, Kelso Management Co., Investment Management

Robert W. Lear [1,3]
Director of Various Corporations

Dwight C. Minton [1,3]
Chairman & Chief Executive Officer, Church & Dwight Co., Inc., Manufacturer of Consumer and Specialty Products

Charles J. Queenan, Jr. [2]
Partner, Kirkpatrick & Lockhart, Attorneys at Law

Arthur A. Seeligson, Jr.
Independent Oil Operator, Investments

Boris Yavitz [1,3]
The Paul Garrett Professor of Public Policy and Business Responsibility & Former Dean, Columbia University, Graduate School of Business

1 *Member of the Executive Committee*
2 *Member of the Audit Committee*
3 *Member of the Organization and Compensation Committee*

Corporate Officers

Robert S. Evans
Chairman, Chief Executive Officer & President

B. Jack Barnes
Executive Vice President

Jeremiah P. Cronin
Vice President–Finance & Chief Financial Officer

Thomas C. Fish
Vice President, Corporate Development

Paul R. Hundt
Vice President, Secretary & General Counsel

Robert J. Muller, Jr.
Executive Vice President

Anthony D. Pantaleoni
Vice President, Environment, Health & Safety

Richard B. Phillips
Vice President, Human Resources

Michael L. Raithel
Controller

Executive Offices

Crane Co.
757 Third Avenue
New York, NY 10017
Telephone: (212) 415-7300

Form 10-K

Copies of Form 10-K for 1990 as filed with the Securities and Exchange Commission are available upon written request from the Secretary's Office at the address above.

Annual Meeting

The Crane Co. annual meeting of shareholders will be held at 10:00 a.m. on Monday, May 6, 1991 at Manufacturers Hanover Trust Company, 270 Park Avenue, 3rd Floor, New York, NY 10017

Stock Listing

Crane Co. common stock is traded on the New York Stock Exchange.

Stock Transfer Agent and Registrar of Stock
First Chicago Trust Company of New York
30 West Broadway
New York, NY 10007

Bond Trustees and Disbursing Agents
Citibank, N.A.
New York, NY 10015

Bank of America National Trust and Savings Association
Los Angeles, CA 90054

Auditors

Deloitte & Touche
1633 Broadway
New York, NY 10019

Equal Employment Opportunity Policy

Crane Co. is an equal opportunity employer. It is the policy of the Company to recruit, hire, promote and transfer to all job classifications without regard to race, color, religion, sex, age or national origin.

CRANE

Crane Co.
757 Third Avenue
New York, New York 10017