

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _ to _

Commission file number 1-1657

CRANE CO.

(Exact name of registrant as specified in its charter)

| | |
|--|--|
| Delaware (State or other jurisdiction of incorporation or organization) | 13-1952290 (I.R.S. Employer Identification No.) |
|--|--|

| | |
|---|----------------------------|
| 100 First Stamford Place, Stamford, CT (Address of principal executive offices) | 06902 (Zip Code) |
|---|----------------------------|

Registrant's telephone number, including area code (203) 363-7300

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---------------------------------|---|
| Common Stock, par value \$1.00 | New York Stock Exchange |
| Preferred Share Purchase Rights | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

6% Senior Notes due October 2006

5% Senior Notes due September 2013

(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

Based on the last sale price of \$31.22 on June 30, 2004, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of the voting common equity held by nonaffiliates of the registrant was \$1,438,515,979.

The number of shares outstanding of the registrant's common stock, \$1.00 par value was 59,551,874 at February 28, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the annual report to shareholders for the year ended December 31, 2004 and portions of the proxy statement for the annual shareholders' meeting to be held on April 25, 2005 are incorporated by reference into Parts I, II, III and IV of this Form 10-K.

PART I

Item1. Business

Crane Co. ("Crane" or the "Company") is a diversified manufacturer of engineered industrial products. Founded in 1855, the Company employs over 10,500 people in North America, South America, Europe, Asia and Australia.

STRATEGY

The Company's strategy is to grow the earnings of niche businesses with high market share, acquire companies that offer strategic fits with existing businesses, aggressively pursue operational and strategic linkages among our businesses, build an aggressive and committed management team whose interests are directly aligned with those of the shareholders' and maintain a focused, efficient corporate structure. Crane has built a stronger company using established operating themes of leveraging intellectual capital, improving customer focus, striving for operational excellence and strategically linking existing businesses with acquisitions.

ACQUISITIONS

In the past five years, the Company has completed 21 acquisitions.

During 2004, the Company completed two acquisitions at a total cost of \$50 million. Goodwill for the 2004 acquisitions amounted to approximately \$37 million. In January 2004, the Company acquired P. L. Porter Co. ("Porter") for a purchase price of \$44 million. Porter is a leading manufacturer of motion control products for airline seating and is located in Woodland Hills, California. Porter holds leading positions in both electromechanical actuation and hydraulic/mechanical actuation for aircraft seating, selling directly to seat manufacturers and to the airlines. Electrically powered seat actuation systems provide power and control features required by premium class passengers on competitive international routes. Porter's 2003 annual sales were approximately \$32 million. The operations were integrated into the Company's Aerospace & Electronics Segment. Also in January 2004, the Company acquired the Hattersley valve brand and business together with certain related intellectual property and assets from Hattersley Newman Hender, Ltd., a subsidiary of Tomkins plc, for a purchase price of \$6 million. Hattersley branded products include an array of valves for commercial, industrial and institutional construction projects. This business has been integrated into Crane Ltd., which is part of the Fluid Handling Segment.

During 2003, the Company completed four acquisitions at a total cost of \$168.8 million. In May 2003, the Company acquired Signal Technology Corporation ("STC") for a total purchase price of approximately \$138 million (net of STC cash acquired). STC, with 2002 annual sales of approximately \$87 million, is a leading manufacturer of highly engineered state-of-the-art power management products and electronic radio frequency ("RF") and microwave frequency components and subsystems for the defense, space and military communications markets. STC supplies many U.S. Department of Defense prime contractors and foreign allied defense organizations with products designed into systems for missile, radar, aircraft, electronic warfare, intelligence and communication applications. The operations were integrated with the Company's Aerospace & Electronics Segment. In June 2003, the Company purchased certain pipe coupling and fittings businesses from Etex Group S.A. ("Etex"), for a purchase price of approximately \$29 million. The 2002 annual sales for these Etex businesses were approximately \$60 million. These businesses provide pipe jointing and repair solutions to the water, gas and industrial markets worldwide. Products include grooved pipe systems, pipeline couplings and transition fittings and pipeline equipment. The businesses were integrated into the Company's subsidiary, Crane Ltd., a leading provider of pipe fittings, valves and related products to the building services, heating, ventilating and air conditioning ("HVAC") and industrial markets in the United Kingdom and Europe. The Company also acquired two other entities in 2003 at a total purchase price of \$1.7 million. Goodwill for the 2003 acquisitions amounted to \$118 million.

During 2002, the Company completed seven acquisitions at a total cost of \$82.2 million. Goodwill for these acquisitions amounted to \$56 million. In January 2002, the Company acquired the patents and other intellectual property of Trinity Airweighs, obtaining a system to measure aircraft weight and center of gravity.

PART I

Item 1. Business (continued)

Also in January 2002, the Company acquired Kavey Water Products which enhanced Crane Environmental's capability to provide water treatment systems. In May 2002, the Company acquired the Lasco Composites business from Tomkins Industries, Inc. Lasco Composites is a manufacturer of fiberglass reinforced plastic (FRP) panels that further expands the Company's Kemlite business in the transportation, building products and recreational vehicle markets and provided an entry into the industrial market. In July 2002, the Company acquired Corva Corporation, a privately held distributor of valves and actuators. In November 2002, the Company acquired all of the outstanding shares of General Technology Corporation ("GTC") from an employee stock ownership plan trust for a purchase price of \$25 million in cash and assumed debt. GTC provides high-reliability, customized-contract manufacturing services and products focused on military and defense applications. GTC has been integrated with the Electronics Group in the Company's Aerospace & Electronics Segment. Also in November 2002, the Company acquired Qualis Incorporated, a privately held provider of polyester film embossing services, which has been integrated into Kemlite. In November 2002, the Company entered into a joint venture in China furthering its low-cost pump manufacturing capabilities.

During 2001, the Company completed six acquisitions at a total cost of \$191 million. Goodwill for these acquisitions amounted to \$68 million. In February 2001, the Company acquired Ventech Controls, Inc., a valve repair business providing both shop repair and remanufacture of control valves and instruments. Also in February 2001, the Company acquired the fiberglass reinforced panel business of UK-based Laminated Profiles Ltd. as part of its strategic initiative to penetrate the European transportation and recreational vehicle markets. In April 2001, the Company acquired the Industrial Flow Group of Alfa Laval Holding AB (renamed Crane Process Flow Technologies) which includes the Saunders brand of diaphragm valves manufactured in the UK and India and the DEPA brand of air operated diaphragm pumps manufactured in Germany. Crane Process Flow Technologies focuses on the development, production and distribution of valves, pumps and related components in high value-added applications. In June 2001, the Company acquired the Xomox valve business from Emerson Electric Co. for \$145 million. Xomox supplies high-end, application-driven, sleeved-plug valves, lined valves, high performance butterfly valves and actuators to the chemical, pharmaceutical and other process industries. During the third quarter of 2001, the Company acquired the aerospace hose product line of Teleflex Fluid Systems and Resistoflex GmbH. Aerohose, based in Florida, is a leading supplier of Teflon -braided, high- pressure hose assemblies utilized in both commercial and military aircraft as well as ground support systems. Resistoflex GmbH, based in Germany, is a leading manufacturer of Teflon -lined, steel-piping products serving chemical and pharmaceutical markets in Europe.

During 2000, the Company completed two acquisitions at a total cost of \$12 million. Goodwill for these two acquisitions amounted to \$9 million. In March 2000, the Company acquired Streamware Corporation, a privately-held provider of business management software and market analysis tools for the vending and food service industry. In December 2000, the Company acquired the assets of the Valve Repair Division of Groth Corporation. With service centers located in Texas, the Valve Repair Division provides both shop and field testing and repair services for a broad range of valve types and is an authorized repair facility for many leading valve manufacturers.

DIVESTITURES

In the past five years, the Company has divested seven businesses.

In December 2004, the Company sold the Victaulic trademark and UK-based business assets for \$15.3 million in an all cash transaction. The Company realized an after-tax gain of \$6.5 million, or \$.11 per share, on the sale. The Victaulic trademark and business assets were acquired in connection with the acquisition of certain valve and fittings product lines from Etex S.A. in June 2003. In March 2003, the Company sold the assets of its Chempump unit to Teikoku USA, Inc. Chempump manufactures canned motor pumps primarily for use in the chemical processing industry. In September 2002, the Company sold its CorTec unit for approximately \$3 million. In September 2001, the Company sold Powers Process Controls for its carrying value. In October 2001, the Company sold the Crane Plumbing business in Canada recording an after-tax loss of approximately \$8.5 million. Proceeds from the sale of these businesses in 2001 were approximately \$20 million. During the

PART I

Item 1. Business (continued)

third quarter of 2001, the Company and Emerson Electric Co. announced the formation of a joint venture involving Emerson's Commercial Cam unit and Crane's Ferguson business unit. Crane and Emerson contributed their respective operations into a new company, Industrial Motion Control Holdings, LLC. Crane also contributed \$12 million of cash into the venture. The Industrial Motion Control Holdings, LLC joint venture is being accounted for on the equity basis and the investment amounted to \$27 million at year-end 2004 and is included in other assets in the consolidated balance sheet. In May 2000, the Company sold its interest in Powec AS, a Norwegian manufacturer of power supplies for the telecommunications industry. In addition, the Company's wholly-owned ELDEC Corporation subsidiary sold its related telecommunications power supply product line to the same purchaser. Total consideration for both transactions was \$45.6 million.

FINANCING

In September 2003, the Company sold \$200 million of 5.50% notes that will mature on September 15, 2013. In September 1998, the Company sold \$100 million of 6.75% notes that will mature on October 1, 2006.

BUSINESS SEGMENTS

See page 60 of the Annual Report to Shareholders for the year ended December 31, 2004, for sales, operating profit and assets employed by each business segment.

AEROSPACE & ELECTRONICS

The Aerospace & Electronics Segment has two business groups: Aerospace and Electronics. The Aerospace Group products are currently manufactured under the brand names Eldec, Hydro-Aire, Lear Romec, P.L. Porter and Resistoflex-Aerospace. The Aerospace Group's products are organized into the following solution sets: Landing Systems Solutions, Sensing and Controls Solutions, Fluid Management Solutions, Aircraft Electrical Power Solutions, and Cabin Solutions. The Electronics Group products are currently manufactured under the brand names Interpoint, General Technology, STC Microwave Systems, Keltec, Olektron, Eldec and Advanced Integrated Systems Division ("AISD"). The Electronic Group's products are organized into the following solution sets: Power Solutions, Microwave Systems Solutions, Electronic Manufacturing Solution and Microelectronics Solutions/AISD.

Eldec designs, manufactures and markets custom position indication and control systems, proximity sensors, pressure sensors, true mass fuel flowmeters and power conversion systems for the commercial transport, business, regional, general aviation, military, repair and overhaul and electronics markets. These products are custom designed for specific aircraft to meet technically demanding requirements of the aerospace industry. Eldec has facilities in Washington, England and France.

Hydro-Aire designs, manufactures and sells aircraft brake control and anti-skid systems, including electro-hydraulic servo valves and manifolds, embedded software and rugged electronic controls, hydraulic control valves, landing gear sensors and fuel pumps as original equipment to the commercial transport, business, regional, general aviation, military and government aerospace, repair and overhaul markets. In addition, Hydro-Aire designs and manufactures systems similar to those above for the retrofit of aircraft with improved systems and manufactures replacement parts for systems installed as original equipment by aircraft manufacturers. All of these products are largely proprietary to Hydro-Aire and, to some extent, are custom designed to the requirements and specifications of the aircraft manufacturer or program contractor. These systems and replacement parts are sold directly to aircraft manufacturers, airlines, governments, and aircraft maintenance and overhaul companies. Lear Romec designs, manufactures and sells lubrication and fuel pumps for aircraft and radar cooling systems for the commercial and military aerospace industries. Lear Romec also manufactures fuel boost and transfer pumps for commuter and business aircraft. Hydro-Aire has facilities in California and Kansas while Lear Romec has a facility in Ohio.

PART I

Item1. Business (continued)

Porter is a leading manufacturer of motion control products for airline seating and is located in Woodland Hills, California. Porter holds leading positions in both electromechanical actuation and hydraulic/mechanical actuation for aircraft seating, selling directly to seat manufacturers and to the airlines. The Porter facility is scheduled to be consolidated into the Hydro-Aire Burbank, California facility in 2005.

Resistoflex-Aerospace manufactures high-performance, separable fittings for operating pressures up to 8,000 pounds per square inch used primarily in the aerospace industry. Its products are sold directly to the aerospace industry. Resistoflex-Aerospace has a facility in Florida.

Interpoint designs, manufactures and sells standard and custom miniature (hybrid) DC-to-DC power converters and custom miniature (hybrid) electronic circuits for applications in commercial, space and military aerospace, fiber optic and medical technology industries. Interpoint has facilities in the state of Washington domestically and Taiwan.

STC designs, manufactures and markets power management products and sophisticated electronic radio frequency ("RF") components and subsystems. Its products are used in broadband wireless equipment, digital cellular/PCS wireless infrastructure equipment and defense electronics. STC supplies many U.S. Department of Defense prime contractors and foreign allied defense organizations with products designed into systems for missile, radar, aircraft, electronic warfare, intelligence and communication applications. STC's commercial customers integrate its products into wireless systems, which are then sold to wireless service providers globally and enable the transmission and reception of data signals in wireless systems worldwide. Applications for its commercial products include point-to-point transport, point-to-multipoint access, cellular backhaul and digital cellular/PCS base stations. STC has facilities in Florida, Massachusetts, Arizona and Texas. The California facility was closed in December 2003.

GTC provides high-reliability, customized-contract manufacturing services and products focused on military and defense applications. GTC services include the assembly and testing of printed circuit boards, electromechanical devices, customized integrated systems, cables and wire harnesses. GTC has a facility in New Mexico.

The Aerospace & Electronic Segment employs 2,850 people and had assets of \$480.3 million at December 31, 2004. The order backlog totaled \$341.5 million and \$277.2 million at December 31, 2004 and 2003, respectively.

ENGINEERED MATERIALS

The Engineered Materials Segment consists of Kemlite and Polyflon.

Kemlite manufactures FRP panels for the transportation industry, in refrigerated and dry-van truck trailers, recreational vehicles, industrial markets and the commercial construction industry for food processing, fast-food restaurants and supermarket applications, as well as institutions where fire-rated materials with low-smoke generation and minimum toxicity are required, and for residential construction. Kemlite sells its products directly to truck trailer and recreational vehicle manufacturers and uses distributors to serve the commercial construction market and some segments of the recreational vehicle market. Kemlite's manufacturing facilities are located in Illinois, Arkansas, Tennessee, Texas, Kentucky and the United Kingdom.

Polyflon is a manufacturer of small specialty components, primarily substitute materials for antennas. Polyflon is located in Connecticut.

The Engineered Materials Segment employs 868 people and had assets of \$188.2 million at December 31, 2004. The order backlog totaled \$16.4 million and \$11.8 million at December 31, 2004 and 2003, respectively.

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Item1. Business (continued)

MERCHANDISING SYSTEMS

The Merchandising Systems Segment consists of Crane Merchandising Systems ("CMS") and National Rejectors, Inc. GmbH ("NRI").

CMS products include electronic vending merchandisers for refrigerated and frozen foods, hot and cold beverages, snack foods, single cup individually brewed hot drinks and combination vendors/merchandisers designed to vend both snack foods and hot/cold drinks or snacks and refrigerated/frozen foods in one machine. CMS products are marketed to customers in the United States and Europe by Company sales and marketing personnel as well as distributors and, in other international markets, through independent distributors. CMS launched new features, new products and updated technology in 2002, including its new guaranteed delivery system called SureVend. CMS also includes Streamware Corporation, a leading provider of business management software and market analysis tools for the vending and food service industry. Streamware's VendMAX is a fully-integrated software/hardware solution that offers operators cash accountability, inventory control and improved merchandising capabilities. CMS has manufacturing facilities in the state of Missouri domestically and England.

NRI manufactures electronic coin validators for the automated merchandising and gambling/amusement markets in Europe. NRI is among the relatively few makers of coin validators that supply European countries with validators programmed for the new euro coins that went into circulation at the start of 2002. NRI has facilities in Germany, Spain and France.

The Merchandising Systems Segment employs 911 people and had assets of \$121.7 million at December 31, 2004. Order backlog totaled \$12.0 million and \$10.3 million at December 31, 2004 and 2003, respectively.

FLUID HANDLING

The Fluid Handling Segment consists of the Valve Group, Crane Ltd., Resistoflex-Industrial, Crane Pumps & Systems, Crane Supply and Crane Environmental. The Valve Group, with manufacturing facilities in the United States as well as operations in, Canada, England, France, Ireland, Germany, Australia, Norway, India, Hungary, China, Indonesia, Mexico, Japan, Belgium, Korea, Taiwan, Finland, the Netherlands and Switzerland, sells a wide variety of commodity and special purpose valves and fluid control products for the chemical and hydrocarbon processing, petrochemical, pharmaceutical, power generation, marine, general industrial and commercial construction industries. Products are sold under the trade names Crane, Saunders, Jenkins, Pacific, Xomox, DEPA, ELRO, REVO, Westad, Flowseal, Centerline, Stockham and Duo-Chek.

Crane Ltd. manufactures pipe fittings, gate, globe and check valves, ball and butterfly valves and static and automatic balancing valves. Crane Ltd. has facilities in the United Kingdom and China.

Resistoflex-Industrial is engaged in the design, manufacture and sale of corrosion-resistant, plastic-lined steel pipes, fittings, tanks, valves, expansion joints and hose used primarily by the pharmaceutical, chemical processing, pulp and paper, ultra pure water and waste management industries. Resistoflex-Industrial sells its industrial products through distributors who provide stocking and fabrication services to industrial users in the United States. Resistoflex-Industrial Products also manufactures plastic-lined pipe products at its Singapore plant serving the Asian chemical processing and pharmaceutical industries. Resistoflex-Industrial has facilities in the state of North Carolina domestically, Singapore, Germany and China.

Crane Pumps & Systems has seven manufacturing facilities, five of which are in the United States. Pumps are manufactured under the trade names Deming, Weinman, Burks, Chem/Meter, Barnes, Sellers and Process Systems. Pumps are sold to a broad customer base that includes chemical and hydrocarbon processing, automotive, municipal, industrial and commercial wastewater, power generation, commercial heating, ventilation and air-conditioning industries and original equipment manufacturers. Crane Pumps & Systems has facilities in Ohio, Michigan, Indiana, Canada and China.

Crane Supply, a distributor of plumbing supplies, valves and piping in Canada, maintains 34 distribution facilities throughout Canada.

PART I

Item1. Business (continued)

Crane Environmental is a leading supplier of specialized water purification solutions for the world's industrial and commercial markets. Crane Environmental's worldwide applications include government, pulp and paper, steel, oil, gas, petrochemical, power generation, wastewater treatment, carwash, bottling, beverage and agriculture. Its products are sold under the trade names Cochrane and Environmental Products. Crane Environmental has facilities in Florida and Pennsylvania.

The Fluid Handling Segment employs 5,373 people and had assets of \$734.9 million at December 31, 2004. Order backlog totaled \$183.2 million and \$140.2 million at December 31, 2004 and 2003, respectively.

CONTROLS

The Controls Segment consists of Barksdale and Azonix/Dynalco. These companies design, manufacture and market industrial and commercial products that control flows and processes in various industries including transportation, petroleum, chemical, construction, food and beverage and power generation.

Barksdale manufactures solid state and electromechanical pressure switches and transducers, level switches and continuous level indicators, temperature switches and directional control valves that serve a broad range of commercial and industrial applications. It has manufacturing and marketing facilities in the state of California domestically and Germany.

Azonix/Dynalco designs and manufactures rotational speed sensors, temperature and pressure instruments and monitors for rugged environments, and microprocessor-based engine and mechanism controls. Azonix/Dynalco's products are used worldwide in a variety of applications for various industries including transportation, power generation, oil, gas, petrochemical, chemical, pharmaceutical, agriculture and metal processing. It also manufactures operator interfaces and measurement and control systems for hazardous and harsh applications, intelligent data acquisition products, high-precision thermometers and calibrators. Azonix/Dynalco has manufacturing facilities in Massachusetts, Florida and Texas.

The products in this segment are sold directly to end users and engineering contractors through the Company's own sales force and cooperatively with sales representatives, stocking specialists and industrial distributors.

The Controls Segment employs 422 people and had assets of \$49.9 million at December 31, 2004. Order backlog totaled \$13.7 million and \$12.2 million at December 31, 2004 and 2003, respectively.

COMPETITIVE CONDITIONS

The Company's lines of business are conducted under highly competitive conditions in each of the geographic and product areas they serve. Because of the diversity of the classes of products manufactured and sold, they do not compete with the same companies in all geographic or product areas. Accordingly, it is not possible to estimate the precise number of competitors or to identify the Company's competitive position, although the Company believes that it is a principal competitor in most of its markets. The Company's principal method of competition is production of quality products at competitive prices in a timely and efficient manner.

The Company's products have primary application in the aerospace, electronics, hydrocarbon processing, petrochemical, chemical, power generation, automated merchandising, recreational vehicle and transportation industries. As such, they are dependent upon numerous unpredictable factors, including changes in market demand, general economic conditions and capital spending. Because these products are also sold in a wide variety of markets and applications, the Company does not believe it can reliably quantify or predict the possible effects upon its business resulting from such changes.

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Item 1. Business (continued)

The Company's engineering and product development activities are directed primarily toward improvement of existing products and adaptation of existing products to particular customer requirements as well as the development of new products. While the Company owns numerous patents and licenses, none are of such importance that termination would materially affect its business. Research and development costs are expensed when incurred. These costs were approximately \$52.4 million in 2004, \$46.8 million in 2003, and \$46.0 million in 2002, incurred mostly by the Aerospace & Electronics Segment. Funds received from customer-sponsored research and development projects were approximately \$6.2 million, \$3.1 million, and \$5.1 million in 2004, 2003 and 2002, respectively, and were recorded in net sales.

The Company is not dependent on any single customer nor are there any issues at this time regarding available raw materials for inventory that would be material to its operations.

Costs of compliance with federal, state and local laws and regulations involving the discharge of materials into the environment or otherwise relating to the protection of the environment are not expected to have a material effect upon the Company's capital expenditures, earnings or competitive position.

AVAILABLE INFORMATION

Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports, are available free of charge on the Company's website at www.craneco.com as soon as reasonably practicable after such reports are filed with the Securities and Exchange Commission.

FORWARD LOOKING STATEMENTS

Throughout this Annual Report on Form 10-K and the Annual Report to Shareholders, particularly in the Letter to Shareholders and Management's Discussion and Analysis of Operations, the Company makes numerous statements about expectations of future performance and market trends and statements about plans and objectives and other matters which because they are not historical fact, may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995.

In addition, the Company and its representatives may, from time to time, make written or oral forward-looking statements including statements contained in the Company's filings with the Securities and Exchange Commission and in its reports to shareholders which can be identified by the use of forward-looking terminology such as "believes", "contemplates", "expects", "may", "will", "could", "should", "would" or "anticipates" or the negative thereof or comparable terminology.

All forward-looking statements speak only as of the date on which such statements are made and involve risk and uncertainties that exist in the Company's operations and business environment and are not guarantees of future performance. The Company assumes no obligation to update any of these forward-looking statements, whether as a result of new information or future events.

Because the Company wishes to take advantage of the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995, readers are cautioned to consider the following important risk factors that could affect the Company's businesses and cause actual results to differ materially from those projected.

General

A substantial portion of the sales of the Company's business segments are concentrated in industries which are cyclical in nature. Because of the cyclical nature of these businesses, their results are subject to fluctuations in domestic and international economies as well as to currency fluctuations and unforeseen inflationary pressures. Reductions in the business levels of these industries would negatively impact the sales and profitability of the affected business segments.

PART I

Forward Looking Statements (continued)

While the Company is a principal competitor in most of its markets, all of its markets are highly competitive. The Company's competitors in many of its business segments can be expected in the future to improve technologies, reduce costs and develop and introduce new products, and the ability of the Company's business segments to achieve similar advances will be important to their competitive positions. Competitive pressures, including those discussed above, could cause one or more of the Company's business segments to lose market share or could result in significant price erosion, either of which could have an adverse effect on the Company's results of operations.

The Company's acquisition program entails the potential risks inherent in assessing the value, strengths, weaknesses, contingent or other liabilities and potential profitability of acquisition candidates and in integrating the operations of acquired companies. There can be no assurance that suitable acquisition opportunities will be available in the future, that the Company will continue to acquire businesses or that any business acquired will be integrated successfully or prove profitable.

Net sales and assets related to operations outside the United States were 46.4% and 27.7% in 2004, 44.4% and 29.6% in 2003, and 42.7% and 30.6% in 2002, respectively, of the Company's consolidated amounts. Such operations and transactions entail the risks associated with conducting business internationally, including the risk of currency fluctuations, slower payment of invoices, adverse trade regulations and possible social, economic and political instability. While the full impact of this economic instability cannot be predicted, it could have a material adverse effect on the Company's revenue and profitability.

Certain of the Company's business segments are dependent upon highly qualified personnel, and the Company generally is dependent upon the continued efforts of key management employees.

New factors emerge from time to time, and it is not possible for management to predict all of such factors. Further, management cannot assess the impact of each such factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Asbestos Litigation

Estimation of the Company's ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims. The Company cautions that its estimated liability is based on assumptions with respect to future claims, settlement and defense costs based on recent experience during the last few years that may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would any substantial adverse verdict at trial. A legislative solution or a revised structured settlement transaction could also change the estimated liability. These uncertainties may result in the Company incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if escalation in the number of claims and settlement and defense costs continues or if legislation or another alternative solution is implemented; however, the Company is currently unable to estimate such future changes. Although the resolution of these claims may take many years, the effect on results of operations, cash flow and financial position in any given period from a revision to these estimates could be material.

For more information with respect to the Company's risks associated with its asbestos liability, see Item 3 Legal Proceedings.

Aerospace & Electronics

A significant fall off in demand for air travel or a decline in airline profitability generally could result in reduced aircraft orders and could also cause the airlines to scale back on more of their purchases of

PART I

Forward Looking Statements (continued)

repair parts from the Company's businesses. The businesses could also be impacted if major aircraft manufacturers, such as Boeing (which represented approximately 10% and 11% of the segment's revenue in 2004 and 2003, respectively) encountered production problems, or if pricing pressure from aircraft customers caused the manufacturers to press their suppliers to lower prices. Sales and profits could face erosion if pricing pressure from competitors increased, if planned new products were delayed, if finding new aerospace-qualified suppliers grew more difficult, or if required technical personnel became harder to hire and retain. The Aerospace & Electronics segment results could be below expectations if economic recovery begins to slow down or reverse, which could cause the U.S. customers to delay or cancel spare parts or aircraft orders.

With the addition of STC in 2003, a portion of this segment's business is conducted under United States government contracts and subcontracts. These contracts are either competitively bid or sole source contracts. Competitively bid contracts are awarded after a formal bid and proposal competition among suppliers. Sole source contracts are awarded when a single contractor is deemed to have an expertise or technology that is superior to that of competing contractors. A reduction in Congressional appropriations that affect defense spending or the ability of the United States government to terminate its contracts could impact the performance of this business.

During the third quarter of 2002, the Company's Hydro-Aire unit identified a wire chafing situation relating to fuel pumps used on certain Boeing aircraft, and the Company recorded a \$4 million charge for estimated costs of inspecting and repairing such pumps. Several additional pumps, from this same set of 35,000 pumps, were returned with a mechanical overheating issue, which was subsequently determined by Boeing and the Federal Aviation Administration ("FAA") to require an aircraft systems level solution not chargeable to Hydro-Aire. In connection with these issues, the FAA issued an Emergency Airworthiness Directive to instruct airline carriers to comply with a precautionary step of carrying additional jet fuel to keep fuel pumps submerged at all times, until the pumps were inspected, to mitigate ignition risk and to ensure air safety. Inspections have been completed on all affected pumps. Several airline carriers petitioned Hydro-Aire for reimbursement for additional costs, such as the cost of carrying additional jet fuel. The Company has disclaimed responsibility for these costs under applicable contract terms.

Engineered Materials

In the Engineered Materials Segment, sales and profits could fall if there were a decline in demand for truck trailers, recreational vehicles, industrial or building products for which the Company's businesses produce fiberglass-reinforced panels. Profits could be adversely affected as well by unanticipated increases in resin and fiberglass material costs or the loss of a principal supplier and by any inability on the part of the businesses to maintain their position in product cost and functionality against competing materials.

Merchandising Systems

Results at the Company's U.S.-based vending machine business could be reduced by delays in launching or supplying new products or an inability to achieve new product sales objectives. Results at the Company's German-based coin validation machine business have been and will continue to be affected by changes in demand stemming from the advent of the euro, the new European currency, as well as by unforeseen fluctuations in the value of the euro or other European currencies versus the U.S. dollar.

Fluid Handling

The Company's businesses could face increased price competition from larger competitors. Slowing or reversal of the U.S. economic recovery could reduce sales and profits, particularly if projects for which these businesses are suppliers or bidders are cancelled or delayed. Furthermore, as the Company continues to outsource from international sources, particularly low-cost countries, the risk of supply chain issues increases. At the Company's foreign operations, reported results in U.S. dollar terms could be eroded by an unanticipated weakening of currency of the respective operations.

PART I

Forward Looking Statements (continued)

Controls

A number of factors could affect the Controls Segment's results. Lower sales and earnings could result if the Company's businesses cannot maintain their cost competitiveness, encounter delays in introducing new products or fail to achieve their new product sales objectives. Results could decline because of an unanticipated decline in demand for the businesses' products from the industrial machinery, oil and gas or heavy equipment industries, or from unforeseen product obsolescence.

Item2. Properties

| Total Manufacturing Facilities | Number | Area (sq. ft.) |
|--------------------------------|--------|----------------|
| Aerospace & Electronics | | |
| United States | 12 | 1,095,000 |
| International | 3 | 74,000 |
| Engineered Materials | | |
| United States | 8 | 558,000 |
| International | 1 | 31,000 |
| Merchandising Systems | | |
| United States | 1 | 463,000 |
| International | 2 | 138,000 |
| Fluid Handling | | |
| United States | 15 | 1,625,000 |
| International | 24 | 3,168,000 |
| Controls | | |
| United States | 4 | 181,000 |
| International | 1 | 27,000 |

| Leased Manufacturing Facilities | Leases Expiring Through | Number | Area (sq. ft.) |
|---------------------------------|-------------------------|--------|----------------|
| United States | 2009 | 13 | 523,000 |
| Other International | 2016 | 10 | 771,000 |

Other Facilities

Aerospace & Electronics operates one service center in the United States, which is leased.

Fluid Handling operates nine service centers in the United States, of which seven are leased, and 30 service centers outside the United States, of which 25 are leased. This segment operates 44 distribution centers of which two are in the United States and 29 are leased.

Merchandising Systems operates six distribution centers in the United States and six internationally, of which 11 are leased. This segment operates two service centers, one of which is in the United States and is leased.

Engineered Materials operates seven distribution centers in the United States and four outside the United States, of which ten are leased. This segment operates one service center that is outside the United States and is leased.

In the opinion of management, these properties have been well maintained, are in sound operating condition and contain all necessary equipment and facilities for their intended purposes.

PART I

Item 3. Legal Proceedings

The Company becomes involved from time to time in various lawsuits, claims and proceedings relating to the conduct of its business, including those pertaining to environmental, government contracting, product liability, patent infringement, commercial, employment, employee benefits, and shareholder matters.

Asbestos Liability

Status of Comprehensive Asbestos Settlement

On October 21, 2004 the Company reached an agreement in principle with attorneys representing a majority of persons with current asbestos-related personal injury claims against the Company (the "Current Claimants") and an independent representative (the "FCR") of potential future claimants with potential asbestos-related personal injury claims against the Company (the "Future Claimants") to resolve all current and future asbestos-related personal injury claims against the Company. The comprehensive asbestos settlement had two components: first, a \$280 million trust to pay settlements of asbestos claims by Current Claimants; and second, a \$230 million trust to pay settlements of claims by Future Claimants, to be structured and implemented pursuant to Section 524(g) of the U.S. Bankruptcy Code. On that date, MCC Holdings, Inc., an indirect wholly-owned subsidiary of the Company formerly known as Mark Controls Corporation ("MCC"), entered into a Master Settlement Agreement (the "MSA") with representatives of a majority of Current Claimants who were diagnosed with asbestos-related personal injuries prior to June 9, 2004. At the same time, MCC and the representatives of Current Claimants entered into an MCC Settlement Trust Agreement, which provides for a \$280 million trust (the "MCC Settlement Trust") to be funded and administered to pay asbestos-related personal injury claims settled under the MSA. Through November 20, 2004 (the deadline for Current Claimants to indicate their desire to participate in the MCC Settlement Trust), a total of 109 law firms executed MSAs, directly or through Adoption Agreements, together with lists naming a total of approximately 196,000 participating claimants. Through December 20, 2004 (the deadline for Current Claimants to submit the required claim documentation to the independent claims reviewer), a total of approximately 171,000 claim packages were received subject to review for compliance with the terms of the MSA. While the number of claimants submitting claims under the MSA exceeds the number of filed claims against the Company in the tort system (approximately 85,000 at December 31, 2004), the Company cannot predict whether, or when, any of such additional claims will be filed against the Company in the tort system.

On December 2, 2004, the United States Court of Appeals for the Third Circuit issued its opinion and ruling in the Combustion Engineering case in which the Court reversed the District Court's order approving Combustion Engineering's bankruptcy Plan of Reorganization and made a number of holdings regarding the scope of Section 524(g) and the appropriate structure of transactions to confer relief for asbestos defendant companies under Section 524(g). The Court's opinion, in the Company's view, constituted a material change in the case law regarding Section 524(g) transactions, and accordingly, on January 24, 2005, the Company exercised its right to terminate the MSA. As a consequence of the Company's notice of termination, the trustee of the MCC Settlement Trust has returned to the Company (i) the Company's demand note in the principal amount of \$270 million and (ii) the \$10 million in cash that was paid on October 21, 2004 less certain fees and expenses of the trustee.

The termination of the MSA places the Company and asbestos claimants back into the tort system for resolution of claims, in the absence of a modified comprehensive settlement transaction agreed to by the parties or a federal legislative solution. Although the Company may continue its discussions with representatives of the asbestos claimants, there can be no assurance that the issues presented by the Combustion Engineering opinion can be resolved such that agreement on a modified 524(g) transaction for the Company will be feasible. It is expected that a new bill will be introduced in the United States Senate early in 2005 that would, if enacted into law, establish a trust fund to compensate asbestos

PART I

Item 3. Legal Proceedings (continued)

claimants. While the Company believes that such federal legislation is the most appropriate solution to the asbestos litigation problem, there is substantial uncertainty regarding whether this will occur and, if so, when and on what terms. The Company remains committed to exploring all feasible alternatives available to resolve its asbestos liability in a manner consistent with the best interests of the Company's shareholders.

Information Regarding Claims and Costs in the Tort System

As of December 31, 2004, the Company was a defendant in cases filed in various state and federal courts alleging injury or death as a result of exposure to asbestos. Activity related to asbestos claims during the periods indicated was as follows:

| | Year Ended December 31, | | |
|------------------|-------------------------|----------|-----------|
| | 2004 | 2003 | 2002 |
| Beginning claims | 68,606 | 54,038 | 16,180 |
| New claims | 18,932 | 19,115 | 49,429 |
| Settlements | (1,038) | (3,883) | (11,299) |
| Dismissals | (1,523) | (664) | (272) |
| Ending claims * | 84,977 | 68,606 | 54,038 |

* Does not include 35,350 maritime actions that were filed in the United States District Court for the Northern District of Ohio and transferred to the Eastern District of Pennsylvania pursuant to an order by the Federal Judicial Panel on Multi-District Litigation ("MDL"). These claims have been placed on the inactive docket of cases that are administratively dismissed without prejudice in the MDL.

Of the 84,977 pending claims as of December 31, 2004, approximately 25,000 claims were pending in New York, approximately 33,000 claims were pending in Mississippi and approximately 3,000 claims were pending in Ohio, jurisdictions in which recent legislation or judicial orders restrict the types of claims that can proceed to trial on the merits.

The gross settlement and defense costs in the tort system (before insurance recoveries and tax effects) for the Company in the years ended December 31, 2004 and 2003 totaled \$40.9 million and \$21.1 million, respectively. The Company's total pre-tax cash payments for such settlement and defense costs net of the Company's cost sharing arrangement with insurers in the years ended December 31, 2004 and 2003 amounted to \$20.2 million and \$7.9 million, respectively. Detailed below are the comparable amounts for the periods indicated.

| | Year Ended December 31, | | | Cumulative to date through December 31, 2004 |
|--------------------------|----------------------------|---------|--------|--|
| (In millions) | 2004 | 2003 | 2002 | |
| Settlement costs (1) | \$ 17.2 | \$ 11.9 | \$ 7.3 | \$ 38.8 |
| Defense costs (1) | 23.7 | 9.2 | 4.8 | 46.0 |
| Total costs | 40.9 | 21.1 | 12.1 | 84.8 |
| Pre-tax cash payments(2) | 20.2 | 7.9 | 2.4 | 31.8 |

(1) Before insurance recoveries and tax effects.

(2) Net of cost sharing arrangements with insurers. Amounts include advance payments to third parties that are reimbursable by insurers.

The foregoing amounts do not include costs incurred by the Company relating to the comprehensive asbestos settlement announced on October 21, 2004. During the year ended December 31, 2004, the Company incurred costs of \$11.5 million (before tax effects) for fees and expenses of attorneys, financial advisors and other special advisors for services relating to the comprehensive asbestos settlement. Total pre-tax cash payments for such fees and expenses through December 31, 2004

PART I

Item 3. Legal Proceedings (continued)

amounted to \$7.9 million. In addition, the Company paid \$10 million into the settlement trust for current asbestos claimants, which has been returned to the Company as described above, net of certain expenses of the trustee. Cash payments related to asbestos settlement and defense costs, and certain related fees and expenses are estimated to be in the range of \$50 million to \$70 million during 2005, which will be offset to some degree by reimbursements from insurers and tax benefits.

The amounts shown for settlement and defense costs are not necessarily indicative of future period amounts, which may be higher or lower than those reported. It is not possible to forecast when cash payments related to the asbestos liability will be fully expended; however, it is expected such cash payments will continue for many years. Payment uncertainty results from the significant proportion of future claims included in the estimated asbestos liability discussed below as well as variability of timing and terms of settlements and insurance reimbursement. In addition, there will be periods during which net cash flows increase because the Company's insurance coverage for asbestos claims involves multiple insurers, with different policy terms and certain gaps in coverage, and, consequently, the timing and amount of insurance reimbursement will vary.

Effects on the Consolidated Financial Statements

The Company has retained the firm of Hamilton, Rabinovitz & Alschuler, Inc. ("HR&A"), a nationally recognized expert in the field, to assist management in estimating the Company's asbestos liability in the tort system and in view of the termination of the Master Settlement Agreement. HR&A reviewed information provided by the Company concerning claims filed, settled and dismissed, amounts paid in settlements and relevant claim information such as the nature of the asbestos-related disease asserted by the claimant, the jurisdiction where filed and the time lag from filing to disposition of the claim. The methodology used by HR&A to project future asbestos costs was based largely on the Company's experience during the past two years for claims filed, settled and dismissed. The Company's experience was compared to the results of previously conducted epidemiological studies estimating the number of people likely to develop asbestos related diseases. Those studies were undertaken in connection with national analyses of the population of workers believed to have been exposed to asbestos. Using that information, HR&A estimated the number of future claims that would be filed, as well as the related settlement or indemnity costs that would be incurred to resolve those claims. This methodology has been accepted by numerous courts and is the same methodology that is utilized by the expert who is routinely retained by the asbestos claimants committee in asbestos-related bankruptcies. After discussions with the Company, HR&A assumed that costs of defending asbestos claims in the tort system would increase to \$35 million in 2005 and remain at that level (with increases of 4% per year for inflation) indexed to the number of estimated pending claims in future years. Based on this information, HR&A compiled an estimate of the Company's asbestos liability for pending and future claims, based on claim experience over the past two years and covering claims expected to be filed through the year 2011. Although the methodology used by HR&A will also show claims and costs for periods subsequent to 2011 (up to and including the endpoint of the asbestos studies referred to above), management believes that the level of uncertainty is too great to provide for reasonable estimation of the number of future claims, the nature of such claims or the cost to resolve them for years beyond 2011, particularly given the possibility of federal legislation within that time frame. While it is reasonably possible that the Company will incur additional charges for asbestos liabilities and defense costs in excess of the amounts currently provided, the Company does not believe that any such amount can be reasonably estimated beyond 2011. Accordingly, no accrual has been recorded for any costs which may be incurred beyond 2011.

With the termination of the MSA and the return to the tort system for resolution of asbestos claims, management has made its best estimate of the costs through 2011 based on the analysis by HR&A. In making this estimate, the Company has adjusted the assumed rate of insurance recoveries from 30% in the context of the proposed comprehensive asbestos settlement back to 40% of the estimated liability

PART I

Item 3. Legal Proceedings (continued)

payable over time in the tort system. A liability of \$649.7 million has been recorded to cover the estimated cost of asbestos claims now pending or subsequently asserted through 2011, of which approximately 60% is attributable to settlement and defense costs for future claims projected to be filed through 2011. An asset of \$257.2 million has been recorded representing the probable insurance reimbursement for such claims. Under the tort system, the Company incurs not only settlement costs but substantial legal defense costs, and the Company's best estimate of settlement and defense costs for both pending and future claims through 2011 (including certain related fees and expenses) amounted to \$649.7 million at December 31, 2004. This compares to the MSA-based liability estimate of \$565.9 million (\$578 million at September 30, 2004) which represents the cost of the one-time settlement of all asbestos claims against the Company. The \$83.8 million higher liability estimate under the tort system includes the added cost to defend claims against the Company. However, the higher insurance recovery rate in the tort system (40%), as compared with the MSA (30%), is expected to provide the Company with greater insurance recoveries of approximately \$97.8 million. Thus, the net estimated cost after anticipated insurance recoveries was reduced by \$14 million, which increased net income by \$9.1 million, or \$0.15 per share, in the fourth quarter of 2004. The principal factors affecting the liability estimates under the tort system versus the MSA are (i) the tort system estimate includes defense costs while the MSA estimate did not, (ii) under generally accepted accounting principles, the tort system estimate is presented in nominal dollars while the MSA estimate is discounted to present value, (iii) insurance recoveries under the tort system are estimated at 40% of settlement and defense costs, while the MSA estimate reduced anticipated insurance recoveries to 30% in the context of the proposed comprehensive asbestos settlement, and (iv) the tort system estimate covers the period through 2011, while the MSA estimate was a full and final settlement of the liability.

A significant portion of the Company's settlement and defense costs have been paid by its primary insurers and one umbrella insurer up to the agreed available limits of the applicable policies. The Company has substantial excess coverage policies that are also expected to respond to asbestos claims as settlements and other payments exhaust the underlying policies, but there is no cost sharing or allocation agreement yet in place with the excess insurers. The same factors that affect developing estimates of probable settlement and defense costs for asbestos-related liabilities also affect estimates of the probable insurance payment, as do a number of additional factors. These additional factors include the financial viability of the insurance companies, the method in which losses will be allocated to the various insurance policies and the years covered by those policies, how settlement and defense costs will be covered by the insurance policies and interpretation of the effect on coverage of various policy terms and limits and their interrelationships. In addition to consulting with legal counsel on these insurance matters, the Company retained insurance consultants to assist management in the estimation of probable insurance recoveries based upon the aggregate liability estimate described above and assuming the continued viability of all solvent insurance carriers. After considering the foregoing factors and consulting with legal counsel and such insurance consultants, the Company determined its probable insurance reimbursement rate to be 40% under the tort system, as contrasted with 30% under the MSA. This insurance receivable is included in other assets.

On January 21, 2005, five of the Company's insurers within two corporate insurer groups filed suit in Connecticut state court seeking injunctive relief against the Company and declaratory relief against the Company and dozens of the Company's other insurers. The suit sought declaratory relief that (i) the plaintiff insurers are not obligated to pay any portion of the Company's proposed global settlement or, at a minimum, that the plaintiff insurers are not obligated to pay any portion thereof that is unreasonable or alternatively (ii) the proposed global settlement is unreasonable in amount and therefore an improper basis on which to determine the coverage obligations that they may have to the Company. The suit also sought temporary and permanent injunctive relief restraining the Company from participating in any further settlement discussions with representatives of asbestos plaintiffs or agreeing to any settlement unless the Company permits the plaintiff insurers to both participate in such discussions and have a meaningful opportunity to consider whether to consent to any proposed settlement, or unless the Company elected to waive coverage under the insurers' policies. The suit

PART I

Item 3. Legal Proceedings (continued)

sought additional declaratory relief on a number of issues relating to the Company's rights under the insurance policies issued by the plaintiff insurers and the allocation of damages among the policies issued by the plaintiff and defendant insurers. The plaintiffs also sought expedited discovery on, among other things, the Company's proposed global settlement. At a hearing on February 22, 2005, the Company (i) contested the application for temporary injunctive relief and expedited discovery, (ii) moved to dismiss the count of the complaint seeking permanent injunctive relief on the grounds that the count was moot insofar as it addressed the proposed global settlement terminated on January 24, 2005 and not appropriate for determination insofar as it sought relief regarding any future negotiations with representatives of asbestos claimants and (iii) moved to dismiss counts of the complaint seeking declaratory relief with respect to the proposed global settlement as moot. At the hearing, the court denied the plaintiff insurers' application for temporary injunctive relief and expedited discovery. In denying temporary injunctive relief, the court stated that the plaintiffs could not show irreparable injury and that the plaintiff insurers would have an adequate remedy at law. In light of the court's ruling and the Company's motions to dismiss, the insurer plaintiffs sought and received leave to amend their complaint within 30-45 days from the date of the hearing to remove certain declaratory relief counts and to remove or restate the remaining allegations.

Estimation of the Company's ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims. The Company cautions that its estimated liability is based on assumptions with respect to future claims, settlement and defense costs based on recent experience during the last few years that may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would any substantial adverse verdict at trial. A legislative solution or a revised structured settlement transaction could also change the estimated liability.

Since many uncertainties exist surrounding asbestos litigation, the Company will continue to evaluate its estimated asbestos-related liability and corresponding estimated insurance reimbursement as well as the underlying assumptions and process used to derive these amounts. These uncertainties may result in the Company incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if escalation in the number of claims and settlement and defense costs continues or if legislation or another alternative solution is implemented; however, the Company is currently unable to estimate such future changes. Although the resolution of these claims may take many years, the effect on results of operations, cash flow and financial position in any given period from a revision to these estimates could be material.

Other Contingencies

For environmental matters, the Company records a liability for estimated remediation costs when it is probable that the Company will be responsible for such costs and they can be reasonably estimated. Generally, third party specialists assist in the estimation of remediation costs. The environmental remediation liability at December 31, 2004 is primarily for the former manufacturing site in Goodyear, Arizona (the "Site") discussed below.

The Site was operated by UniDynamics/Phoenix, Inc. ("UPI"), which became an indirect subsidiary of the Company in 1985 when the Company acquired UPI's parent company UniDynamics Corporation. UPI manufactured explosive and pyrotechnic compounds, including components for critical military programs, for the U.S. government at the Site from 1962 to 1993, under contracts with the Department of Defense and other government agencies and certain of their prime contractors. No manufacturing operations have been conducted at the Site since 1994. The Site was placed on the National Priorities List in 1983, and is now part of the Phoenix-Goodyear Airport North Superfund site. In 1990 the Environmental Protection Agency ("EPA") issued administrative orders requiring UPI to design and

PART I

Item 3. Legal Proceedings (continued)

carry out certain remedial actions, which UPI has done. Groundwater extraction and treatment systems have been in operation at the Site since 1994. A soil vapor extraction system was in operation from 1994 to 1998, was restarted in 2004, and is currently in operation. Since 1994 the on-site groundwater treatment facility and soil vapor extraction system have removed approximately 36,000 pounds of trichloroethylene ("TCE") from the soil and groundwater at the Site.

In September 2004, after extensive negotiations regarding the scope of work to be undertaken at the Site after discovery of additional TCE contamination and the detection of perchlorate during routine testing, the Company reached an agreement in principle with the EPA on a work plan for further investigation and remediation activities at the Site. This agreement is expected to be incorporated into a consent decree between the Company and the EPA in the near future. The Company recorded a before-tax charge of \$40 million in the third quarter 2004 for the estimated costs through 2014 of further environmental investigation and remediation at the Site, based on this agreement in principle with the EPA.

The investigation, monitoring and remediation activities undertaken by the Company at the Site have cost over \$25 million since 1985. In November 2003, the Company and UPI brought suit under Section 113 of the Comprehensive Environmental Response, Compensation and Liability Act against the federal government and several of its agencies for contribution and indemnification for these costs. As investigation and clean-up activities at the Site are expected to continue for a number of years, the Company's action against the government also seeks contribution with respect to future costs. Although the Company has been in discussions with the government concerning these claims, the government to date has not agreed to commit to paying any contribution to clean-up costs at the Site. In 2003, the EPA submitted to the Company a claim for approximately \$2.8 million in past costs allegedly incurred at the Site, and the Company has requested and is reviewing the EPA's supporting documentation of these costs. In January 2005, the EPA advised the Company that a formal demand for an additional \$4.1 million in EPA past costs should be expected by the Company.

On July 8, 2004, the Environment & Natural Resources Division of the U.S. Department of Justice filed a lawsuit against the Company and UPI seeking reimbursement of the \$2.8 million in alleged costs. The government's action also seeks an injunction requiring UPI to comply with the terms of two earlier administrative orders; entry of a declaratory judgment regarding the Company's and UPI's liabilities; and both civil penalties and punitive damages. On February 22, 2005 the Company's action and the government's action were consolidated into one case in U.S. District Court in Phoenix, Arizona. The Company has instructed its attorneys to continue to vigorously pursue the Company's claim against the government, and to defend the counter-suit by the Department of Justice, with the objective of reaching a fair and reasonable allocation of liability for past and future costs in the context of a prudent and scientifically sound plan for the further investigation and clean-up of the Site. The Company does not believe that the ultimate liability for costs to be incurred in connection with the Site will have a material effect on the Company's financial condition or cash flows; however, there can be no assurance that such costs will not have a material adverse effect on the Company's results of operations in any given period.

A number of other lawsuits, claims and proceedings have been or may be asserted against the Company relating to the conduct of its business, including those pertaining to product liability, patent infringement, commercial, employment, employee benefits, environmental and stockholder matters. While the outcome of litigation cannot be predicted with certainty, and some of these other lawsuits, claims or proceedings may be determined adversely to the Company, the Company does not believe that the disposition of any such other pending matters is likely to have a material adverse effect on its financial condition or liquidity, although the resolution in any reporting period of one or more of these matters could have a material adverse effect on the Company's results of operations for that period.

PART I

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of 2004.

EXECUTIVE OFFICERS OF THE REGISTRANT

| Name | Position | Business Experience During | Age | Officer |
|--------------------|---|--|-----|------------|
| | | Past Five Years | | |
| Eric C. Fast | President, Chief Executive Officer and Acting Chief Financial Officer | President and Chief Executive Officer of the Company since April 2001, Acting Chief Financial Officer since February 2004. President and Chief Operating Officer from September 1999 to April 2001. | 55 | Since 1999 |
| Gil A. Dickoff | Treasurer | Treasurer of the Company since 1992. | 43 | 1992 |
| Augustus I. duPont | Vice President, General Counsel | Vice President, General Counsel and Secretary of the Company since 1996. | 53 | 1996 |
| Elise M. Kopczick | Vice President, Human Resources | Vice President, Human Resources of the Company since January 2001. Previously, President of the Company's Lear Romec division from August 1999 to January 2001. | 51 | 2001 |
| Max H. Mitchell | Vice President, Operational Excellence | Vice President, Operational Excellence of the Company since March 2004. Previously, Senior Vice President of Global Operations for the Pentair Tool Group from 2001 to 2004 and various operations positions at Danaher Corporation from 1996-2001 (Vice President of Operations and General Manager – Veeder Root, 2001; Director of Operations – Matco Tools, 1998-2001; Manager DBS, 1997-1998; and Vice President Operations – Joslyn Hi-Voltage, 1996). | 41 | 2004 |
| Joan Atkinson Nano | Vice President and Controller | Vice President and Controller of the Company since November 2001. Previously, Director of New Controllershship Initiatives at GE Capital Corporation (financial services) from 2000 to 2001 and Director, Worldwide Planning and Analysis of Pitney Bowes Corporation (business machines and services) from 1994 to 1999 and as Assistant Corporate Controller from 1988 to 1994. | 49 | 2001 |

EXECUTIVE OFFICERS OF THE REGISTRANT (Continued)

| Name | Position | Business Experience During Past Five Years | Age | Officer Since |
|-----------------------|---|---|-----|------------------|
| Thomas M. Noonan | Vice President, Taxes | Vice President, Taxes of the Company since November 2001. Vice President, Controller and Chief Tax Officer of the Company from April 2000 to November 2001, Vice President, Taxes of the Company from September 1999 to April 2000. | 50 | 1999 |
| Anthony D. Pantaleoni | Vice President, Environment Health and Safety | Vice President, Environment Health and Safety of the Company since 1989. | 50 | 1989 |

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The information required by Item 5(a) and 5(b) is hereby incorporated by reference to pages 72 and 75 of the 2004 Annual Report to Shareholders. The information required by Item 5(c) is not applicable as the Company did not repurchase any shares during the fourth quarter of 2004.

Item 6. Selected Financial Data.

The information required by Item 6 is hereby incorporated by reference to page 72 of the 2004 Annual Report to Shareholders.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information required by Item 7 is hereby incorporated by reference to pages 22 through 41 and pages 64 through 69 of the 2004 Annual Report to Shareholders.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

The information required by Item 7A is hereby incorporated by reference to page 41 of the 2004 Annual Report to Shareholders.

Item8. Financial Statements and Supplementary Data.

The information required by Item 8 is hereby incorporated by reference to pages 42 through 60 and page 72 of the 2004 Annual Report to Shareholders.

Item9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None

PART II (Continued)

Item9A. Controls and Procedures

Evaluation of disclosure controls and procedures . The Company's Chief Executive Officer (who currently serves as Acting Chief Financial Officer) evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the year covered by this annual report. The Company's disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that are filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Based on this evaluation, the Company's Chief Executive Officer has concluded that these controls are effective as of the end of the year covered by this annual report.

As previously disclosed, the Company's Chief Executive Officer, Eric C. Fast, served as Acting Chief Financial Officer during the medical leave of absence of George S. Scimone, Vice President, Finance and Chief Financial Officer. Mr. Scimone passed away on February 22, 2005 and the Company plans to hire a new chief financial officer.

Change in Internal Controls. During the fiscal quarter ended December 31, 2004, there have been no changes in the Company's internal control over financial reporting, identified in connection with our evaluation thereof, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

The remaining information required by Item 9A is hereby incorporated by reference to pages 62 and 63 of the 2004 Annual Report to Shareholders.

Item9B. Other Information

None

PART III

Item10. Directors and Executive Officers of the Registrant

The information required by Item 10 is incorporated by reference to the definitive proxy statement dated March 11, 2005, which the Company has filed with the Commission pursuant to Regulation 14A except that such information with respect to Executive Officers of the Registrant is included, pursuant to Instruction 3, paragraph (b) of Item 401 of Regulation S-K, under Part I.

The Company's Corporate Governance Guidelines, its charters for its Management Organization and Compensation Committee, its Nominating and Governance Committee and its Audit Committee and its Code of Ethics are available at www.craneco.com/investors/corporate_governance.cfm.

Item11. Executive Compensation

The information required by Item 11 is incorporated by reference to the definitive proxy statement dated March 11, 2005, which the

Company has filed with the Commission pursuant to Regulation 14A.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Except the information required by Section 201(d) of Regulation S-K which is set forth below, the information required by Item 12 is incorporated by reference to the definitive proxy statement dated March 11, 2005, which the Company has filed with the Commission pursuant to Regulation 14A.

PART III (Continued)

Equity Compensation Plan Information

| | Number of securities to be issued upon exercise of outstanding options | Weighted average exercise price of outstanding options | Number of securities remaining available for future issuance under equity compensation plans |
|--|---|--|--|
| Equity compensation plans approved by security holders | | | |
| 2004 Stock Incentive Plan | 6,133,267 | \$ 25.52 | 3,680,023 |
| 2000 Non-employee Director Stock Compensation Plan | 179,500 | 24.80 | 194,323 |
| Equity compensation plans not approved by security holders | — | — | — |
| Total | 6,312,767 | \$ 25.50 | 3,874,346 |

Item 13. Certain Relationships and Related Transactions

The information required by Item 13 is incorporated by reference to the definitive proxy statement dated March 11, 2005, which the Company has filed with the Commission pursuant to Regulation 14A.

Item 14. Principal Accountant Fees and Services

The information required by Item 14 is incorporated by reference to the definitive proxy statement dated March 11, 2005, which the Company has filed with the Commission pursuant to Regulation 14A.

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a)(1) The consolidated balance sheets of Crane Co. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of operations, changes in common shareholders' equity and cash flows for the years ended December 31, 2004, 2003 and 2002 appearing on pages 42 through 60 and the reports thereon of Deloitte & Touche LLP dated February 18, 2005 appearing on pages 62 and 63 of Crane Co.'s 2004 Annual Report to Shareholders which will be furnished with the definitive proxy statement as required by Regulation 14A, Rule 14a-3(c), are incorporated herein by reference.

(The following report and schedule should be read in connection with Crane Co.'s consolidated financial statements in the 2004 Annual Report to Shareholders:

)

• Report of Deloitte & Touche LLP dated February 18, 2005 on Crane Co.'s financial statement schedule filed as part hereof.

• Schedule II – Valuation and Qualifying Accounts

PART IV

Item15. Exhibits and Financial Statement Schedules (Continued)

(3) Exhibits

| ExhibitNo. | Description |
|--------------|--|
| Exhibit10.1 | Crane Co. Retirement Plan for Non-Employee Directors |
| Exhibit 10.2 | Time Sharing Agreement |
| Exhibit 11 | Computation of net income per share |
| Exhibit 13 | Selected portions of the Annual Report to Shareholders for the year ended December 31, 2004 |
| Exhibit 21 | Subsidiaries of the Registrant |
| Exhibit 23 | Consent of Independent Registered Public Accounting Firm |
| Exhibit 31.1 | Certification of Chief Executive Officer and Acting Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| Exhibit 32.1 | Certification of Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |

(b) Exhibits to Form 10-K

There is incorporated by reference herein:

- (3)(a) The Company's Certificate of Incorporation, as amended on May 25, 1999 contained in Exhibit 3A to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

(The Company's By-Laws, as amended on January 24, 2000 contained in Exhibit 3B to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

)

(Instruments Defining the Rights of Security Holders, including

4

)

Indentures:

(There is incorporated by reference herein:

a

)

(Preferred Share Purchase Rights Agreement contained in Exhibit 1 to the Company's Report on Form 8-K filed with the Commission on July 6, 1998.

)

(There is incorporated by reference herein:

b

)

Indenture dated as of April 1, 1991 between the Registrant and the Bank of New York contained in Exhibit 4.1 to the Company's report on Form 8-K filed with the Commission on September 16, 1998.

Note dated September 8, 2003 (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K filed on September 8, 2003).

Credit Agreement dated as of July 22, 2003, among Crane Co., the Borrowing Subsidiaries party hereto, the Lenders party thereto, and JP Morgan Chase Bank, as Administrative Agent (incorporated by reference to the Company's Current Report on Form 8-K filed August 29, 2003).

PART IV

Item 15. Exhibits and Financial Statement Schedules (Continued)

4Credit Agreement dated as of January 21, 2005 among Crane Co., the Borrowing Subsidiaries party hereto, the Lenders party
)thereto, and JP Morgan Chase Bank, N.A. as Administrative Agent (incorporated by reference to the Company's Current Report
on Form 8-K filed January 24, 2005).

(10) Material Contracts:

(iii) Compensatory Plans

There is incorporated by reference herein:

(The forms of Employment/Severance Agreement between the Company and certain executive officers (Form I) and (Form II)
)which provide for the continuation of certain employee benefits upon a change of control as contained in Exhibit C of the
)Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.

(The indemnification agreements entered into with each director and executive officer of the Company, the form of which is
)contained in Exhibit C to the Company's definitive proxy statement filed with the Commission in connection with the Company's
)April 27, 1987 Annual Meeting.

(The Crane Co. Retirement Plan for Non-Employee Directors contained in Exhibit E to the Company's Annual Report on Form
)10-K for the fiscal year ended December 31, 1988. Amended in December 2004 and filed as Exhibit 10.1 of this Form 10-K.
)

(The Crane Co. 1998 Stock Option Plan contained in Exhibit 4.1 to the Company's Registration Statement No. 333-50489 on Form
)S-8 filed with the Commission on April 20, 1998.
)

(The Crane Co. 1998 Restricted Stock Award Plan contained in Exhibit 4.1 to the Company's Registration Statement No. 333-50487
)on Form S-8 filed with the Commission on April 20, 1998.
)

(The Crane Co. 1998 Non-Employee Director Restricted Stock Award Plan contained in Exhibit 4.1 to the Company's Registration Statement No. 333-50495 on Form S-8 filed with the Commission on April 20, 1998.

)

(The Crane Co. 2000 Non-Employee Director Stock Compensation Plan contained in Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000.

)

(The employment agreement with Eric C. Fast contained in Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

)

(The Crane Co. 2001 Stock Incentive Plan contained in Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

)

(The employment agreement with Robert S. Evans contained in Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, as Amended in Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

PART IV

Item 15. Exhibits and Financial Statement Schedules (Continued)

(The Crane Co. 2004 Stock Incentive Plan contained in Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
)

(The Crane Co. Corporate EVA Incentive Compensation Plan contained in Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.
)

All other exhibits are omitted because they are not applicable or the required information is shown elsewhere in this Annual Report on Form 10-K.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Crane Co.

We have audited the consolidated financial statements of Crane Co. and subsidiaries (the "Company") as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, and the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, and have issued our reports thereon dated February 18, 2005 (which report includes an explanatory paragraph regarding the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"); such consolidated financial statements and reports are included in your 2004 Annual Report to Shareholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of the Company listed in Item 15. This consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

DELOITTE & TOUCHE LLP

Stamford, CT

February 18, 2005

CRANE CO. AND SUBSIDIARIES

Annual Report for the Year Ended December 31, 2004

Schedule II - Schedule of Valuation and Qualifying Accounts

(in thousands)

| Description | Balance at 1/1/2004 | Additions | | Deductions | Balance at 12/31/2004 |
|--|------------------------|----------------------------------|--|------------|--------------------------|
| | | Amounts charged to expense | Amounts charged to other accounts | | |
| Accounts Receivable | \$ 7,209 | \$ 10,643 | — | \$ 10,116 | \$ 7,736 |
| Non-U.S. and state deferred assets, excluding NOL (s) and credits | \$ 3,072 | \$ 16,529 | — | — | \$ 19,601 |
| Federal, state and foreign NOL(s) and credits | 23,944 | 1,934 | — | — | 25,878 |
| Total * | \$ 27,016 | \$ 18,463 | — | — | \$ 45,479 |

* The above-mentioned valuation allowances are principally an offset to long term deferred tax assets on the consolidated balance sheet.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CRANE CO.

(Registrant)

By /s/ E.C. Fast

y

E.C. Fast

President, Chief Executive

Officer and Acting Chief

Financial Officer

Date 3/8/05

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

OFFICERS

By /s/ E.C. Fast

y

E.C. Fast

President, Chief Executive Officer,
Acting Chief Financial Officer and a
Director (Principal Executive Officer
and Financial Officer)

Date 3/8/05

By /s/ J.A. Nano

y

J.A. Nano

Vice President, Controller
(Principal Accounting Officer)

Date 3/8/05

DIRECTORS

By /s/ R.S. Evans

R.S. Evans

Date 2/28/05

By /s/ E.T. Bigelow, Jr.

E.T. Bigelow, Jr.

Date 2/28/05

By /s/ K.E. Dykstra

K. E. Dykstra

Date 2/28/05

By /s/ R.S. Fort

R.S. Fort

Date 2/28/05

By /s/ D.R. Gardner

D.R. Gardner

Date 2/28/05

By /s/ J. Gaulin

J. Gaulin

Date 2/28/05

By /s/ W.E. Lipner

W.E. Lipner

Date 2/28/05

By

D.C. Minton

Date 2/28/05

By /s/ C.J. Queenan, Jr.

C.J. Queenan, Jr.

Date 2/28/05

By /s/ J.L.L. Tullis
J.L.L. Tullis
Date 2/28/05

Exhibit Index

| ExhibitNo. | Description |
|--------------|--|
| Exhibit10.1 | Crane Co. Retirement Plan for Non-Employee Directors |
| Exhibit 10.2 | Time Sharing Agreement |
| Exhibit 11 | Computation of net income per share |
| Exhibit 13 | Selected portions of the Annual Report to Shareholders for the year ended December 31, 2004 |
| Exhibit 21 | Subsidiaries of the Registrant |
| Exhibit 23 | Consent of Independent Registered Public Accounting Firm |
| Exhibit 31.1 | Certification of Chief Executive Officer and Acting Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| Exhibit 32.1 | Certification of Chief Executive Officer and Acting Chief Financial Officer pursuant to 18 U.S.C. Section1350,asadopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002 |

CRANE CO. RETIREMENT PLAN

FOR NON-EMPLOYEE DIRECTORS, AS AMENDED ON DECEMBER 6, 2004

Effective as of November 28, 1988, pursuant to authorization of its Board of Directors, Crane Co. hereby establishes the Crane Co. Retirement Plan for Non-Employee Directors, a non-qualified deferred compensation plan for the exclusive benefit of its non-employee directors.

INTRODUCTION

Name of Plan. The name of the plan is the "Crane Co. Retirement Plan for Non-Employee Directors". It is also referred to as the "Plan."

Effective Date. The effective date of the Plan is November 28, 1988.

DEFINITIONS

"Board" shall mean the Board of Directors of Crane Co.

"Company" shall mean Crane Co., a Delaware corporation.

"Compensation Committee" shall mean the Management Organization and Compensation Committee of the Board.

"Non-Employee Director" shall mean a director serving on the Board of the Company who is not also serving as an employee of the Company or any of its subsidiaries or affiliated business entities.

"Participant" shall mean a Non-Employee Director who is serving on the Board on the Effective Date or who thereafter becomes a member of the Board.

"Payment Dates" shall mean January 15, April 15, July 15 and October 15 of each calendar year, beginning no earlier than January 15, 1988.

"Plan Year" shall mean a calendar year.

"Retainer" shall mean the annual retainer fee in effect at the time that a Participant's service on the Board is terminated.

"Change in Control" shall mean (i) the first purchase of shares pursuant to a tender offer or exchange offer (other than a tender offer or exchange offer by the Company) for all or part of the Company's Common Stock or any securities convertible into such Common Stock, (ii) the receipt by the Company of a Schedule 13D or other advice indicating that a person is the "beneficial owner" (as that term is defined in Rule 13d-3 under the Securities Exchange Act of 1934 (the "Exchange Act")) of 20% or more of the Company's Common Stock calculated as provided in paragraph (d) of said Rule 13d-3, (iii) the date of approval by stockholders of the Company of an agreement providing for any consolidation or merger of the Company in which the Company will not be the continuing or surviving corporation or pursuant to which shares of Common Stock of the Company would be converted into cash, securities or other property, other than a merger of the Company in which the holders of Common Stock of the Company immediately prior to the merger would have the same proportion of ownership of common stock of the surviving corporation immediately after the merger, (iv) the date

of the approval by stockholders of the Company of any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all the assets of the Company, (v) the adoption of any plan or proposal for the liquidation (but not a partial liquidation) or dissolution of the Company, or (vi) the date upon which the individuals who constitute the Board as of November 28, 1988 (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board, provided that any person becoming a director subsequent to such date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board (other than an election or nomination of an individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company, as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) shall be for purposes of this agreement, considered as though such person were a member of the Incumbent Board.

BENEFITS UNDER THE PLAN

Eligibility to Receive Benefits Under the Plan . A Participant under this Plan shall be eligible to receive benefits under this Plan only if, at the time of termination from service on the Board, such Participant is not eligible to receive an accrued benefit under any qualified retirement plan sponsored by the Company or any of its subsidiaries or affiliated businesses for the period of service covered by this Plan.

Vesting of Benefits Under the Plan . Unless a Change in Control occurs, no Participant shall be entitled to or vested in any benefits until the Participant completes 24 full calendar months of service on the Board at which point a Participant shall be vested in 50% of the benefits payable under the Plan. For each 12 full calendar months of service completed thereafter a Participant shall be vested in an additional 10% of the benefits payable under the Plan until a Participant completes 84 full calendar months of service on the Board at which time the Participant's benefits under the Plan shall be fully vested. If a Participant dies or becomes permanently and totally disabled, or if a Change in Control occurs, a Participant shall be fully vested in 100% of the benefit payable under the Plan. In the case of any break in service, all periods of service shall be aggregated to measure the total period of service.

Amount of Annual Benefit Payable Under the Plan . A Participant who is eligible to receive benefits under the Plan shall be entitled to receive at age 65, or upon termination from Service on the Board, whichever is later, an annual benefit equal to that portion of the amount of the Retainer at the time the Participant's service on the Board is terminated in which the Participant is vested. A Participant whose service on the Board has terminated before age 65 shall be entitled to receive at any age at or after age 55 the benefit to which he is entitled under the Plan on an actuarially reduced basis.

Time and Duration of Payments Under the Plan . Annual benefits under the Plan shall be paid in four equal installments on each Payment Date, and shall continue for a period equal to the number of years (and any portion thereof) which the Participant has served on the Board, provided, however, if a Change of Control occurs the period for which such payments shall be made shall be not less than seven (7) years. Except as provided in Article IV, and except for any Participant whose benefit payments under the Plan commence after December 6, 2004, no benefits shall be payable under the plan after the death of a Participant.

Payments in the Event of a Change in Control . In the event of a Change in Control, the Participant shall be entitled to receive at the time the Participant leaves the Board a lump sum which after

the payment of all federal, state and local taxes applicable thereto at the time of payment would provide a retirement benefit equal to the actuarial equivalent of the benefit payable under the Plan. Actuarial equivalents for purposes of this paragraph 3.5 (lump sum distributions) and of paragraph 3.3 (non lump sum distributions) shall be computed using the factors prescribed in the Company's Pension Plan for Non-Bargaining Employees or any successor plan at the time the computation is made. In the event it shall be determined that any payment whether paid or payable or distributed or distributable pursuant to the Plan would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code or any interest or penalties with respect to such excise tax (such excise tax together with any interest or penalties are hereinafter referred to collectively as the "Excise Tax") then the Participant shall be entitled to receive an additional payment (a "Gross-up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes) including any Excise Tax imposed upon the Gross-up Payment, the Participant retains an amount of the Gross-up Payment equal to the Excise Tax imposed upon the Payments.

Non-Assignability of Interest . Except as otherwise provided in the next sentence, the interests herein and the right to receive benefits hereunder may not be anticipated, alienated, sold, transferred, assigned, pledged, encumbered, or subjected to any charge or legal process, and if any attempt is made to do so, or a Participant becomes bankrupt, the interests under the Plan of the person affected may be terminated by the Compensation Committee, which, in its sole discretion, may cause the same to be held or applied for the benefit of one or more of the dependents of such person or make any other disposition of such interests as it deems appropriate. A Participant may transfer all or a portion of his right to receive benefits hereunder to one or more family members (as defined below) of such Participant or tax exempt organizations (within the meaning of Section 501(c)(3) of the Internal Revenue Code) as the Participant may designate from time to time. For purposes of the immediately preceding sentence, "family member" shall mean a Participant's child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant of the Participant), a trust in which these persons (or the Participant) have more than fifty percent (50%) of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than fifty percent (50%) of the voting interests.

SURVIVING SPOUSE BENEFITS

"Election Period" shall mean the period which begins thirty days prior to the day on which the Non-Employee Director will attain age 55 and ends on the earliest to occur of (a) the date of the Non-Employee Director's death, (b) the date of the Non-Employee Director's termination from service on the Board or (c) December 6, 2004.

"Election" shall mean a written election by a Non-Employee Director to receive a Joint and Survivor Benefit and/or a Pre-Retirement Spouse Benefit. Each Election must be addressed to the Committee and made during the Election Period. No consent of the spouse shall be required to make an Election or revoke any Election. Any Election may be revoked in writing by a Non-Employee Director by making a subsequent Election or by revoking a prior Election at any time during the Election Period. The number of revocations shall not be limited. Each Election may relate to a Joint and Survivor Benefit, or a Pre-Retirement Spouse Benefit or both.

“Joint and Survivor Benefit” - Each Non-Employee Director shall have the right to convert the benefits payable in accordance with Section 3.3 and 3.4 of the Plan into an actuarially reduced monthly annuity for the life of the Participant, with a survivor annuity for the life of the spouse which is 50% or 100% (at the option of the Participant) of the actuarially reduced amount of such annuity.

“Pre-Retirement Spouse Benefit” - Each Non-Employee Director who attains age 55 shall have the right to elect a survivor annuity payable monthly for the life of his or her surviving spouse commencing upon the death of the Non-Employee Director prior to commencement of pension payments and which is the actuarial equivalent of the annual benefit payable under Section 3.3 of the Plan at the date of death times the number of years such annual benefit is payable under Section 3.4 of the Plan, reduced by one percent (1%) for each birthday of the Non-Employee Director between the date of termination from service on the Board and the date of death.

PLAN ADMINISTRATION

Administration. The Plan shall be administered by the Compensation Committee. The Compensation Committee shall have the authority to interpret the Plan and any such interpretation shall be final and binding on all parties. The Board may amend or terminate the Plan at any time, provided that no such amendment or termination shall adversely affect the amounts payable or vested under the Plan before the time of such amendment or termination. The Company will pay all distributions made pursuant to the Plan and all costs, charges and expenses relating to the administration of the Plan.

MISCELLANEOUS PROVISIONS

Neither the establishment of the Plan, nor any action taken thereunder, shall in any way obligate (i) the Company to nominate a Non-Employee Director for re-election or to continue to retain a Non-Employee Director or (ii) a Non-Employee Director to agree to be nominated for re-election or to continue to serve on the Board.

The Plan shall be unfunded. All benefits payable under the Plan shall be paid from the general assets of the Company, which are subject to the claims of the Company's general creditors.

The Plan shall be binding upon any successors to the Company by merger, acquisition, consolidation or otherwise.

The provisions of the Plan shall be governed by the laws of the State of Connecticut.

Exhibit 10.2

TIME SHARING AGREEMENT

This Agreement is made, effective as of January 1, 2004 by and between Crane Co., a corporation incorporated under the laws of the State of Delaware, with principal offices at 100 First Stamford Place, Stamford, Connecticut (“**Lessor**”), and Eric. C. Fast, an individual, with his residence at Rye, New York (“**Lessee**”);

RECITALS

WHEREAS, Lessor is the owner of that certain civil Aircraft bearing the United States Registration Number N300CR and Manufacturer's Serial Number 5092, and of the type Canadair Challenger 601-3A-HB (“**Aircraft**”);

WHEREAS, Lessor employs a fully qualified flight crew to operate the Aircraft; and

WHEREAS, Lessor and Lessee desire to lease said Aircraft and flight crew on a time sharing basis as defined in Section 91.501 (c) (1) of the Federal Aviation Regulations (“**FARs**”).

The parties agree as follows:

1. Lessor agrees to lease the Aircraft to Lessee pursuant to the provisions of FAR 91.501 (c) (1) and to provide a fully qualified flight crew for all operations pursuant to this Agreement. This Agreement shall commence on the date that it is signed and continue for one (1) year after said date. Thereafter, this Agreement shall be automatically renewed on a month to month basis, unless sooner terminated by either party as hereinafter provided. Either party may at any time terminate this Agreement upon thirty (30) days written notice to the other party, delivered personally or by certified mail, return receipt requested, at the address for said other party as set forth above.

2. Lessee shall pay Lessor for each flight conducted under this Agreement an amount equal to the lesser of: (a) the amount calculated under Treas. Reg. 1.61-21(g), employing the SIFL rates; or (b) the sum of the following actual expenses of each specific flight as

authorized by FAR Part 91.501 (d):

(i Fuel, oil, lubricants, and other additives;
)

(Travel expenses of the crew, including food, lodging and ground transportation;
i
i
)

(iii Hangar and tie down costs away from the Aircraft's base of operation;
)

(iv Insurance obtained for the specific flight;
)

(Landing fees, airport taxes and similar assessments including, but not limited to IRC Section 4261 and related excise taxes;
,
)

(Customs, foreign permit, and similar fees directly related to the flight;
v
i
)

(vii) In-flight food and beverages;

(viii) Passenger ground transportation;

(ix Flight planning and weather contract services; and
)

(An additional charge equal to 100% of the expenses listed in subparagraph (i) of this paragraph.
,
)

3. Lessor will pay all expenses related to the operation of the Aircraft when incurred, and will provide an invoice and bill Lessee for the expenses enumerated in paragraph 2 above on the last day of the month in which any flight or flights for the account of Lessee occur.

Lessee shall pay Lessor for said expenses within fifteen days of receipt of the invoice and bill therefore.

4. Lessee will provide Lessor with requests for flight time and proposed flight schedules as far in advance of any given flight as possible, and in any case, at least forty-eight hours in advance of Lessee's planned departure. Requests for flight time shall be in a form, whether written or oral, mutually convenient to, and agreed upon by the parties. In addition to the proposed schedules and flight times Lessee shall provide at least the following information for each proposed flight at some time prior to scheduled departure as required by the Lessor or Lessor's flight crew:

(a proposed departure point;
)

(b) destination;

(c date and time of flight;
)

(the number of anticipated passengers;
d
)

(the nature and extent of luggage and/or cargo to be carried;
e
)

(the date and time of return flight, if any; and
f
)

(any other information concerning the proposed flight that may be pertinent or required by Lessor or Lessor's flight crew.
ξ
)

5. Lessor shall have final authority over the scheduling of the Aircraft, provided, however, that Lessor will use its best efforts to accommodate Lessee's needs and to avoid conflicts in scheduling.

6. Lessor shall be solely responsible for securing maintenance, preventive maintenance and required or otherwise necessary inspections on the Aircraft, and shall take such requirements into account in scheduling the Aircraft. No period of maintenance, preventative maintenance or inspection shall be delayed or postponed for the purpose of scheduling the Aircraft, unless said maintenance or inspection can be safely conducted at a later time in compliance with all applicable laws and regulations, and within the sound discretion of the pilot in command. The pilot in command shall have final and complete authority to cancel any flight for any reason or condition which in his judgement would compromise the safety of the flight.

7. Lessor shall employ, pay for and provide to Lessee a qualified flight crew for each flight undertaken under this Agreement.

8. In accordance with applicable Federal Aviation Regulations, the qualified flight crew provided by Lessor will exercise all of its duties and responsibilities in regard to the safety of each flight conducted hereunder. Lessee specifically agrees that the flight crew, in its sole discretion, may terminate any flight, refuse to commence any flight, or take other action which in the considered judgement of the

pilot in command in necessitated by considerations of safety. No such action of the pilot in command shall create or support any liability for loss, injury, damage or delay to Lessee or any other person. The parties further agree that Lessor shall not be liable for delay or failure to furnish the Aircraft and crew pursuant to this Agreement when such failure is caused by government regulation or authority, mechanical difficulty, war, civil commotion, strikes or labor disputes, weather conditions, or acts of God.

9. Lessor will provide such additional insurance coverage as Lessee shall request or require, provided, however, that the cost of such additional insurance shall be borne by Lessee as set forth in paragraph 2(d) hereof. At all times during the term of this Lease, Lessor shall cause to be carried and maintained, at Lessor's cost and expense, physical damage insurance with respect to the Aircraft in the amount set forth below:

| | |
|---|--------------|
| Aircraft Physical Damage (No Deductible While In Motion or Not In Motion) | \$11,000,000 |
|---|--------------|

At all times during the term of this Lease, Lessor shall also cause to be carried and maintained, at Lessor's cost and expense, third party aircraft liability insurance, passenger legal liability insurance, property damage liability insurance, and medical expense insurance in the amounts set forth below:

| | | |
|---|----|-------------|
| Combined Liability Coverage for Bodily Injury and Property Damage Including Passengers - Each Occurrence | \$ | 500,000,000 |
| Medical Expense Coverage - Each Person | \$ | 25,000 |

Lessor shall also bear the cost of paying any deductible amount on any policy of insurance in the event of a claim or loss.

Any policies of insurance carried in accordance with this Lease: (i) shall name Lessee as an additional insured; and (ii) shall contain a waiver by the underwriter thereof of any right of subrogation against Lessee; and (iii) shall provide that in respect of the interests of Lessee, such policies of insurance shall not be invalidated by any action or inaction of Lessor or any other person and shall insure Lessee (subject to the limits of liability and war risk exclusion set forth in such policies) regardless of any breach or any violation of any warranty, declarations or conditions contained in such policies by Lessor or any other person; and (iv) shall provide that if the insurers cancel insurance for any reason whatsoever, or the same is allowed to lapse for non-payment of premium, or if there is any material change in policy terms and conditions, such a cancellation, lapse or change shall not be effective as to Lessee. Each liability policy shall be primary without right of contribution from any other insurance which is carried by Lessee or Lessor and shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

Lessor shall submit this Lease for approval to the insurance carrier for each policy of insurance on the Aircraft. Lessor shall arrange for a Certificate of Insurance evidencing appropriate coverage as to the Aircraft and the satisfaction of the requirements set forth above to be given by its insurance carriers to Lessor.

10. Lessee warrants that:

(a) It will use the Aircraft for and on account of its own business only, and will not use the Aircraft for the purpose of providing transportation of passengers or cargo in air commerce for compensation or hire;

(b) it shall refrain from incurring any mechanics or other lien in connection with inspection, preventative maintenance, maintenance or storage of the Aircraft, whether permissible or impermissible under this Agreement, nor shall there be any attempt by any party hereto to convey, mortgage, assign, lease or any way alienate the Aircraft or create any kind of lien or security interest involving the Aircraft or do anything or take any action that might mature into such a lien; and

(c) during the term of this Agreement, it will abide by and conform to all such laws, governmental and airport orders, rules and regulations, as shall from time to time be in effect relating in any way to the operation and use of the Aircraft by a timesharing Lessee.

11. For purposes of this Agreement, the permanent base of operation of the Aircraft shall be Westchester County Airport, Interlaken, Hanger V, 154 Airport Road, White Plains, New York, 10554.

12. Neither this Agreement nor any party's interest herein shall be assignable to any other party whatsoever. This Agreement shall inure to the benefit of and be binding upon the parties hereto, their heirs, representatives and successors.

13. TRUTH IN LEASING STATEMENT

THE AIRCRAFT, A Canadair Challenger 601-3A-HB, MANUFACTURER'S SERIAL NO. 5092, CURRENTLY REGISTERED WITH THE FEDERAL AVIATION ADMINISTRATION AS N300CR, HAS BEEN MAINTAINED AND INSPECTED UNDER FAR PART 91 DURING THE 12 MONTH PERIOD PRECEDING THE DATE OF THIS LEASE.

THE AIRCRAFT WILL BE MAINTAINED AND INSPECTED UNDER FAR PART 91 FOR OPERATIONS TO BE CONDUCTED UNDER THIS LEASE. DURING THE DURATION OF THIS LEASE, Crane Co., 100 First Stamford Place, Stamford, Connecticut, IS CONSIDERED RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT UNDER THIS LEASE.

AN EXPLANATION OF FACTORS BEARING ON OPERATIONAL CONTROL AND PERTINENT FEDERAL AVIATION REGULATIONS CAN BE OBTAINED FROM THE NEAREST FAA FLIGHT STANDARDS DISTRICT OFFICE.

THE "INSTRUCTIONS FOR COMPLIANCE WITH TRUTH IN LEASING REQUIREMENTS" ATTACHED HERETO ARE INCORPORATED HEREIN BY REFERENCE.

I, THE UNDERSIGNED Augustus I. duPont, AS VICE PRESIDENT, SECRETARY & GENERAL COUNSEL OF Crane Co., CERTIFY THAT Crane Co. IS RESPONSIBLE FOR OPERATIONAL CONTROL OF THE AIRCRAFT AND THAT IT UNDERSTANDS ITS RESPONSIBILITIES FOR COMPLIANCE WITH APPLICABLE FEDERAL AVIATION REGULATIONS.

IN WITNESS WHEREOF, the parties have executed this Agreement.

Crane Co., Lessor

By /s/ Augustus I. duPont

Augustus I. duPont, V.P.

/s/ E.C. Fast

E.C. Fast, Lessee

December 30, 2003 12:00 noon

Date and Time of Execution

December 30, 2003 12:00 noon

Date and Time of Execution

INSTRUCTIONS FOR COMPLIANCE WITH "TRUTH IN LEASING" REQUIREMENTS

Mail a copy of the lease to the following address via certified mail, return receipt requested, immediately upon execution of the lease (14 C.F.R. 91.23 requires that the copy be sent within twenty-four hours after it is signed):

Federal Aviation Administration

Aircraft Registration Branch

ATTN: Technical Section

P.O. Box 25724

Oklahoma City, Oklahoma 73125

Telephone the nearest Flight Standards District Office at least forty-eight hours prior to the first flight under this lease.

Carry a copy of the lease in the aircraft at all times.

CRANE CO. AND SUBSIDIARIES

Exhibit 11 to FORM 10-K

Annual Report for the Year Ended December 31, 2004

Computation of Net Income Per Share

(In Thousands, Except Per Share Data)

| | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|---------------|------------|--------------|-----------|------------|
| Basic | | | | | |
| Net (loss) income before cumulative effect of a change in accounting principle | \$ (105,421) | \$ 104,303 | \$ 16,628 | \$ 88,620 | \$ 123,729 |
| Cumulative effect of a change in accounting principle | — | — | (28,076) | — | — |
| Net (loss) income | \$ (105,421) | \$ 104,303 | \$ (11,448) | \$ 88,620 | \$ 123,729 |
| | | | | | |
| (Loss) income from before cumulative effect of a change in accounting principle | \$ (1.78) | \$ 1.76 | \$ 0.28 | \$ 1.48 | \$ 2.03 |
| Cumulative effect of a change in accounting principle | — | — | (0.47) | — | — |
| Net (loss) income per share | \$ (1.78) | \$ 1.76 | \$ (0.19) | \$ 1.48 | \$ 2.03 |
| | | | | | |
| Weighted average number of basic shares | 59,251 | 59,394 | 59,728 | 59,825 | 60,919 |
| Diluted | | | | | |
| Net (loss) income before cumulative effect of a change in accounting principle | \$ (105,421) | \$ 104,303 | \$ 16,628 | \$ 88,620 | \$ 123,729 |
| Cumulative effect of a change in accounting principle | — | — | (28,076) | — | — |
| Net (loss) income | \$ (105,421) | \$ 104,303 | \$ (11,448) | \$ 88,620 | \$ 123,729 |
| | | | | | |
| (Loss) income from before cumulative effect of a change in accounting principle | \$ (1.78) | \$ 1.75 | \$ 0.28 | \$ 1.47 | \$ 2.02 |
| Cumulative effect of a change in accounting principle | — | — | (0.47) | — | — |
| Net (loss) income per share | \$ (1.78) | \$ 1.75 | \$ (0.19) | \$ 1.47 | \$ 2.02 |
| | | | | | |
| Weighted average number of basic shares | 59,251 | 59,394 | 59,728 | 59,825 | 60,919 |
| Add: | | | | | |
| Adjustment to basic shares for dilutive stock options * | — | 322 | — | 530 | 480 |
| Weighted average number of diluted shares | 59,251 | 59,716 | 59,728 | 60,355 | 61,399 |

* For the years ended 2004 and 2002, 735,000 shares and 318,000 shares, respectively, attributable to the exercise of outstanding options were excluded from the calculation of diluted earnings per share because the effect was anti-dilutive.

CRA EXHIBIT 13
NE

Except for those portions of the Annual Report that are expressly incorporated herein by reference, the Annual Report is furnished for the information of the Securities and Exchange Commission and is not deemed filed as part of this Form 10-K.

In the pages that follow, we discuss results, along with the *events, trends, market dynamics and management initiatives* that influenced them.

| (dollars in millions) | Sales | | Favorable/ (Unfavorable) | | Operating Profit | | Favorable/ (Unfavorable) | | Margins (%) | |
|---|-----------------|-----------------|-----------------------------|-----------|---------------------|---------------|-----------------------------|-----------|---------------|-------------|
| | 2004 | 2003 | \$ | % | 2004 | 2003 | \$ | % | 2004 | 2003 |
| Segment Results: | | | | | | | | | | |
| Aerospace & Electronics | \$ 512 | \$ 429 | \$ 83 | 19 | \$ 93 | \$ 96 | \$ (3) | (4) | 18.1 | 22.4 |
| Engineered Materials | 276 | 240 | 36 | 15 | 54 | 48 | 6 | 12 | 19.6 | 20.0 |
| Merchandising Systems | 169 | 155 | 14 | 9 | 10 | 3 | 7 | 251 | 5.7 | 1.8 |
| Fluid Handling | 862 | 748 | 114 | 15 | 52 | 44 | 8 | 20 | 6.1 | 5.8 |
| Controls | 72 | 64 | 8 | 14 | 5 | 4 | 1 | 22 | 7.7 | 7.2 |
| Elimination | (1) | — | (1) | — | — | — | — | — | — | — |
| Total Segment Results | \$ 1,890 | \$ 1,636 | \$ 254 | 16 | \$ 214 | \$ 195 | \$ 19 | 10 | 11.3 | 11.9 |
| Corporate expense | — | — | — | — | (28) | (25) | (3) | (12) | — | — |
| Subtotal | 1,890 | 1,636 | 254 | 16 | 186 | 170 | 16 | 10 | 9.9 | 10.4 |
| Corporate expense – Asbestos charge | | | | | (307) | — | (307) | — | | |
| Corporate expense – Environmental charge | | | | | (40) | (1) | (39) | | | |
| Total | \$ 1,890 | \$ 1,636 | \$ 254 | 16 | \$ (161) | \$ 169 | \$ (330) | | (8.5) | 10.3 |
| Sales Growth: | | | | | | | | | | |
| Core business | | | 97 | 6 | | | | | | |
| Acquisitions | | | 107 | 7 | | | | | | |
| Foreign exchange benefit | | | 50 | 3 | | | | | | |
| Increase (decrease) | | | \$ 254 | 16 | | | | | | |

Overview

The Company's primary markets are aerospace, electronics, recreational vehicle, transportation, automated merchandising, petrochemical, chemical and power generation. Commercial aircraft production increased slightly in 2004 with a continuation of this recovery anticipated next year. A strong business jet market is expected to continue in 2005 while the declining trend in regional jet production is expected to continue next year. The Company's participation in the electronic market is largely defense related. Increased defense spending in 2005 is expected to follow the 2004 growth in support of the war effort. The 2004 recreational vehicle delivery rate was at its highest level in over twenty-five years, reaching approximately 370,000 units; 2005 deliveries are expected to be below this record high. The strong transportation trailer industry trend is represented by the 25% higher refrigerated trailer and dry van builds in 2004 and the anticipated double digit increase in 2005. Key market drivers for the automated merchandising market are employment rates and commercial office occupancy which stabilized in 2004 and are expected to continue to strengthen in 2005. Demand from the petrochemical, chemical and power generation markets improved in 2004 from the low levels in 2003, and this recovery trend is anticipated to continue next year for each of these markets.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Sales in 2004 increased \$254 million, or 16%, to \$1.890 billion compared with \$1.636 billion in 2003. The sales increase included \$97 million of core business growth, \$107 million of incremental sales from acquisitions and \$50 million from favorable foreign exchange. The Aerospace & Electronics segment's sales increase of \$83 million, or 19%, included incremental sales from P.L. Porter, acquired in late January 2004 as well as the full year inclusion of Signal Technology Corporation, acquired in May 2003. Higher commercial OEM sales were partially offset by a decline in aftermarket sales for the Aerospace Group. In the Engineered Materials segment, demand for fiberglass-reinforced panels from the recreational vehicle and truck trailer markets remained strong. A modestly improving vending machine market led to a \$14 million, or 9%, increase in Merchandising Systems sales. The Fluid Handling segment's sales increased \$114 million, or 15%, and included incremental sales of \$46 million from acquisitions of the Hattersley brand in January 2004 and of certain pipe coupling and fittings businesses of Etex in June 2003, and favorable foreign exchange (\$38 million). Excluding acquisitions and foreign exchange, this segment's sales increased 4% reflecting the improved market conditions in the chemical processing industry and general industrial markets.

Segment operating profit was \$19 million, or 10% higher in 2004 than in the prior year, and reflected improvement in four of the five operating segments. Profitability from strong end-markets in the Engineered Materials segment was partly offset by material cost increases not yet offset by higher customer pricing. Higher shipments coupled with lower costs from right sizing the German coin changing business and other operating efficiencies improved results for the Merchandising Systems segment. Fluid Handling benefited from volume growth, incremental profit from acquisitions, improved cost structures in certain of its businesses and lower severance costs. The decline in the high-margin Aerospace aftermarket business, a higher investment in engineering and challenges in the Electronics business led to a 4% operating profit decline in the Aerospace & Electronics segment.

Segment operating margins declined slightly to 11.3% from 11.9% in 2003. This decline was largely due to higher material costs, most significantly affecting the Engineered Materials and Fluid Handling segments, the unfavorable mix and engineering costs at Aerospace and the operational challenges at Electronics and certain of the Company's valve businesses.

An operating loss of \$161 million resulted in 2004 which included \$347 million of asbestos and environmental charges, compared with a profit of \$169 million in 2003. During 2004, the Company recorded a non-cash, pre-tax charge of \$307 million (\$203 million after-tax) for asbestos and \$40 million for environmental liabilities (\$26 million after tax).

The 2004 net loss was \$105 million, or \$1.78 per share, as compared with net income of \$104 million, or \$1.75 per share, in 2003. The 2004 net loss included non-cash charges for asbestos (\$203 million, or \$3.43 per share) and environmental (\$26 million, or \$.44 per share) liabilities.

Asbestos Charge On October 21, 2004 the Company reached an agreement in principle with representatives of a majority of current claimants and an independent representative of future claimants to resolve all current and future asbestos-related personal injury claims against the Company, to be structured and implemented pursuant to Section 524(g) of the U.S. Bankruptcy Code. On that date, MCC Holdings, Inc., an indirect wholly owned subsidiary of the Company formerly known as Mark Controls Corporation ("MCC"), entered into a Master Settlement Agreement ("MSA") with representatives of a majority of current claimants and a Settlement Trust Agreement, which provided for a \$280 million trust to be funded and administered to pay asbestos-related personal injury claims settled under the MSA. In connection with the terms of the MSA, which would have brought finality to this overall obligation, a third quarter 2004 asbestos charge of \$322 million (pre-tax and and after insurance) was recorded.

On December 2, 2004, the United States Court of Appeals for the Third Circuit reversed the District Court order approving Combustion Engineering's asbestos-related bankruptcy plan of reorganization and addressed the scope of Section 524(g) and the appropriate structure of transactions providing relief for asbestos defendant companies under Section 524(g). The Court's opinion, in the Company's view, constituted a material change in the case law regarding Section 524(g) transactions, and accordingly, on January 24, 2005, the Company exercised its right to terminate the MSA.

The termination of the MSA placed the Company and asbestos claimants back into the tort system for the resolution of claims. In the fourth quarter, Crane Co. management, with the assistance of outside experts, made its best estimate of settlement and defense costs through 2011 (including certain related fees and expenses). In making this estimate, the Company adjusted the assumed rate of insurance recoveries from 30% in the context of the proposed comprehensive asbestos settlement back to 40% of the estimated liability payable over time in the tort system. The estimated asbestos liability was reviewed in light of these changes and resulted in a \$14 million reduction in the 2004 estimated cost after anticipated insurance recoveries but before tax. The principal factors affecting the lower asbestos liability estimate under the tort system versus the MSA are a higher insurance recovery rate partly offset by the inclusion of defense costs under the tort system.

Environmental Charge The environmental charge includes anticipated environmental cleanup costs which are based on an agreement with the U.S. Environmental Protection Agency on the scope of work for further investigation and remediation of the Company's Goodyear, Arizona Superfund site.

Aerospace & Electronics

| (dollars in millions) | 2004 | 2003 |
|-----------------------|--------|--------|
| Net sales | \$ 512 | \$ 429 |
| Operating profit | 93 | 96 |
| Assets | 480 | 432 |
| Operating margin | 18.1 % | 22.4 % |

Overview

The Aerospace & Electronics segment is organized in two groups: the “Aerospace Group” and the “Electronics Group.” Each Group is structured as one company to reduce operating costs, eliminate duplicate overhead and capital expenditures, better leverage and share intellectual capital, improve focus on customer solutions and provide the structure for efficient integration of acquisitions. In 2004, the segment revenue was derived 60% from the Aerospace Group and 40% from the Electronics Group.

The Aerospace Group products are currently manufactured under the brand names Eldec, Hydro-Aire, Lear Romec, Resistoflex-Aerospace, and P.L. Porter (“Porter”). The Group’s products are organized into the following solution sets: Landing Systems Solutions, Sensing and Controls Solutions, Fluid Management Solutions, Aircraft Electrical Power Solutions and Cabin Solutions. The latter solution set was added with the Porter acquisition in late January 2004.

Porter, acquired in late January 2004 for a purchase price of \$44 million, holds leading positions in both electromechanical actuation and hydraulic/mechanical actuation for aircraft seating, selling directly to seat manufacturers and to the airlines. This new solution set’s products are the Aerospace & Electronics segment’s first offerings for passenger service applications.

The Electronics Group products are currently manufactured under the brand names Interpoint, General Technology, STC Microwave Systems, Keltec, Olektron, Eldec and Advanced Integrated Systems Division (“AISD”). The Group’s products are organized into the following solution sets: Power Solutions, Microwave Systems Solutions, Electronic Manufacturing Services Solutions, and Microelectronics Solutions/AISD.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Through acquisitions in both 2002 and 2003, the Group was further strengthened and substantially increased its defense-related product portfolio. In November 2002, the Company acquired General Technology Corporation ("GTC"), a strategic acquisition that extended the group's already strong position in the electronics market by increasing its focus on the military market. GTC provides high-reliability, customized-contract manufacturing services and products focused on military and defense applications. In 2003, the microelectronics packaging capability of Interpoint was teamed with the engineering talent at GTC, opening new markets for the Electronics Group. In May 2003, the Company acquired Signal Technology Corporation ("STC") for approximately \$138 million. STC is a leading manufacturer of highly-engineered, state-of-the-art power management products and electronic radio frequency and microwave frequency components and subsystems for the defense, space and military communications markets. STC supplies many U.S. Department of Defense prime contractors and foreign allied defense organizations with products designed into systems for missile, radar, aircraft, electronic warfare, and intelligence and communications applications.

2004 Operating Results

Sales of the Aerospace & Electronics segment increased \$83 million, or 19%, in 2004, including incremental sales of \$35 million from the Porter acquisition. Operating profit declined \$3 million or 4%. Aerospace Group operating profit rose, but this gain was more than offset by a decline in the Electronics Group in part reflecting disruption from closure of a plant acquired with STC. The operating margin for the segment was 18.1% in 2004 compared with 22.4% in 2003, reflecting the Electronics Group performance and the Aerospace Group's OEM/aftermarket mix and higher engineering investment. For the segment, inventory turns improved to 3.7 times at December 31, 2004 from 3.4 times at December 31, 2003, while working capital as a percent of sales was 26.4% at December 31, 2004 compared with 26.1% at December 31, 2003.

Aerospace Group

Aerospace Group sales of \$309 million increased 23%, from \$250 million in 2003, including \$24 million, or 9%, from the core business and \$35 million, or 14%, from the Porter acquisition. Sales growth reflected increased OEM demand partially offset by lower aftermarket demand for commercial and military products. Operating profit increased 4% in 2004, as the strong OEM sales and the incremental profit from the Porter acquisition was partially offset by a decline in the high-margin aftermarket business and increased engineering investment of \$4 million for new aircraft platforms and retrofit programs.

The commercial market accounted for about 75% of Aerospace Group sales in 2004, while sales to the military market were approximately 25% of the total. Sales in 2004 by its five solution sets divided as follows: landing systems, 25%; sensing and controls, 25%; fluid management, 31%; aircraft electrical power, 8%; and cabin, 11%.

The Aerospace Group's core business shipments to OEM customers in 2004 increased 19% above 2003 as a result of increased demand from both the commercial and military markets. Aftermarket sales in 2004, excluding those attributable to the Porter acquisition, declined 6% compared with 2003 largely due to early retirements of older commercial aircraft platforms containing these products as well as lower military spares. Sales to OEMs, excluding the Porter acquisition, were 56% of the total in 2004 compared with 52% in 2003.

In 2004, the Aerospace Group continued to invest in new technology and new markets with an emphasis on products that improve safety and/or reduce operating costs. An important result of this emphasis has been the development of a weight and balance system ("AirWeighs™"). The AirWeighs system converts landing gear struts into scales that measure an aircraft's weight and determines the center of gravity in seconds, versus today's method that calculates this information using average passenger and baggage weights. Automatically measuring actual aircraft weight and center of gravity information improves airline operations and enhances aircraft performance while focusing on safety. Also being introduced in 2005 is the hand-held SmartStem System which replaces the existing valve stem in an aircraft wheel with a radio frequency equipped valve stem capable of communicating tire pressure, temperature, and other stored data wirelessly. The ease of use behind the SmartStem System reduces labor costs while the technology extends the life of a tire. SmartStem has been selected by Cessna for the business jet market and by Boeing for the 7E7. Its attributes include reducing labor costs and increasing tire warranty.

In 2004, the Aerospace Group established the Cabin Systems Solution set with the acquisition of Porter. In 2005, the Aerospace Group will complete a facility consolidation of the Porter Woodland Hills, California, site into the Hydro-Aire Burbank, California, site to improve further the combined profitability of these units.

Electronics Group

In 2004, Electronics Group sales increased \$24 million to \$204 million, with \$26 million of the increase resulting from full-year inclusion of the results of STC, acquired in May 2003. Operating profit declined by 16%, impacted by operational challenges largely the result of disruption from closure of a plant site obtained with the STC acquisition.

Electronics Group sales by market in 2004 were as follows: military/defense, 89%; commercial aerospace, 5%; medical, 4%; and space, 2%. The proportion of 2004 sales by Electronics Group solution set follows: Power Solutions, 50%; Microwave Systems Solutions, 22%; Electronic Manufacturing Solutions, 16%; and Microelectronics Solutions/AISD, 12%.

Power Solutions, the largest solution set of the Group, accounting for 50% of total Group revenue, includes both core business and STC acquired product lines. Revenue growth during 2004 was strong at 10%. Operating profit margins remained strong, the strongest for all product lines in the Electronics Group. Backlog at December 31, 2004 was 40% above prior year levels.

The Microwave Solution set, which accounts for 22% of the group's total revenue, suffered from a number of business challenges in 2004. In 2004, operating profit declined significantly as the business experienced design development and production throughput issues resulting from closure of the California site obtained with the STC acquisition. Numerous corrective actions were implemented during the fourth quarter of 2004. However, weak orders during 2004 resulted in a year-end backlog level 13% below prior year.

The Electronics Manufacturing Solutions set accounts for 16% of the Group's revenue. The 2004 operating profit decline was due to ramp-up production issues occurring early in the year which were partly offset by volume increases.

Outlook

For 2005, management expects the segment to show a modest increase in sales and operating profit with margins remaining stable as compared with the full year 2004. Engineering expenses for program wins, declining prices to OEMs and slightly lower aftermarket demand will be offset by profit from retrofit opportunities and productivity improvements.

Engineered Materials

| (dollars in millions) | 2004 | 2003 |
|-----------------------|--------|--------|
| Net sales | \$ 276 | \$ 240 |
| Operating profit | 54 | 48 |
| Assets | 188 | 186 |
| Operating margin | 19.6 % | 20 % |

Overview

The Engineered Materials segment consists of two business units, Kemlite and Polyflon. Kemlite is the world's largest manufacturer of fiberglass-reinforced plastic ("frp") panels for recreational vehicles ("RVs"), truck trailers, building products and industrial building materials. Polyflon is a manufacturer of small specialty components, primarily substitute materials for antennas.

2004 Operating Results

Engineered Materials sales increased \$36 million from \$240 million in 2003 to \$276 million in 2004. Operating profit increased \$6 million in 2004 to \$54 million compared with \$48 million in 2003, while operating margins were 19.6% in 2004 compared with 20.0% in 2003.

In 2004, Kemlite's sales increased 15%, while operating profit increased 12%. Sales of frp panels to the RV market were up 19% with demand at its highest level in over twenty-five years, as the RV build rates reached approximately 370,000 units in 2004. Sales of translucent roofs and interior scuff and liner panels for transportation trailers increased 18% in 2004 compared with 2003. Kemlite's sales also benefited from price increases, the introduction of new products and improved international market penetration. Operating margins in 2004 were down slightly, primarily as a result of rising raw material costs that started early in the year and continued to escalate throughout 2004. Price increases to customers did not fully offset the higher material costs during 2004.

Kemlite continued its operational excellence programs, focusing on cost reductions and working capital efficiencies. These operating efficiencies helped defray some of the substantial raw material cost increases. Kemlite's working capital metrics were as follows: inventory turned 17.7 times in 2004 compared with 15.4 times in 2003, while the working capital investment level was reduced to 5.3% as a percent of sales in 2004 compared with 7.5% in 2003. On-time delivery remained at 98% in both 2004 and 2003.

Polyflon's sales of \$3 million increased 21% in 2004, while operating profit increased 37%.

Outlook

The Engineered Materials segment expects increased sales in 2005 mainly as a result of price increases implemented in both 2004 and 2005. A stronger 2005 transportation market is expected to offset a slight decline in the RV market. Additional sales are expected from the successful displacement of other materials with frp in the manufacture of products in the transportation, RV and building products markets.

In the transportation industry, Kemlite has a substantial portion of the overall frp market but a much smaller share of the total panel market. Targeted substitution for frp panels include panels made from aluminum and other materials in dry vans and refrigerated trailers. Examples of this include displacement of steel, aluminum, wood and thermoplastic interior scuff panels in trailers, as well as aluminum in exterior roofing and sidewall panels.

In the RV market, where Kemlite's share of the total market is less than 50%, substitution targets include aluminum travel-trailer sidewalls, aluminum and hand laid-up motor home sidewalls, and rubber and aluminum roofing.

In the building products market, where Kemlite has a very small percentage of the market, a number of new decorative panel products have been recently introduced. Kemlite is targeting displacement of ceramic tile, wood, vinyl and other alternate materials in traditionally non-frp areas with its introduction, in October 2003, of the first product in the new decorative frp DesignSolution product line. The new decorative wall panel called Optimax HPL features a high-pressure laminate adhered to a Kemlite frp panel. Optimax HPL has been successfully accepted in the dining area of restaurants, because it is water resistant, easy to install and maintain, less expensive than traditional wall coverings and available in over 250 finishes in various patterns and colors. Optimax HPL sales in 2004 were approximately \$1 million and showed a continuous monthly growth trend. Kemlite introduced Matrex, a tile-like frp material that replaces ceramic tile, in late 2004 and plans to begin marketing Varietex, a lower priced decorative alternative in early 2005.

Management expects transportation market demand for frp to be stronger in 2005 than in 2004, but expects RV OEM demand to be slightly lower in 2005, following the 2004 build rates. Price increases to customers implemented during the second half of 2004 and the beginning of 2005 are expected to offset higher raw material costs in 2005. Management expects an increase in 2005 operating profit.

Merchandising Systems

| (dollars in millions) | 2004 | 2003 |
|-----------------------|--------|--------|
| Net sales | \$ 169 | \$ 155 |
| Operating profit | 10 | 3 |
| Assets | 122 | 113 |
| Operating margin | 5.7 % | 1.8 % |

Overview

The Merchandising Systems segment is comprised of two businesses: Crane Merchandising Systems (“CMS”), which makes food, snack and beverage vending machines as well as vending management software, and National Rejectors (“NRI”), which is based in Germany and makes coin changers and validators.

CMS, which accounted for over 80% of the 2004 segment sales, is located in St. Louis, Boston, and Chippenham, England. In 2004, approximately 30% of CMS’ business was in Europe, with the balance in North America. Crane Merchandising Systems’ competitive advantage in the North American market is the CMS direct-sales business model, which allows more cost-efficient distribution, shorter lead times on equipment purchases, and enhanced customer communications resulting in better customer service.

The CMS business unit is working to broaden product appeal to vending operators who are seeking to maximize return on investment and consumers who are looking for greater selection, product quality and transactional confidence.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

In 2004, CMS launched three new products. CMS's new Shopper unit, which replaces a 1987 model, includes sleek styling and 23% more vending volume than its predecessor product. The increased vending volume allows operators to offer a greater variety of merchandise including healthier items, such as salads. Other new features allow use of various payment methods, coins, bills and credit cards, which increase sales volume and thus raise return on investment for machine operators. The Refreshment Center is targeted to smaller sites, and will vend fresh food, snacks and beverages from one machine. The Genesis Tabletop Coffee Machine provides genuine espresso and fresh brew coffee for the European market. NRI is working toward expansion in the U.S. through a new payment system that will include a cash recycler that returns change in dollars and coins.

2004 Operating Results

Segment sales increased \$14 million, or 9%, from \$155 million in 2003 to \$169 million in 2004, and operating profit more than tripled in 2004 to \$10 million from \$3 million in 2003. Approximately half of the increase in sales was due to favorable foreign currency translation, with the balance resulting from a recovery in demand for European coin changing equipment and a modest increase in CMS shipments.

As most units are placed in factories or offices, CMS' business is heavily dependent on U.S. employment rates and commercial office occupancy. Employment rates have improved slightly from 2003 and office occupancy rates have stabilized.

CMS sales of \$141 million increased 6% in 2004, up from \$133 million in 2003, mainly from favorable foreign currency impacts and a modest volume increase. Operating profit increased 43% as a result of increased volume, productivity gains from cost reduction activities and operational efficiencies partially offset by increased raw material costs.

CMS has been focusing on operational excellence to significantly improve both customer focus and operations. CMS inventory turnover has improved to 6.0 turns in 2004 from 4.5 turns in 2003 (a 33% improvement) and 4.2 turns in 2002, a 43% improvement in two years. Operating working capital as a percentage of sales continued its favorable trend from 23% in 2002 to 20% at the end of 2003 and 17% at the end of 2004, a 26% improvement in two years. Customer metric improvements included on-time deliveries of 97% in both 2004 and 2003 and lead-times down to four days in 2004 from six days in 2002.

NRI's net sales in 2004 were \$28 million, up 24%, compared with 2003 sales of \$23 million. Sales benefited from favorable foreign currency translation and a modest increase in demand in Europe for the coin validator products. NRI had an operating loss in both 2003 and 2004, although significantly reduced in 2004. Lower 2004 severance costs and an improved cost structure from headcount reductions benefited 2004 results. Severance costs were \$1.5 million in 2004 and \$3.1 million in 2003.

Outlook

Key market drivers, employment rates and commercial office occupancy, stabilized in 2004. Management expects a substantial increase in the Merchandising Systems 2005 operating profit, benefiting from prior period right sizing of both NRI and CMS, new product initiatives, cost containment programs, strengthening end-market demand throughout 2005 and continued margin improvement.

Fluid Handling

| (dollars in millions) | 2004 | 2003 |
|-----------------------|--------|--------|
| Net sales | \$ 862 | \$ 748 |
| Operating profit | 52 | 44 |
| Assets | 735 | 648 |
| Operating margin | 6.1 % | 5.8 % |

Overview

The Fluid Handling segment consists of the Valve Group, Crane Ltd., Resistoflex-Industrial, Crane Pumps & Systems, Crane Supply and Crane Environmental. The Valve Group manufactures and sells various types of industrial and commercial valves and provides valve testing, parts and services. Crane Ltd. manufactures pipe fittings, commercial valves, couplings and connectors for the building services, gas and water utility markets. Resistoflex-Industrial manufactures lined pipe and fittings. Crane Pumps & Systems manufactures and sells pumps for a wide range of applications. Crane Supply is a Canada-based distributor of pipe, valves and fittings, and Crane Environmental manufactures specialized water purification solutions for industrial and commercial markets.

Revenues of the Fluid Handling segment in 2004 were derived as follows: Valve Group, 53%; Crane Ltd., 14%; Resistoflex-Industrial Products, 5%; Crane Pumps & Systems, 11%; Crane Supply, 15%; and Crane Environmental, 2%.

During 2004, the Fluid Handling segment experienced core sales growth (excluding foreign exchange and acquisitions), as well as margin improvement in several businesses. However, this segment continued to face significant challenges in 2004: unsatisfactory margin levels at certain businesses, largely due to escalation in raw material costs; both internal and external supply chain disruptions and transition problems relating to shifting the production of commodity valves to low-cost countries (China and Mexico).

Improvement in end-market conditions in the segment's chemical processing, power and hydrocarbon/oil and gas markets began in 2004, as evidenced by growth in emerging markets for industrial valves, increased demand for maintenance, repair and overhaul ("MRO") and small projects and strengthened demand in U.S. power service.

In January 2004, the Company acquired the Hattersley valve brand and business for \$6 million, a subsidiary of Tomkins plc, whose branded products include an array of valves for commercial, industrial and institutional construction projects. In June 2003, the Company purchased for \$28 million certain pipe coupling and fittings businesses from Etex Group S.A. ("Etex"). Both of these acquisitions have been integrated into Crane Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

In December 2004, the Company sold the Victaulic trademark and related assets, acquired in connection with the acquisition of certain valve and fittings product lines from Etex S.A. Group for \$15.3 million in an all cash transaction. The Company realized an after-tax gain of \$6.5 million, or \$.11 per share, on the sale.

2004 Operating Results

Fluid Handling sales of \$862 million in 2004 increased \$114 million, or 15%, from \$748 million in 2003. Sales growth was 4% from core businesses (\$30 million), 6% from acquisitions (\$46 million) and 5% from favorable foreign currency translation (\$38 million). Core business growth was driven by higher shipments of certain valve and pump products and Crane Supply performance. Operating profit of \$52 million in 2004 increased \$8 million, or 20%, compared with \$44 million in 2003. This increase is primarily a result of the higher revenue and operating efficiencies from facility closures and workforce reductions coupled with reduced severance costs in 2004. Operating profit margin was 6.1% in 2004 compared with 5.8% in the prior year.

Valve Group sales of \$460 million increased \$38 million, or 9%, from \$422 million in the prior year. Approximately half of the increase was from favorable foreign currency translation (\$20 million); the remaining \$18 million, or 4%, reflects increased product shipments to the industrial and chemical process markets and, to a lesser degree, price increases. Valve Group operating profit increased 25% as a result of the benefits from the higher sales level and lower costs from prior year facility and work force rationalizations partially offset by poor performance in the marine valve business from significant material cost increases on long-term, fixed-price contracts with customers. The challenge for the Valve Group continues to be attaining price increases to offset material cost increases, establishing robust supply chains from low-cost country sources and continuing the improvement in business processes and productivity. Valve Group inventory turns have improved to 3.3 times at December 31, 2004 from 3.0 times at December 31, 2003, while working capital as a percent of sales was 28.5% at December 31, 2004 compared with 30.4% at December 31, 2003.

Crane Ltd. sales increased 67%, to \$120 million, in 2004 compared with 2003 due to the incremental revenue from the Hattersley and Etex acquisitions and favorable foreign exchange. Demand continued to be weak in the core commodity valve product line in the domestic U.K. market. Margins were depressed, impacted by product availability issues and higher material costs. Operating profit increased \$2 million in 2004 to \$7 million. Excluding acquisitions, operating profit declined by \$1 million. For Crane Ltd., 2004 was a year of consolidation and transition as acquisitions were integrated. Two sites acquired with the Etex acquisition were consolidated and closed while the Hattersley product line acquisition included a move to integrate it into an existing Crane Ltd. location. The migration of certain brand manufacturing to low-cost countries together with the impact of customer price increases implemented in 2004 are expected to improve operating profit in 2005.

Resistoflex-Industrial sales of \$42 million in 2004 were flat compared with 2003, while operating profit increased \$2 million. This increase in operating profit was largely due to the full year benefits gained from the Bay City, Michigan, facility closure in early 2003 while European productivity improvements provided additional benefit.

Crane Pumps & Systems' net sales of \$100 million increased \$6 million, or 7%, in 2004 compared with 2003. This sales improvement was a result of aggressive marketing toward the professional plumbing market and expansion of the decorative water feature product line. Government shipments also increased from 2003, reflecting the growth in military spending in the U.S. and abroad. Operating margins were 11.4% in 2004 compared with 12.5% in 2003. Operating profit, in 2004, included \$.9 million of closure costs related to the Salem, Ohio manufacturing facility which began in the fourth quarter of 2004 and is expected to be completed in 2005.

Net sales at Crane Supply increased \$22 million, or 20%, compared with 2003. Operating profit increased \$3 million, or 36%, in 2004 compared with 2003. This improved performance was a result of increased sales of core products of pipe, valves and fittings as well as services differentiation through the business solutions group. In 2004, Crane Supply focused on transitioning to one operating company with 33 operating locations across Canada. Local management has implemented changes to infrastructure to become more consistent from location to location and front-end focused to improve customer metrics, specifically lead times, on-time delivery and quality. This transition is expected to continue into 2005.

Outlook

Management expects gradual improvement in certain Fluid Handling end markets throughout 2005, particularly in the chemical processing industry. It expects to leverage more effectively increased volumes for improved profit margin, realizing benefits from its multi-year efforts to rationalize manufacturing facilities, headcount and overall operating costs. The Company will continue to implement price increases during early 2005 to mitigate the adverse effect of higher raw material costs. Raw material costs are expected to stabilize and remain at year-end 2004 levels.

Controls

| (dollars in millions) | 2004 | 2003 |
|-----------------------|-------|-------|
| Net sales | \$ 72 | \$ 64 |
| Operating profit | 5 | 4 |
| Assets | 50 | 50 |
| Operating margin | 7.7 % | 7.2 % |

Overview

The Controls segment is comprised of the Barksdale, Azonix and Dynalco businesses. Barksdale is a producer of ride-leveling, air-suspension control valves for heavy trucks and trailers, as well as pressure, temperature and level sensors used in a range of industrial machinery and equipment. Azonix/Dynalco is an established manufacturer of electronic human-machine interface panels for harsh and hazardous environments typically found on oil rigs and platforms, as well as large engine compressor monitoring and diagnostic systems.

In 2004, Controls entered new growth markets, such as on-road transportation and diesel engine monitoring and diagnostics. Its approach to growing the business has resulted in broadening service capabilities to leverage its installed product base and strengthening its sales channels.

2004 Operating Results

Controls net sales of \$72 million increased \$8 million in 2004 compared with 2003, as all businesses experienced improvements in market conditions, particularly the truck manufacturing, oil and gas exploration, gas gathering and transmission and hydrocarbon processing markets. Most of the segment's businesses have benefited from the resurgence of industrial capital spending and a strong transportation market. Segment operating profit of \$5 million increased \$1 million in 2004 above 2003, primarily as a result of these improved sales levels, particularly at Barksdale.

Barksdale's 2004 net sales increased 16% from the prior year. This increase is attributable to market growth, favorable foreign exchange and new products. Barksdale's foreign operation has benefited from the recovery of the European economy in the second half of 2004. Barksdale's operating profit increased 88% from the prior year primarily as a result of leveraging the incremental sales volume.

Azonix/Dynalco's net sales increased 10% in 2004 from the prior year. This increase is attributable to market growth and new products. Operating profit was flat as compared with the prior year.

For the segment, inventory turns have increased to 4.2 times at December 31, 2004 compared with 3.6 times at December 31, 2003, while working capital as a percent of sales was 20% at December 31, 2004 compared with 22% at December 31, 2003.

Outlook

Management expects end markets to be stable in 2005.

Corporate

| (dollars in millions) | 2004 | 2003 |
|--|------------|-----------|
| Corporate expense | \$ (28) | \$ (25) |
| Corporate expense – Asbestos charge | (307) | — |
| Corporate expense – Environmental charge | (40) | (1) |
| Total Corporate | (375) | (26) |
| Interest income | 1 | 1 |
| Interest expense | (23) | (20) |
| Miscellaneous – net | 15 | 1 |
| Effective tax rate on income | 37.3 % | 31.0 % |

Corporate expense increased \$349 million in 2004 due to asbestos and environmental charges (\$346 million) and employee-related costs (\$3 million).

Corporate expense – asbestos charges On October 21, 2004 the Company reached an agreement in principle with representatives of a majority of current claimants and an independent representative of future claimants to resolve all current and future asbestos-related personal injury claims against the Company, to be structured and implemented pursuant to Section 524(g) of the U.S. Bankruptcy Code. On that date, MCC Holdings, Inc., an indirect wholly owned subsidiary of the Company formerly known as Mark Controls Corporation (“MCC”), entered into a Master Settlement Agreement (“MSA”) with representatives of a majority of current claimants and a Settlement Trust Agreement, which provided for a \$280 million trust (the “MCC Settlement Trust”) to be funded and administered to pay asbestos-related personal injury claims settled under the MSA. In connection with the terms of the MSA, which would have brought finality to this overall obligation, a third quarter 2004 asbestos charge of \$322 million (pre-tax and after insurance) was recorded.

On December 2, 2004, the United States Court of Appeals for the Third Circuit reversed the District Court order approving Combustion Engineering's asbestos-related bankruptcy plan of reorganization and addressed the scope of Section 524(g) and the appropriate structure of transactions providing relief for asbestos defendant companies under Section 524(g). The Court's opinion, in the Company's view, constituted a material change in the case law regarding Section 524(g) transactions, and accordingly, on January 24, 2005, the Company exercised its right to terminate the MSA.

The termination of the MSA placed the Company and asbestos claimants back into the tort system for the resolution of claims. In the fourth quarter, Crane Co. management, with the assistance of outside experts, made its best estimate of settlement and defense costs through 2011 (including certain related fees and expenses). In making this estimate, the Company adjusted the assumed rate of insurance recoveries

from 30% in the context of the proposed comprehensive asbestos settlement back to 40% of the estimated liability payable over time in the tort system. The estimated asbestos liability was reviewed in light of these changes and resulted in a \$14 million reduction in the 2004 estimated cost after anticipated insurance recoveries but before tax. The principal factor affecting the lower asbestos liability estimate under the tort system versus the MSA is a higher insurance recovery rate, partly offset by the inclusion of defense costs under the tort system.

Corporate expense – Environmental charge The environmental charge includes anticipated environmental cleanup costs which are based on an agreement with the U.S. Environmental Protection Agency on the scope of work for further investigation and remediation of the Company's Goodyear, Arizona Superfund site.

Interest expense increased \$3 million to \$23 million in 2004 compared with 2003 due to higher borrowing levels in support of acquisitions, share repurchases and asbestos-related costs as well as increased short-term interest rates.

Miscellaneous – net income was \$15 million in 2004 compared with \$1 million on 2003. 2004 included income of \$9 million from the sale of the Victaulic trademark and business assets; \$4 million of equity income from the Ferguson business, and other asset sales generating income of \$2 million. 2003 reflects income of \$3 million from the Ferguson joint venture partly offset by asset disposal costs and other miscellaneous costs.

The effective tax rate was 37.3% in 2004 compared with 31.0% in 2003 as a result of the federal tax benefits related to the asbestos and environmental charges recorded in 2004.

Liquidity and Capital Resources

Cash Flow In 2004, the Company generated cash flow from operations of \$149 million before asbestos-related payments of \$38 million. The Company invested \$22 million in capital expenditures, paid \$24 million in dividends, repurchased shares for \$43 million and invested \$50 million in two acquisitions. Additionally, cash of \$15 million was generated from the fourth quarter 2004 sale of Victaulic.

Cash payments related to asbestos settlement and defense costs, and certain related fees and expenses are estimated to be in the range of \$50 million to \$70 million during 2005, which will be offset to some degree by reimbursements from insurers and tax benefits.

The Company's operating philosophy is to use cash flow from operations to return value to shareholders through the payment of dividends and/or share repurchases, reinvesting in existing businesses and making acquisitions that will complement its portfolio of businesses.

Long-Term Debt and Loans Payable Net debt decreased by \$7 million to \$246 million at December 31, 2004 as compared to December 31, 2003. The net debt to capital percentage was 27.1% at December 31, 2004, up from 24.4% at December 31, 2003.

As of December 31, 2004, the Company, or its subsidiaries, also had various local currency credit lines, with maximum available borrowings of \$33 million, underwritten by banks primarily in Canada, Germany, Norway and the United Kingdom. These credit lines are typically available for borrowings up to 364 days and are renewable at the option of the lender. There was \$0.4 million outstanding under these facilities at December 31, 2004.

At December 31, 2004, the Company had open standby letters of credit of \$23 million issued pursuant to a Letter of Credit Reimbursement Agreement and certain other credit lines, substantially all of which expire in 2005.

The Company entered into a four-year \$300 million revolving credit facility in July 2003, and terminated it on January 21, 2005 upon execution of a new \$450 million credit facility described below. The contractually committed facility was unused at December 31, 2004, and at the termination date. The agreement contained certain covenants including interest coverage and leverage ratio tests. At December 31, 2004, the status of compliance with these financial covenants was as follows:

| | December 31, 2004 | |
|---|-------------------|-------------|
| | Requirement | Actual |
| Interest coverage ratio ⁽¹⁾⁽²⁾ | 3.0to1.0 | (5.51)to1.0 |
| Leverage ratio ⁽³⁾ | 65 % | 30.9 % |

⁽¹⁾ Ratio of income before taxes adjusted for interest expense, depreciation and amortization and asbestos-related cash payments to interest expense

⁽²⁾ The lenders, prior to December 31, 2004, waived the failure to meet this financial covenant as an event of default.

⁽³⁾ Ratio of total debt to total capitalization

On January 21, 2005, the Company entered into a \$450 million credit facility consisting of a \$300 million revolving credit component and a \$150 million term loan component. This contractually committed facility expires on January 21, 2010. The revolving credit allows the Company to borrow, repay or, to the extent permitted by the agreement, prepay and re-borrow at any time prior to the stated maturity date, and the loan proceeds may be used for general corporate purposes including financing for acquisitions. The term loan component may only be drawn, under certain conditions, for the funding of a comprehensive asbestos settlement. The term loan commitment period expires on December 31, 2005 or may be extended with consent of lenders to June 30, 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Any amounts drawn under the term loan will be repaid on a quarterly basis until the stated expiration date of the facility. The contractually committed facility was unused at February 18, 2005. The agreement contains certain covenants including interest coverage and leverage ratio tests. The following table illustrates the compliance with these financial covenants as if the credit facility was in place at December 31, 2004:

December 31, 2004

| | Requirement | Actual |
|---|-------------|-----------|
| Interest coverage ratio ⁽¹⁾⁽²⁾ | 3.0to1.0 | 11.8to1.0 |
| Leverage ratio ⁽³⁾ | 65 % | 30.9 % |

⁽¹⁾ Ratio of income before taxes adjusted for interest expense, depreciation and amortization and asbestos-related cash payments to interest expense.

⁽²⁾ The interest coverage ratio excludes the asbestos- and environmental-related charges recorded as of September 30, 2004.

⁽³⁾ Ratio of total debt to total capitalization

The Company has an effective shelf registration, filed on Form S-3 with the Securities and Exchange Commission, allowing it to issue, in one or more offerings, up to \$300 million in either senior or subordinated debt securities.

The Company believes that funds generated by its operations and funds available under current or new credit facilities will be sufficient to finance short and long-term capital requirements.

Credit Ratings As of December 31, 2004, the Company's senior unsecured debt was rated BBB by Standard & Poor's ("S&P") and Baa2 by Moody's Investors Service ("Moody's"). Under prevailing market conditions, the Company believes that these ratings afford it adequate access to the public and private markets for debt.

Contractual Obligations Under various agreements, the Company is obligated to make future cash payments in fixed amounts. These include payments under the Company's long-term debt agreements and rent payments required under operating lease agreements. The following table summarizes the Company's fixed cash obligations as of December 31, 2004:

| (in thousands) | Payments due by period | | | | |
|--------------------------------------|------------------------|-----------------------|-------------------|------------------|----------------------|
| | Total | Less than one year | 1-3 years | 3-5 years | More than 5 years |
| Long-term debt* | \$ 300,111 | \$ 11 | \$ 100,000 | — | \$ 200,100 |
| Operating lease payments | 49,842 | 14,409 | 23,476 | 11,957 | — |
| Purchase obligations | 19,711 | 18,762 | 949 | — | — |
| Pension and post-retirement benefits | 296,900 | 26,700 | 55,300 | 58,400 | 156,500 |
| TOTAL | \$ 666,564 | \$ 59,882 | \$ 179,725 | \$ 70,357 | \$ 356,600 |

* Excludes deferred financing costs and original issue discount

Capital Structure

The following table sets forth the Company's capitalization:

| (dollars in thousands) December 31 | 2004 | 2003 |
|--|---------|------------|
| Current maturities of long-term debt and loans payable | \$ 371 | \$ 100,275 |
| Long-term debt | 296,592 | 295,861 |
| Total debt | 296,963 | 396,136 |
| Less cash | 50,727 | 142,518 |
| Net Debt | 246,236 | 253,618 |
| Common shareholders' equity | 663,694 | 786,251 |
| Total capitalization | 909,930 | 1,039,869 |
| Net debt to shareholders' equity | 37.1 % | 32.3 % |
| Net debt to total capitalization | 27.1 % | 24.4 % |

Common shareholders' equity decreased \$123 million primarily as a result of the asbestos and environmental charges of \$229 million, cash dividends and open-market share repurchases totaling \$66 million partly offset by earnings from segment operating profit, favorable currency impacts and equity contributions related to stock award programs.

Off-Balance Sheet Arrangements

The Company is a party to a contractually committed off-balance sheet chattel paper financing facility that enables its Crane Merchandising Systems ("CMS") business to offer various sales support financing programs to its customers. At December 31, 2004, \$32 million was outstanding. Recourse to the Company for all uncollectible loans made to CMS's customers by the banks under this agreement is limited to 20% of the outstanding balance per year.

The Company does not have any majority-owned subsidiaries that are not included in the consolidated financial statements, nor does it have any interests in or relationships with any special purpose off-balance sheet financing entities.

The Company's \$27 million investment in the IMC joint venture (the Ferguson business) is accounted for under the equity method of accounting. The Company has not guaranteed any of IMC's debt or made commitments for any additional investment.

Application of Critical Accounting Policies

The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States. The Company's significant accounting policies are more fully described in the Accounting Policies note to the consolidated financial statements. Certain accounting policies require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. On an on-going basis, management evaluates its estimates and assumptions, and the effects of revisions are reflected in the financial statements in the period in which they are determined to be necessary. The accounting policies described below are those that most frequently require management to make estimates and judgments and, therefore, are critical to understanding the Company's results of operations. Senior management has discussed the development and selection of these accounting estimates and the related disclosures with the Audit Committee of the Company's Board of Directors.

Accounts Receivable The Company continually monitors collections from customers, and in addition to providing an allowance for uncollectible accounts based upon a customer's financial condition, it provides a provision for estimated credit losses when customer accounts exceed 90 days past due. The Company aggressively pursues collection efforts on these overdue accounts and upon collection reverses the write-off.

Inventories The Company values inventory at the lower of cost or market. Domestic locations are principally on the last-in, first-out ("LIFO") method of inventory valuation. The Company regularly reviews inventory values on hand and records a provision for excess and obsolete inventory primarily based on historical performance and the Company's forecast of product demand over the next two years. As actual future demand or market conditions vary from those projected by management, adjustments will be required.

Valuation of Long-Lived Assets The Company reviews the carrying value of long-lived assets for continued appropriateness as circumstances warrant. These reviews are based upon projections of anticipated future undiscounted cash flows. While the Company believes these estimates of future cash flows are reasonable, different assumptions regarding such cash flows could materially affect valuations.

Goodwill and Other Intangible Assets As of December 31, 2004, the Company had \$591 million of goodwill and indefinite lived intangible assets. Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142") "Goodwill and Other Intangible Assets." Under SFAS 142, goodwill and intangibles with indefinite useful lives are no longer amortized. SFAS 142 also requires, at a minimum, an annual assessment of the carrying value of goodwill and intangibles with indefinite useful lives. If the carrying value of goodwill or an intangible asset exceeds its fair value, an impairment loss shall be recognized. A discounted cash flow model was used to determine the fair value for purposes of testing goodwill and indefinite lived intangible assets for impairment. An impairment charge of \$28 million was recorded in 2002 upon adoption of SFAS 142, and additional charges may be necessary in the future if circumstances change indicating an impairment of goodwill or indefinite lived intangible assets. Subsequent to adoption of SFAS 142 in 2002, no additional impairment charges were required.

Contingencies The Company is subject to a number of proceedings, lawsuits and other claims (some of which involve substantial dollar amounts) that arise out of the conduct of normal business operations. Certain claims, which are also among the most significant claims the Company is facing, relate to activities conducted or alleged to have been conducted and to business activities that ceased decades ago. They relate principally to asbestos-related claims and environmental matters as set forth in the "Asbestos Liability" and "Other Contingencies" notes to the consolidated financial statements. In general, a liability is recognized for any contingency that is probable and reasonably estimable based on management's judgment. In estimating the net liability for a contingency, the Company records an asset for the amount considered probable of recovery from its insurance coverage.

As previously discussed, management, with the assistance of outside experts, has reviewed the estimated asbestos liability in light of the termination of the MSA. Because of the many uncertainties inherent in predicting the course of asbestos litigation, management believes that it is not possible to make a meaningful estimate of the Company's asbestos liability beyond the year 2011. Based on its most recent experience, the Company has made its best estimate of the costs through 2011 of resolving asbestos claims in the tort system. The Company's best estimate of settlement and defense costs for both pending and future claims through 2011 (including certain related fees and expenses) amounted to \$650 million at December 31, 2004 as compared to \$193 million at December 31, 2003, or \$393 million and \$116 million, respectively, after probable insurance recoveries. At both December 31, 2004 and 2003, approximately 60% of the asbestos liability represented the estimated cost of future claims against the Company. Total asbestos charges, which were included in Corporate expense for both 2004 and 2002, were as follows: \$307 million in 2004, \$115 million in 2002, and no charges in 2003. Total cash payments for settlement and defense costs were \$20 million in 2004, \$8 million in 2003 and \$2 million in 2002, net of cost sharing arrangements with insurers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

The Company has retained the firm of Hamilton, Rabinovitz & Alschuler, Inc. ("HR&A"), a nationally recognized expert in the field, to assist management in estimating the Company's asbestos liability in the tort system and in view of the termination of the Master Settlement Agreement. HR&A reviewed information provided by the Company concerning claims filed, settled and dismissed, amounts paid in settlements and relevant claim information such as the nature of the asbestos-related disease asserted by the claimant, the jurisdiction where filed and the time lag from filing to disposition of the claim. The methodology used by HR&A to project future asbestos costs was based largely on the Company's experience during the past two years for claims filed, settled and dismissed. The Company's experience was compared to the results of previously conducted epidemiological studies estimating the number of people likely to develop asbestos-related diseases. Those studies were undertaken in connection with national analyses of the population of workers believed to have been exposed to asbestos. Using that information, HR&A estimated the number of future claims that would be filed, as well as the related settlement or indemnity costs that would be incurred to resolve those claims. This methodology has been accepted by numerous courts and is the same methodology that is utilized by the expert who is routinely retained by the asbestos claimants committee in asbestos-related bankruptcies. After discussions with the Company, HR&A assumed that costs of defending asbestos claims in the tort system would increase to \$35 million in 2005 and remain at that level (with increases of 4% per year for inflation) indexed to the number of estimated pending claims in future years. Based on this information, HR&A compiled an estimate of the Company's asbestos liability for pending and future claims, based on claim experience over the past two years and covering claims expected to be filed through the year 2011. Although the methodology used by HR&A will also show claims and costs for periods subsequent to 2011 (up to and including the endpoint of the asbestos studies referred to above), management believes that the level of uncertainty is too great to provide for reasonable estimation of the number of future claims, the nature of such claims or the cost to resolve them for years beyond 2011, particularly given the possibility of federal legislation within that time frame. While it is reasonably possible that the Company will incur additional charges for asbestos liabilities and defense costs in excess of the amounts currently provided, the Company does not believe that any such amount can be reasonably estimated beyond 2011. Accordingly, no accrual has been recorded for any costs which may be incurred beyond 2011.

Estimation of the Company's ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims. The Company cautions that its estimated liability is based on assumptions with respect to future claims, settlement and defense costs based on recent experience during the last few years that may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would any substantial adverse verdict at trial. A legislative solution or a revised structured settlement transaction could also change the estimated liability.

Since many uncertainties exist surrounding asbestos litigation, the Company will continue to evaluate its estimated asbestos-related liability and corresponding estimated insurance reimbursement as well as the underlying assumptions and process used to derive these amounts. These uncertainties may result in the Company incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if escalation in the number of claims and settlement and defense costs continues or if legislation or another alternative solution is implemented; however, the Company is currently unable to estimate such future changes. Although the resolution of these claims may take many years, the effect on results of operations, cash flow and financial position in any given period from a revision to these estimates could be material.

See the full disclosure related to the Company's asbestos liability in the notes to the consolidated financial statements on page 54.

For environmental matters, the Company records a liability for estimated remediation costs when it is probable that the Company will be responsible for such costs and they can be reasonably estimated. Generally, third party specialists assist in the estimation of remediation costs. The environmental remediation liability at December 31, 2004 is primarily for the former manufacturing site in Goodyear, Arizona (the "Site") discussed below.

The Site was operated by UniDynamics/Phoenix, Inc. ("UPI"), which became an indirect subsidiary of the Company in 1985 when the Company acquired UPI's parent company UniDynamics Corporation. UPI manufactured explosive and pyrotechnic compounds, including components for critical military programs, for the U.S. government at the Site from 1962 to 1993, under contracts with the Department of Defense and other government agencies and certain of their prime contractors. No manufacturing operations have been conducted at the Site since 1994. The Site was placed on the

National Priorities List in 1983, and is now part of the Phoenix-Goodyear Airport North Superfund site. In 1990 the Environmental Protection Agency ("EPA") issued administrative orders requiring UPI to design and carry out certain remedial actions, which UPI has done. Groundwater extraction and treatment systems have been in operation at the Site since 1994. A soil vapor extraction system was in operation from 1994 to 1998, was restarted in 2004 and is currently in operation. Since 1994, the on-site groundwater treatment facility and soil vapor extraction system have removed approximately 36,000 pounds of trichloroethylene ("TCE") from the soil and groundwater at the Site.

In September 2004, after extensive negotiations regarding the scope of work to be undertaken at the Site after discovery of additional TCE contamination and the detection of perchlorate during routine testing, the Company reached an agreement in principle with the EPA on a work plan for further investigation and remediation activities at the Site. This agreement is expected to be incorporated into a consent decree between the Company and the EPA in the near future. The Company recorded a before-tax charge of \$40 million in the third quarter 2004 for the estimated costs through 2014 of further environmental investigation and remediation at the Site, based on this agreement in principle with the EPA. Total environmental costs amounted to \$0.6 million in 2003 and \$8 million in 2002. The Company does not believe that the ultimate liability for costs to be incurred in connection with the Site will have a material effect on the Company's financial condition or cash flows; however, there can be no assurance that such costs will not have a material adverse effect on the Company's results of operations in any given period.

Although it is impossible to predict the outcome of particular lawsuits or claims, the notes to the consolidated financial statements mentioned above provide a summary of the uncertainties inherent in the process, the significant contingencies currently pending against the Company and the expectations related to the financial outcome of such contingencies. Adjustments to the amounts accrued will be made as circumstances change.

Pension Plans In the U.S., the Company, along with a number of its subsidiaries, sponsors a defined benefit pension plan that covers approximately 62% of all employees. The benefits are based on years of service and compensation on a final average pay basis, except for certain hourly employees where benefits are fixed per year of service. These plans are funded with a trustee in respect of past and current service. Charges to expense are based upon costs computed by independent actuaries. The Company's funding policy is to contribute annually amounts that are allowable for federal or other income tax purposes. These contributions are intended to provide for future benefits earned to date and those expected to be earned in the future. A number of the Company's non-U.S. subsidiaries sponsor defined benefit pension plans that cover approximately 35% of all non-U.S. employees. The benefits are typically based upon years of service and compensation. These plans are funded with a trustee (or trustees) in respect of past and current service. Charges to expense are based upon costs computed by independent actuaries. The Company's funding policy is to contribute annually amounts that are allowable for tax purposes or mandated by local statutory requirements. These contributions are intended to provide for future benefits earned to date and those expected to be earned in the future.

The net periodic pension cost was \$7 million, in both 2004 and 2003, and \$0.4 million in 2002. Employer cash contributions were \$3 million in 2004 and 2003 and \$0.2 million in 2002. The Company expects, based on current actuarial calculations, to contribute cash of approximately \$9 million to its pension plan in 2005. Cash contributions in subsequent years will depend on a number of factors including the investment performance of plan assets.

The following key assumptions were used to calculate the benefit obligation and net periodic cost for the periods indicated:

| December 31, | Pension Benefits | | |
|--|------------------|--------|--------|
| | 2004 | 2003 | 2002 |
| Benefit Obligations | | | |
| U.S. Plans: | | | |
| Discount rate | 6.25 % | 6.40 % | 6.75 % |
| Rate of compensation increase | 3.27 % | 3.40 % | 3.75 % |
| Non-U.S. Plans: | | | |
| Discount rate | 5.48 % | 5.56 % | 5.66 % |
| Rate of compensation increase | 3.60 % | 3.53 % | 4.21 % |
| Net Periodic Cost | | | |
| U.S. Plans: | | | |
| Discount rate | 6.40 % | 6.75 % | 7.25 % |
| Expected rate of return on plan assets | 8.75 % | 8.75 % | 8.75 % |
| Rate of compensation increase | 3.40 % | 3.75 % | 4.25 % |
| Non-U.S. Plans: | | | |
| Discount rate | 5.56 % | 5.66 % | 5.79 % |
| Expected rate of return on plan assets | 6.79 % | 6.80 % | 7.22 % |
| Rate of compensation increase | 3.53 % | 4.21 % | 4.20 % |

In developing the long-term rate of return assumption, the Company evaluated input from actuaries and investment consultants as well as long-term inflation assumptions. Projected returns by such consultants are based on broad equity and bond indices.

The discount rate used by the Company for valuing pension liabilities is based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations.

Postretirement Benefits Other than Pensions The Company and certain of its subsidiaries provide postretirement health care and life insurance benefits to current and former employees, hired before January 1, 1990, who meet minimum age and years of service requirements. The Company does not pre-fund these benefits and retains the right to modify or terminate the plan. The Company expects, based on current actuarial calculations, to contribute cash of \$2.1 million to its postretirement benefit plans in 2005.

Quantitative and Qualitative Disclosures about Market Risks

The Company's cash flows and earnings are subject to fluctuations from changes in interest rates and foreign currency exchange rates. The Company manages its exposures to these market risks through internally established policies and procedures and, when deemed appropriate, through the use of interest-rate swap agreements and forward exchange contracts. Total debt outstanding of \$297 million at December 31, 2004, was generally at fixed rates of interest ranging from 5.50% to 6.75%. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

Forward Looking Statements

Throughout this Annual Report to Shareholders, particularly in the President's Letter to Shareholders on pages 15-19 and in the sections of Management's Discussion and Analysis of Operations on pages 22-41, the Company makes numerous statements about expectations of future performance and market trends and statements about plans and objectives and other matters, which because

they are not historical fact may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Similar forward-looking statements are made in reports to the Securities and Exchange Commission, press releases, reports and documents and in written and oral presentations to investors, shareholders, analysts and others, regarding future results or expected developments. Readers are cautioned to consider, among others, the risk factors that will be described in the Company’s Form 10-K for the period ended December 31, 2004 filed with the Securities and Exchange Commission in March 2005, when evaluating such forward-looking statements about future results or developments.

Management’s Discussion and Analysis of Operations continues on page 64.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

| For years ended December 31, | 2004 | 2003 | 2002 |
|--|----------------------|-------------------|---------------------|
| Net sales | \$ 1,890,335 | \$ 1,635,991 | \$ 1,516,347 |
| Operating costs and expenses: | | | |
| Cost of sales – operations | 1,298,874 | 1,105,566 | 1,031,593 |
| Asbestos charge | 307,794 | — | 115,285 |
| Environmental charge | 40,000 | 600 | 7,673 |
| Selling, general and administrative | 405,157 | 360,813 | 322,125 |
| | 2,051,825 | 1,466,979 | 1,476,676 |
| Operating (loss) profit | (161,490) | 169,012 | 39,671 |
| Other income (expense): | | | |
| Interest income | 1,366 | 1,186 | 2,285 |
| Interest expense | (23,161) | (20,010) | (16,900) |
| Miscellaneous – net | 15,115 | 976 | (603) |
| | (6,680) | (17,848) | (15,218) |
| (Loss) income before income taxes and cumulative effect of a change in accounting principle | (168,170) | 151,164 | 24,453 |
| (Benefit) provision for income taxes | (62,749) | 46,861 | 7,825 |
| (Loss) income before cumulative effect of a change in accounting principle | (105,421) | 104,303 | 16,628 |
| Cumulative effect of a change in accounting principle | — | — | (28,076) |
| Net (loss) income | \$ (105,421) | \$ 104,303 | \$ (11,448) |
| Basic net (loss) income per share: | | | |
| (Loss) income before cumulative effect of a change in accounting principle | \$ (1.78) | \$ 1.76 | \$ 0.28 |
| Cumulative effect of a change in accounting principle | — | — | (0.47) |
| Net (loss) income | \$ (1.78) | \$ 1.76 | \$ (0.19) |
| Average basic shares outstanding | 59,251 | 59,394 | 59,728 |
| Diluted net (loss) income per share: | | | |
| (Loss) income before cumulative effect of a change in accounting principle | \$ (1.78) | \$ 1.75 | \$ 0.28 |
| Cumulative effect of a change in accounting principle | — | — | (0.47) |
| Net (loss) income | \$ (1.78) | \$ 1.75 | \$ (0.19) |
| Average diluted shares outstanding | 59,251 | 59,716 | 59,728 |

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

(in thousands except share data)

| Balance at December 31, | 2004 | 2003 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 50,727 | \$ 142,518 |
| Accounts receivable | 308,140 | 248,492 |
| Inventories | 284,291 | 235,431 |
| Deferred tax asset | 46,983 | 23,313 |
| Other current assets | 12,665 | 12,022 |
| Total current assets | 702,806 | 661,776 |
| Net property, plant and equipment | 287,596 | 302,638 |
| Other assets | 482,575 | 254,398 |
| Intangible assets | 64,450 | 56,725 |
| Goodwill | 579,081 | 536,239 |
| | \$ 2,116,508 | \$ 1,811,776 |
| Liabilities and shareholders' equity | | |
| Current liabilities: | | |
| Current maturities of long-term debt and loans payable | \$ 371 | \$ 100,275 |
| Accounts payable | 161,477 | 116,885 |
| Accrued liabilities | 225,530 | 171,438 |
| U.S. and foreign taxes on income | 22,636 | 29,976 |
| Total current liabilities | 410,014 | 418,574 |
| Long-term debt | 296,592 | 295,861 |
| Accrued pension and postretirement benefits | 40,518 | 39,742 |
| Deferred tax liability | 71,367 | 57,738 |
| Other liabilities | 634,323 | 213,610 |
| Preferred shares, par value \$.01; 5,000,000 shares authorized | — | — |
| Common shareholders' equity: | | |
| Common shares, par value \$1.00; 200,000,000 shares authorized; 72,426,139 shares issued; 59,203,270 shares outstanding (59,676,111 in 2003) after deducting 13,222,869 treasury shares (12,750,028 in 2003) | 72,426 | 72,426 |
| Capital surplus | 111,434 | 108,095 |
| Retained earnings | 706,505 | 838,678 |
| Accumulated other comprehensive income | 80,246 | 51,034 |
| Treasury stock | (306,917) | (283,982) |
| Total common shareholders' equity | 663,694 | 786,251 |
| | \$ 2,116,508 | \$ 1,811,776 |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | (in thousands) | | |
|--|-------------------|-------------------|------------------|
| For years ended December 31, | 2004 | 2003 | 2002 |
| Operating activities: | | | |
| Net (loss) income | \$ (105,421) | \$ 104,303 | \$ (11,448) |
| Asbestos charges | 203,272 | — | 115,285 |
| Environmental charges | 26,000 | 390 | 4,988 |
| Cumulative effect of a change in accounting principle | — | — | 28,076 |
| Gain on divestiture | (9,468) | — | — |
| Income from joint venture | (4,041) | (3,097) | (2,917) |
| Depreciation and amortization | 55,716 | 54,025 | 49,790 |
| Deferred income taxes | 18,506 | 2,778 | (29,781) |
| Cash (used for) provided from operating working capital | (27,403) | 20,859 | 55,964 |
| Asbestos-related payments | (38,056) | (7,938) | (1,885) |
| Other | (8,141) | (8,592) | (10,631) |
| TOTAL PROVIDED FROM OPERATING ACTIVITIES | 110,964 | 162,728 | 197,441 |
| Investing activities: | | | |
| Capital expenditures | (22,507) | (28,128) | (25,496) |
| Proceeds from disposition of capital assets | 3,738 | 5,867 | 5,628 |
| Payments for acquisitions, net of cash and liabilities assumed of \$11,060 in 2004, \$64,168 in 2003 and \$9,010 in 2002 | (49,957) | (168,818) | (82,225) |
| Proceeds from divestitures | 15,320 | 1,600 | 2,705 |
| TOTAL USED FOR INVESTING ACTIVITIES | (53,406) | (189,479) | (99,388) |
| Financing activities: | | | |
| Equity: | | | |
| Dividends paid | (23,686) | (23,768) | (23,897) |
| Reacquisition of shares — open market | (42,748) | (6,641) | (6,475) |
| Reacquisition of shares — stock incentive program | (1,820) | (10,803) | (3,206) |
| Stock options exercised | 16,329 | 17,056 | 4,294 |
| | (51,925) | (24,156) | (29,284) |
| Debt: | | | |
| Issuance of long-term debt | — | 216,113 | 32,860 |
| Repayments of long-term debt | (100,231) | (18,214) | (92,306) |
| Net increase (decrease) in short-term debt | 363 | (48,181) | 909 |
| | (99,868) | 149,718 | (58,537) |
| TOTAL (USED FOR) PROVIDED FROM FINANCING ACTIVITIES | (151,793) | 125,562 | (87,821) |
| Effect of exchange rate on cash and cash equivalents | 2,444 | 7,118 | 5,194 |
| (Decrease) increase in cash and cash equivalents | (91,791) | 105,929 | 15,426 |
| Cash and cash equivalents at beginning of year | 142,518 | 36,589 | 21,163 |
| Cash and cash equivalents at end of year | \$ 50,727 | \$ 142,518 | \$ 36,589 |
| Detail of cash (used for) provided from operating working capital (Net of effects of acquisitions): | | | |
| Accounts receivable | \$ (26,466) | \$ 2,397 | \$ 21,082 |
| Inventories | (29,221) | 20,989 | 43,753 |

| | | | |
|--|---------------------|-----------|-----------|
| Other current assets | 198 | (368) | (2,672) |
| Accounts payable | 39,145 | 7,235 | (3,023) |
| Accrued liabilities | (30,221) | (12,877) | (5,010) |
| U.S. and foreign taxes on income | 19,162 | 3,483 | 1,834 |
| TOTAL | \$ (27,403) | \$ 20,859 | \$ 55,964 |
| Supplemental disclosure of cash flow information: | | | |
| Interest paid | \$ 25,741 | \$ 16,425 | \$ 17,084 |
| Income taxes paid | \$ 32,677 | \$ 40,825 | \$ 38,916 |

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN COMMON SHAREHOLDERS' EQUITY

| (in thousands, except share data) | Common Shares Issued at Par Value | Capital Surplus | Retained Earnings | Comprehensive (Loss) Income | Accumulated Other Comprehensive (Loss) Income | Treasury Stock | Total Common Shareholders' Equity |
|--|-----------------------------------|-----------------|-------------------|-----------------------------|---|----------------|-----------------------------------|
| BALANCE JANUARY 1, 2002 | \$ 72,426 | \$ 103,754 | \$ 789,244 | | \$ (34,461) | \$ (279,668) | \$ 651,295 |
| Net loss | | | (11,448) | (11,448) | | | (11,448) |
| Cash dividends | | | (23,897) | | | | (23,897) |
| Reacquisition of 486,905 shares | | | | | | (10,289) | (10,289) |
| Exercise of stock options, 251,691 shares | | | | | | 4,294 | 4,294 |
| Tax benefit — stock options and restricted stock | | 2,667 | | | | | 2,667 |
| Restricted stock forfeited, 7,108 shares, net | | | 2,902 | | | (135) | 2,767 |
| Currency translation adjustment | | | | 33,673 | 33,673 | | 33,673 |
| Comprehensive income | | | | 22,225 | | | |
| BALANCE DECEMBER 31, 2002 | \$ 72,426 | \$ 106,421 | \$ 756,801 | | \$ (788) | \$ (285,798) | \$ 649,062 |
| Net income | | | 104,303 | 104,303 | | | 104,303 |
| Cash dividends | | | (23,768) | | | | (23,768) |
| Reacquisition of 756,986 shares | | | | | | (16,836) | (16,836) |
| Exercise of stock options, 861,466 shares | | | | | | 17,056 | 17,056 |
| Tax benefit — stock options and restricted stock | | 1,674 | | | | | 1,674 |
| Restricted stock awarded, 124,079 shares, net | | | 1,342 | | | 1,596 | 2,938 |
| Currency translation adjustment | | | | 51,822 | 51,822 | | 51,822 |
| Comprehensive income | | | | 156,125 | | | |
| BALANCE DECEMBER 31, 2003 | \$ 72,426 | \$ 108,095 | \$ 838,678 | | \$ 51,034 | \$ (283,982) | \$ 786,251 |
| Net loss | | | (105,421) | (105,421) | | | (105,421) |
| Cash dividends | | | (23,686) | | | | (23,686) |
| Reacquisition of 1,443,404 shares | | | | | | (44,568) | (44,568) |

| | | | | | | | | | | | |
|--|----|--------|----------|-----------|----------|---------|--------|--------|---------------|----|---------|
| Exercise of stock options, 814,724 shares | | | | | | | 16,329 | | 16,329 | | |
| Tax benefit — stock options and restricted stock | | 3,339 | | | | | | | 3,339 | | |
| Restricted stock awarded, 155,839 shares, net | | | (3,066) | | | | 5,304 | | 2,238 | | |
| Minimum pension liability | | | | (2,072) | (2,072) | | | | (2,072) | | |
| Currency translation adjustment | | | | 31,284 | 31,284 | | | | 31,284 | | |
| Comprehensive loss | | | | (76,209) | | | | | | | |
| BALANCE | \$ | 72,426 | \$ | 111,434 | \$ | 706,505 | \$ | 80,246 | \$ (306,917) | \$ | 663,694 |
| DECEMBER 31, 2004 | | | | | | | | | | | |

See Notes to Consolidated Financial Statements.

Accounting Policies

Nature of Operations Crane Co. (the “Company”) is a diversified manufacturer of engineered industrial products. The Company’s business consists of five reporting segments.

The Aerospace & Electronics segment consists of two product groups: Aerospace and Electronics. Aerospace products include ELDEC’s pressure, fuel flow and position sensors and subsystems; ELDEC’s aircraft electrical power components and subsystems; Hydro-Aire’s brake control systems; coolant, lube and fuel pumps from Lear Romec and Hydro-Aire; and seat actuation from P.L. Porter. Electronic products include high-reliability power supplies and custom microelectronics from Interpoint for aerospace, defense, medical and other applications; power management products, electronic radio frequency and microwave frequency components and subsystems from Signal Technology Corporation for the defense, space and military communications markets; and customized contract manufacturing services and products from General Technology Corporation for military and defense applications.

The Engineered Materials segment consists of Kemlite and Polyflon. Kemlite, representing almost the entire segment, manufactures fiberglass reinforced plastic panels for the truck trailer and recreational vehicle markets, industrial markets and the commercial construction industry. Polyflon is a manufacturer of specialty components, primarily substitute materials for antennas.

The Merchandising Systems segment consists of Crane Merchandising Systems, which makes food, snack and beverage vending machines, as well as vending machine software and National Rejectors, Inc., which makes coin changers and validators in Europe.

The Fluid Handling segment manufactures and sells various types of industrial and commercial valves and actuators; provides valve testing, service and parts; manufactures and sells pumps and water purification solutions, distributes pipe, valves and fittings; and designs, manufactures and sells corrosion-resistant plastic-lined pipes and fittings.

The Controls segment consists of Barksdale and Azonix/Dynalco. Barksdale is a producer of ride-leveling, air-suspension control valves for heavy trucks and trailers, as well as pressure, temperature and level sensors used in a range of industrial machinery and equipment. Azonix/Dynalco manufactures electronic human-machine interface panels for harsh and hazardous environments, such as oil rigs and platforms, and large engine monitoring and diagnostic systems.

The relative size of these segments in relation to the total Company (both net sales and total assets) can be seen on page 60 – “Segment Information”.

Basis of Presentation The consolidated financial statements include all controlled subsidiaries. Investments in affiliates over which the Company exercises significant influence but which it does not control (generally 20% to 50% ownership) are accounted for under the equity method. All intercompany items have been eliminated.

Use of Estimates The Company’s financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. These require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results may differ from those estimated. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period in which they are determined to be necessary. Estimates are used when accounting for such items as asset valuations, allowance for doubtful accounts, depreciation and amortization, impairment assessments, employee benefits, taxes and contingencies.

Currency Translation Assets and liabilities of subsidiaries that prepare financial statements in currencies other than the U.S. dollar are translated at the rate of exchange in effect on the balance sheet date; results of operations are translated at the average rates of exchange prevailing during the year. The related translation adjustments are included in accumulated other comprehensive income (loss) in a separate component of common shareholders’ equity.

Revenue Recognition Sales revenue is recorded when a product is shipped, title (risk of loss) passes to the customer and collection of the resulting receivable is reasonably assured. Revenue on long-term, fixed-price contracts is recorded on a percentage of completion basis using units of delivery as the measurement basis for progress toward completion. Sales under cost-reimbursement-type contracts are recorded as costs are incurred.

Income Taxes The provision for income taxes is based on reported earnings before income taxes. The Company accounts for income taxes in accordance with SFAS No. 109, “Accounting for Income Taxes”, which provides that deferred income taxes are determined by the asset and liability method. Deferred income taxes are provided for temporary differences between financial and tax reporting. Significant factors considered by the Company in estimating the probability of the realization of deferred taxes include expectations of future earnings and taxable income, as well as application of tax laws in the jurisdictions in which the Company operates. A valuation allowance is provided when the Company determines that it is more likely than not that a portion of a deferred tax asset will not be realized.

Net (Loss) Income Per Share The Company's basic earnings per share calculations are based on the weighted average number of common shares outstanding during the year. Diluted earnings per share gives effect to all dilutive potential common shares outstanding during the year. For the years ended 2004 and 2002, 735,000 shares and 318,000 shares, respectively, attributable to the exercise of outstanding options were excluded from the calculation of diluted earnings per share because the effect was anti-dilutive.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

| (in thousands, except per share data) December 31, | 2004 | 2003 | 2002 |
|--|---------------|------------|--------------|
| (Loss) income before cumulative effect of a change in accounting principle | \$ (105,421) | \$ 104,303 | \$ 16,628 |
| Cumulative effect of a change in accounting principle | — | — | (28,076) |
| Net (loss) income | \$ (105,421) | \$ 104,303 | \$ (11,448) |
| Average basic shares outstanding | 59,251 | 59,394 | 59,728 |
| Effect of dilutive stock options | — | 322 | — |
| Average diluted shares outstanding | 59,251 | 59,716 | 59,728 |
| Basic net (loss) income per share: | | | |
| (Loss) income before cumulative effect of a change in accounting principle | \$ (1.78) | \$ 1.76 | \$ 0.28 |
| Cumulative effect of a change in accounting principle | — | — | (0.47) |
| Net (loss) income | \$ (1.78) | \$ 1.76 | \$ (0.19) |
| Diluted net (loss) income per share: | | | |
| (Loss) income before cumulative effect of a change in accounting principle | \$ (1.78) | \$ 1.75 | \$ 0.28 |
| Cumulative effect of a change in accounting principle | — | — | (0.47) |
| Net (loss) income | \$ (1.78) | \$ 1.75 | \$ (0.19) |

Cash and Cash Equivalents Cash and cash equivalents include highly liquid investments with original maturities of three months or less that are readily convertible to cash and are not subject to significant risk from fluctuations in interest rates. As a result, the carrying amount of cash and cash equivalents approximates fair value.

Accounts Receivable Receivables are carried at net realizable value.

A summary of the allowance for doubtful accounts follows:

| (in thousands) December 31 | 2004 | 2003 | 2002 |
|------------------------------|-----------|----------|----------|
| Balance at beginning of year | \$ 7,209 | \$ 6,702 | \$ 8,172 |
| Provisions | 10,643 | 9,328 | 7,550 |
| Deductions | (10,116) | (8,821) | (9,020) |
| Balance at end of year | \$ 7,736 | \$ 7,209 | \$ 6,702 |

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers and relatively small account balances within the majority of the Company's customer base, and their dispersion across different businesses. The Company periodically evaluates the financial strength of its customers and believes that its credit risk exposure is limited.

Inventories Inventories consist of the following:

| (in thousands) December 31, | 2004 | 2003 |
|----------------------------------|------------|------------|
| Finished goods | \$ 90,367 | \$ 80,017 |
| Finished parts and subassemblies | 62,678 | 48,725 |
| Work in process | 45,022 | 33,057 |
| Raw materials | 86,224 | 73,632 |
| Total inventories | \$ 284,291 | \$ 235,431 |

Inventories are stated at the lower of cost or market. Domestic locations are principally on the last-in, first-out (LIFO) method of inventory valuation. The reduction of inventory quantities has resulted in a liquidation of LIFO inventories acquired at lower costs prevailing in prior years. Liquidations have reduced cost of sales by \$1.0 million in 2004, \$3.1 million in 2003 and \$2.8 million in 2002. Replacement cost would have been higher by \$11.4 million and \$11.5 million at December 31, 2004 and 2003, respectively.

Property, Plant and Equipment Property, plant and equipment consist of the following:

| (in thousands) December 31, | 2004 | 2003 |
|-------------------------------------|------------|------------|
| Land | \$ 60,628 | \$ 59,026 |
| Buildings and improvements | 166,974 | 166,929 |
| Machinery and equipment | 559,502 | 539,314 |
| Gross property, plant and equipment | 787,104 | 765,269 |
| Less accumulated depreciation | 499,508 | 462,631 |
| Net property, plant and equipment | \$ 287,596 | \$ 302,638 |

Property, plant and equipment is stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of the respective assets, which range from ten to twenty-five years for buildings and improvements and three to ten years for machinery and equipment.

Goodwill and Intangible Assets Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142") "Goodwill and Other Intangible Assets". Under SFAS 142, goodwill and intangibles with indefinite useful lives are no longer amortized, but instead are reviewed for impairment annually or whenever an event occurs or circumstances change that would reduce fair value below carrying value.

The effects of adopting the new standard on net income and diluted earnings per share for the years ended December 31, are as follows:

| (in thousands, except per share data) | 2004 | 2003 | 2002 |
|---|---------------|------------|--------------|
| Net (loss) income | \$ (105,421) | \$ 104,303 | \$ (11,448) |
| Cumulative effect of a change in accounting principle | — | — | (28,076) |

| | | | | |
|--|----|------------|---------|------------|
| (Loss) income before cumulative effect of a change in accounting principle | | (105,421) | 104,303 | 16,628 |
| Basic net (loss) income per share: | | | | |
| Net (loss) income | \$ | (1.78) | \$ 1.76 | \$ (0.19) |
| Cumulative effect of a change in accounting principle | | — | — | (0.47) |
| (Loss) income before cumulative effect of a change in accounting principle | | (1.78) | 1.76 | 0.28 |
| Diluted net (loss) income per share: | | | | |
| Net (loss) income | \$ | (1.78) | \$ 1.75 | \$ (0.19) |
| Cumulative effect of a change in accounting principle | | — | — | (0.47) |
| (Loss) income before cumulative effect of a change in accounting principle | | (1.78) | 1.75 | 0.28 |

The after-tax cumulative effect adjustment recognized upon adoption of SFAS 142 was \$28,076. The reporting segments (units) in which the impairment loss was recognized are as follows:

| (in thousands) | |
|--------------------------------------|-----------|
| Merchandising Systems (Streamware) | \$ 7,751 |
| Fluid Handling (Crane Environmental) | 4,070 |
| Controls (Barksdale) | 16,255 |
| Total | \$ 28,076 |

On an ongoing basis, under SFAS 142 if the carrying value of goodwill or an intangible asset exceeds its fair value, an impairment loss is recognized. A discounted cash flow model was used to determine the fair value of the Company's reporting units for purposes of testing for impairment. Based on this model no additional impairment charges were necessary in 2004, 2003 or 2002.

Changes to goodwill are as follows:

| (in thousands) December 31, | 2004 | 2003 |
|---|------------|------------|
| Balance at beginning of year, net of accumulated amortization | \$ 536,239 | \$ 410,356 |
| Additions during the year | 36,914 | 118,025 |
| Translation and other adjustments | 5,928 | 7,858 |
| Balance at end of year, net of accumulated amortization | \$ 579,081 | \$ 536,239 |

Goodwill increased \$37 million, all of which is tax deductible, during the year ended December 31, 2004 primarily due to the acquisition of P.L. Porter Co. ("Porter") in January 2004. This amount is included in the Aerospace & Electronics segment.

Changes to intangible assets are as follows:

| (in thousands) December 31, | 2004 | 2003 |
|---|-----------|-----------|
| Balance at beginning of year, net of accumulated amortization | \$ 56,725 | \$ 46,093 |
| Additions during the year | 10,104 | 13,845 |
| Translation and other adjustments | 6,902 | 4,198 |
| Amortization expense | (9,281) | (7,411) |
| Balance at end of year, net of accumulated amortization | \$ 64,450 | \$ 56,725 |

A summary of the intangible assets are as follows:

| (in thousands) December 31, | 2004 | | 2003 | |
|------------------------------|-------------|--------------------------|-------------|--------------------------|
| | Gross Asset | Accumulated Amortization | Gross Asset | Accumulated Amortization |
| Intellectual property rights | \$ 83,710 | \$ 34,167 | \$ 74,366 | \$ 29,755 |
| Drawings | 10,825 | 5,930 | 10,225 | 4,240 |
| Other | 16,237 | 6,225 | 9,230 | 3,101 |
| | \$ 110,772 | \$ 46,322 | \$ 93,821 | \$ 37,096 |

Amortization expense for these intangible assets is expected to be approximately \$8.1 million in 2005, \$6.5 million in 2006, \$5.8 million in 2007, \$5.2 million in 2008, and \$4.8 million in 2009.

Of the \$64.5 million of intangible assets at December 31, 2004, \$12.2 million of intangibles with indefinite useful lives, consisting of trade names, are not being amortized under SFAS 142.

Amortizable intangibles of \$7.8 million were acquired in 2004. These assets have a weighted average life of eighteen years.

Valuation of Long-Lived Assets The Company periodically evaluates the carrying value of long-lived assets when events and circumstances indicate that the carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Stock-Based Compensation Plans The Company records compensation expense for its stock-based employee compensation plans in accordance with the intrinsic-value method prescribed by APB No. 25, "Accounting for Stock Issued to Employees." Intrinsic value is the amount by which the market price of the underlying stock exceeds the exercise price of the stock option or award on the measurement date, generally the date of grant.

In December 2002, the Company adopted the disclosure provisions of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transitions and Disclosure" ("SFAS 148"), which amended FASB Statement No. 123, "Accounting for Stock-Based Compensation." The pro forma net income and earnings per share listed below reflect the impact of measuring compensation expense for options granted in 2004, 2003 and 2002 in accordance with the fair-value-based method prescribed by these standards. These amounts may not be representative of future years' amounts, as options vest over a three-year period and, generally, additional awards are made each year.

| (in thousands, except per share data) | 2004 | 2003 | 2002 |
|--|---------------|------------|--------------|
| For years ended December 31, Net (loss) income as reported | \$ (105,421) | \$ 104,303 | \$ (11,448) |
| Less: Compensation expense determined under fair value based method for all awards, net of tax effects | (4,359) | (4,610) | (5,162) |
| Pro forma | \$ (109,780) | \$ 99,693 | \$ (16,610) |
| Net (loss) income per share Basic as reported | \$ (1.78) | \$ 1.76 | \$ (0.19) |
| Pro forma | (1.85) | 1.68 | (0.28) |
| Diluted as reported | (1.78) | 1.75 | (0.19) |

Financial Instruments The Company periodically enters into interest-rate swap agreements to moderate its exposure to interest rate changes and to lower the overall cost of borrowings. Interest-rate swaps are agreements to exchange fixed and variable rate payments based on the notional principal amounts. The changes in the fair value of a derivative and the hedged item are recognized in earnings if the derivative is designated as an effective fair-value hedge. The changes in the fair value of a derivative are recognized in other comprehensive income for effective cash flow hedges designated as such. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. The Company periodically uses option contracts and forward foreign exchange contracts as economic hedges of anticipated transactions and firm purchase and sale commitments. These contracts are generally marked to market on a current basis and the respective gains and losses are recognized in other income (expense).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Standards In December 2004, the Financial Accounting Standards Board issued a revision to Statement of Financial Accounting Standards No. 123, Statement 123(R), Share-Based Payment (“SFAS 123R”). This Statement provides comprehensive guidance on how companies must recognize the compensation cost relating to share-based payment transactions in their financial statements. SFAS 123(R) is effective for public entities as of the beginning of the first interim or annual reporting period beginning after June 15, 2005. The Company will adopt the provisions of this Statement beginning July 1, 2005 and will, therefore, begin to expense equity compensation for all new awards and existing awards that are not fully vested.

In November 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 151, Inventory Costs, (“SFAS 151”). This Statement amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, “Inventory Pricing”, to clarify the accounting for abnormal amounts of idle facility expense, freight handling costs and wasted material (spoilage). In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on normal capacity of the production facilities. The provisions of SFAS 151 are effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The Company does not anticipate the adoption of this Statement to have a material effect on its financial statements.

Miscellaneous — Net

| (in thousands) for years ended December 31, | 2004 | 2003 | 2002 |
|---|-----------|----------|-------------|
| Gain (loss) on sale of assets | \$ 13,715 | \$ 858 | \$ (1,489) |
| Equity joint venture income | 4,041 | 3,097 | 2,917 |
| Other | (2,641) | (2,979) | (2,031) |
| | \$ 15,115 | \$ 976 | \$ (603) |

Income Taxes

Income before taxes is as follows:

| (in thousands) for years ended December 31, | 2004 | 2003 | 2002 |
|---|---------------|------------|--------------|
| U.S. operations | \$ (211,243) | \$ 128,235 | \$ (10,443) |
| Non-U.S. operations | 43,073 | 22,929 | 34,896 |
| | \$ (168,170) | \$ 151,164 | \$ 24,453 |

The (benefit) provision for income taxes consists of:

| (in thousands) for years ended December 31, | 2004 | 2003 | 2002 |
|---|----------|-----------|-----------|
| Current: | | | |
| U.S. federal tax | \$ 9,517 | \$ 29,768 | \$ 31,048 |
| State and local tax | 3,047 | 4,485 | 352 |
| Non-U.S. tax | 13,663 | 9,830 | 6,206 |

| | | | |
|--------------------------------------|---------------------|-----------|-----------|
| | 26,227 | 44,083 | 37,606 |
| Deferred: | | | |
| U.S. federal tax | (99,684) | 2,918 | (35,011) |
| State and local tax | 3,673 | 325 | (31) |
| Non-U.S. tax | 7,035 | (465) | 5,261 |
| | (88,976) | 2,778 | (29,781) |
| (Benefit) provision for income taxes | \$ (62,749) | \$ 46,861 | \$ 7,825 |

Reconciliation of the statutory U.S. federal rate to the effective tax rate is as follows:

| (in thousands) for years ended December 31, | 2004 | 2003 | 2002 |
|--|--------------------|-----------|----------|
| Statutory U.S. federal tax at 35% | \$ (58,860) | \$ 52,907 | \$ 8,559 |
| Increase (reduction) from: | | | |
| Non-U.S. taxes | 2,195 | 97 | (1,019) |
| State and local tax, net of federal benefit | (10,085) | 3,127 | (2,321) |
| Valuation allowance on state deferred tax assets | 14,453 | — | 3,892 |
| Federal benefit on export sales | (3,064) | (1,924) | (2,762) |
| Foreign dividend net of credits | 1,999 | (1,288) | 2,874 |
| General business tax credit | (9,656) | (2,969) | (2,894) |
| Other | 269 | (3,089) | 1,496 |
| (Benefit) provision for income taxes | \$ (62,749) | \$ 46,861 | \$ 7,825 |
| Effective tax rate | 37.3 % | 31.0 % | 32.0 % |

The Company has not recorded deferred income taxes on the undistributed earnings of foreign subsidiaries because of management's intent to reinvest such earnings indefinitely. At December 31, 2004, the undistributed earnings of the foreign subsidiaries amounted to approximately \$110 million. Upon distribution of these earnings in the form of dividends or otherwise, the Company may be subject to U.S. income taxes and foreign withholding taxes. It is not practical, however, to estimate the amount of taxes that may be payable on the eventual remittance of these earnings.

Tax benefits of \$3.3 million in 2004, \$1.7 million in 2003 and \$2.7 million in 2002 associated with the exercise of employee stock options and other employee stock programs were allocated to shareholders' equity.

The components of deferred tax assets and liabilities included on the balance sheet are as follows:

| (in thousands) December 31, | 2004 | 2003 |
|-----------------------------|-------------------|-----------|
| Deferred tax assets: | | |
| Asbestos-related liability | \$ 157,016 | \$ 45,172 |

| | | |
|--|-------------------|-----------|
| Tax loss and credit carryforwards | 28,752 | 36,950 |
| Environmental | 16,221 | 3,981 |
| Inventories | 11,072 | 15,972 |
| Postretirement benefits | 9,514 | 9,761 |
| Deferred compensation | 8,903 | 2,991 |
| Insurance | 6,283 | 6,217 |
| Warranty | 6,274 | 5,802 |
| Compensated absences | 5,955 | 5,984 |
| Other | 1,369 | 10,526 |
| Total | 251,359 | 143,356 |
| Less valuation allowance on state deferred tax assets, tax loss and credit carryforwards | 45,478 | 26,986 |
| Total deferred tax assets, net | 205,881 | 116,370 |
| Deferred tax liabilities: | | |
| Depreciation | (37,777) | (34,767) |
| Intangibles | (18,690) | (15,339) |
| Pension | (10,760) | (12,407) |
| Defined contribution plan | (1,116) | (2,232) |
| Total deferred liabilities | (68,343) | (64,745) |
| Net deferred asset | \$ 137,538 | \$ 51,625 |
| Balance sheet classification: | | |
| Deferred tax asset | 46,983 | 23,313 |
| Other assets | 166,847 | 104,237 |
| Accrued liabilities | (4,925) | (18,187) |
| Deferred tax liability | (71,367) | (57,738) |
| Net deferred tax asset | \$ 137,538 | \$ 51,625 |

As of December 31, 2004, the Company had tax loss and credit carryforwards that will expire, if unused, as follows:

| (in thousands) year of expiration NOL/Credit | U.S. | | Non-U.S. | | Non-U.S. National NOL | Total |
|--|-----------------|--------------------|-------------------|---------------------------|-----------------------|-----------|
| | Federal Credits | U.S. State Credits | U.S. State NOL | Non-U.S. National Credits | | |
| 2005-2008 | \$ — | \$ 70 | \$ 10,813 | \$ — | \$ 5,248 | |
| After 2008 | 1,965 | 375 | 146,541 | | 25,728 | |
| Indefinite | — | 2,003 | — | 50 | 23,935 | |
| TOTAL | \$ 1,965 | \$ 2,448 | \$ 157,354 | \$ 50 | \$ 54,911 | |
| Deferred tax asset on tax carryforwards | \$ 1,965 | \$ 1,591 | \$ 6,808 | \$ 50 | \$ 18,338 | \$ 28,752 |

Of the total \$28.8 million deferred tax asset for tax carryforwards at December 31, 2004, \$25.9 million has been offset by the valuation allowance because of the uncertainty of ultimately realizing these future tax benefits. In addition, the Company considers it unlikely that a portion of the tax benefit related to various non-U.S. and state deferred tax assets will be realized. Accordingly, a \$19.6 million valuation allowance has been established against these non-U.S. and state deferred tax assets. As a result, the Company's total valuation allowance at December 31, 2004 is approximately \$45.5 million.

The Company is currently studying the impact of the one-time favorable foreign dividend provisions enacted on October 22, 2004, as part of the American Jobs Creation Act of 2004. The Company's evaluation will be completed by September 15, 2005.

In 2004, the Company repatriated \$24 million which would qualify under these provisions, if the Company so elects. The income tax effect of this election cannot be estimated at this time due to pending changes in the applicable tax law.

The Company's tax return will be subject to examination by the Internal Revenue Service and other tax authorities. The Company regularly assesses the potential outcomes of both ongoing examinations and future examinations for the current or prior years in order to insure the Company's provision for income taxes is adequate.

The Internal Revenue Service ("IRS") has completed its examinations of the Company's income tax returns for all years through 1999. In 2002, the IRS commenced its examination of the Company's income tax returns for the years 2000 and 2001. The Company expects the IRS to complete its examinations this year. The Company believes that adequate accruals have been provided for all open years.

Accrued Liabilities

| (in thousands) December 31, | 2004 | 2003 |
|-----------------------------|-------------------|-------------------|
| Employee-related expenses | \$ 62,822 | \$ 56,441 |
| Insurance | 13,386 | 13,206 |
| Asbestos-related liability | 67,800 | 3,029 |
| Warranty | 13,970 | 14,376 |
| Professional fees | 6,963 | 10,500 |
| Taxes other than income | 9,230 | 22,467 |
| Other | 51,359 | 51,419 |
| | \$ 225,530 | \$ 171,438 |

The Company accrues warranty liabilities when it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

A summary of the warranty liabilities are as follows:

| (in thousands) December 31, | 2004 | 2003 | 2002 |
|------------------------------|-----------|-----------|-----------|
| Balance at beginning of year | \$ 14,376 | \$ 12,448 | \$ 11,291 |
| Add: provisions | 7,208 | 6,374 | 8,419 |
| Less: payments/deductions | (7,614) | (4,446) | (7,262) |
| Balance at end of year | \$ 13,970 | \$ 14,376 | \$ 12,448 |

Other Liabilities

| (in thousands) December 31, | 2004 | 2003 |
|-----------------------------|------------|------------|
| Asbestos-related liability | \$ 581,914 | \$ 185,766 |
| Environmental | 35,545 | 9,129 |
| Insurance | 3,346 | 3,346 |
| Product liability | 3,204 | 5,100 |
| Minority interest | 7,186 | 7,439 |
| Other | 3,128 | 2,830 |
| | \$ 634,323 | \$ 213,610 |

Research and Development

Research and development costs are expensed when incurred. These costs were approximately \$52.4 million, \$46.8 million and \$46.0 million in 2004, 2003 and 2002, respectively. Funds received from customer-sponsored research and development projects were approximately \$6.2 million, \$3.1 million and \$5.1 million received in 2004, 2003 and 2002, respectively, and were recorded in net sales.

Pension and Postretirement Benefit Plans

In the U.S., the Company, along with a number of its subsidiaries, sponsors a defined benefit pension plan that covers approximately 62% of all employees. The benefits are based on years of service and compensation on a final average pay basis, except for certain hourly employees where benefits are fixed per year of service. These plans are funded with a trustee (or trustees) in respect of past and current service. Charges to expense are based upon costs computed by independent actuaries. The Company's funding policy is to contribute annually amounts that are allowable for federal or other income tax purposes. These contributions are intended to provide for future benefits earned to date and those expected to be earned in the future. A number of the Company's non-U.S. subsidiaries sponsor defined benefit pension plans that cover approximately 35% of all non-U.S. employees. The benefits are typically based upon years of service and compensation. These plans are funded with a trustee (or trustees) in respect of past and current service. Charges to expense are based upon costs computed by independent actuaries. The Company's funding policy is to contribute annually amounts that are allowable for tax purposes or mandated by local statutory requirements. These contributions are intended to provide for future benefits earned to date and those expected to be earned in the future.

Postretirement health care and life insurance benefits are provided for certain employees hired before January 1, 1990, who meet minimum age and service requirements. The Company does not pre-fund these benefits and has the right to modify or terminate the plan.

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The Company uses a December 31 measurement date for its plans. The obligations and funded status are as follows:

| (in thousands) December 31, | Pension Benefits | | Postretirement Benefits | |
|--|------------------|------------|-------------------------|-----------|
| | 2004 | 2003 | 2004 | 2003 |
| Change in benefit obligation: | | | | |
| Beginning of year | \$ 485,739 | \$ 427,086 | \$ 20,589 | \$ 18,706 |
| Service cost | 15,832 | 12,976 | 185 | 150 |
| Interest cost | 29,497 | 26,528 | 1,193 | 1,248 |
| Plan participants' contributions | 1,954 | 1,744 | 999 | 1,068 |
| Amendments | — | 1,256 | — | — |
| Actuarial loss (gain) | 15,436 | 11,487 | (900) | 3,153 |
| Benefits paid | (24,819) | (22,122) | (2,919) | (3,549) |
| Foreign currency exchange rate loss | 28,062 | 26,885 | 50 | 96 |
| Acquisition/divestitures/ curtailment | (156) | (101) | — | (283) |
| Benefit obligation at end of year | 551,545 | 485,739 | 19,197 | 20,589 |
| Change in plan assets: | | | | |
| Fair value of plan assets at beginning of year | 481,469 | 424,592 | — | — |
| Actual return on plan assets | 51,005 | 45,228 | — | — |
| Foreign currency exchange rate gain | 27,780 | 28,954 | — | — |
| Acquisitions/divestitures | — | (101) | — | — |
| Employer contribution | 3,425 | 3174 | — | — |
| Plan participants' contributions | 1,954 | 1,744 | — | — |
| Benefits paid | (24,819) | (22,122) | — | — |
| Fair value of plan assets at end of year | 540,814 | 481,469 | — | — |
| Funded status | (10,731) | (4,270) | (19,197) | (20,589) |
| Unrecognized actuarial loss (gain) | 29,257 | 23,702 | (4,071) | (3,467) |
| Unrecognized prior service cost | 4,257 | 4,913 | (302) | (386) |
| Unrecognized transition asset | 180 | 76 | — | — |
| Prepaid benefit | \$ 22,963 | \$ 24,421 | (23,570) | (24,442) |

The amounts recognized in the balance sheet are as follows:

| (in thousands) December 31, | Pension Benefits | | Postretirement Benefits | |
|---|------------------|-----------|-------------------------|--------------|
| | 2004 | 2003 | 2004 | 2003 |
| Other assets | \$ 36,336 | \$ 39,721 | \$ — | \$ — |
| Intangible asset | 631 | — | — | — |
| Accrued pension and postretirement benefits | (16,076) | (15,300) | (23,570) | (24,442) |
| Accumulated other comprehensive loss | 2,072 | — | — | — |
| Net amount recognized | \$ 22,963 | \$ 24,421 | \$ (23,570) | \$ (24,442) |

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the U.S. and Non-U.S. plans are as follows:

| (in millions) December 31, | Pension Obligations/Assets | | | | | |
|--------------------------------|----------------------------|----------|----------|----------|----------|----------|
| | U.S. | | Non-U.S. | | Total | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Projected benefit obligation | \$ 263.8 | \$ 240.8 | \$ 287.7 | \$ 244.9 | \$ 551.5 | \$ 485.7 |
| Accumulated benefit obligation | 245.1 | 227.1 | 258.7 | 224.8 | 503.8 | 451.9 |
| Fair value of plan assets | 250.0 | 228.5 | 290.8 | 253.0 | 540.8 | 481.5 |

Information for pension plans with an accumulated benefit obligation in excess of plan assets is as follows:

| (in thousands) December 31, | 2004 | 2003 |
|--------------------------------|-----------|-----------|
| Projected benefit obligation | \$ 29,607 | \$ 18,497 |
| Accumulated benefit obligation | 25,721 | 14,809 |
| Fair value of plan assets | 14,601 | 5,594 |
| Accrued pension liabilities | 12,508 | 11,480 |

The components of net periodic cost are as follows:

| (in thousands) December 31, | Pension Benefits | | | Postretirement Benefits | | |
|--|------------------|-----------|-----------|-------------------------|--------|--------|
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| Service cost | \$ 16,047 | \$ 13,171 | \$ 12,667 | \$ 185 | \$ 150 | \$ 172 |
| Interest cost | 28,686 | 26,528 | 25,498 | 1,193 | 1,248 | 1,234 |
| Expected rate of return on plan assets | (38,312) | (34,099) | (35,478) | — | — | — |
| Amortization of prior service cost | 811 | 769 | (625) | (83) | (83) | (91) |
| Amortization of net (gain) loss | 220 | 170 | (1,615) | (246) | (747) | (675) |
| Net periodic cost | \$ 7,452 | \$ 6,539 | \$ 447 | \$ 1,049 | \$ 568 | \$ 640 |

The weighted-average assumptions used to determine benefit obligations are as follows:

| December 31, | Pension Benefits | | | Postretirement Benefits | | |
|-------------------------------|------------------|--------|--------|-------------------------|--------|--------|
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| U.S. Plans: | | | | | | |
| Discount rate | 6.25 % | 6.40 % | 6.75 % | 6.25 % | 6.40 % | 6.75 % |
| Rate of compensation increase | 3.27 % | 3.40 % | 3.75 % | — | — | — |
| Non-U.S. Plans: | | | | | | |
| Discount rate | 5.48 % | 5.56 % | 5.66 % | — | — | — |
| Rate of compensation increase | 3.60 % | 3.53 % | 4.21 % | — | — | — |

The weighted-average assumptions used to determine net periodic benefit cost are as follows:

| December 31, | Pension Benefits | | | Postretirement Benefits | | |
|--|------------------|--------|--------|-------------------------|--------|--------|
| | 2004 | 2003 | 2002 | 2004 | 2003 | 2002 |
| U.S. Plans: | | | | | | |
| Discount rate | 6.40 % | 6.75 % | 7.25 % | 6.40 % | 6.75 % | 7.25 % |
| Expected rate of return on plan assets | 8.75 % | 8.75 % | 8.75 % | — | — | — |
| Rate of compensation increase | 3.40 % | 3.75 % | 4.25 % | — | — | — |
| Non-U.S. Plans: | | | | | | |
| Discount rate | 5.56 % | 5.66 % | 5.79 % | — | — | — |
| Expected rate of return on plan assets | 6.79 % | 6.80 % | 7.22 % | — | — | — |
| Rate of compensation increase | 3.53 % | 4.21 % | 4.20 % | — | — | — |

In developing the long-term rate of return assumption, the Company evaluated input from actuaries and investment consultants as well as long-term inflation assumptions. Projected returns by such consultants are based on broad equity and bond indices.

The discount rate used by the Company for valuing pension liabilities is based on a review of high quality corporate bond yields with maturities approximating the remaining life of the projected benefit obligations.

The assumed health care cost trend rates are as follows:

| December 31, | 2004 | 2003 |
|---|---------------|---------|
| Health care cost trend rate assumed for next year | 9.00 % | 10.00 % |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 4.75 % | 4.75 % |
| Year that the rate reaches the ultimate trend rate | 2010 | 2010 |

Assumed health care cost trend rates have a significant effect on the amounts reported for the Company's health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

| | 1Percentage PointIncrease | 1Percentage PointDecrease |
|---|------------------------------|------------------------------|
| Effect on total of service and interest cost components | 82 | (74) |
| Effect on postretirement benefit obligation | 913 | (826) |

Plan Assets The Company's pension plan weighted-average asset allocations by asset category are as follows:

| Asset Category December 31, | 2004 | 2003 |
|-----------------------------|-------|-------|
| Equity securities | 70 % | 68 % |
| Debt securities | 25 % | 26 % |
| Money markets | 4 % | 5 % |
| Other | 1 % | 1 % |
| Total | 100 % | 100 % |

Equity securities include Company common stock, which represents 4% of plan assets at December 31, 2004, and 2003, respectively.

The primary investment objective of the Company's various pension trusts is to maximize the value of plan assets focusing on capital preservation, current income and long-term growth of capital and income. The plans' assets are typically invested in a broad range of equities, debt and cash instruments.

The Company, or its agents, exercise reasonable care, skill and caution in making investment decisions. A number of factors are evaluated in determining if an investment strategy will be employed by the Company's pension trusts. These factors include, but are not limited to, investment style, investment risk, investment manager performance and costs.

The Company periodically reviews investment managers and their performance in relation to the plans' investment objectives. The Company expects its pension trust investments to meet or exceed their predetermined benchmark indices, net of fees. Generally, however, the Company realizes that investment strategies should be given a full market cycle, normally over a three to five -year time period, to achieve stated objectives.

Cash Flows The Company expects, based on current actuarial calculations, to contribute cash of approximately \$9 million to its defined benefit pension plans and \$2.1 million to its other postretirement benefit plan in 2005. Cash contributions in subsequent years will depend on a number of factors including the investment performance of plan assets.

Estimated Future Benefit Payments The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| Estimated future payments (in millions) | Pension Benefits | Postretirement Benefits |
|---|------------------|-------------------------|
| 2005 | \$ 24.6 | \$ 2.1 |
| 2006 | 25.2 | 2.0 |
| 2007 | 26.1 | 2.0 |
| 2008 | 26.9 | 2.0 |
| 2009 | 27.6 | 1.9 |
| 2010-2014 | 148.0 | 8.5 |
| Total payments | \$ 278.4 | \$ 18.5 |

The Company participates in several multi-employer pension plans which provide benefits to certain employees under collective bargaining agreements. Contributions to these plans were approximately \$1.1 million in both 2004 and 2003, and \$1.2 million in 2002.

The Company's subsidiaries ELDEC Corporation and Interpoint Corporation have a money purchase plan to provide retirement benefits for all eligible employees. The annual contribution is 5% of each eligible participant's gross compensation. The contributions were approximately \$2.0 million per year in 2004, 2003 and 2002.

The Company and its subsidiaries sponsor savings and investment plans that are available to eligible employees of the Company and its subsidiaries. The Company made contributions to the plans of approximately \$5.4 million in 2004, \$4.6 million in 2003 and \$4.2 million in 2002.

Long-Term Debt and Loans Payable

| (in thousands) December 31, | 2004 | 2003 |
|---|-------------------|------------|
| Long-term debt consists of: | | |
| 8.50% notes due 2004, including remaining unrealized gain of \$303 on termination of interest rate swap, original issue discount and deferred financing costs | \$ — | \$ 100,267 |
| 6.75% notes due 2006, including original issue discount and deferred financing costs | 99,770 | 99,634 |
| 5.50% notes due 2013, including original issue discount and deferred financing costs | 197,464 | 197,169 |
| Shelf registration deferred financing costs | (745) | (1,054) |
| Subsidiary industrial revenue bonds and term loans | 111 | 120 |
| Subtotal | 296,600 | 396,136 |
| Less current portion | 8 | 100,275 |
| Total long-term debt | \$ 296,592 | \$ 295,861 |
| Loans payable consists of: | | |
| Short-term debt | 363 | — |
| Total loans payable | \$ 363 | \$ — |

At December 31, 2004, the principal amount of long-term debt repayments required for the next five years is \$100 million in 2006. There are no scheduled debt repayments in 2005, 2007, 2008 or 2009.

In September 2003, the Company issued notes having an aggregate principal amount of \$200 million. The notes are unsecured, senior obligations of the Company that mature on September 15, 2013, and bear interest at 5.50% per annum, payable semi-annually on March 15 and September 15 of each year. The notes have no sinking fund requirement but may be redeemed, in whole or part, at the option of the Company. The Company's incurred debt issuance costs totaled approximately \$1.5 million. Debt issuance costs are deferred and then amortized as a component of interest expense over the term of the notes. Including debt issuance costs, these notes have an effective annualized interest rate of 5.70%.

The Company had 8.50% notes outstanding in an aggregate principal amount of \$100 million, issued in 1992, that matured on March 15, 2004. These notes were redeemed with available cash on hand and proceeds from short-term borrowings.

The Company has notes outstanding in an aggregate principal amount of \$100 million, issued in 1998, that mature on October 1, 2006. These notes are unsecured, senior obligations of the Company that bear interest at an annualized rate of 6.75% payable semi-annual on April 1 and October 1 of each year. They are not redeemable prior to maturity and are not subject to any sinking fund requirements. Including debt issuance costs, these notes have an effective annualized interest rate of 6.89%.

All outstanding senior, unsecured notes were issued under an indenture dated as of April 1, 1991. The Indenture contains certain limitations on liens and sale and lease-back transactions.

The Company has an effective shelf registration, filed on Form S-3 with the Securities and Exchange Commission, allowing it to issue, in one or more offerings, up to \$300 million in either senior or subordinated debt securities.

The Company entered into a four-year \$300 million revolving credit facility in July 2003, and terminated it on January 21, 2005 upon execution of a new \$450 million credit facility described below. This contractually committed facility was unused at December 31, 2004, and at the termination date. The agreement contained certain covenants including interest coverage and leverage ratio tests. At December 31, 2004, the status of compliance with these financial covenants was as follows:

December 31, 2004

| | Requirement | Actual |
|---|-------------|-------------|
| Interest coverage ratio ⁽¹⁾⁽²⁾ | 3.0to1.0 | (5.51)to1.0 |
| Leverage ratio ⁽³⁾ | 65 % | 30.9 % |

⁽¹⁾ Ratio of income before taxes adjusted for interest expense, depreciation and amortization and asbestos-related cash payments to interest expense

⁽²⁾ The lenders, prior to December 31, 2004, waived the failure to meet this financial covenant as an event of default.

⁽³⁾ Ratio of total debt to total capitalization

On January 21, 2005, the Company entered into a \$450 million credit facility consisting of a \$300 million revolving credit component and a \$150 million term loan component. This contractually committed facility expires on January 21, 2010. The revolving credit allows the Company to borrow, repay or to the extent permitted by the agreement, prepay and re-borrow at any time prior to the stated maturity date, and the loan proceeds may be used for general corporate purposes including financing for acquisitions. The term loan component may only be drawn, under certain conditions, for the funding of a comprehensive asbestos settlement. The term loan commitment period expires on December 31, 2005 or may be extended with required consent of lenders to June 30, 2006. Any amounts drawn under the term loan will be repaid on a quarterly basis until the stated expiration date of the facility. The contractually committed facility was unused at February 18, 2005. The agreement contains certain covenants including interest coverage and leverage ratio tests. The following table illustrates the compliance with these financial covenants as if the credit facility was in place at December 31, 2004:

December 31, 2004

| | Requirement | Actual |
|---|-------------|-----------|
| Interest coverage ratio ⁽¹⁾⁽²⁾ | 3.0to1.0 | 11.8to1.0 |
| Leverage ratio ⁽³⁾ | 65 % | 30.9 % |

⁽¹⁾ Ratio of income before taxes adjusted for interest expense, depreciation and amortization and asbestos-related cash payments to interest expense

⁽²⁾ The interest coverage ratio excludes the asbestos- and environmental-related charges recorded as of September 30, 2004.

⁽³⁾ Ratio of total debt to total capitalization

The Company has domestic unsecured, uncommitted money market bid rate credit lines for \$135 million all of which was unused and

available at December 31, 2004.

As of December 31, 2004, the Company, or its subsidiaries, also had various local currency credit lines, with maximum available borrowings of \$32.6 million, underwritten by banks primarily in Canada, Germany, Norway and the United Kingdom. These credit lines are typically available for borrowings up to 364 days and are renewable at the option of the lender. There was \$0.4 million outstanding under these facilities at December 31, 2004.

At December 31, 2004, the Company had open standby letters of credit of \$22.9 million issued pursuant to a Letter of Credit Reimbursement Agreement, and certain other credit lines, substantially all of which expire in 2005.

Fair Value of Financial Instruments

The carrying value of investments, short-term debt, accounts receivable and accounts payable approximates fair value. Long-term debt rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate the fair value for debt issues that are not quoted on an exchange. The estimated fair value of long-term debt was \$305.6 million and \$412.3 million at December 31, 2004 and 2003, respectively.

The Company is a party to a contractually committed off-balance sheet chattel paper financing facility that enables its Crane Merchandising Systems operation to offer various sales support financing programs to its customers. At December 31, 2004, \$31.9 million was outstanding. Recourse to the Company for all uncollectible loans made to CMS's customers by the banks under this agreement is limited to 20% of the outstanding balance per year.

Leases

The Company leases certain facilities, vehicles and equipment. Future minimum payments, by year and in the aggregate, under leases with initial or remaining terms of one year or more consisted of the following at December 31, 2004:

| (in thousands) December 31, | Operating Leases | Minimum Sublease Income | Net |
|------------------------------|---------------------|-------------------------------|-----------|
| 2005 | \$ 14,566 | \$ 157 | \$ 14,409 |
| 2006 | 10,732 | 82 | 10,650 |
| 2007 | 8,359 | 82 | 8,277 |
| 2008 | 4,626 | 77 | 4,549 |
| 2009 | 3,148 | 77 | 3,071 |
| Thereafter | 8,886 | — | 8,886 |
| Total minimum lease payments | \$ 50,317 | \$ 475 | \$ 49,842 |

Rental expense was \$18.6 million, \$17.4 million and \$13.9 million for 2004, 2003 and 2002, respectively.

Asbestos Liability

Status of Comprehensive Asbestos Settlement On October 21, 2004 the Company reached an agreement in principle with attorneys representing a majority of persons with current asbestos-related personal injury claims against the Company (the "Current Claimants") and an independent representative (the "FCR") of potential future claimants with potential asbestos-related personal injury claims against the Company (the "Future Claimants") to resolve all current and future asbestos-related personal injury claims against the Company. The comprehensive asbestos settlement had two components: first, a \$280 million trust to pay settlements of asbestos claims by Current Claimants; and second, a \$230 million trust to pay settlements of claims by Future Claimants, to be structured and implemented pursuant to Section 524(g) of the U.S. Bankruptcy Code. On that date, MCC Holdings, Inc., an indirect wholly-owned subsidiary of the Company formerly known as Mark Controls Corporation ("MCC"), entered into a Master Settlement Agreement (the "MSA") with representatives of a majority of Current Claimants who were diagnosed with asbestos-related personal injuries prior to June 9, 2004. At the same time, MCC and the representatives of Current Claimants entered into an MCC Settlement Trust Agreement, which provides for a \$280 million trust (the "MCC Settlement Trust") to be funded and administered to pay asbestos-related personal injury claims settled under the MSA. Through November 20, 2004 (the deadline for Current Claimants to indicate their desire to participate in the MCC Settlement Trust), a total of 109 law firms executed MSAs, directly or through Adoption Agreements, together with lists naming a total of approximately 196,000 participating claimants. Through December 20, 2004 (the deadline for Current Claimants to submit the required claim documentation to the independent claims reviewer), a total of approximately 171,000 claim packages were received subject to review for compliance with the terms of the MSA. While the number of claimants submitting claims under the MSA exceeds the number of filed claims against the Company in the tort system (approximately 85,000 at December 31, 2004), the Company cannot predict whether, or when, any of such additional claims will be filed against the Company in the tort system.

On December 2, 2004, the United States Court of Appeals for the Third Circuit issued its opinion and ruling in the Combustion Engineering case in which the Court reversed the District Court's order approving Combustion Engineering's bankruptcy Plan of Reorganization and made a number of holdings regarding the scope of Section 524(g) and the appropriate structure of transactions to confer relief for asbestos defendant companies under Section 524(g). The Court's opinion, in the Company's view, constituted a material change in the case law regarding Section 524(g) transactions, and accordingly, on January 24, 2005, the Company exercised its right to terminate the MSA. As a consequence of the Company's notice of termination, the trustee of the MCC Settlement Trust has returned to the Company (i) the Company's demand note in the principal amount of \$270 million and (ii) the \$10 million in cash that was paid on October 21, 2004 less certain fees and expenses of the trustee.

The termination of the MSA places the Company and asbestos claimants back into the tort system for resolution of claims, in the absence of a modified comprehensive settlement transaction agreed to by the parties or a federal legislative solution. Although the Company may continue its discussions with representatives of the asbestos claimants, there can be no assurance that the issues presented by the Combustion Engineering opinion can be resolved such that agreement on a modified 524(g) transaction for the Company will be feasible. It is expected that a new bill will be introduced in the United States Senate early in 2005 that would, if enacted into law, establish a trust fund to compensate asbestos claimants. While the Company believes that such federal legislation is the most appropriate solution to the asbestos litigation problem, there is substantial uncertainty regarding whether this will occur and, if so, when and on what terms. The Company remains committed to exploring all feasible alternatives available to resolve its asbestos liability in a manner consistent with the best interests of the Company's shareholders.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Information Regarding Claims and Costs in the Tort System As of December 31, 2004, the Company was a defendant in cases filed in various state and federal courts alleging injury or death as a result of exposure to asbestos. Activity related to asbestos claims during the periods indicated was as follows:

| | 2004 | 2003 | 2002 |
|------------------|-----------------|----------|-----------|
| Beginning claims | 68,606 | 54,038 | 16,180 |
| New claims | 18,932 | 19,115 | 49,429 |
| Settlements | (1,038) | (3,883) | (11,299) |
| Dismissals | (1,523) | (664) | (272) |
| Ending claims * | 84,977 | 68,606 | 54,038 |

* Does not include 35,350 maritime actions that were filed in the United States District Court for the Northern District of Ohio and transferred to the Eastern District of Pennsylvania pursuant to an order by the Federal Judicial Panel on Multi-District Litigation ("MDL"). These claims have been placed on the inactive docket of cases that are administratively dismissed without prejudice in the MDL.

Of the 84,977 pending claims as of December 31, 2004, approximately 25,000 claims were pending in New York, approximately 33,000 claims were pending in Mississippi and approximately 3,000 claims were pending in Ohio, jurisdictions in which recent legislation or judicial orders restrict the types of claims that can proceed to trial on the merits.

The gross settlement and defense costs in the tort system (before insurance recoveries and tax effects) for the Company in the years ended December 31, 2004 and 2003 totaled \$40.9 million and \$21.1 million, respectively. The Company's total pre-tax cash payments for such settlement and defense costs net of the Company's cost sharing arrangement with insurers in the years ended December 31, 2004 and 2003 amounted to \$20.2 million and \$7.9 million, respectively. Detailed below are the comparable amounts for the periods indicated.

| (in millions) December 31, | 2004 | 2003 | 2002 | Cumulative to date through |
|--------------------------------------|-------------|---------|--------|----------------------------|
| | | | | December 31, 2004 |
| Settlement costs ⁽¹⁾ | \$ 17.2 | \$ 11.9 | \$ 7.3 | \$ 38.8 |
| Defense costs ⁽¹⁾ | 23.7 | 9.2 | 4.8 | 46.0 |
| Total costs | 40.9 | 21.1 | 12.1 | 84.8 |
| Pre-tax cash payments ⁽²⁾ | 20.2 | 7.9 | 2.4 | 31.8 |

⁽¹⁾ Before insurance recoveries and tax effects.

⁽²⁾ Net of cost sharing arrangements with insurers. Amounts include advance payments to third parties that are reimbursable by insurers.

The foregoing amounts do not include costs incurred by the Company relating to the comprehensive asbestos settlement announced on October 21, 2004. During the year ended December 31, 2004, the Company incurred costs of \$11.5 million (before tax effects) for fees and expenses of attorneys, financial advisors and other special advisors for services relating to the comprehensive asbestos

settlement. Total pre-tax cash payments for such fees and expenses through December 31, 2004 amounted to \$7.9 million. In addition, the Company paid \$10 million into the settlement trust for current asbestos claimants, which is to be returned to the Company as described above, net of certain expenses of the trustee. Cash payments related to asbestos settlement and defense costs, and certain related fees and expenses are estimated to be in the range of \$50 million to \$70 million during 2005, which will be offset to some degree by reimbursements from insurers and tax benefits.

The amounts shown for settlement and defense costs are not necessarily indicative of future period amounts, which may be higher or lower than those reported. It is not possible to forecast when cash payments related to the asbestos liability will be fully expended; however, it is expected such cash payments will continue for many years. Payment uncertainty results from the significant proportion of future claims included in the estimated asbestos liability discussed below as well as variability of timing and terms of settlements and insurance reimbursement. In addition, there will be periods during which net cash flows increase because the Company's insurance coverage for asbestos claims involves multiple insurers, with different policy terms and certain gaps in coverage, and, consequently, the timing and amount of insurance reimbursement will vary.

Effects on the Consolidated Financial Statements The Company has retained the firm of Hamilton, Rabinovitz & Alschuler, Inc. ("HR&A"), a nationally recognized expert in the field, to assist management in estimating the Company's asbestos liability in the tort system and in view of the termination of the Master Settlement Agreement. HR&A reviewed information provided by the Company concerning claims filed, settled and dismissed, amounts paid in settlements and relevant claim information such as the nature of the asbestos-related disease asserted by the claimant, the jurisdiction where filed and the time lag from filing to disposition of the claim. The methodology used by HR&A to project future asbestos costs was based largely on the Company's experience during the past two years for claims filed, settled and dismissed. The Company's experience was compared to the results of previously conducted epidemiological studies estimating the number of people likely to develop asbestos related diseases. Those studies were undertaken in connection with national analyses of the population of workers believed to have been exposed to asbestos. Using that information, HR&A estimated the number of future claims that would be filed, as well as the related settlement or indemnity costs that would be incurred to resolve those claims. This methodology has been accepted by numerous courts and is the same methodology that is utilized by the expert who is routinely retained by the asbestos claimants committee in asbestos-related bankruptcies. After discussions with the Company, HR&A assumed that costs of defending asbestos claims in the tort system would increase to \$35 million in 2005 and remain at that level (with increases of 4% per year for inflation) indexed to the number of estimated pending claims in future years. Based on this information, HR&A compiled an estimate of the Company's asbestos liability for pending and future claims, based on claim experience over the past two years and covering claims expected to be filed through the year 2011. Although the methodology used by HR&A will also show claims and costs for periods subsequent to 2011 (up to and including the endpoint of the asbestos studies referred to above), management believes that the level of uncertainty is too great to provide for reasonable estimation of the number of future claims, the nature of such claims or the cost to resolve them for years beyond 2011, particularly given the possibility of federal legislation within that time frame. While it is reasonably possible that the Company will incur additional charges for asbestos liabilities and defense costs in excess of the amounts currently provided, the Company does not believe that any such amount can be reasonably estimated

beyond 2011. Accordingly, no accrual has been recorded for any costs which may be incurred beyond 2011.

With the termination of the MSA and the return to the tort system for resolution of asbestos claims, management has made its best estimate of the costs through 2011 based on the analysis by HR&A. In making this estimate, the Company has adjusted the assumed rate of insurance recoveries from 30% in the context of the proposed comprehensive asbestos settlement back to 40% of the estimated liability payable over time in the tort system. A liability of \$649.7 million has been recorded to cover the estimated cost of asbestos claims now pending or subsequently asserted through 2011, of which approximately 60% is attributable to settlement and defense costs for future claims projected to be filed through 2011. An asset of \$257.2 million has been recorded representing the probable insurance reimbursement for such claims. Under the tort system, the Company incurs not only settlement costs but substantial legal defense costs, and the Company's best estimate of settlement and defense costs for both pending and future claims through 2011 (including certain related fees and expenses) amounted to \$649.7 million at December 31, 2004. This compares to the MSA-based liability estimate of \$565.9 million (\$578 million at September 30, 2004) which represents the cost of the one-time settlement of all asbestos claims against the Company. The \$83.8 million higher liability estimate under the tort system includes the added cost to defend claims against the Company. However, the higher insurance recovery rate in the tort system (40%), as compared with the MSA (30%), is expected to provide the Company with greater insurance recoveries of approximately \$97.8 million. Thus, the net estimated cost after anticipated insurance recoveries was reduced by \$14 million, which increased net income by \$9.1 million, or \$0.15 per share, in the fourth quarter of 2004. The principal factors affecting the liability estimates under the tort system versus the MSA are (i) the tort system estimate includes defense costs while the MSA estimate did not, (ii) under generally accepted accounting principles, the tort system estimate is presented in nominal dollars while the MSA estimate is discounted to present value, (iii) insurance recoveries under the tort system are estimated at 40% of settlement and defense costs, while the MSA estimate reduced anticipated insurance recoveries to 30% in the context of the proposed comprehensive asbestos settlement, and (iv) the tort system estimate covers the period through 2011, while the MSA estimate was a full and final settlement of the liability.

A significant portion of the Company's settlement and defense costs have been paid by its primary insurers and one umbrella insurer up to the agreed available limits of the applicable policies. The Company has substantial excess coverage policies that are also expected to respond to asbestos claims as settlements and other payments exhaust the underlying policies, but there is no cost sharing or allocation agreement yet in place with the excess insurers. The same factors that affect developing estimates of probable settlement and defense costs for asbestos-related liabilities also affect estimates of the probable insurance payment, as do a number of additional factors. These additional factors include the financial viability of the insurance companies, the method in which losses will be allocated to the various insurance policies and the years covered by those policies, how settlement and defense costs will be covered by the insurance policies and interpretation of the effect on coverage of various policy terms and limits and their interrelationships. In addition to consulting with legal counsel on these insurance matters, the Company retained insurance consultants to assist management in the estimation of probable insurance recoveries based upon the aggregate liability estimate described above and assuming the continued viability of all solvent insurance carriers. After considering the foregoing factors and consulting with legal counsel and such insurance consultants, the Company determined its probable insurance reimbursement rate to be 40% under the tort system, as contrasted with 30% under the MSA. This insurance receivable is included in other assets.

Estimation of the Company's ultimate exposure for asbestos-related claims is subject to significant uncertainties, as there are multiple variables that can affect the timing, severity and quantity of claims. The Company cautions that its estimated liability is based on assumptions with respect to future claims, settlement and defense costs based on recent experience during the last few years that may not prove reliable as predictors. A significant upward or downward trend in the number of claims filed, depending on the nature of the alleged injury, the jurisdiction where filed and the quality of the product identification, or a significant upward or downward trend in the costs of defending claims, could change the estimated liability, as would any substantial adverse verdict at trial. A legislative solution or a revised structured settlement transaction could also change the estimated liability.

Since many uncertainties exist surrounding asbestos litigation, the Company will continue to evaluate its estimated asbestos-related liability and corresponding estimated insurance reimbursement as well as the underlying assumptions and process used to derive these amounts. These uncertainties may result in the Company incurring future charges or increases to income to adjust the carrying value of recorded liabilities and assets, particularly if escalation in the number of claims and settlement and defense costs continues or if legislation or another alternative solution is implemented; however, the Company is currently unable to estimate such future changes. Although the resolution of these claims may take many years, the effect on results of operations, cash flow and financial position in any given period from a revision to these estimates could be material.

Other Contingencies

In the normal course of business, the Company is subject to proceedings, lawsuits and other claims including proceedings under laws and regulations related to environmental, warranty and other matters. Such matters are subject to many uncertainties and outcomes that are not predictable with assurance. However, the Company believes that after final disposition, any monetary liability or financial impact beyond that provided for at December 31, 2004 will not have a material effect on the Company's results of operations, cash flow or financial position.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has established insurance programs to cover product and general liability losses. These programs have deductible amounts of \$5 million per claim and \$10 million aggregate per policy year before coverage begins, with the exception of aircraft products and non-U.S. claims, which have first-dollar coverage. The Company does not deem its deductible exposure to be material.

For environmental matters, the Company records a liability for estimated remediation costs when it is probable that the Company will be responsible for such costs and they can be reasonably estimated. Generally, third party specialists assist in the estimation of remediation costs. The environmental remediation liability at December 31, 2004 is primarily for the former manufacturing site in Goodyear, Arizona (the "Site") discussed below.

The Site was operated by UniDynamics/Phoenix, Inc. ("UPI"), which became an indirect subsidiary of the Company in 1985 when the Company acquired UPI's parent company UniDynamics Corporation. UPI manufactured explosive and pyrotechnic compounds, including components for critical military programs, for the U.S. government at the Site from 1962 to 1993, under contracts with the Department of Defense and other government agencies and certain of their prime contractors. No manufacturing operations have been conducted at the Site since 1994. The Site was placed on the National Priorities List in 1983, and is now part of the Phoenix-Goodyear Airport North Superfund site. In 1990 the Environmental Protection Agency ("EPA") issued administrative orders requiring UPI to design and carry out certain remedial actions, which UPI has done. Groundwater extraction and treatment systems have been in operation at the Site since 1994. A soil vapor extraction system was in operation from 1994 to 1998, was restarted in 2004, and is currently in operation. Since 1994 the on-site groundwater treatment facility and soil vapor extraction system have removed approximately 36,000 pounds of trichloroethylene ("TCE") from the soil and groundwater at the Site.

In September 2004, after extensive negotiations regarding the scope of work to be undertaken at the Site after discovery of additional TCE contamination and the detection of perchlorate during routine testing, the Company reached an agreement in principle with the EPA on a work plan for further investigation and remediation activities at the Site. This agreement is expected to be incorporated into a consent decree between the Company and the EPA in the near future. The Company recorded a before-tax charge of \$40 million in the third quarter 2004 for the estimated costs through 2014 of further environmental investigation and remediation at the Site, based on this agreement in principle with the EPA.

The investigation, monitoring and remediation activities undertaken by the Company at the Site have cost over \$25 million since 1985. In November 2003, the Company and UPI brought suit under Section 113 of the Comprehensive Environmental Response, Compensation and Liability Act against the federal government and several of its agencies for contribution and indemnification for these costs. As investigation and clean-up activities at the Site are expected to continue for a number of years, the Company's action against the government also seeks contribution with respect to future costs. Although the Company has been in discussions with the government concerning these claims, the government to date has not agreed to commit to paying any contribution to clean-up costs at the Site. In 2003, the EPA submitted to the Company a claim for approximately \$2.8 million in past costs allegedly incurred at the Site, and the Company has requested and is reviewing the EPA's supporting documentation of these costs. In January 2005, the EPA advised the Company that a formal demand for an additional \$4.1 million in EPA past costs should be expected by the Company.

On July 8, 2004, the Environment & Natural Resources Division of the U.S. Department of Justice filed a lawsuit against the Company and UPI seeking reimbursement of the \$2.8 million in alleged costs. The government's action also seeks an injunction requiring UPI to comply with the terms of two earlier administrative orders; entry of a declaratory judgment regarding the Company's and UPI's liabilities; and both civil penalties and punitive damages. The Company has instructed its attorneys to continue to vigorously pursue the Company's claim against the government, and to defend the counter-suit by the Department of Justice, with the objective of reaching a fair and reasonable allocation of liability for past and future costs in the context of a prudent and scientifically sound plan for the further investigation and clean-up of the Site. The Company does not believe that the ultimate liability for costs to be incurred in connection with the Site will have a material effect on the Company's financial condition or cash flows; however, there can be no assurance that such costs will not have a material adverse effect on the Company's results of operations in any given period.

Acquisitions, Divestitures and Investments

During 2004, the Company completed two acquisitions at a total cost of \$50 million. Goodwill for the 2004 acquisitions amounted to approximately \$37 million.

In January 2004, the Company acquired P. L. Porter Co. ("Porter") for a purchase price of \$44 million. The fair value estimates of assets acquired and liabilities assumed have been finalized and the resulting goodwill is deductible for tax purposes. Porter is a leading manufacturer of motion control products for airline seating and is located in Woodland Hills, California. Porter holds leading positions in both electromechanical actuation and hydraulic/mechanical actuation for aircraft seating, selling directly to seat manufacturers and to the airlines. Electrically powered seat actuation systems provide motive power and control features required by premium class passengers on competitive international routes. Porter products not only provide passenger comfort with seat back and foot rest adjustment, but also control advanced features such as lumbar support and in-seat massage. In addition to seats installed in new

aircraft, airlines refurbish and replace seating several times during an aircraft's life along with maintenance and repair requirements. Porter's 2003 annual sales were approximately \$32 million. The operations were integrated into the Company's Aerospace & Electronics segment.

Also in January 2004, the Company acquired the Hattersley valve brand and business together with certain related intellectual property and assets from Hattersley Newman Hender, Ltd., a subsidiary of Tomkins plc, for a purchase price of \$6 million. The fair value estimates of assets acquired and liabilities assumed have been finalized and the resulting goodwill is deductible for tax purposes. Hattersley branded products include an array of valves for commercial, industrial and institutional construction projects. This business has been integrated into Crane Ltd., which is part of the Fluid Handling segment.

In December 2004, the Company sold the Victaulic trademark and related assets, acquired in connection with the acquisition of certain valve and fittings product lines from Etex S.A. Group in June 2003, for \$15.3 million in an all cash transaction. The Company realized an after-tax gain of \$6.5 million, or \$.11 per share, on the sale.

During 2003, the Company completed four acquisitions at a total cost of \$168.8 million. Goodwill for these acquisitions amounted to approximately \$112 million.

In May 2003, the Company acquired Signal Technology Corporation (“STC”) for a total purchase price of approximately \$138 million (net of STC cash acquired). STC, with 2002 annual sales of approximately \$87 million, is a leading manufacturer of highly engineered state-of-the-art power management products and electronic radio frequency and microwave frequency components and subsystems for the defense, space and military communications markets. STC supplies many U.S. Department of Defense prime contractors and foreign allied defense organizations with products designed into systems for missile, radar, aircraft, electronic warfare, intelligence and communication applications. The operations were integrated with the Company’s Aerospace & Electronics segment.

In June 2003, the Company purchased certain pipe coupling and fittings businesses from Etex Group S.A. (“Etex”), for a purchase price of approximately \$29 million. The 2002 annual sales for these businesses were approximately \$60 million. These businesses provide pipe jointing and repair solutions to the water, gas and industrial markets worldwide. Products include grooved pipe systems, pipeline couplings and transition fittings and pipeline equipment. The businesses were integrated into the Company’s subsidiary, Crane Limited, a leading provider of pipe fittings, valves and related products to the building services, “HVAC” and industrial markets in the United Kingdom and Europe.

The Company also acquired two other entities in 2003 at a total purchase price of \$1.7 million.

In March, 2003 the Company sold the assets of its Chempump unit.

During 2002, the Company completed seven acquisitions at a total cost of \$82.2 million. Goodwill for these acquisitions amounted to approximately \$56 million.

In May 2002, the Company acquired the Lasco Composites business from Tomkins Industries, Inc. Lasco manufactured fiberglass reinforced plastic panels with annual sales of approximately \$40 million. This acquisition has expanded the Company’s product offerings in the transportation, building products and recreational vehicle markets and provided an entry into the industrial market, where the Company’s Kemlite business had a small presence. The total purchase price was approximately \$44 million in an all-cash transaction.

During July 2002, Crane acquired the Corva Corporation, which was a privately held company. Corva is a distributor of valves and actuators with annual sales of approximately \$12 million.

In November 2002, the Company acquired all of the outstanding shares of General Technology Corporation from an employee stock ownership plan trust for a purchase price of \$25 million in cash and assumed debt. General Technology provides high-reliability customized contract manufacturing services and products focused on military and defense applications. Based in Albuquerque, New Mexico, General Technology services include the assembly and testing of printed circuit boards, electro-mechanical devices, customized integrated systems cables and wire harnesses.

The Company completed the following additional acquisitions in 2002, Trinity Airweighs, Kavey Water Products and Qualis Incorporated. In addition, the Company entered into a 70% owned joint venture in China furthering its low-cost pump manufacturing capabilities.

In September 2002, Crane sold its CorTec unit for approximately \$3 million.

All acquisitions were accounted for by the purchase method. The results of operations for all acquisitions have been included in the financial statements from their respective dates of purchase. Pro forma amounts for 2004, 2003 and 2002 acquisitions were not presented because their impact on results of operations was not material.

Preferred Share Purchase Rights

On June 27, 1998, the Company adopted a Shareholder Rights Plan to replace the Plan that expired on that date. 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 payments, voting power and, in the event of any merger, consolidation or other transaction in which common shares are exchanged, a preferential exchange rate. The rights will remain in existence until June 27, 2008, unless they are earlier terminated, exercised or redeemed. The Company has authorized five million shares of \$.01 par value preferred stock, of which 500,000 shares have been designated as Series A Junior Participating Preferred Stock.

Stock-Based Compensation Plans

The Company has two stock-based compensation plans: the Stock Incentive Plan and the Non-Employee Director Stock Compensation Plan. In accounting for its stock-based compensation plans, the Company applies the intrinsic value method prescribed by APB No. 25, "Accounting for Stock Issued to Employees." Intrinsic value is the amount by which the market price of the underlying stock exceeds the exercise price of the stock option or award on the measurement date, generally the date of grant. No stock-based employee compensation expense is reflected in net income, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Compensation expense recognized for its restricted stock awards was \$4.1 million in 2004, \$4.0 million in 2003 and \$3.6 million in 2002.

As required by SFAS 123 and SFAS 148, the Company has disclosed in the Accounting Policies note the pro forma amounts as if the fair value method of accounting had been used. These pro forma amounts may not be representative of the effects on reported net income or loss in future years because the number of future shares to be issued under these plans is not known and the assumptions used to determine the fair value can vary significantly.

The weighted average fair value of options granted was \$8.42 per share in 2004, \$4.80 per share in 2003 and \$6.42 per share in 2002. These estimates were based on the Black-Scholes option-pricing model with the following weighted average assumptions:

| | 2004 | 2003 | 2002 |
|--------------------------|---------|---------|---------|
| Dividend yield | 1.20 % | 2.12 % | 1.72 % |
| Volatility | 29.63 % | 29.93 % | 27.97 % |
| Risk-free interest rates | 3.55 % | 2.98 % | 4.67 % |
| Expected lives in years | 3.95 | 5.26 | 5.23 |

Options are granted under the Stock Incentive Plan to officers and other key employees and directors at an exercise price equal to the fair market value of the shares on the date of grant. Options become exercisable at a rate of 50% after the first year, 75% after the second year and 100% after the third year from the date of grant and expire six years after the date of grant (ten years for options granted prior to 2004). A summary of stock option activity follows:

| (shares in thousands) | Number of Shares | Weighted Average Exercise Price |
|--|---------------------|--|
| 2002 | | |
| Options outstanding at beginning of year | 5,345 | \$ 23.75 |
| Granted | 1,186 | 23.35 |
| Exercised | (252) | 17.06 |
| Canceled | (236) | 26.32 |
| Options outstanding at end of year | 6,043 | 23.85 |
| Options exercisable at end of year | 4,121 | 23.65 |
| 2003 | | |
| Granted | 1,243 | \$ 18.91 |
| Exercised | (861) | 19.75 |
| Canceled | (313) | 24.94 |

| | | |
|------------------------------------|---------------|-----------------|
| Options outstanding at end of year | 6,112 | 23.36 |
| Options exercisable at end of year | 4,054 | 23.66 |
| 2004 | | |
| Granted | 1,129 | \$ 33.23 |
| Exercised | (814) | 20.04 |
| Canceled | (114) | 26.71 |
| Options outstanding at end of year | 6,313 | 25.51 |
| Options exercisable at end of year | 4,382 | 24.28 |

A summary of information regarding stock options outstanding at December 31, 2004, follows:

| (shares in thousands) | Options Outstanding | | | Options Exercisable | |
|--------------------------|---------------------|-------------|----------|---------------------|----------|
| | Number | Weighted | Weighted | Number | Weighted |
| Range of Exercise Prices | | Average | Average | | Average |
| | of | Remaining | Exercise | of | Exercise |
| | Shares | Life(Years) | Price | Shares | Price |
| \$26.95-33.54 | 2,874 | 5.09 | \$ 31.04 | 1,769 | \$ 29.68 |
| 22.77-26.78 | 1,100 | 6.77 | 23.32 | 855 | 23.33 |
| 16.96-22.48 | 2,230 | 5.93 | 19.87 | 1,699 | 20.10 |
| 10.45-16.76 | 109 | .37 | 16.54 | 59 | 16.35 |
| Total | 6,313 | 5.60 | \$ 25.51 | 4,382 | \$ 24.28 |

The Stock Incentive Plan also provides for awards of restricted common stock to officers and other key employees, subject to risk of forfeiture restrictions which lapse over time or upon certain performance objectives. The Company awarded 235,500 time-based restricted shares with a weighted average fair value of \$32.64 in 2004. As of December 31, 2004, there were available for future awards a total of 1,264,555 shares.

Under the Non-Employee Director Stock Compensation Plan, directors who are not full-time employees of the Company receive 50% of their annual retainer in shares of common stock. The shares are issued each year after the Company's annual meeting, are forfeitable if the director ceases to remain a director until the Company's next annual meeting and may not be sold for a period of five years or until the director leaves the Board. Also under this plan, at the date of the annual meeting, each non-employee director is granted an option to purchase 2,000 shares of common stock at an exercise price equal to the fair market value of the shares on the date of grant exercisable at a rate of 50% after the first year, 75% after the second year and 100% after the third year from the date of grant, expiring ten years after the date of grant. For 2004, the non-employee directors received an aggregate of 16,000 shares with a weighted average fair value of \$33.31. Upon the adoption of this plan in 2000, each non-employee director received a grant of options to purchase common stock with an aggregate value, determined on the basis of the Black-Scholes method, equal to his accrued benefit under a retirement plan for non-employee directors which was terminated. One director elected to remain in the retirement plan and does not receive options under the new plan.

Segment Information

The Company's segments are reported on the same basis used internally for evaluating segment performance and for allocating resources. The Company has five reporting segments: Aerospace & Electronics, Engineered Materials, Merchandising Systems, Fluid Handling and Controls.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Information by industry segments follows:

| (in thousands) | 2004 | 2003 | 2002 |
|-------------------------------|------------|------------|------------|
| Aerospace & Electronics | | | |
| Net sales — outside | \$ 511,334 | \$ 429,128 | \$ 340,762 |
| Net sales — intersegment | 290 | — | — |
| Operating profit | 92,650 | 96,155 | 70,698 |
| Assets | 480,301 | 432,219 | 261,630 |
| Goodwill | 197,942 | 173,473 | 70,350 |
| Capital expenditures | 6,677 | 8,979 | 8,670 |
| Depreciation and amortization | 16,705 | 16,192 | 11,587 |
| Engineered Materials | | | |
| Net sales — outside | \$ 276,186 | \$ 240,220 | \$ 233,180 |
| Operating profit | 54,072 | 48,136 | 44,366 |
| Assets | 188,212 | 185,889 | 191,038 |
| Goodwill | 123,040 | 123,322 | 124,080 |
| Capital expenditures | 1,516 | 2,481 | 1,079 |
| Depreciation and amortization | 4,316 | 5,059 | 5,164 |
| Merchandising Systems | | | |
| Net sales — outside | \$ 169,205 | \$ 155,289 | \$ 161,901 |
| Net sales — intersegment | — | — | 19 |
| Operating profit | 9,722 | 2,766 | 7,186 |
| Assets | 121,709 | 113,346 | 114,582 |
| Goodwill | 44,227 | 42,301 | 39,645 |
| Capital expenditures | 3,219 | 4,123 | 4,124 |
| Depreciation and amortization | 6,165 | 6,719 | 6,846 |
| Fluid Handling | | | |
| Net sales — outside | \$ 861,676 | \$ 748,042 | \$ 715,806 |
| Net sales — intersegment | 261 | 217 | 23 |
| Operating profit | 52,152 | 43,496 | 53,688 |
| Assets | 734,863 | 647,876 | 599,474 |
| Goodwill | 198,277 | 181,559 | 160,721 |
| Capital expenditures | 10,135 | 11,256 | 10,500 |
| Depreciation and amortization | 20,291 | 17,983 | 18,663 |
| Controls | | | |
| Net sales — outside | \$ 71,934 | \$ 63,312 | \$ 64,698 |
| Net sales — intersegment | 17 | 65 | 61 |
| Operating profit | 5,528 | 4,541 | 4,815 |
| Assets | 49,919 | 49,594 | 52,500 |
| Goodwill | 15,595 | 15,584 | 15,560 |
| Capital expenditures | 958 | 1,272 | 1,052 |

| | | | | |
|--|----|-------------------|--------------|--------------|
| Depreciation and amortization | | 2,214 | 2,412 | 2,501 |
| Consolidated net sales | | | | |
| Reporting segments | \$ | 1,890,903 | \$ 1,636,273 | \$ 1,516,450 |
| Intersegment elimination | | (568) | (282) | (103) |
| TOTAL NET SALES | \$ | 1,890,335 | \$ 1,635,991 | \$ 1,516,347 |
| Operating (loss) profit | | | | |
| Reporting segments | \$ | 214,124 | \$ 195,094 | \$ 180,753 |
| Corporate – before asbestos | | (27,820) | (25,482) | (18,124) |
| Corporate expense – asbestos charge | | (307,794) | — | (115,285) |
| Corporate expense – environmental charge | | (40,000) | (600) | (7,673) |
| TOTAL OPERATING (LOSS) PROFIT | \$ | (161,490) | \$ 169,012 | \$ 39,671 |
| Assets | | | | |
| Reporting segments | \$ | 1,575,004 | \$ 1,428,924 | \$ 1,219,224 |
| Corporate | | 541,504 | 382,852 | 194,472 |
| TOTAL ASSETS | \$ | 2,116,508 | \$ 1,811,776 | \$ 1,413,696 |
| Goodwill | | | | |
| Reporting segments | \$ | 579,081 | \$ 536,239 | \$ 410,356 |
| Capital expenditures | | | | |
| Reporting segments | \$ | 22,505 | \$ 28,111 | \$ 25,425 |
| Corporate | | 2 | 17 | 71 |
| TOTAL CAPITAL EXPENDITURES | \$ | 22,507 | \$ 28,128 | \$ 25,496 |
| Depreciation and amortization | | | | |
| Reporting segments | \$ | 49,691 | \$ 48,365 | \$ 44,761 |
| Corporate | | 6,025 | 5,660 | 5,029 |
| TOTAL DEPRECIATION AND AMORTIZATION | \$ | 55,716 | \$ 54,025 | \$ 49,790 |

Information by geographic segments follows:

| (in thousands) | 2004 | 2003 | 2002 | |
|------------------------|------|------------------|--------------|--------------|
| Net sales | | | | |
| United States | \$ | 1,012,368 | \$ 909,139 | \$ 869,390 |
| Canada | | 220,201 | 192,873 | 163,338 |
| Europe | | 450,346 | 372,266 | 330,013 |
| Other international | | 207,420 | 161,713 | 153,606 |
| TOTAL NET SALES | \$ | 1,890,335 | \$ 1,635,991 | \$ 1,516,347 |

Operating (loss) profit

| | | | | | | |
|--------------------------------------|----|-------------------|----|-----------|----|------------|
| United States | \$ | 133,998 | \$ | 133,472 | \$ | 112,452 |
| Canada | | 29,519 | | 24,372 | | 18,199 |
| Europe | | 33,801 | | 22,459 | | 33,049 |
| Other international | | 16,806 | | 14,791 | | 17,053 |
| Corporate | | (375,614) | | (26,082) | | (141,082) |
| TOTAL OPERATING (LOSS) PROFIT | \$ | (161,490) | \$ | 169,012 | \$ | 39,671 |
| | | | | | | |
| Assets | | | | | | |
| United States | \$ | 988,414 | \$ | 892,790 | \$ | 786,994 |
| Canada | | 87,808 | | 76,494 | | 62,421 |
| Europe | | 451,041 | | 404,548 | | 334,603 |
| Other international | | 47,741 | | 55,092 | | 35,206 |
| Corporate | | 541,504 | | 382,852 | | 194,472 |
| TOTAL ASSETS | \$ | 2,116,508 | \$ | 1,811,776 | \$ | 1,413,696 |

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control system was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, it used the criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment I believe that, as of December 31, 2004, the Company's internal control over financial reporting is effective based on those criteria.

The Company's independent auditors have issued an audit report on our assessment of the company's internal control over financial reporting. This report appears on page 63.

Eric C. Fast

*President, Chief Executive Officer, and Acting Chief
Financial Officer*

The Section 302 certification of Crane Co.'s President, Chief Executive Officer and Acting Chief Financial Officer has been filed as Exhibit 31 to Crane Co.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2004. Furthermore, because Crane Co.'s common stock is listed on the New York Stock Exchange, our President, Chief Executive Officer and Acting Chief Financial Officer is required to make, and he has made as of May 5, 2004, a CEO's Annual Certification to the NYSE in accordance with Section 303A.12 of the NYSE Listed Company Manual stating that he was not aware of any violations by Crane Co. of New York Stock Exchange corporate governance listing standards.

REPORT OF INDEPENDENT

REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte.

To the Board of Directors and Shareholders of Crane Co.

We have audited the accompanying consolidated balance sheets of Crane Co. and subsidiaries (the "Company") as of December 31, 2004 and 2003, and the related consolidated statements of operations, cash flows, and changes in common shareholders' equity for each of the three years in the period ended December 31, 2004. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the notes to the consolidated financial statements as of January 1, 2002 the Company changed its method of

accounting for goodwill to conform to Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets."

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 18, 2005 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP

Stamford, Connecticut

FEBRUARY 18, 2005

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Deloitte.

To the Board of Directors and Shareholders of Crane Co.

We have audited management's assessment, included in the accompanying "Management's Responsibility for Financial Reporting", that Crane Co. and its subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and the board of directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of December 31, 2004 and for the year then ended of the Company and our report dated February 18, 2005 expressed an unqualified opinion on those financial statements.

Deloitte & Touche LLP
Stamford, Connecticut
FEBRUARY 18, 2005

Aerospace & Electronics

| (dollars in millions) | 2003 | 2002 |
|-----------------------|----------|----------|
| Net sales | \$ 429.1 | \$ 340.8 |
| Operating profit | 96.2 | 70.7 |
| Assets | \$ 432.2 | \$ 261.6 |
| Operating margin | 22.4 % | 20.7 % |

Overview

In 2002, the Aerospace Segment commenced an internal reorganization to recognize the market uniqueness of aerospace and electronics by organizing itself into two focus areas to seek customer solutions for these markets. The new structure, which was completed in 2003, resulted in the establishment of the "Aerospace Group" and "Electronics Group" which enables the segment to reduce operating costs, better leverage and share intellectual capital and improve its focus on customer solutions. It also provides the structure for efficient integration of acquisitions and elimination of duplicate overhead and capital expenditures.

In 2002, the Aerospace Group consisted of Hydro-Aire/Lear Romec and a portion of Eldec. At the end of 2002, Resistoflex-Aerospace was reclassified into the Aerospace Group from Engineered Materials. In 2003, the Aerospace Group created a "one company" leadership and management team over its four sites. This change provided better use of resources and resulted in cost reductions of \$8 million in 2003.

The Aerospace Group products are currently manufactured under the brand names Eldec, Hydro-Aire, Lear Romec and Resistoflex-Aerospace. The group's products are organized into the following solution sets: Landing Systems Solutions, Sensing and Controls Solutions, Fluid Management Solutions and Aircraft Electrical Power Solutions.

In 2002, the Electronics Group completed the internal merger of Interpoint with the power supply business of Eldec. Additionally, through acquisitions in both 2002 and 2003 the group was further strengthened and substantially increased its defense-related product portfolio. In November 2002, the Company acquired General Technology Corporation ("GTC"), a strategic acquisition that extended the group's already strong position in the electronics market by increasing its focus on the military market. GTC provides high-reliability, customized contract manufacturing services and products focused on military and defense applications. In 2003, the microelectronics packaging capability of Interpoint was teamed with the engineering talent at GTC, opening new markets for the Electronics Group. In May 2003, the Company acquired Signal Technology Corporation ("STC"). STC is a leading manufacturer of highly-engineered, state-of-the-art power management products and electronic radio frequency and microwave frequency components and subsystems for the defense, space and military communications markets. STC supplies many U.S. Department of Defense prime contractors and foreign allied defense organizations with products designed into systems for missile, radar, aircraft, electronic warfare, and intelligence and communication applications.

The Electronics Group products are currently manufactured under the brand names Interpoint, General Technology, STC Microwave Systems, Keltec, Olektron, Eldec and Advanced Integrated Systems Division ("AISD"). The group's products are organized into the following solution sets: Electronic Manufacturing Services Solutions, Power Solutions, Microwave Systems Solutions and Microelectronics Solutions/AISD.

The two acquisitions provided the Aerospace & Electronics Segment a more balanced portfolio of products. In 2003, the segment revenue was derived 60% from the Aerospace Group and 40% from the Electronics Group versus a 75%-25% ratio in 2002.

2003 Operating Results

The Aerospace & Electronics Segment sales increased \$88.3 million or 26% in 2003, which includes an increase of \$92.4 million from the STC and GTC acquisitions. Operating profit increased \$25.5 million or 36%. The STC and GTC acquisitions accounted for \$14.9 million of the operating profit increase. The segment experienced strong military demand for aerospace components, defense electronics and power supplies, which was partially offset by lower demand in the commercial aerospace market, as production rates for new commercial, regional and business jets continued to decline. Despite a very challenging market environment, the segment achieved 22.4% operating margins in 2003 compared with 20.7% in 2002 because of cost reductions. As a segment, inventory turns (cost of sales compared to average gross inventories) have improved to 3.4 times at December 31, 2003 from 2.6 times at December 31, 2002, while working capital (accounts receivable combined with gross inventories less accounts payable) as a percent of sales has improved to 26.1% at December 31, 2003 compared with 29.8% at December 31, 2002.

Aerospace Group

Sales in the Aerospace Group of \$250.5 million were down 3% from \$257.2 million in 2002 as lower commercial aerospace demand was partially offset by increased military aftermarket sales. Operating profit increased 6% in 2003 largely resulting from an \$8 million reduction in operating costs, the absence of the \$4 million 2002 charge for fuel pump inspection and increased high-margin aftermarket shipments, partially offset by reduced OEM demand and pricing pressures.

Aerospace Group sales in 2003 by market were as follows: commercial, 43%; military/defense, 23%; regional jets, 19%; business jets, 11%; and other markets, 4%. Sales in 2003 by its four solution sets were as follows: landing systems, 28%; sensing and controls, 33%; fluid management, 32%, and aircraft electrical power, 7%.

The Aerospace Group's shipments to OEMs in 2003 declined 12% compared with 2002 as a result of continued weak commercial markets. Aftermarket sales in 2003 increased 2% compared with 2002. The aftermarket is driven largely by the number of planes in service. While hindered by the increased number of parked airplanes, the group focused on the military, retrofit and upgrades portion of the business. Retrofit and upgrade market sales in 2003 increased \$4.8 million to \$10.3 million from the product families consisting of battery chargers, brake controls, sensors and related products and systems.

Electronics Group

Electronics Group sales increased \$95.0 million to \$178.6 million compared with 2002, and operating profit more than doubled in 2003, principally because of the GTC and STC acquisitions which added \$92.4 million to sales and \$14.9 million to operating profit. Sales and operating profit for the Electronics Group, excluding the acquisitions, increased 3% and 50%, respectively, as a result of increased demand for power supplies, production efficiencies and cost containment efforts.

Electronics Group sales by market in 2003 were as follows: military/defense, 90%; commercial aerospace, 3%; medical, 5%; and space, 2%. Sales in 2003 by its four solution sets were as follows: electronic manufacturing services, 16%; power, 51%; microwave systems, 22%; and microelectronics/AISD, 11%.

At the end of 2003, the Electronics Group completed the consolidation of its California microwave business into its Arizona site, reducing the number of sites. The Electronics Group will continue to consolidate information systems, centralize the sales and marketing functions and leverage the supply chain for economic and efficiency purposes.

The Electronics Group began to leverage its ability to build components at every manufacturing stage through the end product in its power solution set, starting with Interpoint power converters and adding board level power supplies from Eldec and systems and subsystems from Keltec (part of STC). STC has a similar ability to build components all the way through the end product in the microwave systems solution set. The acquisition of GTC added board assembly ability for very high-end markets (space, medical, military/defense). Vertical integration in the power and microwave systems solution sets distinguishes this group from other competitors by providing a full portfolio of products to the customer.

The vertical integration work completed for the power and microwave systems solution sets provides the Electronics Group with the ability to increase future revenues by extending these products and services into other high-end, non-military and defense market applications.

Engineered Materials

| (dollars in millions) | 2003 | 2002 |
|-----------------------|----------|----------|
| Net sales | \$ 240.2 | \$ 233.2 |
| Operating profit | 48.1 | 44.4 |
| Assets | 185.9 | 191.0 |
| Operating margin | 20.0 % | 19.0 % |

Overview

The Engineered Materials Segment has gone through significant changes over the past several years and currently consists of two business units, Kemlite and Polyflon.

Kemlite is the world's largest manufacturer of fiberglass-reinforced plastic ("frp") panels for recreational vehicles ("RVs"), truck trailers, building products and industrial building materials. Polyflon designs and manufactures microwave laminates, high-voltage radio frequency capacitors and other specialty components. Kemlite comprises 99% of total segment sales.

As part of the Company's effort to divest non-core, marginal or unprofitable businesses, CorTec was sold in September 2002. CorTec, prior to its sale in September 2002, had sales of \$10.5 million and an operating loss of \$1.3 million.

Kemlite has complemented internal growth with five strategic acquisitions over the past decade: in 1993, the acquisition of the Filon RV business; in 1997, the Sequentia transportation assets; in 1998, the entire Sequentia building products company; in 2001, the Lampro business in the United Kingdom serving the RV and transportation markets, and in 2002, Lasco Composites. Sales were \$50 million in 1992 compared with \$238 million in 2003; approximately 33% of the sales increase resulted from internal growth and 67% from acquisitions.

In 1992, Kemlite sales were predominantly to the transportation market. By 2003, the successful strategy of aggressive product and market expansion has led to Kemlite's greatly reduced dependence on this one market as evidenced by sales increases of over 40% over the past decade while transportation sales have dropped to below 20% of total shipments.

2003 Operating Results

Engineered Materials sales increased 3% from \$233.2 million in 2002 to \$240.2 million in 2003. Sales increased \$4.3 million or 2% on a comparable basis, excluding Lasco, acquired in May 2002, and CorTec, divested in the third quarter of 2002. Operating profit increased \$3.7 million in 2003 compared with 2002, while operating margins were 20.0% in 2003 compared with 19.0% in 2002.

In 2003, Kemlite's sales increased by 3% and on a comparable basis sales increased \$3.7 million or 2%, excluding Lasco, acquired in May 2002, and CorTec, divested in the third quarter of 2002. Sales of translucent roofs, interior scuff panels and exterior sidewall panels for transportation trailers were above prior year levels. Annualized Lasco sales along with the continued strength in the RV marketplace also improved 2003 sales. Lower shipments of frp panels to the mass merchandising market and the absence of CorTec revenue in 2003 reduced the current year's revenue growth. Operating margins in 2003 were 20.0% compared with 19.1% in 2002 primarily as a result of the divestiture of the non-performing CorTec business in late 2002, partially offset by increased raw material costs.

As part of Kemlite's programs to achieve operational excellence, it has focused on cost reductions and working capital efficiencies. Operating efficiencies have been achieved on the plant floor to reduce waste and inventory which has resulted in improved overall working capital metrics. Kemlite's inventory turned 15.4 times in 2003, the highest in its history, compared with 8.7 times in 2000, while working capital as a percent of sales was 7.5%, the lowest in its history, compared with 12.9% in 2000. On-time delivery was at 98% in 2003.

Merchandising Systems

| (dollars in millions) | 2003 | 2002 |
|-----------------------|----------|----------|
| Net sales | \$ 155.3 | \$ 161.9 |
| Operating profit | 2.8 | 7.2 |
| Assets | 113.3 | 114.6 |
| Operating margin | 1.8 % | 4.4 % |

Overview

The Merchandising Systems Segment is comprised of two businesses: Crane Merchandising Systems ("CMS"), which makes food, snack and beverage vending machines, and National Rejectors ("NRI"), which is based in Germany and makes coin changers and validators.

Approximately 75% of 2003 CMS business is in traditional North American vending markets, with the balance of volume in Europe. The strategic competitive advantage in the North American market is the CMS direct-sales business model which allows more cost-efficient distribution, shorter lead-times on equipment purchases, and enhanced customer communications resulting in better customer service.

The CMS business unit is working to broaden product appeal for both first and second tier users – that is, vending operators who are seeking to maximize return on investment and consumers who are looking for greater selection, product quality and transactional confidence. Product development initiatives are focused on introducing new value-added features without increasing price.

During the last two years, CMS launched new features, new products and updated technology. For example, CMS's new Shopper unit includes sleek styling and 23% more vending volume compared with previous versions of the machine. The increased vending volume allows operators to offer healthier items, such as salads. Other new features allow use of various payment methods, coins, bills and credit cards, which increase sales volume raising return on investment for machine operators. For vendors desiring to update legacy machines, a styling option allows replacement of the boxy front ends of machines with more contemporary rounded designs. NRI, whose sales account for 15% of total segment sales continues to be affected by weak demand for European coin changing equipment.

2003 Operating Results

Segment sales declined 4% from \$161.9 million in 2002 to \$155.3 million in 2003, and operating profit decreased 62% to \$2.8 million versus \$7.2 million in 2002. Segment operating results were significantly lower in 2003 because of the difficult operating conditions at NRI, reflecting weak demand for European coin changing equipment and \$3.1 million in severance costs to assist in sizing this business to the market.

The slowed U.S. economy has adversely affected CMS and the rest of the vending industry. Because a large number of vending machines are placed in factories and offices, employment reductions within these sectors have created a large surplus of used equipment and depressed new equipment sales.

CMS sales of \$133 million declined 3% in 2003, down from \$136 million in 2002. Operating profit decreased 6% as a result of lower sales, which resulted in lower margins, 5.8% in 2003 compared with 6.0% in 2002. Actions were taken, in 2003, to improve operating efficiencies on the plant floor to reduce waste, as well as various other cost-containment efforts.

CMS has focused on operational excellence to significantly improve operations and customer focus. CMS inventory turnover has improved to 4.5 turns in 2003 from 4.2 turns in 2002 and 3.3 turns in 2001, a 36% improvement in two years. Operating working capital as a percentage of sales has been reduced from 28% in 2001 to 23% at the end of 2002 and 20% at the end of 2003. Customer metric improvements include nearly 100% on-time deliveries in 2003 and lead-times down to four days in 2003 from six days in 2002 and 11 days in 2001.

NRI, which has a strong competitive product line, had an extraordinary sales and profit year in 2001 because of the conversion to the Euro and the resulting demand for its coin changing equipment. Its net sales in 2003 were \$23 million compared with 2002 sales of \$26 million and 2001 sales of \$77 million. In 2003, NRI had an operating loss of \$6.3 million compared with a \$9 million loss in 2002. The 2003 operating loss included \$3.1 million in severance costs to assist in sizing the business to the current market demand levels.

Fluid Handling

| (dollars in millions) | 2003 | 2002 |
|-----------------------|----------|----------|
| Net sales | \$ 748.3 | \$ 715.8 |
| Operating profit | 43.5 | 53.7 |
| Assets | 647.9 | 599.5 |
| Operating margin | 5.8 % | 7.5 % |

Overview

The Fluid Handling Segment consists of the Valve Group, Crane Ltd., Resistoflex-Industrial Products, Crane Pumps & Systems, Crane Supply and Crane Environmental.

These businesses collectively manufacture and sell various types of industrial valves and actuators; provide valve testing, parts and services; manufacture and sell pumps and water treatment systems; distribute pipe, valves and fittings; and design, manufacture and sell corrosion-resistant, plastic-lined pipes and fittings.

During 2003, management focused on right-sizing its Fluid Handling business to better align itself to the weak demand throughout most of its end markets and to improve manufacturing efficiency and capital utilization. These initiatives resulted in closure of three plants and three service centers and a reduction of approximately 370 employees, which represents approximately 10% of the U.S. and Western European workforce, at an approximate cost of \$8 million, primarily in the Valve Group.

In June 2003, the Company purchased certain pipe coupling and fittings businesses from Etex Group S.A. ("Etex"). These businesses provide pipe jointing and repair solutions to the water, gas and industrial markets worldwide. Products include grooved pipe systems, pipeline couplings and transition fittings and pipeline equipment. The businesses were integrated into the Company's subsidiary, Crane Ltd., a leading provider of pipe fittings, valves and related products to the building services, principally heating, ventilating and air conditioning ("HVAC"), and industrial markets in the United Kingdom and Europe.

2003 Operating Results

Fluid Handling sales of \$748.3 million in 2003 were \$32.5 million higher than sales of \$715.8 million in 2002. Sales increased as a result of the additional sales volume from the pipe coupling and fittings businesses acquired from Etex, which provided incremental sales of \$31 million, and favorable impact of foreign currency translation of \$41 million. Excluding the incremental sales of the businesses acquired from Etex and favorable foreign currency impact, sales declined \$40 million, or 6%, from the prior year. This decline reflected continued weakness in end markets, particularly chemical processing, power and marine. Operating profit of \$43.5 million in 2003 reflected a decrease of \$10.2 million, or 19%, compared with \$53.7 million in 2002. Operating profit margins were 5.8% compared with 7.5% in the prior year.

Valve Group 2003 sales of \$422.3 million were flat compared with 2002 and would have declined \$23.1 million, or 6%, without the favorable impact of foreign currency translation. Valve Group 2003 sales in Europe, Canada and Australia increased due to the favorable impact of foreign currency translation which offset weak end markets, particularly the chemical process industry ("CPI"), the power industry, and the hydro-carbon market. In addition, performance was hampered by \$6.3 million of costs in 2003 related to facilities rationalization and workforce reductions including the closure of the Long Beach, CA facility and the Washington, IA foundry. Valve Group inventory turns have remained stable at approximately 3.0 times at both December 31, 2003 and 2002, respectively, while working capital as a percent of sales was 30.4% at December 31, 2003 compared with 30.1% at December 31, 2002.

To capture synergies and develop economies of scale, the Valve Group has been in the process of rationalizing operations in an effort to become a more integrated valve company as opposed to a collection of separately operated business units. As a global company, the worldwide sales force will be able to increase sales of complementary products previously sold exclusively by the individual sales forces. In addition to sales, the single valve company structure facilitates integrated procurement activities to leverage volume with suppliers, efficient utilization of the low-cost production facilities in China, India, Mexico and Hungary and results in a lower overall cost base for the business.

At Crane Ltd., previously included in the Valve Group, sales increased 62%, or \$27.4 million, in 2003 compared with 2002, which included \$31 million from the 2003 acquisition. Operating profit decreased 32%, or \$2.1 million due to weak end markets. Crane Ltd.'s base business decreased \$5.0 million, partially offset by \$2.9 million of operating profit contribution from the 2003 acquisition.

Resistoflex-Industrial sales of \$41.9 million in 2003 were flat compared with 2002 and reflect continued depressed conditions in the chemical process market. Operating profit of \$1.1 million in 2003 was flat compared with 2002, as operating losses in the European operations were offset by strong improvement in North America, where plant consolidations are complete.

Crane Pumps & Systems' net sales of \$93.2 million declined 2% in 2003 compared with 2002 because of the absence of sales from the Chempump business, which was sold early in 2003, partially offset by higher sales from the China joint venture established at the end of 2002. Operating profit margins improved to 12.5% from 11.2% in the prior year as this business began to benefit from its 2002 facility consolidation.

Net sales at Crane Supply, a Canada-based distributor of pipes, valves and fittings, increased 8% in 2003 compared with 2002. Operating profit rose 14% in 2003 compared with 2002, primarily due to margin control and a stronger Canadian dollar in 2003.

2003 REVIEW MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS

Controls

| (dollars in millions) | 2003 | 2002 |
|-----------------------|---------|---------|
| Net sales | \$ 63.4 | \$ 64.8 |
| Operating profit | 4.5 | 4.8 |
| Assets | 49.6 | 52.5 |
| Operating margin | 7.2 % | 7.4 % |

Overview

The Controls Segment is comprised of two businesses: Barksdale and Azonix/Dynalco. Barksdale is a producer of ride leveling, air-suspension control valves for heavy trucks and trailers as well as pressure, temperature and level sensors used in a range of industrial machinery and equipment. Azonix/Dynalco is an established manufacturer of electronic human-machine interface panels for harsh and hazardous environments typically found on oil rigs and platforms, as well as large engine compressor monitoring and diagnostic systems.

2003 Operating Results

Controls net sales of \$63.4 million decreased \$1.4 million in 2003 compared with 2002, as improved Barksdale sales were more than offset by sales declines at Azonix/Dynalco. Segment operating profit decreased from \$4.8 million to \$4.5 million reflecting the lower revenue and increased spending for new product applications.

Barksdale's 2003 net sales increased 4% from higher demand for suspension control valves, as the transportation market benefited from increased truck buying. Product sales in other Barksdale markets, oil and gas exploration and industrial machinery, were flat compared with 2002. Barksdale's operating profit decreased 14%, as benefits from operational improvements and product rationalization programs were more than offset by additional costs for new product applications.

Azonix/Dynalco net sales were down 12% in 2003, as this business experienced weak end-market conditions in its gas transmission markets. Operating profit was down 46% because of the lower volume.

As a segment, inventory turns have increased to 3.6 times at December 31, 2003 compared with 3.1 times at December 31, 2002, while working capital as a percent of sales was 22% at December 31, 2003 compared with 24% at December 31, 2002.

Corporate

| (dollars in millions) | 2003 | 2002 |
|--------------------------------------|------------|-------------|
| Corporate expense | \$ (26.1) | \$ (141.1) |
| Corporate expense – asbestos charges | — | (115.3) |
| Interest income | 1.2 | 2.3 |
| Interest expense | (20.0) | (16.9) |
| Miscellaneous – net | 1.0 | (0.6) |
| Effective tax rate on income | 31.0 % | 32.0 % |

Corporate expense decreased \$115 million in 2003 primarily due to the absence of asbestos-related charges in 2003.

Corporate expense asbestos charges represent the provision for estimated costs of asbestos-related claims, which are included in cost of sales in the 2002 consolidated statements of operations. During the fourth quarter of 2002, the Company recorded a non-cash pre-tax charge of \$107.9 million to increase its net estimated liability for asbestos-related costs to \$120 million. This fourth quarter charge combined with asbestos charges incurred in the first nine months of 2002 of \$7.4 million resulted in the annual asbestos provision of

\$115.3 million. The asbestos charge was made to reflect the increase in estimated costs of asbestos-related claims through 2007, net of anticipated insurance recoveries. See “Application of Critical Accounting Policies” for further details. Corporate expense before asbestos charges of \$26.1 million in 2003 was essentially even compared with \$25.8 million in 2002, as increased pension, medical and other employee-related costs in 2003 were offset by lower environmental remediation costs compared with 2002.

Interest expense increased \$3.1 million in 2003 compared with 2002 resulting from the issuance of notes in September 2003, with an aggregate principal amount of \$200 million. The notes are unsecured, senior obligations of the Company that mature on September 15, 2013, and bear interest at 5.50% per annum. These notes were issued to take advantage of a favorable market for debt securities and provide the Company greater flexibility to finance acquisitions and to make future repayments of debt.

Miscellaneous – net 2003 included income of \$3.1 million from the Ferguson business, which the Company contributed into the Industrial Motion Control Holdings, LLC (“IMC”) joint venture in 2001, partially offset by asset disposals and other miscellaneous costs. The 2002 expense reflects income of \$2.9 million from the IMC joint venture offset by asset disposal costs.

The effective tax rate on income improved to 31.0% from 32.0% in 2002 as the Company continues to realize tax benefits related to research and development, exports and foreign tax credits.

The Company's Corporate Governance Guidelines reflect the Board's commitment to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term shareholder value.

Key aspects of the guidelines are set forth below. The full text of the guidelines is available at the Company's website at [www.craneco.com/investors/corporate governance](http://www.craneco.com/investors/corporate%20governance).

The Board's Goal

The Board's goal is to build long-term value for the Company's shareholders and to assure the vitality of the Company for its customers, employees and the other individuals and organizations who depend on the Company.

Size of the Board

The Board believes that it should generally have no fewer than nine and no more than twelve directors.

Selection of New Directors

The nominees for director shall be those people who, after taking into account their skills, expertise, integrity, diversity and other qualities, are believed to enhance the Board's ability to manage and direct, in an effective manner, the business and affairs of the Company.

The Nominating and Governance Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

Each director shall be expected, within a reasonable period of time following his or her election to the Board, to own stock in the Company in an amount that is appropriate for such director's financial circumstances.

Other Public Company Directorships

Directors who also serve as chief executive officers should not serve on more than two public company boards in addition to the Board, and other directors should not sit on more than four public company boards in addition to the Board. The members of the Audit Committee should not serve on more than two other audit committees of public companies.

Independence of the Board

The Board shall be comprised of a substantial majority of directors who qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE").

CORPORATE GOVERNANCE

Retirement Policy for Directors

The Board does not believe that there should be fixed criteria requiring automatic retirement from the Board. However, the Board recognizes that there are certain events that could have an effect on a person's ability to be an effective contributor to the Board process. Accordingly, each director who has attained the age of 70, served on the Board for fifteen years or changed the position he or she held when he or she became a member of the Board should so notify the Nominating and Governance Committee and offer to submit his or her resignation as a director effective at such time. The Nominating and Governance Committee shall review the continued appropriateness of the affected director remaining on the Board under the circumstances.

Board Compensation

A director who is also an officer of the Company shall not receive additional compensation for such service as a director. The Company believes that compensation for non-employee directors should be competitive and should encourage increased ownership of the Company's stock through the payment of a portion of director compensation in Company stock, options to purchase Company stock or similar compensation. Director's fees (including any additional amounts paid to chairmen of committees and to members of committees of the Board) are the only compensation a member of the Audit Committee may receive from the Company. Any charitable contribution in excess of \$10,000 to a charity or other tax exempt organization in which a director or executive officer of the Company is a trustee or Board member or which under the rules established by the NYSE would cause a director to be deemed not to be independent shall require the prior approval of the Audit Committee.

Board Operations

There shall be nine regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held each calendar quarter.

The non-management directors of the Company shall meet in executive session without management on a regularly scheduled basis, but not less than two times a year. The Chairman of the Board shall preside at such executive sessions, unless such person is a member of management of the Company. If the Chairman is a member of management of the Company, the presiding person at executive sessions shall rotate on an annual basis among the chairmen of the Nominating and Governance Committee, Audit Committee and Management Organization and Compensation Committee.

Strategic Direction of the Company

It is management's job, under the direction of the Chief Executive Officer, to formalize, propose and establish strategic direction, subject to review and input by the Board. It is also the primary responsibility of management, under the direction of the Chief Executive Officer, to implement the Company's business plans in accordance with such strategic direction and for the Board to monitor and evaluate, with the assistance of the Chief Executive Officer, strategic results.

Board Access to Management

Board members shall have access to the Company's management and, as appropriate, to the Company's outside advisors.

Attendance of Management Personnel at Board Meetings

The Board encourages the Chief Executive Officer to bring members of management who are not directors from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the manager; (ii) make presentations to the Board on matters which involve the manager; and (iii) bring managers with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board.

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

| Years Ended December 31, (in thousands, except per share data) | 2004 | 2003 | 2002 | 2001 | 2000 |
|---|--------------|--------------|--------------|--------------|--------------|
| Net sales | \$ 1,890,335 | \$ 1,635,991 | \$ 1,516,347 | \$ 1,587,180 | \$ 1,491,190 |
| Operating (loss) profit | (161,490) | 169,012 | 39,671 | 171,684 | 184,026 |
| Interest expense | (23,161) | (20,010) | 16,900 | 21,187 | 21,564 |
| (Loss) income before taxes and cumulative effect of a change in accounting principle | (168,170) | 151,164 | 24,453 | 135,817 | 190,360 |
| (Benefit) provision for income taxes | (62,749) | 46,861 | 7,825 | 47,197 | 66,631 |
| (Loss) income before taxes and cumulative effect of a change in accounting principle | (105,421) | 104,303 | 16,628 | 88,620 | 123,729 |
| Cumulative effect of a change in accounting principle | — | — | (28,076) | — | — |
| (Loss) income from continuing operations | (105,421) | 104,303 | (11,448) | 88,620 | 123,729 |
| (Loss) income from continuing operations per diluted share before cumulative effect of a change in accounting principle | (1.78) | 1.75 | 0.28 | 1.47 | 2.02 |
| Cumulative effect of a change in accounting principle | — | — | (0.47) | — | — |
| (Loss) income from continuing operations per diluted share | (1.78) | 1.75 | (0.19) | 1.47 | 2.02 |
| Cash dividends per common share | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Total assets | 2,116,508 | 1,811,776 | 1,413,696 | 1,292,115 | 1,143,851 |
| Long-term debt | 296,592 | 295,861 | 205,318 | 302,368 | 213,790 |

QUARTERLY RESULTS FOR THE YEAR

| Years Ended December 31, (in thousands, except per share data) | First | Second | Third | Fourth | Year |
|--|------------|------------|------------|------------|--------------|
| 2004 | | | | | |
| Net sales | \$ 448,306 | \$ 479,107 | \$ 477,320 | \$ 485,602 | \$ 1,890,335 |
| Cost of sales* | 305,926 | 324,348 | 687,863 | 328,531 | 1,646,668 |
| Gross profit (loss) | 142,380 | 154,759 | (210,543) | 157,071 | 243,667 |
| Net (loss) income | 22,177 | 31,238 | (205,206) | 46,370 | (105,421) |
| Net (loss) income per basic/diluted share | .37 | .53 | (3.48) | .78 | (1.78) |
| 2003 | | | | | |
| Net sales | \$ 376,470 | \$ 405,973 | \$ 425,291 | \$ 428,257 | \$ 1,635,991 |
| Cost of sales* | 257,275 | 274,357 | 288,949 | 285,585 | 1,106,166 |
| Gross profit | 119,195 | 131,616 | 136,342 | 142,672 | 529,825 |
| Net income | 16,496 | 26,007 | 28,134 | 33,666 | 104,303 |

| | | | | | |
|------------------------------|-----|-----|-----|-----|------|
| Net income per diluted share | .28 | .44 | .47 | .56 | 1.75 |
|------------------------------|-----|-----|-----|-----|------|

* Includes asbestos and environmental changes

MARKET AND DIVIDEND INFORMATION – CRANE CO. COMMON SHARES

| Quarter | New York Stock Exchange Composite Price per Share | | | | Dividends per Share | |
|---------|--|----------|----------|----------|---------------------|--------|
| | 2004 | | 2003 | | 2004 | 2003 |
| | High | Low | High | Low | | |
| First | \$ 33.00 | \$ 29.45 | \$ 20.65 | \$ 15.19 | \$.10 | \$.10 |
| Second | \$ 34.40 | \$ 29.03 | \$ 22.89 | \$ 16.97 | \$.10 | \$.10 |
| Third | \$ 31.46 | \$ 25.83 | \$ 26.52 | \$ 22.31 | \$.10 | \$.10 |
| Fourth | \$ 32.39 | \$ 27.26 | \$ 30.81 | \$ 23.30 | \$.10 | \$.10 |
| | | | | | \$.40 | \$.40 |

On December 31, 2004 there were approximately 4,121 holders of record of Crane Co. common stock.

Crane Co. common share ownership inclusive of stock options exercisable by Management and Directors are as follows:

5% Holders 24%, Other Institutional Holders 47%; Retail Shareholders, 18%; Management and Directors, 6%; and Employee Benefit Plans, 5%.

COMMITTEES

The Company has four standing committees, namely the Executive Committee, Audit Committee, Management Organization and Compensation Committee, and Nominating and Governance Committee. Other than the Executive Committee, each committee is composed entirely of independent directors as defined by the NYSE.

Executive Committee

This committee, which meets when a quorum of the full Board of Directors cannot be readily obtained, may exercise any of the powers of the Board of Directors, except for (i) approving an amendment of the Company's Certificate of Incorporation or By-Laws, (ii) adopting an agreement of merger or sale of substantially all of the Company's assets or dissolution of the Company, (iii) filling vacancies on the Board or any committee thereof or (iv) electing or removing officers of the Company.

Audit Committee

This committee is the Board's principal agent in fulfilling legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of the Company. This includes oversight of the integrity of financial statements, authority for retention and compensation of the Company's independent auditors, evaluation of qualifications, independence and performance of the Company's independent auditors, review of staffing and performance of the internal audit function and oversight of the Company's compliance with legal and regulatory requirements.

Management Organization and Compensation Committee

This committee's responsibilities include recommending to the Board of Directors all actions regarding compensation of the Chief Executive Officer, review of the compensation of other officers and business unit presidents, annual review of director compensation, administration of the EVA Incentive Compensation Plan and Stock Incentive Plan and review and approval of significant changes or additions to the compensation policies and practices of the Company. This committee will provide the Chief Executive Officer with an annual performance review. It shall be responsible for determining that a satisfactory system is in effect for education, development, and orderly succession of senior and mid-level managers throughout the Company.

Nominating and Governance Committee

This committee is responsible for identifying, screening and recommending to the Board candidates for Board membership. It shall be responsible for sponsoring an annual self-assessment of the Board's performance as well as the performance of each committee of the Board. It shall be responsible for recommendations with respect to the assignment of Board members to various committees and appointing committee chairmen.

DIRECTORS AND OFFICERS

Directors

E. Thayer Bigelow, Jr. ^(1, 3, 4)

Managing Director

Bigelow Media

*Investment in Media and
Entertainment Companies*

Karen E. Dykstra ⁽²⁾

Chief Financial Officer

Automatic Data Processing, Inc.
Worldwide Computer Services

Robert S. Evans ⁽¹⁾

Chairman of the Board

Eric C. Fast ⁽¹⁾

President, Chief Executive Officer
and Acting Chief Financial Officer
of the Company

Richard S. Fort ⁽²⁾

Retired Chairman

Fort Cashmere Company
Importer and Manufacturer

Dorsey R. Gardner ^(2, 3)

President

Kelso Management Company, Inc.
Investment Management

Jean Gaulin ^(2, 4)

Retired Chairman

and Chief Executive Officer
Ultramar Diamond Shamrock
Corporation

*Refiner and Marketer of
Petroleum Products*

Corporate Officers

Eric C. Fast

President, Chief Executive Officer
and Acting Chief Financial Officer

Gil A. Dickoff

Treasurer

Augustus I. duPont

Vice President,
General Counsel and Secretary

Elise M. Kopczick

Vice President,
Human Resources

Max H. Mitchell

Vice President,
Operational Excellence

Joan Atkinson Nano

Vice President,
Controller

Thomas M. Noonan

Vice President,
Taxes

Anthony D. Pantaleoni

Vice President,
Environment, Health and Safety

William E. Lipner ⁽³⁾

Executive Vice Chairman

Taylor Nelson Sofres, PLC

Market Research Services

Dwight C. Minton ^(1, 3, 4)

Chairman Emeritus of the Board of

Church & Dwight Co., Inc.

Manufacturer of Consumer and Specialty Products

Charles J. Queenan, Jr. ^(2, 4)

Senior Counsel

Kirkpatrick & Lockhart Nicholson Graham LLP

Attorneys at Law

James L. L. Tullis ⁽³⁾

Chief Executive Officer

Tullis-Dickerson & Co.

Venture Capital to

Health Care Industry

⁽¹⁾ Member of the Executive Committee

⁽²⁾ Member of the Audit Committee

⁽³⁾ Member of the Management Organization and Compensation Committee

⁽⁴⁾ Member of the Nominating and Governance Committee

SHAREHOLDER INFORMATION

Crane Co. Internet Site and Shareholder Information Line

Copies of Crane Co.'s report on Form 10-K for 2004 as filed with the Securities and Exchange Commission as well as other financial reports and news from Crane Co. may be read and downloaded off the Internet at www.craneco.com.

If you do not have access to the Internet, you may request free printed materials by telephone, toll-free, from our Crane Co. Shareholder Direct information line at 1-888-CRANECR (1-888-272-6327).

Both services are available 24 hours a day, 7 days a week.

Annual Meeting

The Crane Co. annual meeting of shareholders will be held at 10:00 a.m. on April 25, 2005, at the Westin Hotel One First Stamford Place Stamford, CT 06902.

Stock Listing

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

Auditors

Deloitte & Touche LLP

Stamford Harbor Park

Stamford, CT 06902

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, disability or national origin.

Environment, Health and Safety Policy

Crane Co. is committed to protecting the environment by taking responsibility to prevent serious or irreversible environmental degradation through efficient operations and activities. Crane Co. recognizes environmental management among its highest priorities throughout the corporation, and has established policies and programs that are integral and essential elements of the business plan of each of the business units. Additionally, Crane Co. has established the position of Vice President, Environment, Health and Safety, which is responsible for assuring compliance, measuring environment, health and safety performance and conducting associated audits on a regular basis in order to provide appropriate information to the Crane Co. management team and to regulatory authorities.

Stock Transfer Agent and Registrar of Stock

EquiServe Trust Company, N.A.

Customer Service: 1-781-575-2725

E-mail: equiserve@equiserve.com

Non-Postal Deliveries

66 Brooks Drive

Braintree, MA 02184

General Correspondence/Changes of Address/Transfer of Stock Certificates

P.O. Box 43069

Providence, RI 02940-3069

Bond Trustee and Disbursing Agent

The Bank of New York

Corporate Trust Department

1-800-254-2826

101 Barclay Street, 8W

New York, NY 10286

Dividend Reinvestment and Stock Purchase Plan

Crane Co. offers shareholders the opportunity to participate in a Dividend Reinvestment and Stock Purchase Plan. The plan provides two convenient methods for increasing your investment in Crane Co. common stock, without paying fees and commissions.

Dividend Reinvestment :

For all or part of your dividends on Crane Co. common stock; and

Voluntary Cash Payments:

Of any amount from \$10 to a maximum of \$5,000 a month. Under terms of the Plan, EquiServe Trust Company, N.A. will act as agent for shareholders interested in purchasing additional Crane common stock automatically, on a regular basis. The details of this plan and its benefits to you as a Crane Co. shareholder are described in a brochure available by writing to:

EquiServe Trust Company, N.A. Crane Co.

Dividend Reinvestment Plan

P.O. Box 43081

Providence, RI 02940-3081

Design Salsgiver Coveney Associates, Westport, CT

Exhibit 21

CRANE CO.

Exhibit 21 to FORM 10-K

Annual Report for the Year Ended December 31, 2004

Subsidiaries of Registrant

The following is a list of active subsidiaries of the registrant and their jurisdictions of incorporation. Except as noted, all of these subsidiaries are wholly owned, directly or indirectly, and all are included in the consolidated financial statements. The bold type signifies a parent company of a lower-tier subsidiary. The names of several other subsidiaries have been omitted, as they would not, if considered in the aggregate as a single subsidiary, constitute a significant subsidiary.

Crane GmbH
National Rejectors, Inc. GmbH
NRI Iberica S.A.
Crane International Holdings, Inc.
Crane Aerospace, Inc.
ELDEC Corporation
ELDEC France S.A.R.L.
Hydro-Aire, Inc.
P.L. Porter Co.
P.L. Porter Controls, Inc.
P.L. Porter (Europe) GmbH

Germany
Germany
Spain
Delaware
Delaware
Washington
France
California
California
California
California

Crane (Asia Pacific) Pte. Ltd.
Kessel (Thailand) Pte. Ltd
Resistoflex Plastic Lined System (Shanghai) Co. Ltd
Crane Controls, Inc.
Azonix Corporation
Barksdale Control Products GmbH
Barksdale, Inc.
Dynalco Controls Corporation
Crane Fengqiu (Zhejiang) Pump Co. Ltd.
Crane Nantong Company Ltd.
Crane Ningjin Valve Co.
Crane Zhengying Rubber Co. Ltd.
Crane Resistoflex GmbH
CR Holdings C.V.
Crane Global Holdings S.L.
Crane Australia Pty. Ltd.
P.T. Crane Indonesia
Crane Holdings (Germany) GmbH
Crane Process Flow Technologies GmbH
Crane Process Flow Technologies S.P.R.L.
Crane Process Flow Technologies S.r.l.
Crane YongXiang (Ningbo) Valve Co. Ltd.
Westad Industri A/S
Xomox Hungary Kft.
Xomox International GmbH & Co.
Xomox Japan Ltd.
Xomox Korea Ltd.
Xomox Southeast Asia Pte Ltd.

Singapore
Thailand (49%)
China
Delaware
Massachusetts
Germany
Delaware
Delaware
China (70%)
China (70%)
China (90%)
China (80%)
Germany
Netherlands
Spain
Australia
Indonesia(51%)
Germany
Germany
Belgium
Italy
China (70%)
Norway
Hungary
Germany
Japan
Korea
Singapore

Exhibit 21 to FORM 10-K (continued)

| | |
|---|---------------|
| Crane International Capital B.V. | Netherlands |
| Crane International Capital S.r.l. | Luxembourg |
| Crane Canada Co. | Canada |
| Crane Ltd. | England |
| Crane Europe Ltd. | Scotland |
| Crane Merchandising Systems Ltd. | England |
| Crane Process Flow Technologies Ltd. | England |
| Crane Process Flow Tech. (India) Ltd. | India |
| Crane Stockham Valve Ltd. | England |
| International Couplings B.V. | Netherlands |
| ELDEC Electronics Ltd. | England |
| General Technology Corporation | New Mexico |
| Industrial Motion Control Holdings, LLC | Delaware(49%) |
| Interpoint Corporation | Washington |
| Interpoint S.A.R.L. | France |
| Interpoint Taiwan Corporation | Taiwan |
| Interpoint U.K. Ltd. | England |
| Kemlite Company, Inc. | Delaware |
| Lasco Material, Inc. | Delaware |
| Lasco Panels, Inc. | Delaware |
| Lasco Composites, LP | Delaware |
| Sequentia, Inc. | Ohio |
| Kemlite Ltd. | England |
| MCC Holdings, Inc. | Delaware |
| Crane Environmental Inc. | Delaware |
| Crane Nuclear, Inc. | Delaware |
| Crane Pumps & Systems, Inc. | Delaware |
| Xomox Corporation | Ohio |
| Flow Technology, Inc. | Ohio |
| Xomox Sanmar Ltd. | India (49%) |
| Signal Technology Corporation | Delaware |
| Xomox A.G. | Switzerland |
| Xomox Chihuahua S.A. de C.V. | Mexico |
| Xomox Corporation de Venezuela C.A. | Venezuela |
| Xomox France S.A. | France |
| Crane Overseas LLC | Delaware |
| Streamware Corporation | Massachusetts |

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Post-Effective Amendment No. 1 to Registration No. 333-114849 on Form S-8, Registration Statement No. 333-63678 on Form S-8, Registration Statement No. 333-63676 on Form S-8, Registration Statement No. 333-35860 on Form S-8, Registration Statement No. 333-37636 on Form S-8, Registration Statement No. 333-50489 on Form S-8, Registration Statement No. 333-50487 on Form S-8, Registration Statement No. 333-50495 on Form S-8, Registration Statement No. 333-109002 on Form S-3, Registration Statement No. 333-06735 on Form S-8, Post-Effective Amendment No. 1 to Registration Statement No. 33-59389 on Form S-8, Post-Effective Amendment No. 1 to Registration Statement No. 33-59475 on Form S-8 and Registration Statement No. 333-16555 on Form S-8 of our reports dated February 18, 2005 relating to the financial statements of Crane Co. (which report includes an explanatory paragraph regarding the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets"), and management's report on the effectiveness of internal controls over financial reporting incorporated by reference in this Annual Report on Form 10-K of Crane Co. for the year ended December 31, 2004.

/s/ DELOITTE & TOUCHE LLP

Stamford, Connecticut

March 7, 2005

Exhibit 31.1

CERTIFICATION

I, Eric C. Fast, certify that:

- (1) I have reviewed this Annual Report on Form 10-K of Crane Co.;
- (2) Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Annual Report;
- (4) I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and I have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under appropriate supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this Annual Report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this Annual Report the conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation; and
 - d) Disclosed in this Annual Report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter (the Company's fourth quarter in the case of this Annual Report) that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- (5) I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

B /s/ Eric C. Fast

y

Eric C. Fast
March 8, 2005

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
ACTING CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Crane Co. (the "Company") on Form 10-K for the year ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Eric C. Fast, President, Chief Executive Officer and Acting Chief Financial Officer of the Company, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, hereby certify to the best of my knowledge that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification accompanies this Form 10-K and shall not be treated as having been filed as part of this Form 10-K.

B /s/ Eric C. Fast

y

Eric C. Fast
President, Chief Executive Officer and
Acting Chief Financial Officer
March 8, 2005

End of Filing