

CURTISS WRIGHT CORP  
Form 10-Q  
May 06, 2011

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2011

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 1-134

CURTISS-WRIGHT CORPORATION  
(Exact name of Registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-0612970  
(I.R.S. Employer Identification No.)

10 Waterview Boulevard  
Parsippany, New Jersey  
(Address of principal executive offices)

07054  
(Zip Code)

(973) 541-3700  
(Registrant's telephone number, including area code)

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 of time 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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting  
company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock, par value \$1.00 per share: 46,418,783 shares (as of April 30, 2011).

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

TABLE of CONTENTS

|                                       | PAGE   |
|---------------------------------------|--|
| <b>PART I – FINANCIAL INFORMATION</b> |  |
| Item 1.                               | Financial Statements (Unaudited):  |
|                                       | Condensed Consolidated Statements of Earnings 3  |
|                                       | Condensed Consolidated Balance Sheets 4  |
|                                       | Condensed Consolidated Statements of Cash Flows 5  |
|                                       | Condensed Consolidated Statements of Stockholders’ Equity 6                                  |
|                                       | Notes to Condensed Consolidated Financial Statements 7 - 18                                  |
| Item 2.                               | Management’s Discussion and Analysis of Financial Condition and Results of Operations 19 -27 |
| Item 3.                               | Quantitative and Qualitative Disclosures about Market Risk 28                                |
| Item 4.                               | Controls and Procedures 28   |
| <b>PART II – OTHER INFORMATION</b>    |  |
| Item 1.                               | Legal Proceedings 29   |
| Item 1A.                              | Risk Factors 29  |
| Item 5.                               | Other Information 29   |
| Item 6.                               | Exhibits 30  |
| Signatures                            | 31   |



PART 1- FINANCIAL INFORMATION  
Item 1. Financial Statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENT OF EARNINGS  
(UNAUDITED)  
(In thousands, except per share data)

|                                      | Three Months Ended<br>March 31, |           |
|--------------------------------------|---------------------------------|-----------|
|                                      | 2011                            | 2010      |
| Net sales                            | \$461,850                       | \$441,775 |
| Cost of sales                        | 312,881                         | 303,791   |
| Gross profit                         | 148,969                         | 137,984   |
| Research and development expenses    | 13,597                          | 13,838    |
| Selling expenses                     | 29,223                          | 27,820    |
| General and administrative expenses  | 64,466                          | 65,242    |
| Operating income                     | 41,683                          | 31,084    |
| Interest expense                     | (5,121 )                        | (5,667 )  |
| Other income, net                    | 56                              | 152       |
| Earnings before income taxes         | 36,618                          | 25,569    |
| Provision for income taxes           | 12,102                          | 9,234     |
| Net earnings                         | \$24,516                        | \$16,335  |
| Basic earnings per share             | \$0.53                          | \$0.36    |
| Diluted earnings per share           | \$0.52                          | \$0.35    |
| Dividends per share                  | \$0.08                          | \$0.08    |
| Weighted average shares outstanding: |                                 |           |
| Basic                                | 46,195                          | 45,642    |
| Diluted                              | 46,974                          | 46,158    |

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

(In thousands, except par value)

|  | March 31,<br>2011 | December<br>31,<br>2010 |
|--|-------------------|-------------------------|
| Assets   |                   |                         |
| Current assets:  |                   |                         |
| Cash and cash equivalents                              | \$51,966          | \$68,119                |
| Receivables, net                                       | 500,212           | 461,632                 |
| Inventories, net                                       | 308,709           | 281,103                 |
| Deferred tax assets, net                               | 49,188            | 48,568                  |
| Other current assets                                   | 33,102            | 40,605                  |
| Total current assets                                   | 943,177           | 900,027                 |
| Property, plant, and equipment, net                    | 406,906           | 397,280                 |
| Goodwill   | 703,858           | 693,572                 |
| Other intangible assets, net                           | 240,934           | 240,197                 |
| Deferred tax assets, net                               | 1,076             | 1,033                   |
| Other assets   | 10,162            | 9,909                   |
| Total assets   | \$2,306,113       | \$2,242,018             |
| Liabilities  |                   |                         |
| Current liabilities:                                   |                   |                         |
| Current portion of long-term and short-term debt       | \$2,590           | \$2,602                 |
| Accounts payable                                       | 120,232           | 133,180                 |
| Dividends payable                                      | 3,717             | -                       |
| Accrued expenses                                       | 78,422            | 99,966                  |
| Income taxes payable                                   | 1,863             | 3,111                   |
| Deferred revenue                                       | 152,351           | 146,770                 |
| Other current liabilities                              | 44,813            | 42,310                  |
| Total current liabilities                              | 403,988           | 427,939                 |
| Long-term debt   | 447,014           | 394,042                 |
| Deferred tax liabilities, net                          | 25,975            | 26,815                  |
| Accrued pension and other postretirement benefit costs | 155,665           | 166,591                 |
| Long-term portion of environmental reserves            | 19,122            | 19,091                  |
| Other liabilities                                      | 46,208            | 47,437                  |
| Total liabilities                                      | 1,097,972         | 1,081,915               |
| Contingencies and commitments (Note 14)                |                   |                         |
| Stockholders' Equity                                   |                   |                         |
| Common stock, \$1 par value                            | 48,717            | 48,558                  |
| Additional paid in capital                             | 135,912           | 130,093                 |
| Retained earnings                                      | 1,093,258         | 1,072,459               |
| Accumulated other comprehensive income (loss)          | 15,352            | (2,813 )                |
|  | 1,293,239         | 1,248,297               |
| Less: Cost of treasury stock                           | (85,098 )         | (88,194 )               |
| Total stockholders' equity                             | 1,208,141         | 1,160,103               |

|  |             |             |
|--|-------------|-------------|
| Total liabilities and stockholders' equity | \$2,306,113 | \$2,242,018 |
|--|-------------|-------------|

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(In thousands)

|  | Three Months Ended |                   |
|--|--------------------|-------------------|
|  | 2011               | March 31,<br>2010 |
| Cash flows from operating activities:  |                    |                   |
| Net earnings   | \$24,516           | \$16,335          |
| Adjustments to reconcile net earnings to net cash used for operating activities: |                    |                   |
| Depreciation and amortization  | 20,522             | 19,510            |
| Net (gain) loss on sale of assets  | (46 )              | 36                |
| Deferred income taxes  | (2,743 )           | 2,051             |
| Share-based compensation   | 2,793              | 2,497             |
| Change in operating assets and liabilities, net of businesses acquired:          |                    |                   |
| Accounts receivable, net   | (35,100 )          | (24,478 )         |
| Inventories, net   | (22,551 )          | (11,868 )         |
| Progress payments  | (407 )             | 3,458             |
| Accounts payable and accrued expenses  | (34,207 )          | (27,138 )         |
| Deferred revenue   | 5,581              | (7,993 )          |
| Income taxes payable   | 7,745              | 3,770             |
| Net pension and postretirement liabilities                                       | (10,337 )          | 6,486             |
| Other current and long-term assets   | (4 )               | (1,165 )          |
| Other current and long-term liabilities  | 1,453              | (4,500 )          |
| Total adjustments  | (67,301 )          | (39,334 )         |
| Net cash used for operating activities   | (42,785 )          | (22,999 )         |
| Cash flows from investing activities:  |                    |                   |
| Proceeds from sales and disposals of long-lived assets                           | 118                | 474               |
| Acquisitions of intangible assets  | -                  | (1,486 )          |
| Additions to property, plant, and equipment                                      | (19,245 )          | (10,878 )         |
| Acquisition of businesses, net of cash acquired                                  | (13,250 )          | (1,153 )          |
| Net cash used for investing activities   | (32,377 )          | (13,043 )         |
| Cash flows from financing activities:  |                    |                   |
| Borrowings on debt   | 273,500            | 141,000           |
| Principal payments on debt   | (220,524 )         | (94,372 )         |
| Proceeds from exercise of stock options  | 5,895              | 5,192             |
| Excess tax benefits from share-based compensation                                | 3                  | 30                |
| Net cash provided by financing activities  | 58,874             | 51,850            |
| Effect of exchange-rate changes on cash  | 135                | (1,115 )          |
| Net (decrease) increase in cash and cash equivalents                             | (16,153 )          | 14,693            |
| Cash and cash equivalents at beginning of period                                 | 68,119             | 65,010            |
| Cash and cash equivalents at end of period                                       | \$51,966           | \$79,703          |
| Supplemental disclosure of investing activities:                                 |                    |                   |
| Fair value of assets acquired in current year acquisitions                       | \$13,440           | \$-               |
| Additional consideration paid on prior year acquisitions                         | -                  | 1,153             |
| Liabilities assumed from current year acquisitions                               | (190 )             | -                 |
| Acquisition of new businesses  | \$13,250           | \$1,153           |





CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(UNAUDITED)  
(In thousands)

|   | Common<br>Stock | Additional<br>Paid in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income | Treasury<br>Stock |
|---|-----------------|----------------------------------|----------------------|--|-------------------|
| December 31, 2009                             | \$48,214        | \$111,707                        | \$980,590            | \$ (19,605 )   | \$(94,149 )       |
| Net earnings                                  | -               | -                                | 106,598              | -  | -                 |
| Pension and postretirement adjustment, net    | -               | -                                | -                    | (14,791 )  | -                 |
| Foreign currency translation adjustments, net | -               | -                                | -                    | 31,583   | -                 |
| Dividends paid                                | -               | -                                | (14,729 )            | -  | -                 |
| Stock options exercised, net                  | 344             | 6,937                            | -                    | -  | 4,026             |
| Share-based compensation                      | -               | 11,768                           | -                    | -  | 1,610             |
| Other   | -               | (319 )                           | -                    | -  | 319               |
| December 31, 2010                             | \$48,558        | \$130,093                        | \$1,072,459          | \$ (2,813 )  | \$(88,194 )       |
| Net earnings                                  | -               | -                                | 24,516               | -  | -                 |
| Pension and postretirement adjustment, net    | -               | -                                | -                    | 471  | -                 |
| Foreign currency translation adjustments, net | -               | -                                | -                    | 17,694   | -                 |
| Dividends declared                            | -               | -                                | (3,717 )             | -  | -                 |
| Stock options exercised, net                  | 159             | 3,597                            | -                    | -  | 2,525             |
| Share-based compensation                      | -               | 2,428                            | -                    | -  | 365               |
| Other   | -               | (206 )                           | -                    | -  | 206               |
| March 31, 2011                                | \$48,717        | \$135,912                        | \$1,093,258          | \$ 15,352  | \$(85,098 )       |

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

1. BASIS OF PRESENTATION

Curtiss-Wright Corporation and its subsidiaries (the “Corporation”) is a diversified, multinational manufacturing and service company that designs, manufactures, and overhauls precision components and systems and provides highly engineered products and services to the aerospace, defense, automotive, shipbuilding, processing, oil, petrochemical, agricultural equipment, railroad, power generation, security, and metalworking industries. Operations are conducted through 57 manufacturing facilities and 61 metal treatment service facilities.

The unaudited condensed consolidated financial statements include the accounts of Curtiss-Wright and its majority-owned subsidiaries. All intercompany transactions and accounts have been eliminated.

The unaudited condensed consolidated financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenue, and expenses and disclosure of contingent assets and liabilities in the accompanying financial statements. The most significant of these estimates includes the estimate of costs to complete long-term contracts under the percentage-of-completion accounting methods, the estimate of useful lives for property, plant, and equipment, cash flow estimates used for testing the recoverability of assets, pension plan and postretirement obligation assumptions, estimates for inventory obsolescence, estimates for the valuation and useful lives of intangible assets, warranty reserves, legal reserves, and the estimate of future environmental costs. Actual results may differ from these estimates. In the opinion of management, all adjustments considered necessary for a fair presentation have been reflected in these financial statements.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s 2010 Annual Report on Form 10-K, as amended. The results of operations for interim periods are not necessarily indicative of trends or of the operating results for a full year.

RECENTLY ISSUED ACCOUNTING STANDARDS

ADOPTION OF NEW STANDARDS

Revenue Arrangements with Multiple Deliverables

In September 2009, new guidance was issued on revenue arrangements with multiple deliverables. The new guidance modifies the requirements for determining whether a deliverable can be treated as a separate unit of accounting by removing the criteria that verifiable and objective evidence of fair value exists for undelivered items, establishes a selling price hierarchy to help entities allocate arrangement consideration to separate units of account, requires the relative selling price allocation method for all arrangements, and expands required disclosures. The new guidance is effective for fiscal years beginning after June 15, 2010. The adoption of this guidance did not have a material impact on the Corporation’s results of operations or financial condition.

Revenue Recognition – Milestone Method

In April 2010, new guidance was issued that provides the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate, as well as the associated disclosure requirements. The new guidance clarifies that a vendor can recognize consideration that is contingent on achieving a milestone as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive. The new guidance is effective for fiscal years beginning after June 15, 2010. The adoption of this guidance did not have a material impact on the Corporation's results of operations or financial condition.

#### Certain Revenue Arrangements That Include Software Elements

In September 2009, new guidance was issued on certain revenue arrangements that include software elements. The new guidance amended past guidance on software revenue recognition to exclude from scope all tangible products containing both software and non-software elements that function together to interdependently deliver the product's essential functionality. The new guidance is effective for fiscal years beginning after June 15, 2010. The adoption of this guidance did not have a material impact on the Corporation's results of operations or financial condition.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

## 2. ACQUISITION

The Corporation acquired one business during the three months ended March 31, 2011, described in more detail below.

The acquisition has been accounted for as a purchase under the guidance for business combinations, where the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired is generally recorded as goodwill. The Corporation allocates the purchase price, including the value of identifiable intangibles with a finite life based upon final analysis, including input from third party appraisals. The purchase price allocation will be finalized no later than twelve months from acquisition. The results of the acquired business have been included in the consolidated financial results of the Corporation from the date of acquisition in the segment indicated.

### Motion Control Segment

#### Predator Systems, Inc.

On January 7, 2011, the Corporation acquired all the issued and outstanding stock of Predator Systems, Inc. ("PSI"), for \$13.3 million in cash. The Stock Purchase Agreement contains customary representations and warranties, including a portion of the purchase price deposited into escrow as security for potential indemnification claims against the seller. Management funded the purchase from the Corporation's revolving credit facility.

The purchase price of the acquisition has been allocated to the net tangible and intangible assets acquired with the remainder recorded as goodwill on the basis of estimated fair values, as follows:

(In thousands)

|                                    |        |
|------------------------------------|--------|
| Accounts receivable                | \$862  |
| Inventory                          | 1,856  |
| Property, plant, and equipment     | 2,100  |
| Other current assets               | 67     |
| Intangible assets                  | 4,700  |
| Current liabilities                | (190 ) |
| Net tangible and intangible assets | 9,395  |
| Purchase price                     | 13,250 |
| Goodwill                           | 3,855  |

The Corporation has estimated that the goodwill will be tax deductible and the Corporation will adjust these estimates based upon final analysis including input from third party appraisals.

PSI designs and manufactures motion control components and subsystems for ground defense, ordnance guidance, and aerospace applications, and will operate within the Flight Systems division of the Corporation's Motion Control segment. PSI had 45 employees as of the date of the acquisition and is headquartered in Boca Raton, FL. Revenues of the acquired business were approximately \$8 million for the year ended December 31, 2010.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

3. RECEIVABLES

Receivables at March 31, 2011 and December 31, 2010 include amounts billed to customers, claims, other receivables, and unbilled charges on long-term contracts consisting of amounts recognized as sales but not billed. Substantially all amounts of unbilled receivables are expected to be billed and collected within one year.

The composition of receivables is as follows:

|   | (In thousands)    |                         |
|---|-------------------|-------------------------|
|   | March 31,<br>2011 | December<br>31,<br>2010 |
| Billed receivables:                                 |                   |                         |
| Trade and other receivables                         | \$315,854         | \$282,483               |
| Less: Allowance for doubtful accounts               | (4,656 )          | (3,972 )                |
| Net billed receivables                              | 311,198           | 278,511                 |
| Unbilled receivables:                               |                   |                         |
| Recoverable costs and estimated earnings not billed | 217,681           | 210,766                 |
| Less: Progress payments applied                     | (28,667 )         | (27,645 )               |
| Net unbilled receivables                            | 189,014           | 183,121                 |
| Receivables, net                                    | \$500,212         | \$461,632               |

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

## 4. INVENTORIES

Inventoried costs contain amounts relating to long-term contracts and programs with long production cycles, a portion of which will not be realized within one year. Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories is as follows:

|  | (In thousands) |             |
|--|----------------|-------------|
|  | March 31,      | December    |
|  | 2011           | 31,<br>2010 |
| Raw material   | \$157,980      | \$147,950   |
| Work-in-process  | 76,978         | 69,302      |
| Finished goods and component parts   | 78,527         | 73,419      |
| Inventoried costs related to U.S. Government and other long-term contracts | 46,148         | 41,029      |
| Gross inventories  | 359,633        | 331,700     |
| Less: Inventory reserves   | (43,352 )      | (41,596 )   |
| Progress payments applied, principally related to long-term contracts      | (7,572 )       | (9,001 )    |
| Inventories, net   | \$308,709      | \$281,103   |

## 5. GOODWILL

The Corporation accounts for acquisitions by assigning the purchase price to tangible and intangible assets and liabilities. Assets acquired and liabilities assumed are recorded at their fair values, and the excess of the purchase price over the amounts assigned is recorded as goodwill.

The changes in the carrying amount of goodwill for the three months ended March 31, 2011 are as follows:

|   | (In thousands) |           |           |              |
|---|----------------|-----------|-----------|--------------|
|   | Flow           | Motion    | Metal     |              |
|   | Control        | Control   | Treatment | Consolidated |
| December 31, 2010                       | \$310,047      | \$354,607 | \$28,918  | \$ 693,572   |
| Acquisitions                            | -              | 3,855     | -         | 3,855        |
| Foreign currency translation adjustment | 1,388          | 5,951     | 170       | 7,509        |
| Goodwill adjustments                    | -              | (1,078 )  | -         | (1,078 )     |
| March 31, 2011                          | \$311,435      | \$363,335 | \$29,088  | \$ 703,858   |

The purchase price allocations relating to the businesses acquired are initially based on estimates. The Corporation adjusts these estimates based upon final analysis including input from third party appraisals, when deemed appropriate. The determination of fair value is finalized no later than twelve months from acquisition.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

6. OTHER INTANGIBLE ASSETS, NET

Intangible assets are generally the result of acquisitions and consist primarily of purchased technology and customer related intangibles. Intangible assets are amortized over useful lives that range between 1 to 20 years.

The following tables present the cumulative composition of the Corporation's intangible assets and include \$9.9 million of indefinite lived intangible assets within other intangible assets for both periods presented.

| March 31, 2011               | Gross     | (In thousands)           |           |
|------------------------------|-----------|--------------------------|-----------|
|                              |           | Accumulated Amortization | Net       |
| Technology                   | \$146,581 | \$ (57,869 )             | \$88,712  |
| Customer related intangibles | 196,318   | (72,879 )                | 123,439   |
| Other intangible assets      | 40,936    | (12,153 )                | 28,783    |
| Total                        | \$383,835 | \$ (142,901 )            | \$240,934 |

| December 31, 2010            | Gross     | (In thousands)           |           |
|------------------------------|-----------|--------------------------|-----------|
|                              |           | Accumulated Amortization | Net       |
| Technology                   | \$148,820 | \$ (54,994 )             | \$93,826  |
| Customer related intangibles | 189,567   | (68,663 )                | 120,904   |
| Other intangible assets      | 37,005    | (11,538 )                | 25,467    |
| Total                        | \$375,392 | \$ (135,195 )            | \$240,197 |

Intangible assets acquired from the Corporation's current year acquisition include technology of \$1.5 million, customer related intangibles of \$2.8 million, and other intangible assets of \$0.4 million.

Total intangible amortization expense for the three months ended March 31, 2011 was \$6.5 million. The estimated amortization expense for the five years ending December 31, 2011 through 2015 is \$24.4 million, \$22.9 million, \$21.2 million, \$20.0 million, and \$19.0 million, respectively.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Corporation uses financial instruments, such as forward foreign exchange and currency option contracts to hedge a portion of existing and anticipated foreign currency denominated transactions. The purpose of the Corporation's foreign currency risk management program is to reduce volatility in earnings caused by exchange rate fluctuations. The Corporation does not elect to receive hedge accounting treatment and thus, records forward foreign exchange and currency option contracts at fair value, with the gain or loss on these transactions recorded into earnings in the period in which they occur. The Corporation does not use derivative financial instruments for trading or speculative purposes.

All derivative assets are required to be recognized as either assets or liabilities at fair value in the Condensed Consolidated Balance Sheets based upon quoted market prices for comparable instruments. These instruments are classified as Other current liabilities and Other current assets. The Corporation utilizes the bid ask pricing that is



common in the dealer markets. The dealers are ready to transact at these prices which use the mid-market pricing convention and are considered to be at fair market value. Based upon the fair value hierarchy, all of the foreign exchange derivative forwards are valued at a Level 2 measurement (observable market based inputs or unobservable inputs that are corroborated by market data). See tables below for information on the location and amounts of derivative fair values in the Condensed Consolidated Balance Sheets and derivative gains and losses in the Condensed Consolidated Statements of Earnings.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

| Fair Values of Derivative Instruments<br>(In thousands) |                         |       |                           |                              |       |        |
|---|-------------------------|-------|---------------------------|------------------------------|-------|--------|
| Asset Derivatives                                       |                         |       | Liability Derivatives     |                              |       |        |
|   |                         |       | December                  |                              |       |        |
|   |                         |       | March 31,                 | 31,                          |       |        |
|   |                         |       | 2011                      | 2010                         | 2010  |        |
| Balance Sheet<br>Location                               | Fair Value              |       | Balance Sheet<br>Location | Fair Value                   |       |        |
| Foreign exchange contracts:                             |                         |       |                           |                              |       |        |
| Transactional   | Other current<br>assets | \$ 16 | \$ 324                    | Other current<br>liabilities | \$ 58 | \$ 309 |
| Forecasted  | Other current<br>assets | 40    | 208                       | Other current<br>liabilities | -     | -      |
| Total   |                         | \$ 56 | \$ 532                    |                              | \$ 58 | \$ 309 |

| Derivatives Not Designated as Hedging<br>Instruments | Location of Gain Recognized in Income on<br>Derivative | Amount of Gain<br>Recognized in Income on<br>Derivative<br>Three Months Ended<br>March 31, |         |
|--|--|--|---------|
|  |  | 2011   | 2010    |
| Foreign exchange contracts:                          |  |  |         |
| Transactional  | General and administrative expenses                    | \$400  | \$1,879 |
| Forecasted   | General and administrative expenses                    | 492  | 294     |
| Total  |  | \$892  | \$2,173 |

#### Debt

The estimated fair value amounts were determined by the Corporation using available market information which is primarily based on quoted market prices for the same or similar issues as of March 31, 2011. The estimated fair values of the Corporation's fixed rate debt instruments at March 31, 2011 aggregated to \$301 million compared to a carrying value of \$275 million.

The carrying amount of the variable interest rate debt approximates fair value because the interest rates are reset periodically to reflect current market conditions.

The fair values described above may not be indicative of net realizable value or reflective of future fair values. Furthermore, the use of different methodologies to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.



CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

## 8. WARRANTY RESERVES

The Corporation provides its customers with warranties on certain commercial and governmental products. Estimated warranty costs are charged to expense in the period the related revenue is recognized based on quantitative historical experience. Estimated warranty costs are reduced as these costs are incurred and as the warranty period expires or may be otherwise modified as specific product performance issues are identified and resolved. Warranty reserves are included within Other current liabilities in the Condensed Consolidated Balance Sheets. The following table presents the changes in the Corporation's warranty reserves:

|  | (In thousands) |          |
|--|----------------|----------|
|  | 2011           | 2010     |
| Warranty reserves at January 1,                | \$14,841       | \$13,479 |
| Provision for current year sales               | 1,781          | 1,501    |
| Current year claims                            | (1,610 )       | (805 )   |
| Change in estimates to pre-existing warranties | (333 )         | (784 )   |
| Foreign currency translation adjustment        | 106            | (72 )    |
| Warranty reserves at March 31,                 | \$14,785       | \$13,319 |

## 9. FACILITIES RELOCATION AND RESTRUCTURING

### 2009 and 2010 Restructuring Plans

In 2009 and 2010 the Corporation committed to a plan to restructure existing operations through a reduction in workforce and consolidation of operating locations both domestically and internationally. In the first quarter of 2010, the Corporation incurred costs of \$1.8 million consisting of severance costs to involuntarily terminate certain employees, relocation costs, exit activities of certain facilities, including lease cancellation costs and external legal and consulting fees. These costs were recorded in the Condensed Consolidated Statement of Earnings within General and administrative expenses, Costs of sales, Selling expenses, and Research and development expenses for \$0.9 million, \$0.7 million, \$0.1 million, and \$0.1 million, respectively. During 2010, the Corporation incurred total costs of \$3.0 million related to this initiative in the Condensed Consolidated Statement of Earnings within General and administrative expenses, Cost of sales, and Selling expenses for \$1.7 million, \$1.2 million, and \$0.1 million, respectively.

### Oil and Gas Restructuring Initiative

During the fourth quarter of 2010, the Corporation initiated a restructuring plan within its Oil and Gas division, of the Flow Control segment. The initiative will streamline our workflow and consolidate existing facilities. In the fourth quarter of 2010 and the first quarter of 2011, the Corporation recorded charges of \$0.5 million and \$0.1 million, respectively, related to severance and benefit costs as part of this initiative. These costs are recorded within General and administrative expenses. The Corporation is anticipating incurring approximately \$1 to \$2 million of additional costs associated with this initiative during the remainder of 2011. As of March 31, 2011, approximately \$0.3 million in payments have been made with the remaining payments expected to be made by December 31, 2011.



CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The following tables are consolidated disclosures of all domestic and foreign defined pension plans as described in the Corporation's 2010 Annual Report on Form 10-K, as amended. The postretirement benefits information includes the domestic Curtiss-Wright Corporation and EMD postretirement benefit plans, as there are no foreign postretirement benefit plans.

Pension Plans

The components of net periodic pension cost for the three months ended March 31, 2011 and 2010 are as follows:

|                                | (In thousands)                  |          |
|--------------------------------|---------------------------------|----------|
|                                | Three Months Ended<br>March 31, |          |
|                                | 2011                            | 2010     |
| Service cost                   | \$9,315                         | \$7,054  |
| Interest cost                  | 6,542                           | 6,296    |
| Expected return on plan assets | (7,967 )                        | (6,970 ) |
| Amortization of:               |                                 |          |
| Prior service cost             | 299                             | 278      |
| Unrecognized actuarial loss    | 1,243                           | 766      |
| Net periodic benefit cost      | \$9,432                         | \$7,424  |
| Curtailment loss               | -                               | (31 )    |
| Total periodic benefit cost    | \$9,432                         | \$7,393  |

During the three months ended March 31, 2011, the Corporation made \$17 million in contributions to the Curtiss-Wright Pension Plan, and expects to make total contributions of approximately \$32 million in 2011. In addition, contributions of \$2.2 million were made to the Corporation's foreign benefit plans during the three months ended March 31, 2011. Contributions to the foreign benefit plans are expected to be \$4.5 million in 2011.

Other Postretirement Benefit Plans

The components of the net postretirement benefit cost for the Curtiss-Wright and EMD postretirement benefit plans for the three months ended March 31, 2011 and 2010 are as follows:

|                    | (In thousands)                  |       |
|--------------------|---------------------------------|-------|
|                    | Three Months Ended<br>March 31, |       |
|                    | 2011                            | 2010  |
| Service cost       | \$94                            | \$189 |
| Interest cost      | 250                             | 434   |
| Amortization of:   |                                 |       |
| Prior service cost | (157 )                          | -     |

|  |       |   |       |   |
|--|-------|---|-------|---|
| Unrecognized actuarial gain              | (231  | ) | (156  | ) |
| Net periodic postretirement benefit cost | \$(44 | ) | \$467 |   |

The reduction in the net periodic postretirement benefit cost is a result of the recent modifications to the EMD Plan benefit design for post 65-retirees which went into effect on January 1, 2011. The change reduced the benefit obligation by approximately \$7.0 million.

During the three months ended March 31, 2011, the Corporation paid \$0.3 million to the postretirement plans. During 2011, the Corporation anticipates contributing \$1.5 million to the postretirement plans.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

## 11. EARNINGS PER SHARE

Diluted earnings per share were computed based on the weighted-average number of shares outstanding plus all potentially dilutive common shares. A reconciliation of basic to diluted shares used in the earnings per share calculation is as follows:

|  | (In thousands)     |        |
|--|--------------------|--------|
|  | Three Months Ended |        |
|  | March 31,          |        |
|  | 2011               | 2010   |
| Basic weighted-average shares outstanding                        | 46,195             | 45,642 |
| Dilutive effect of stock options and deferred stock compensation | 779                | 516    |
| Diluted weighted-average shares outstanding                      | 46,974             | 46,158 |

As of March 31, 2011 and 2010 there were 659,000 and 1,395,000 stock options outstanding, respectively, that could potentially dilute earnings per share in the future, which were excluded from the computation of diluted earnings per share as they would be considered anti-dilutive.

## 12. SEGMENT INFORMATION

The Corporation manages and evaluates its operations based on the products and services it offers and the different markets it serves. Based on this approach, the Corporation has three reportable segments: Flow Control, Motion Control, and Metal Treatment.

|                                | (In thousands)     |           |
|--------------------------------|--------------------|-----------|
|                                | Three Months Ended |           |
|                                | March 31,          |           |
|                                | 2011               | 2010      |
| Net sales                      |                    |           |
| Flow Control                   | \$239,142          | \$240,732 |
| Motion Control                 | 160,270            | 148,245   |
| Metal Treatment                | 63,261             | 53,950    |
| Less: Intersegment revenues    | (823 )             | (1,152 )  |
| Total consolidated             | \$461,850          | \$441,775 |
| Operating income (expense)     |                    |           |
| Flow Control                   | \$18,632           | \$16,669  |
| Motion Control                 | 16,286             | 13,953    |
| Metal Treatment                | 10,057             | 6,040     |
| Corporate and eliminations (1) | (3,292 )           | (5,578 )  |
| Total consolidated             | \$41,683           | \$31,084  |

(1) Corporate and eliminations includes pension expense, environmental remediation and administrative expenses, legal, foreign currency transactional gains and losses, and other expenses.





CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

Adjustments to reconcile operating income to earnings before income taxes:

|                              | (In thousands)     |          |
|------------------------------|--------------------|----------|
|                              | Three Months Ended |          |
|                              | March 31,          |          |
|                              | 2011               | 2010     |
| Total operating income       | \$41,683           | \$31,084 |
| Interest expense             | (5,121 )           | (5,667 ) |
| Other income, net            | 56                 | 152      |
| Earnings before income taxes | \$36,618           | \$25,569 |

|                     | (In thousands) |             |
|---------------------|----------------|-------------|
|                     | December       |             |
|                     | March 31,      |             |
|                     | 2011           | 2010        |
| Identifiable assets |                |             |
| Flow Control        | \$1,128,893    | \$1,102,417 |
| Motion Control      | 907,245        | 873,074     |
| Metal Treatment     | 242,817        | 233,356     |
| Corporate and Other | 27,158         | 33,171      |
| Total consolidated  | \$2,306,113    | \$2,242,018 |

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
 NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)

## 13. COMPREHENSIVE INCOME

Total comprehensive income for the three months ended March 31, 2011 and 2010 are as follows:

|   | (In thousands)     |          |
|---|--------------------|----------|
|   | Three Months Ended |          |
|   | March 31,          |          |
|   | 2011               | 2010     |
| Net earnings  | \$24,516           | \$16,335 |
| Adjustments from foreign currency translations, net | 17,694             | 15,719   |
| Defined benefit pension and post retirement plans   | 471                | 714      |
| Total comprehensive income                          | \$42,681           | \$32,768 |

The equity adjustment from foreign currency translation represents the effect of translating the assets and liabilities of the Corporation's non-U.S. entities. This amount is impacted year-over-year by foreign currency fluctuations and by the acquisitions of foreign entities.

## 14. CONTINGENCIES AND COMMITMENTS

## Legal Proceedings

In January 2007, a former executive was awarded approximately \$9.0 million in punitive and compensatory damages plus legal costs related to a gender bias lawsuit filed in 2003. The Corporation recorded a \$6.5 million reserve related to the lawsuit. In August of 2009, the New Jersey Appellate Division reversed in part and affirmed in part the judgment of the trial court, resulting in the setting aside of the punitive damage award and the front pay award of the Plaintiff's compensatory damages award. The Plaintiff filed a Petition for Certification with the Supreme Court of New Jersey requesting review of the Appellate Division's decision. In December 2010, the Supreme Court of New Jersey issued an opinion reversing the Appellate Division's decision, and reinstated the judgment rendered by the trial court. The Corporation filed a Motion for Reconsideration with the Supreme Court of New Jersey. In the motion, the Corporation requested that the Supreme Court of New Jersey remand the case back to the lower Appellate Division to resolve certain arguments raised by the Corporation regarding the appropriateness of damages. The Supreme Court of New Jersey has granted the Corporation's request for reconsideration and remanded the case back to the lower Appellate Division to decide the remaining undecided arguments raised by the Corporation. The Corporation now waits for the Appellate Division to provide a scheduling order with regards to future briefing and oral argument on the unresolved issues before the Appellate Division. The total reserve related to the lawsuit as of March 31, 2011 is \$10.6 million and recorded within Other current liabilities.

Consistent with other entities its size, the Corporation is party to a number of legal actions and claims, none of which individually or in the aggregate, in the opinion of management, are expected to have a material adverse effect on the Corporations' results of operations or financial position.

## Environmental Matters

The Corporation's environmental obligations have not changed significantly from December 31, 2010. The aggregate environmental liability was \$20.7 million at March 31, 2011 and \$20.8 million at December 31, 2010. All

environmental reserves exclude any potential recovery from insurance carriers or third-party legal actions.

The Corporation, through its Flow Control segment, has several NRC licenses necessary for the continued operation of its commercial nuclear operations. In connection with these licenses, the NRC required financial assurance from the Corporation in the form of a parent company guarantee, representing estimated environmental decommissioning and remediation costs associated with the commercial operations covered by the licenses. The guarantee for the decommissioning costs of the refurbishment facility, which is estimated for 2017, is \$4.5 million.

#### Letters of Credit and Other Arrangements

The Corporation enters into standby letters of credit agreements and guarantees with financial institutions and customers primarily relating to guarantees of repayment on certain Industrial Revenue Bonds, future performance on certain contracts to provide products and services, and to secure advance payments the Corporation has received from certain international customers. At March 31, 2011 and December 31, 2010, the Corporation had contingent liabilities on outstanding letters of credit of \$48.0 million and \$47.0 million, respectively.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)

15. SUBSEQUENT EVENTS

On April 6, 2011, the Corporation acquired the assets of Douglas Equipment Ltd (“Douglas”) for approximately \$20 million in cash. Management funded the purchase from the Corporation’s revolving credit facility. Douglas designs and manufactures aircraft handling systems for the defense and commercial aviation markets and will operate within the Corporation’s Flow Control segment. Revenues of the acquired business were approximately \$28 million in 2010.

On April 8, 2011, the Corporation acquired the assets of BASF’s Surface Technologies business from BASF Corporation for approximately \$20 million in cash. Management funded the purchase from the Corporation’s revolving credit facility. The Surface Technologies business is a supplier of metallic and ceramic thermal spray coatings primarily for the aerospace and power generation markets. BASF’s Surface Technologies business will operate within the Corporation’s Metal Treatment segment and had revenues of approximately \$29 million for the year ended December 31, 2010.

CURTISS WRIGHT CORPORATION and SUBSIDIARIES  
PART I- ITEM 2  
MANAGEMENT'S DISCUSSION and ANALYSIS  
FINANCIAL CONDITION and RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Except for historical information, this Quarterly Report on Form 10-Q may be deemed to contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to: (a) projections of or statements regarding return on investment, future earnings, interest income, sales, volume, other income, earnings or loss per share, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking statements can be identified by the use of forward-looking terminology such as "anticipates," "believes," "continue," "could," "estimate," "expects," "intend," "may," "might," "outlook," "potential," "predict," "should," as well as the negative of any of the foregoing or variations of such terms or comparable terminology, or by discussion of strategy. No assurance may be given that the future results described by the forward-looking statements will be achieved. While we believe these forward-looking statements are reasonable, they are only predictions and are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, which could cause actual results, performance or achievement to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, those described in "Item 1A. Risk Factors" of our 2010 Annual Report on Form 10-K, as amended, and elsewhere in that report, those described in this Quarterly Report on Form 10-Q, and those described from time to time in our future reports filed with the Securities and Exchange Commission. Such forward-looking statements in this Quarterly Report on Form 10-Q include, without limitation, those contained in Item 1. Financial Statements and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date they were made and we assume no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors affecting such forward-looking statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

## COMPANY ORGANIZATION

Curtiss-Wright Corporation is a diversified, multinational provider of highly engineered, technologically advanced, value-added products and services to a broad range of industries in the motion control, flow control, and metal treatment markets. We are positioned as a market leader across a diversified array of niche markets through engineering and technological leadership, precision manufacturing, and strong relationships with our customers. We provide products and services to a number of global markets, such as defense, commercial aerospace, commercial nuclear power generation, oil and gas, automotive, and general industrial. We have achieved balanced growth through the successful application of our core competencies in engineering and precision manufacturing, adapting these competencies to new markets through internal product development, and a disciplined program of strategic acquisitions. Our overall strategy is to be a balanced and diversified company, less vulnerable to cycles or downturns in any one market, and to establish strong positions in profitable niche markets. Approximately 40% of our revenues are generated from defense-related markets.

We manage and evaluate our operations based on the products and services we offer and the different industries and markets we serve. Based on this approach, we have three reportable segments: Flow Control, Motion Control, and Metal Treatment. For further information on our products and services and the major markets served by our three segments, please refer to our 2010 Annual Report on Form 10-K, as amended.

## RESULTS OF OPERATIONS

### Analytical Definitions

Throughout management's discussion and analysis of financial condition and results of operations, the terms "incremental" and "organic" are used to explain changes from period to period. The term "incremental" is used to highlight the impact acquisitions had on the current year results, for which there was no comparable prior year period. Therefore, the results of operations for acquisitions are incremental for the first twelve months from the date of acquisition. The remaining businesses are referred to as the "organic". The definition of "organic" excludes the effect of foreign currency translation.

Therefore, for the three months ended March 31, 2011, our organic growth calculations do not include the operating results for our June 1, 2010 acquisition of Hybricon Corporation, June 22, 2010 acquisition of Specialist Electronics Services, Ltd (SES), and January 7, 2011 acquisition of Predator Systems. The results of operations for these businesses have been removed for purposes of calculating organic growth figures and are included as an increase to our incremental results of operations from our acquisitions.

The discussion below is structured to separately discuss our Consolidated Statement of Earnings, Results by Business Segment, and our Liquidity and Capital Resources.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

## Consolidated Statement of Earnings

|                            | (In thousands)                  |           |       | % of<br>change |
|----------------------------|---------------------------------|-----------|-------|----------------|
|                            | Three Months Ended<br>March 31, |           |       |                |
|                            | 2011                            | 2010      |       |                |
| <b>Sales</b>               |                                 |           |       |                |
| Flow Control               | \$239,140                       | \$240,731 | (0.7  | %)             |
| Motion Control             | 159,780                         | 147,373   | 8.4   | %              |
| Metal Treatment            | 62,930                          | 53,671    | 17.3  | %              |
| Total sales                | \$461,850                       | \$441,775 | 4.5   | %              |
| <b>Operating income</b>    |                                 |           |       |                |
| Flow Control               | \$18,632                        | \$16,669  | 11.8  | %              |
| Motion Control             | 16,286                          | 13,953    | 16.7  | %              |
| Metal Treatment            | 10,057                          | 6,040     | 66.5  | %              |
| Corporate and eliminations | (3,292 )                        | (5,578 )  | (41.0 | %)             |
| Total operating income     | \$41,683                        | \$31,084  | 34.1  | %              |
| Interest expense           | (5,121 )                        | (5,667 )  | (9.6  | %)             |
| Other income, net          | 56                              | 152       | (63.2 | %)             |
| Earnings before taxes      | 36,618                          | 25,569    | 43.2  | %              |
| Provision for income taxes | (12,102 )                       | (9,234 )  | 31.1  | %              |
| Net earnings               | \$24,516                        | \$16,335  |       |                |
| New orders                 | \$488,216                       | \$501,781 |       |                |

## Sales

The increase in sales of \$20 million is due to an increase of \$10 million in organic sales, \$7 million in incremental sales, and \$3 million due to the favorable effect of foreign currency translation. Our Metal Treatment and Motion Control segments contributed \$9 million and \$4 million, respectively, of increased organic sales, while organic sales in our Flow Control segment declined by \$2 million. The table below further depicts our sales by market.



CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

|                      | (In thousands)     |           |          |   |
|----------------------|--------------------|-----------|----------|---|
|                      | Three Months Ended |           |          |   |
|                      | March 31,          |           |          |   |
|                      | 2011               | 2010      | % change |   |
| Defense markets:     |                    |           |          |   |
| Defense Aerospace    | \$63,584           | \$58,043  | 9.5      | % |
| Defense Ground       | 28,030             | 31,687    | (11.5)   | % |
| Defense Navy         | 83,264             | 76,052    | 9.5      | % |
| Other Defense        | 6,883              | 6,935     | (0.7)    | % |
| Total Defense        | \$181,761          | \$172,717 | 5.2      | % |
| Commercial markets:  |                    |           |          |   |
| Commercial Aerospace | \$66,622           | \$59,937  | 11.2     | % |
| Oil and Gas          | 54,252             | 65,312    | (16.9)   | % |
| Power Generation     | 90,355             | 87,322    | 3.5      | % |
| General Industrial   | 68,860             | 56,487    | 21.9     | % |
| Total Commercial     | \$280,089          | \$269,058 | 4.1      | % |
| Total Curtiss-Wright | \$461,850          | \$441,775 | 4.5      | % |

The increase in defense sales of \$9 million is primarily due to higher sales in the aerospace and naval defense markets of \$6 million and \$7 million, respectively. Sales in the aerospace defense market improved due to higher sales of our embedded computing and sensing products on the Black Hawk and Apache Helicopter programs, while the increase in sales in the naval defense market is primarily due to increased production on the Virginia class submarine, as we ramp-up in production from one to two submarines per year. The decline in sales in our ground defense market is primarily due to the cancellation of the Future Combat System program and lower sales on the Bradley platform.

Commercial sales increased \$11 million over the prior year quarter, primarily due to an increase in sales in the general industrial and commercial aerospace markets of \$12 million and \$7 million, respectively, offset by a decline in sales in our oil and gas market of \$11 million. The higher sales in our general industrial and commercial aerospace markets is primarily due to increased demand for our metal treatment services, increases in flight controls on Boeing aircrafts, and sales of our sensors and controls products on various commercial aircrafts. The decrease in sales in our oil and gas market is primarily due to the timing of new orders for domestic and international capital projects.

#### Operating income

During the first quarter of 2011, operating income increased \$11 million compared to the same period in 2010. The increase in operating income is primarily due to an increase in organic operating income of \$12 million, offset by an incremental operating loss of \$1 million and unfavorable effects of foreign currency translation of \$1 million. The increase in organic operating income is primarily due to an increase in sales volume, mainly in the general industrial and commercial aerospace markets, resulting in favorable absorption of fixed overhead costs, as well as benefits generated by our cost reduction and restructuring programs. These improvements were partially offset by higher costs

on certain long-term contracts in the current year.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

#### Non-segment operating expense

The decrease in non-segment operating expense of \$2 million is primarily due to lower medical expenses and lower foreign exchange transaction losses.

#### Interest expense

Interest expense decreased less than \$1 million in the first quarter of 2011 compared to the same period in 2010. The decrease in interest expense is due to lower average outstanding debt levels.

#### Effective tax rate

Our effective tax rate for the first quarter of 2011 was 33.0% compared to 36.1% in the first quarter of 2010. The lower effective tax rate was primarily due to a one-time tax charge recorded in the prior year associated with a change in the healthcare law.

#### Net earnings

The increase in net earnings of \$8 million is due to our increased operating income, lower effective tax rate, and lower interest expense discussed above.

#### New orders

New orders decreased \$14 million from the prior year quarter primarily due to a decline in new orders in our Flow Control segment of \$44 million. The decrease in our Flow Control segment was driven by the timing of new orders on the Virginia class submarine. This decrease was partially offset by increases in new orders within our Motion Control and Metal Treatment segments of \$21 million and \$9 million, respectively.

### RESULTS BY BUSINESS SEGMENT

#### Flow Control

|                  | (In thousands)     |           |          |
|------------------|--------------------|-----------|----------|
|                  | Three Months Ended |           |          |
|                  | March 31,          |           |          |
|                  | 2011               | 2010      | % change |
| Sales            | \$239,140          | \$240,731 | (0.7 %)  |
| Operating income | 18,632             | 16,669    | 11.8 %   |
| Operating margin | 7.8 %              | 6.9 %     | 90 bps   |
| New orders       | \$251,640          | \$295,757 | (14.9 %) |

#### Sales

Sales in our Flow Control segment were essentially flat compared to the prior year period as growth within the general industrial and naval defense markets was offset by declines within the oil and gas market. The increase in sales in our general industrial market is primarily due to increased demand for our industrial control products to the commercial heating, ventilation, and air conditioning (“HVAC”) industries. The growth in sales in our naval defense market was driven by increased production on the Virginia class submarine program due to the ramp-up in production from one submarine to two per year. In addition, we experienced an increase in sales resulting from increases in production on the CVN-79 Ford class aircraft carrier program due to the transition from the CVN-78 program. The decline in the oil and gas market was driven by the timing of new orders, primarily from international customers.

#### Operating income

During the first quarter of 2011, operating income increased \$2 million in our Flow Control segment compared to the same period in 2010. The increase in operating income is primarily due to favorable absorption of overhead costs in our general industrial and naval defense markets and benefits generated by our cost reduction and restructuring programs. These increases were partially mitigated by higher than anticipated costs on several long-term contracts within the oil and gas business.

#### New orders

New orders decreased \$44 million from the prior year quarter primarily due to the timing of new orders on the Virginia class submarine.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

## Motion Control

|                  | (In thousands)     |            |          |        |
|------------------|--------------------|------------|----------|--------|
|                  | Three Months Ended |            |          |        |
|                  | March 31,          |            |          |        |
|                  | 2011               | 2010       | % change |        |
| Sales            | \$ 159,780         | \$ 147,373 | 8.4      | %      |
| Operating income | 16,286             | 13,953     | 16.7     | %      |
| Operating margin | 10.2               | 9.5        | %        | 70 bps |
| New orders       | \$ 173,007         | \$ 151,892 | 13.9     | %      |

## Sales

The increase in sales in our Motion Control segment of \$12 million is primarily due to incremental sales of \$7 million, an increase in organic sales of \$4 million, and the favorable effect of foreign currency translation of \$1 million. The increase in our incremental sales is due to our June 2010 acquisitions of Hybricon Corporation and Specialist Electronic Systems, Ltd., and our January 2011 acquisition of Predator Systems, Inc.

The increase in organic sales was driven by increased demand in our commercial and defense markets. The increase in sales in our commercial market is primarily due to higher demand for both embedded computing and sensor products to the general industrial market. The growth in sales in the commercial aerospace market is due to increases in flight controls on Boeing aircrafts, as well as increased demand for our sensors and controls products on various commercial aircrafts. To a lesser extent, the increase in sales in our defense market was driven by higher demand in the aerospace and naval defense markets, partially offset by a decline in the ground defense market. The increase in the aerospace defense market was driven by higher sales of our embedded computing and sensing products on various helicopter programs such as the Blackhawk and Apache. The increase in sales in the naval defense market is primarily due to sales of our embedded computing products used in various naval applications. These increases were partially offset by a decline in sales in our defense ground market due to decreased production on the Bradley platform and the cancellation of the Future Combat System program.

## Operating income

During the first quarter of 2011, operating income increased \$2 million in our Motion Control segment compared to the same period in 2010. The increase in operating income is primarily due to an increase in organic operating income of \$4 million, offset by an incremental operating loss of \$1 million and the unfavorable effect of foreign currency translation of \$1 million. Excluding the impact of acquisitions and the negative impact of foreign currency translation, organic operating margin improved by 240 basis points over the prior year quarter. Organic operating income increased primarily due to benefits generated by our cost reduction and restructuring programs.

## New orders

New orders increased \$21 million from the prior year quarter. The increase in new orders is due to \$12 million in higher orders within our organic businesses and \$9 million from our 2010 and 2011 acquisitions.



CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

## Metal Treatment

|                  | (In thousands)     |          |          |         |
|------------------|--------------------|----------|----------|---------|
|                  | Three Months Ended |          |          |         |
|                  | March 31,          |          |          |         |
|                  | 2011               | 2010     | % change |         |
| Sales            | \$62,930           | \$53,671 | 17.3     | %       |
| Operating income | 10,057             | 6,040    | 66.5     | %       |
| Operating margin | 16.0               | 11.3     | %        | 470 bps |
| New orders       | \$63,569           | \$54,132 | 17.4     | %       |

## Sales

The increase in organic sales in our Metal Treatment segment of \$9 million is primarily due to increased demand across all of our major lines of business and markets, particularly for our shot peening, heat treating and coating services to commercial markets.

## Operating income

During the first quarter of 2011, operating income increased \$4 million in our Metal Treatment segment compared to the same period in 2010. Operating margin increased to 16.0%, a 470 basis point improvement over the prior year. The improvement was primarily driven by increased sales volume resulting in favorable absorption of fixed overhead costs, mainly in our shot peening and heat treating businesses.

## New orders

The increase in new orders of \$9 million from the prior year quarter is primarily due to increased orders for domestic and international shot peening services.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and Use of Cash

We derive the majority of our operating cash inflow from receipts on the sale of goods and services and cash outflow for the procurement of materials and labor; cash flow is therefore subject to market fluctuations and conditions. A substantial portion of our business is in the defense sector, which is characterized by long-term contracts. Most of our long-term contracts allow for several billing points (progress or milestone) that provide us with cash receipts as costs are incurred throughout the project rather than upon contract completion, thereby reducing working capital requirements. In some cases, these payments can exceed the costs incurred on a project.

### Operating Activities

|  | March 31,<br>2011 | December<br>31, 2010 |
|--|-------------------|----------------------|
| Working Capital                                | \$539,189         | \$472,088            |
| Ratio of Current Assets to Current Liabilities | 2.3 to 1          | 2.1 to 1             |
| Cash and Cash Equivalents                      | \$51,966          | \$68,119             |
| Days Sales Outstanding                         | 56 days           | 49 days              |
| Inventory Turns                                | 4.2               | 4.5                  |

Excluding cash, working capital increased \$83 million from December 31, 2010. Working capital changes were affected by an increase in accounts receivable of \$39 million due to higher trade receivables, as well as an increase in inventory of \$28 million due to a build up for future sales, stocking of new programs, and the purchase of long-lead time materials. In addition, we experienced a decrease in accrued expenses of \$22 million primarily due to the payment of annual compensation plans and a decrease in accounts payable of \$13 million due primarily to lower days payable outstanding. During the first quarter of 2011, we contributed \$17 million to the Curtiss-Wright Pension Plan, and expect to make additional contributions of \$15 million during the remainder of 2011.

### Investing Activities

Capital expenditures were \$19 million in the first three months of 2011, an increase of \$8 million from the prior year period, largely driven by our oil and gas facility expansion in Texas. We expect to make additional capital expenditures of \$45 to \$55 million during the remainder of 2011.

### Financing Activities

During the first three months of 2011, we used \$163 million in available credit under the 2007 Senior Unsecured Revolving Credit Agreement ("Credit Agreement") to fund operating and investing activities. The unused credit available under the Credit Agreement at March 31, 2011 was \$204 million. The Credit Agreement expires in August 2012. The loans outstanding under the 2003 and 2005 Senior Notes, Credit Agreement, and Industrial Revenue Bonds had fixed and variable interest rates averaging 3.7% during the first quarter of 2011 and 4.1% for the comparable prior year period.



While all companies are subject to economic risk, we believe that our cash and cash equivalents, cash flow from operations, and available borrowings are sufficient to meet both the short-term and long-term capital needs of the organization.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES  
MANAGEMENT'S DISCUSSION and ANALYSIS of  
FINANCIAL CONDITION and RESULTS OF OPERATIONS, continued

CRITICAL ACCOUNTING POLICIES

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates and assumptions are affected by the application of our accounting policies. Critical accounting policies are those that require application of management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in our 2010 Annual Report on Form 10-K, as amended, filed with the U.S. Securities and Exchange Commission on February 25, 2011, in the Notes to the Consolidated Financial Statements, Note 1, and the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

CURTISS WRIGHT CORPORATION and SUBSIDIARIES

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There has been no material changes in our market risk during the three months ended March 31, 2011. Information regarding market risk and market risk management policies is more fully described in item “7A. Quantitative and Qualitative Disclosures about Market Risk” of our 2010 Annual Report on Form 10-K, as amended.

Item 4. CONTROLS AND PROCEDURES

As of March 31, 2011, our management, including our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of March 31, 2011 insofar as they are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission’s rules and forms, and they include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CURTISS WRIGHT CORPORATION and SUBSIDIARIES

PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the ordinary course of business, we and our subsidiaries are subject to various pending claims, lawsuits, and contingent liabilities. We do not believe that the disposition of any of these matters, individually or in the aggregate, will have a material adverse effect on our consolidated financial position or results of operations.

We or our subsidiaries have been named in a number of lawsuits that allege injury from exposure to asbestos. To date, neither us nor our subsidiaries have been found liable or paid any material sum of money in settlement in any case. We believe that the minimal use of asbestos in our past and current operations and the relatively non-friable condition of asbestos in our products makes it unlikely that we will face material liability in any asbestos litigation, whether individually or in the aggregate. We do maintain insurance coverage for these potential liabilities and we believe adequate coverage exists to cover any unanticipated asbestos liability.

Item 1A. RISK FACTORS

There has been no material changes in our Risk Factors during the three months ended March 31, 2011. Information regarding our Risk Factors is more fully described in Item “1A. Risk Factors” of our 2010 Annual Report on Form 10-K, as amended.

Item 5. OTHER INFORMATION

There have been no material changes in our procedures by which our security holders may recommend nominees to our board of directors during the three months ended March 31, 2011. Information regarding security holder recommendations and nominations for directors is more fully described in the section entitled “Stockholder Recommendations and Nominations for Director” of our 2011 Proxy Statement on Schedule 14A, which is incorporated by reference to our 2010 Annual Report on Form 10-K, as amended.

CURTISS WRIGHT CORPORATION and SUBSIDIARIES

- Item 6. EXHIBITS
- Exhibit 3.1 Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to the Registrant's Registration Statement on Form 8-A/A filed May 24, 2005)
- Exhibit 3.2 Amended and Restated Bylaws of the Registrant (incorporated by reference to Form 8-K filed November 17, 2008)
- Exhibit 31.1 Certification of Martin R. Benante, Chairman and CEO, Pursuant to Rules 13a – 14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith)
- Exhibit 31.2 Certification of Glenn E. Tynan, Chief Financial Officer, Pursuant to Rules 13a – 14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith)
- Exhibit 32 Certification of Martin R. Benante, Chairman and CEO, and Glenn E. Tynan, Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350 (filed herewith)
- Exhibit 101.INS XBRL Instance Document (furnished herewith)
- E x h i b i t 101.SCH XBRL Taxonomy Extension Schema Document (furnished herewith)
- E x h i b i t 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document (furnished herewith)
- E x h i b i t 101.LAB XBRL Taxonomy Extension Label Linkbase Document (furnished herewith)
- E x h i b i t 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document (furnished herewith)

CURTISS WRIGHT CORPORATION and SUBSIDIARIES

SIGNATURE

Pursuant to the requirements 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.

CURTISS-WRIGHT CORPORATION  
(Registrant)

By: /s/ Glenn E. Tynan \_\_\_\_\_  
Glenn E. Tynan  
Vice President Finance / C.F.O.  
Dated: May 6, 2011

