PARTICIPANTS

Corporate Participants

Martin R. Benante – Executive Chairman, Curtiss-Wright Corp.
David C. Adams – President & Chief Executive Officer, Curtiss-Wright Corp.
Glenn E. Tynan – Chief Financial Officer & Vice President, Curtiss-Wright Corp.

Other Participants

Stephen E. Levenson – Analyst, Stifel, Nicolaus & Co., Inc.
Myles Walton – Analyst, Deutsche Bank Securities, Inc.
Elizabeth Grenfell – Analyst, Merrill Lynch, Pierce, Fenner & Smith, Inc.
Michael F. Ciarmoli – Analyst, KeyBanc Capital Markets
Jim K. Foung – Analyst, Gabelli & Co., Inc.
Tyler E. Hojo – Analyst, Sidoti & Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Curtiss-Wright Second Quarter 2013 Financial Results Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Martin Benante, Executive Chairman. Please go ahead.

Martin R. Benante, Executive Chairman

Well, thank you, Danielle, and good morning, everyone. Welcome to Curtiss-Wright's Second Quarter 2013 earnings conference call. Joining me today and back by popular demand is Dave Adams, our newly elected President and Chief Executive Officer and a member of the board, and Glenn Tynan, our Vice President and Chief Financial Officer.

Earlier this morning we effectuated the company's leadership transition and management reorganization plan, which was at least five years in the making. Starting with David Adams being appointed COO and progressing through our vigorous succession and evaluation timeframe, the Board and I have reached to the conclusion that Dave should be the future leader of Curtiss-Wright. Throughout this leadership transition I am turning over the CEO reins to Dave, who has been a strong leader within the organization from more than decade, while I'll be transitioning from the CEO to the role of executive chairman, effective immediately.

As a career employee of Curtiss-Wright, the timing of this announcement and my retirement in 2015 are aligned with my intentions to leave the company at age 62. It has been an absolute pleasure to work with such great a great corporation as Curtiss-Wright for the past 35 years, the last 13 being the CEO, and to lead our acquisition and diversification strategies as we grew from less than $300 million in the sales when I first become CEO to a $2.5 billion enterprise today. During the timeframe we have greatly broadened our exposure to new end markets and geographies to truly become a global and diversified business.

One final comment before we move on. Dave's leadership and operational experience, which has included the integration of 17 acquisitions, have provided a solid foundation that will serve him well into the future. I have the utmost confidence that Dave will succeed as the new CEO of Curtiss-Wright and I'd like to be the first to publicly congratulate him on his new role. Congratulations, Dave.

David C. Adams, President & Chief Executive Officer

Thanks, Marty. I'm pleased to have been selected by the Board of Directors as the company's new Chief Executive Officer. I look forward to working closely with Marty and the rest of the board and the management team to lead Curtiss-Wright through the next phase of its evolution. Looking ahead, I remain confident in the company's ability to deliver strong growth in revenue and operational expansion based on solid growth enhanced by strategic acquisitions.

We are dedicated to increasing the long-term shareholder value. We will continue to integrate our recent acquisitions and expand our margins to deliver solid growth to the bottom line. Our management team is also focused on improving our cash flow generation to support the business and to fuel our acquisition strategy.

Now on to the second quarter results. Overall sales and operating income results were solid, with organic operating income growing 30% on essentially flat organic sales, producing 260 basis points in margin improvement year-over-year. These results reflect the benefits from our previously implemented restructuring and operational improvement initiatives. We generated $0.70 in diluted earnings per share, which included $0.01 of contribution from our recent acquisitions. This concluded a solid first half of 2013, which would have been even stronger without the impact of purchase accounting from the recent acquisitions.

This performance along with our continued focus on improved operations efficiency should put us on track for strong double-digit increases to the top and bottom line in 2013 and gives us confidence in raising our guidance. We expect the combination of these factors to provide momentum for further improvement heading into 2014.

Now I'd like to turn the call over to Glenn for a review of our financial performance.

Glenn E. Tynan, Chief Financial Officer & Vice President

Thank you, Dave. Our call today is being webcast and the press release as well as a copy of today's financial presentation are available for download through the Investor Relations section of our company website at www.curtisswright.com. A replay of this call also can be found on the website.

Please note today's discussion will include certain projections and statements that are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are not guarantees of future performance. Forward-looking statements always involve risks and uncertainties and we detail those risks and uncertainties in our public filings with the SEC.

In addition, certain non-GAAP financial measures will be discussed on the call today. A reconciliation is available in the earnings release and at the end of this presentation and will be available on the company's website.

For our agenda today, I will provide you with an overview of Curtiss-Wright's second quarter 2013 performance and financial outlook, followed by Dave, who will provide an update on our recent acquisitions before turning it back to Marty to wrap up and then open the call for questions.

We produced a solid second quarter that was led by seven most recent acquisitions and the benefit of prior restructuring and operational improvement initiatives. While the acquisitions added slightly more than $100 million in sales and $5 million in operating incomes in the quarter, they also created 90 basis points in operating margin dilution. However, the second quarter impact of the acquisition margin dilution, most of which was related to purchase accounting, was less than the first quarter, and this trend will continue as we progress through the remainder of the year.

Excluding the recent acquisitions from our second quarter results, total organic operating margin grew 260 basis points to 10.3%, while organic segment operating margins, which excludes corporate and pension costs, increased to 12.6%, up 350 basis points from 2012. This performance is the product of operational improvements across all three segments. I would like to take a minute to discuss each of them excluding the impact of acquisitions.

Flow Control was up 300 basis points year-over-year, primarily based on improved profitability in the power generation and oil and gas markets, despite absorbing the learning curve cost associated with the integration of Cimarron production into our Houston operations.

Controls increased 100 basis points primarily due to the benefits of previously implemented cost reduction initiatives within the Defense business. And Surface Technologies was up approximately 300 basis points year-over-year, excluding $5 million in 2012 restructuring costs based on higher sales volumes and higher absorption of fixed overhead costs.

Our quarterly results also included the absorption of a $3 million unplanned curtailment charge based on a recent amendment to the Curtiss-Wright pension plan, which led to higher than expected pension expense for the second quarter. Otherwise we would have produced even stronger results.

In addition, second quarter's new orders increased 24% and are up 22% year-to-date based on a combination of the acquisitions as well as organic growth primarily in our commercial aerospace and naval defense markets. Book-to-bill was approximately 1x overall in the quarter.

Moving on to our end markets, second quarter sales in defense decreased 8% overall due to lower production on several programs, particularly in aerospace and ground defense. On the bright side we did see an uptick in naval defense revenues for CVN-79 aircraft carrier production and the refueling and complex overhaul of the CVN-72 carrier.

Despite the overall reduction in naval defense sales during the first half of 2013, we continue to expect higher full year sales in this end market, primarily based on expected increases in the Virginia class submarine and the Ford class aircraft carrier programs during the second half of the year, essentially all of which is currently in backlog.

Meanwhile, our outlook in the aerospace and ground defense markets continues to reflect lower incoming order rates. As we have yet to receive clarity from the DoD as it pertains to specific sequestration-related budget cuts and the direct program impacts, our 2013 guidance for total defense sales remains unchanged at flat to down 4%, which does not include any specific impact of sequestration at this time.

Next I'll move on to our commercial end markets, which collectively grew 33% during the second quarter based on strong contributions from our recent acquisitions and solid organic growth of 15% in the commercial aerospace market based on the strength of the OEM cycle and continued production rate increases across Boeing and Airbus platforms.

Excluding acquisitions our energy markets experienced organic growth in their respective aftermarket businesses, which continue to perform well. This is particularly evident in the oil and gas market, as we once again experienced solid US MRO demand supporting ongoing refinery maintenance needs, as well as an increased demand for our MRO products serving the upstream oil and gas sector.

Within the power generation market, our results reflect continued demand from existing operating reactors despite fewer outages, including solid demand for our obsolescence solutions specifically for spent fuel management technologies as we continue to expand our installed base and support the NRC's Tier 1 regulation.

In summary our overall guidance within our commercial markets remains unchanged, a growth of 30% to 34% for 2013, although I wanted to point out some minor market adjustments. Commercial aerospace market guidance was increased slightly due to improvements in the production cycle, while general industrial decreased slightly due to lower HVAC orders. You can find the complete table of our guidance by end market in the appendix as well as in the earnings press release.

Moving on to our financial outlook, full-year overall sales growth of 18% to 20% remains unchanged from our previous guidance. However, we now expect operating income, operating margin and diluted earnings per share to be above our previous guidance based on expectations for improved profitability in our Controls and Surface Technologies segments.

We continue to realize the benefits from previous restructuring and operational excellence initiatives, which will lead to solid overall margin expansion in 2013 and beyond. In addition, we now expect the seven most recent acquisitions to be slightly less dilutive to operating margins in 2013, with a full-year impact of approximately 60 basis points compared to 70 basis points in our previous guidance.

As for our EPS guidance, based on the improved first half results we have increased our guidance by $0.05 to a range of $2.75 to $2.85. And regarding our second half diluted earnings per share, we expect the third quarter to be up modestly on a sequential basis compared to the second quarter, with the fourth quarter expected to be the largest as we have generated historically.

And finally year to date we have produced strong cash flow from operations of over $60 million, one of the strongest first halves in recent history, that led to $29 million in free cash flow during the first six months of 2013. As a result of the strong first half performance and expectations for additional improvements in working capital and tighter controls on capital allocation in the second half of the year, we raised our free cash flow guidance by $10 million to a range of $100 million to $110 million for 2013.

Now I'd like to turn the call back over to Dave to provide some updates on our recent acquisitions. Dave?

David C. Adams, President & Chief Executive Officer

Thanks, Glenn. I wanted to take few minutes to provide you with an update on our integration status for each acquisition. I'll begin with Williams Controls. Thus far we have integrated the industrial sales and marketing teams, including the appointment of new leadership, and consolidated our existing aerospace sensors business in China into Williams's state-of-the-art manufacturing facility.

As for next steps we're focused on the integration of Williams's joystick and sensors product lines with our existing offering as well as leveraging Curtiss-Wright's supply chain management to further improve Williams's cost structure. Also, as previously noted we intend to expand our industrial presence in India using Williams's facility as a base to further increase the worldwide penetration of both our sensors and electronic throttle controls.

In addition we remain focused on growing Williams's sales to the industrial off-highway vehicle market by driving synergies that include cross-selling and marketing new business through existing Curtiss-Wright relationships. Thus far Williams is tracking in line with plan financially and ahead of plan in terms of integration.

Next, the PG Drives, where we've made solid progress year to date. This includes the integration of industrial sales and marketing teams and the consolidation of US and China sales offices. Elsewhere, despite ongoing industry issues that are impacting the US medical mobility market, PG Drives has experienced solid growth in 2013 due to solid powerchair system sales. This includes growth in BRIC economies, particularly in Russia and Brazil. PG Drives also experienced growth in industrial market sales for new forklift truck motor controllers as we continue to win share from competitors.

Next I wanted to highlight a recent positive development that exemplifies the benefits of our business strategy and our ability to leverage the combination of our sensor businesses. PG Drives recently executed a favorable global supply agreement that benefits all three of our recent sensor and controls acquisitions and will provide various components that are widely used in sensors and joysticks.

Looking ahead we are evaluating further facility consolidations and additional integration initiatives, including leveraging Curtiss-Wright's supply chain management. At this time PG Drives is on plan financially and ahead of plan in integration.

Let's move on to Exlar. We continue to focus on lowering Exlar's cost base, increasing their competitiveness and expanding their distribution network of industry-leading electromechanical actuation products. Thus far we have leveraged Curtiss-Wright's supply chain management and implemented various cost reductions and lean initiatives. We're also leveraging Exlar's motor design expertise to enhance our legacy designs by employing technology sharing through aerospace and industrial engineering groups and jointly integrative IR&D programs. We have begun cross-marketing new business engagement through existing Curtiss-Wright relationships as well.

Moving forward this should enable us to increase Exlar's end market penetration into commercial aerospace, defense and adjacent industrial markets. It also opens the door for future expansion of their customer base by leveraging Curtiss-Wright's global exposure through both our Controls and Flow Control segments. Thus far Exlar's integration and financials are tracking in line with plan.

Next, an update on Gartner. Aside from focusing on various cost reduction and lean initiatives, we launched a new satellite coating facility in Houston, Texas. It's designed for the efficient handling and coating of drill pipes, pump motors and other processing equipment serving Gartner's oil and gas customers, its largest end market. As for next steps, we expect to leverage of the significant cross-synergies between Gartner and our existing thermal spray businesses, seeking to penetrate new markets and new geographies.

We are also evaluating the ability for technology transfer and insertion across existing facilities and the integration of existing Curtiss-Wright coating technologies into Gartner facilities for increased pursuit of aftermarket applications. This includes increased penetration of advanced industrial gas turbine coatings in the electric power generation markets and wear-resistant coatings in the aerospace market, just to name a few. Gartner is above plan in terms of both financials and integration.

Next, an update on AP Services. As is typical with niche nuclear aftermarket acquisitions, we have fully integrated AP Services's product line and sales team into Curtiss-Wright's market-leading global distribution network. We also migrated their ERP and financial reporting systems onto Curtiss-Wright's platforms. As for next steps, we'll look to continue to lower their cost base. AP Services is currently tracking in line with plan.

I also wanted to mention that AP Services recently won the Utility Service Alliance Material Supplier of the Year Award for the fourth consecutive time, a fantastic achievement and recognition of their innovative and high quality products and services to the nuclear power industry.

Moving over to Phonix, as we've stated there are significant opportunities for global expansion and cross-selling as Phonix provides an entree for our products into key geographies in both Europe and Asia. Thus far we've begun extensive training of our US-based Curtiss-Wright sales team to represent Phonix throughout North America as significant synergies are expected based upon the combined efforts of our two sales forces.

As for next steps, we will continue to leverage our sales and marketing capabilities to expand Flow Control's global sales channel. We expect this acquisition to help Flow Control expanded its product offering in the refining industry with the addition of Phonix's coker switch and isolation products as well as other valve products.

Phonix also provides Curtiss-Wright with increased nuclear opportunities in Europe. The business currently designs and manufactures product which meets the quality specifications for the supply of parts and components of French reactors, known in the industry are RCC-M. This will provide expanded opportunities to support the construction of Areva's new build plant design, where Phonix has a substantial pipeline for nuclear proposals as well as additional prospects in the service, upgrade and plant life extension of existing Areva-designed plants, particularly in Europe. Integration is progressing well and Phonix is currently tracking in line with plan.

Next to Cimarron, which continues to provide solid opportunities to expand our sales in the upstream oil and gas market and to help improve Flow Control's overall profitability in the long run. The business has made steady progress with the implementation of their lean manufacturing and computerized maintenance management systems, which should provide material cost savings over time.

As we noted on the previous call, Cimarron was anticipating the need to make a significant investment in plant capacity in the near future to meet their rapidly growing demand. With available capacity and capabilities at our existing in Houston facility, we've developed an in-sourcing plan to service Cimarron's extra capacity needs and increase our overall capacity utilization.

We also have absorbed almost $1 million in transfer and learning curve costs, and despite that impact we've increased Flow Control's profitability during the first six month of 2013. This internal support has allowed Cimarron to achieve record sales in May and June with the expectations of this trend to continue to grow through the year. Houston production is ramping up quickly, and the implementation of lean production techniques is also progressing very nicely.

Lean flow lines have been implemented on two Cimarron products being built in Texas, the 16-inch and 24-inch sand traps, which play a key role in the separation process, and all other product lines will follow suit. Our expectation is to achieve at least a 20% improvement in productivity compared to the original benchmark, as well as the potential for significant incremental sales. As noted on our prior call, we believe this integration initiative has the potential to generate additional sales for Cimarron and Curtiss-Wright in excess of $40 million beginning as early as 2014, which would also substantially improve Flow Control's profitability.

Overall this is an excellent example of synergies between our businesses. As we progress through this integration, it will offset some of the overhead under-absorption that we've experienced over the last several years as a result of downstream refining market weakness.

Cimarron is also in a solid position to grow its Emission Control Devices business, with four of its five designs having passed EPA mandated tests. A fifth device is in final testing; we should have a decision before the end of the year. Cimarron remains in an exciting position to become the first fabricator to have its devices certified to meet the EPA's new standard governing the destruction of harmful vapors.

Thus far Cimarron is tracking well ahead of plan of in terms of integration and tracking on plan financially despite the absorption of nearly $2 million expected by the end of the year.

Finally, I wanted to revisit our 2013 guidance by end market. As we've continued to highlight we've built a very diversified and balanced portfolio across the defense, energy and commercial industrial markets and this will remain a core component of Curtiss-Wright's long term plan. We employ a strategy of growing through niche acquisitions to complement our organic growth, which we believe has positioned Curtiss-Wright for tremendous future opportunities to expand our sales and profitability. Although we've had some economic and market-driven challenges during the past few years unrelated to our acquisitions, we have successfully executed on this strategy throughout the past decade.

Additionally, we have grown into new markets and geographies and gained new customers, all the while enhancing the acquired companies' cost structure and distribution. So while we've taken some time to digest the most recent acquisitions, we remain on the lookout for additional opportunities to expand the depth and breadth of our markets and customer base and continue to successfully grow Curtiss-Wright.

Now I'd like to turn the call back over to Marty for his final comments before we wrap up the call.

Martin R. Benante, Executive Chairman

Thank you, Dave. We are pleased with the solid first half performance and remain confident in our outlook for strong double-digit growth in sales, operating income, and earnings per share. As Dave highlighted the integration of our most recent acquisitions is going very well. The continued dedication and focus of our management teams to generate margin expansion and improve cash flow reflects our ongoing operational excellence and lean initiatives and positions Curtiss-Wright very well for the future.

I'd like now to highlight some key factors affecting some of our end markets. Starting in defense, following the implementation of sequestration in March we have seen modest reductions where you'd expect them to be, such as troop-carrying vehicles and related platforms tied to reduction in overseas forces. While there hasn't been any specific platforms that have been cut as a result of sequestration, we have seen a widespread indirect impact through lower incoming order rates, particularly in the aerospace and ground defense markets.

However, based on our previous actions that began in 2012 and were implemented well in advance of anticipated declines of sales, we have actually expended our operating margins in these defense markets in 2013 and expect to continue this trend in the future. As Glenn noted earlier, our outlook in aerospace and ground defense market remains reflective of our expectations for continued lower order rates in 2013, and our sales guidance remains unchanged.

Regarding the fiscal 2014 budget request, the Navy defense outlook appears to be positive, while the picture in aerospace and ground defense remains cloudy. Shipbuilding remains at the top of the DOD's priority and will likely suffer fewer cuts than any other program areas.

The DOD's change in strategic focus to the Pacific and Asia places key emphasis on the US Navy's fleet. This supports a strong shipbuilding budget in the coming years particularly for the Virginia attack submarine, the Ford aircraft carriers and the DDG-1 destroyers, which are Curtiss-Wright's three most important shipbuilding programs. In addition, the DOD continues to fund the future Ohio class submarine, where we expect substantial content.

While it is still a bit early to tell, we do believe sequestration could have a more material impact in 2014 than we are currently experiencing in 2013, particularly in our Controls business, although the specific impact of those cuts on our businesses is impossible to predict at this time. However, we expect our leverage in the commercial markets will more than offset any anticipated impact from sequestration.

Next, an update in power generation, starting with the AP1000 program. Overall we made solid progress in the production and shipments of our reactor coolant pumps or RCPs. During the second quarter, we shipped two RCPs required for seven unit ones in China, meeting our customer scheduled for the first plant. We are working to get two to four additional pumps ready for shipment to China in the third quarter.

Regarding the four pumps that were impacted by the defective impeller, our claim against the supplier continues to proceed through the legal process. These pumps are on their way back to the US for new parts and will be shipped back in 2014. As a reminder we do not expect any additional costs to impact our business due to this issue, nor should it affect the China AP1000 build program.

As we previously stated, we expect our next AP1000 order to come from China later this year. However, we don't have any additional clarity on the size or scope of the order at this time. In addition, we had discussions with a China utility and Westinghouse for providing RCPs directly for a set of future plants beyond the immediate follow-on plants. In the U.S., we're on track to ship our first two RCPs in the fourth quarter and remain on schedule at Westinghouse.

In addition I'd like to provide some highlights regarding our aftermarket nuclear business. As it pertains to Fukushima response initiatives, our Flow Control business continues to have success in capturing new awards resulting from NRC's Order One, Two and Three, with current awards totaling $11 million, including an award for a second spent fuel pool level indication system.

We have $34 million in proposals outstanding, which may be awarded throughout the next 12 to 24 months, and this addresses only the first stage of awards being issued. We were awarded over $11 million in new orders in the second quarter, specifically assisting plants in solving their obsolescence issues. We have other additional $21 million in current proposals that were expected to be awarded this year. Internationally we continue to see a signification increase in new orders as foreign plants address similar obsolescence issues as U.S. plants.

We continue to see strong order activity supporting plant upgrades and modifications, as Flow Control's installed base of equipment continues to provide a platform to assist plants in maintaining their existing equipment, support of their expanded installed base, resulting in more than $30 million in new orders. Furthermore increased sales year-to-year reflects the ongoing strong demand for Curtiss-Wright's equipment in support of existing operating reactors despite fewer outages this year.

Finally, the MRO market remains strong, with steady growth in Korea, Canada and Europe. Finally, small modular reactors or SMRs continue to gain momentum both in the United States and internationally. Curtiss-Wright continues to be sought after for our nuclear experience expertise and innovation in the design of critical components that are unique to SMRs. In the last quarter we began to receive engineering contracts for various components. While the value of this contracts are relatively small to start, when these plants are built we expect Curtiss-Wright's products to be built into the design.

In summary, as you have heard so far today, we continue to position Curtiss-Wright for strong, profitable growth in the future. Furthermore, we expect this growth to be complemented by our disciplined and balanced capital allocation strategy. This includes paying down our existing debt along with our commitment to returning capital to shareholders in the form of dividends.

In fact on May 14 the board of directors declared a quarterly dividend of $0.10 per share of common stock, which was an 11% increase compared to the prior dividend. The increase reflects our confidence in the company's ability to continue to deliver strong revenue and profitable growth as we execute our strategic plan.

Looking ahead, we're in the planning stage for an Investors Day, likely to take place later in the year, so please be on the lookout for that announcement in the near future, and we hope that you can attend.

At this time I'd like to open today's conference call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you [Operator Instructions] And our first question comes from Steve Levenson from Stifel. Please go ahead.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Thanks. Good morning, everybody.

<A – Martin Benante – Curtiss-Wright Corp.>: Hi, Steve.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Good morning.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: And congratulations Marty on your decision, and congratulations Dave and good luck going forward.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Steve, you were a little – bad connection there.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Okay. Let me see, is this any better?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yes. That's great.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Okay. Sorry. I just repeat congratulations then on being able to get to the point of making your decisions and to Dave on his promotion and the future.

<A – Martin Benante – Curtiss-Wright Corp.>: Thanks.

<A – David Adams – Curtiss-Wright Corp.>: Thank you.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: And in relation to margin improvement is that pretty much all from integration or are you seeing share gains from things like the PG Drives supply agreement you mentioned earlier?

<A – Martin Benante – Curtiss-Wright Corp.>: Well, when you take a look at our margin expansion a lot of it comes from investments that we've made where we've expanded into Mexico both in our aerospace and sensos. We're seeing some very good pickups and, in fact, we expect more than $10 million of additional profitability this year on cost reductions alone. And we also – our China investments are paying off.

So you're starting to see some of the investments that we've made. It takes a while to transfer all the product that we have into Mexico. We're still not at peak performance yet. Querétaro we just started this year. We're seeing some good returns from it but realistically have not yet seen the best production and utilization out of those plants yet as of this time. So you're starting to see a combination of the couple of things taking place.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks. A question on order rates on defense. Even though you don't see an immediate impact from sequestration do you think this is in part due to furloughs of contracting personnel that seems to slow down workflow in the government or do you think this is more of a trend?

<A – Martin Benante – Curtiss-Wright Corp.>: I think it's kind of more of a trend. I think that realistically we haven't had any organic growth this year and a lot of it is that even though we've made good gains on the commercial side, the military side has been reduced. Even though there's not sequestration, we're seeing an indirect impact of sequestration, but in the areas that we expected. And realistically even the aerospace defense, we may be cutting down on military aircraft, but we make commercial aircraft in this same plant. So we're really not seeing that much of an effect from a utilization standpoint.

The other thing, on your first question, Steve, I might have missed that. Realistically a lot of the inventory write-offs were our acquisitions, are over with. From the third quarter on we're actually going to see another $11 million pickup in profitability off the acquisitions. I think I missed that aspect of your question.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Thanks for the additional detail. Last one, in the M&A pipeline I know it's been a little bit slower and I'm sure part of that is your efforts to integrate, but are you seeing things that are still well priced or are multiples beginning to get a little expensive?

<A – David Adams – Curtiss-Wright Corp.>: I'll talk to that, Marty. We have a pipeline that's fairly filled with opportunity and we see it across the board. Some are pricier than we might have expected but overall I don't think that we're seeing much of a delta between the last several years expectation-wise and what we expect to pay. So what we saw last year was a lot of things loosened up toward the second half, and we are very hopeful that some things will happen this year. We're positive that some of these will be carried forward. So we've not seen a lot of change in that.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Okay. Thanks very much for the detail and congratulations again.

<A – David Adams – Curtiss-Wright Corp.>: Thanks.

<A – Martin Benante – Curtiss-Wright Corp.>: Thanks, Steve.

Operator: Thank you. And our next question comes from Myles Walton from Deutsche Bank. Please go ahead.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Thanks, good morning, guys. Marty, congratulations; Dave, good luck.

<A – David Adams – Curtiss-Wright Corp.>: Thanks, Myles.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Congratulations too, but good luck.

<A – Martin Benante – Curtiss-Wright Corp.>: Yes, well, [indiscernible] based on his track record.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: So we can start with the acquisitions first. I think previously the 2013 accretion was going to be $0.12. I think it was $0.06 dilutive in the first quarter, a penny I guess accretive here in the second quarter. Is the $0.12 for the full year still the right number going or has that actually moved higher?

<A – Glenn Tynan – Curtiss-Wright Corp.>: No, it's still the same.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Okay. And then another clarification. Glenn, you mentioned the $0.03 hit in the quarter, a $3 million hit in the quarter from the charge on a curtailment. But the corporate expense actually went down. Is that where the curtailment was?

<A – Glenn Tynan – Curtiss-Wright Corp.>: The curtailment would be in the corporate expense, yes.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: And then for the full year corporate expense went down though?

<A – Martin Benante – Curtiss-Wright Corp.>: By $1 billion.

<A – Glenn Tynan – Curtiss-Wright Corp.>: The corporate expense is up in the second quarter.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Sorry, I meant in the guidance for the full year.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Oh, yes. Well, because the pension, just to explain what happened, the board approved an amendment to the Curtiss-Wright plan, which resulted in the curtailment charge in the second quarter. But as a result of the curtailment we were also able to perform a re-measurement of a plan's assets and liabilities. So if you looked at the balance sheet you probably would have seen a quite large, like $45 million reduction in our pension liability. But also we were able to adjust the discount rate up, so you will see favorable pension, lower pension in the second half of the year of about $2 million as an offset. So for the year we're kind of – it's almost a wash.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Okay. So then looking at the next year given the re-measurement, can I now think about pension being – well, given lower discount rates do you have any feel for given the adjustments plus the discount rate what are you thinking in terms of...

<A – Glenn Tynan – Curtiss-Wright Corp.>: Again, we're going go through this again in the fall and the way things are going now it would look like we might have an opportunity to increase the discount rate again if things continue this way. And I think the sensitivity is about $2 million in expense for every quarter point.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Okay. And then Dave, on the business, can you talk about orders at a high level in general? And you've been at a pretty steady backlog here for a number of years and a couple of dynamics going on between the AP1000 and defense as an end market in general. But you've been at this $1.6 billion, $1.7 billion backlog for I guess five years now. Is there a big shift coming? Have we anniversaried a lot of the burn-off of the Chinese orders? Can you just talk about that in general for the next six to 12 months?

<A – David Adams – Curtiss-Wright Corp.>: Yes. I don't see a big change there. You know we've been talking about receiving a big order toward the end of the second half this year from China. We still anticipate that, so we're very optimistic about that. So I really don't see much of a delta from what we've seen over the last couple years.

<A – Martin Benante – Curtiss-Wright Corp.>: If anything there should be a slight...

<A – David Adams – Curtiss-Wright Corp.>: Yes, there should be a bump there.

<Q – Myles Walton – Deutsche Bank Securities, Inc.>: Okay. Okay. I think that's it for me. Thanks again, guys.

<A – Martin Benante – Curtiss-Wright Corp.>: Thank you.

Operator: Thank you. And our next question comes from Elizabeth Grenfell from Bank of America. Please go ahead.

<Q – Elizabeth Grenfell – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Hi, good morning.

<A – Martin Benante – Curtiss-Wright Corp.>: Good morning, Elizabeth.

<Q – Elizabeth Grenfell – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: I just had a couple questions. The first one, on the Surface Technologies margin for the rest of the year. What is baked in that's going to make them lower than the second quarter's 18.5%?

<A – Glenn Tynan – Curtiss-Wright Corp.>: It's really a couple things. For one the second quarter, just to comment on the first half and the second quarter in particular it has been a record production at our facility that services Airbus, which is a high margin facility and efficient facility. So part of it's timing. That's going to be lower in the second half, so kind of the way that fell throughout the year.

<A – Martin Benante – Curtiss-Wright Corp.>: What happens in the summertime, there's some shutdowns in the aerospace industry, of which Service Technologies has over 50% of their volumes in aerospace, commercial aerospace. So that's the only reason why you see a little bit of a dip in the second half is our third quarter normally goes down historically.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Also there's some new greenfields, so it's couple of – with some startups in the second half that are not in the first half. So we're not really far off. I mean we're at 17.1% year-to-date and our guidance is just below that, so it's not down tremendously but it'll be a little bit lower than the first half.

<Q – Elizabeth Grenfell – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Yes. Well sequentially it'll be down what, 200 basis points or so?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yes, probably in that area.

<Q – Elizabeth Grenfell – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Okay. Okay. Is there any word on the AP1000 order from the Chinese? Any update?

<A – Martin Benante – Curtiss-Wright Corp.>: Well, the only update is that we are in negotiations, which goes back and forth between the quantity and the participation. But we do expect it to be resolved in the third or fourth quarter. And that fits into our timing of where we'd like to get a new order to come in in order to have continuous production.

<Q – Elizabeth Grenfell – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Sure. And then just one last question. Hagel had a statement out yesterday on the strategic choices in management review sort of outlining a couple options for the future of the DOD. And I was just curious what steps Curtiss-Wright is taking given that the carrier groups could shrink from 11 to 8 or 9, they could take a modernization holiday. How are you thinking about it strategically from your point of view?

<A – Martin Benante – Curtiss-Wright Corp.>: From our point of view right now there is a lot strong support for keeping the carrier task force the way it is. As I said during my presentation that the strategic focus has been shifted to Asia Pacific and realistically the first response you have are aircraft carriers. So we really don't see as far as the United States going through that type of change, which is quite a bit.

<Q – Elizabeth Grenfell – Merrill Lynch, Pierce, Fenner & Smith, Inc.>: Okay. All right. Thanks, guys.

<A – Martin Benante – Curtiss-Wright Corp.>: Thank you.

Operator: Thank you. And our next question is from Michael Ciarmoli from KeyBanc Capital Markets. Please go ahead.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Hi, good morning, guys. Thanks for taking my questions.

<A – Martin Benante – Curtiss-Wright Corp.>: Good morning.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Great job and congratulation as you retire here and leave the business in good hands with Dave. Congrats.

<A – Martin Benante – Curtiss-Wright Corp.>: Michael, it's still 20 months, so [indiscernible].

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Can you just – you know, the organic growth in the quarter, no surprise but can you give us an update, I mean organic growth expectations for the full year, and maybe if you can help us, I'm assuming defense organically will be down. Can you give us a sense of maybe where both sides of the business will be from a revenue growth standpoint on an organic basis?

<A – Glenn Tynan – Curtiss-Wright Corp.>: I think, the second half, we haven't really changed our expectation for to be basically flat organically for the year, so we will have some organic growth that we're expecting in the second half of the year, Mike.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Okay. And assuming that they're be – more of that organic growth will be skewed on the commercial side?

<A – Glenn Tynan – Curtiss-Wright Corp.>: That's correct.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: And what about just on the margins here? I think you mentioned 10.3% kind of excluding some of the acquisition headwinds. What should we be thinking about future margin expansion there? You just mentioned some greenfield facilities in Surface. I would image as utilization improves that will help. It sounds like you've got a lot of synergies left. It sounds like you're going to get some pension tailwinds next year. How should we be thinking about these margins continuing to build over the next 6, 12 months and beyond?

<A – Martin Benante – Curtiss-Wright Corp.>: Well, I think, Mike, if you take a look at first of all our acquisitions are going to be more profitable next year. We also, when we talk about the gas and oil where we are taking systems from Cimarron and making them in Houston, that should give us a very, very, very good bump. We will not have crossed over from, until the very end of this year where we'll actually hit our cost requirement. But the 20% improvement at least that Dave was talking about will take place throughout 2014. So you're going to see our nice bump in 2014 and also another nice bump in 2015.

And as I talk about, the two plants that we put in Mexico. We already received a $4 million improvement to date on just one of them this year. That's going to continue on. Both plants will actually be more efficient next year and also our plant in China. So over the next year to two years we expect our net margins to grow quite a bit.

<Q – Mike Ciarmoli – KeyBanc Capital Markets>: Perfect. Thanks a lot, guys. That's actually all I have.

Operator: Thank you. And our next question comes from Jim Foung from Gabelli. Please go ahead.

<Q – Jim Foung – Gabelli & Co., Inc.>: Hi, good morning, everyone.

<A – Martin Benante – Curtiss-Wright Corp.>: Hey, Jim.

<A – David Adams – Curtiss-Wright Corp.>: Good morning.

<Q – Jim Foung – Gabelli & Co., Inc.>: My congratulations to both Marty and David. Marty, great job, and David, welcome and good luck in the future.

<A – Martin Benante – Curtiss-Wright Corp.>: Thank you.

<A – David Adams – Curtiss-Wright Corp.>: Thanks.

<Q – Jim Foung – Gabelli & Co., Inc.>: I guess my first question is on the acquisitions. You were good enough to break out the acquisition contribution. And the margins then in the second quarter is about 5%. Could you just talk about the margin progression over the next 12 to 24 months? How do you see that growing? And when do you expect that to kind of get back to get to your corporate average?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Well, we're going to see a bump immediately in the second quarter obviously to get from $0.05 to $0.12 for the year to get $0.07 accretion in the second half. So we'll get a bump, and it's primarily due to the burn-off of the inventory step, which is pretty much done at the end of the second quarter. And I think Marty indicated going into 2014 we're going to see even better growth from the acquisitions as well.

<Q – Jim Foung – Gabelli & Co., Inc.>: When do you think those margins can reach the corporate level rate?

<A – Glenn Tynan – Curtiss-Wright Corp.>: We're going to keep stretching them. As we keep raising the corporate rate, we're going to keep – it takes at least – we say three years has been an average of getting acquisitions up to snuff. I'm not saying they exactly get to our level of margin, but pretty close to it. That's kind of – two to three, or – two to three years. Yes.

<Q – Jim Foung – Gabelli & Co., Inc.>: Two to three years, okay. All right, so no change there then. And then Marty you talked about I guess sequestration not as big of an impact as you anticipated this year but then 2014 could be I guess harder. Could you just kind of expand on that in terms of do you see your overall defense sales to be down even more in 2014 than this year?

<A – Martin Benante – Curtiss-Wright Corp.>: Well, the thing is that we actually could do a little bit better from the sales standpoint in 2014, based on some modernization programs of the Bradley and a lot of ground vehicles. We should be getting above that in the Navy but then again sequestration could take all those modernization programs away, which really wouldn't hurt us, but it just wouldn't help us. So to have a 2014 – it's hard to go through the pluses and minuses.

It's just that we did reorganization; we did it in anticipation of sequestration. Some of our businesses are not affected because we're making commercial product there greater than what the military has gone down. So when we look at it we're not really that – it's not that bothersome to us. We've got enough leverage in the commercial side and pickup in the commercial side that we should do very well for ourselves in spite of what we could even anticipate going on in sequestration for 2014.

<Q – Jim Foung – Gabelli & Co., Inc.>: Okay, great. Okay, thanks so much; that's all I have. Good quarter.

<A – Martin Benante – Curtiss-Wright Corp.>: Thanks a lot.

Operator: Thank you. [Operator Instructions]. And our next question comes from Tyler Hojo from Sidoti & Company. Please go ahead.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Yes. Hi, good morning everyone.

<A – Martin Benante – Curtiss-Wright Corp.>: Hi, Tyler.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Let me also just add my congratulations to both Marty and Dave.

<A – Martin Benante – Curtiss-Wright Corp.>: Well, thank you.

<Q – Tyler Hojo – Sidoti & Co. LLC>: You're welcome. So just kind of to continue along the margin dialogue, certainly it was nice to see the margin step in the Control segment this quarter. I'm hoping that maybe you could talk a little bit about what your confidence level is in achieving the margin gains in the back half that are implied in the guidance. Also if you look back to your 2012 guidance for that segment it kind of implied that you'd be up towards I think like the 16 or 17% range in the fourth quarter of the year. Do you think you can get back to those levels?

<A – Martin Benante – Curtiss-Wright Corp.>: Tyler, are you just talking about Controls?

<Q – Tyler Hojo – Sidoti & Co. LLC>: Yes, just Controls.

<A – Martin Benante – Curtiss-Wright Corp.>: Okay. Well, on the Controls side, one of the things is they probably got hit the most when it came to having less orders on the military side. So the reorganization that they did, and the additional profitability they're getting out of their low-cost plants in China and Mexico, has been able to actually improve their margins. And we see that going forward throughout the remainder of the year.

<A – Glenn Tynan – Curtiss-Wright Corp.>: And Tyler, just put it in perspective, I mean the second half of the year Controls has about $28 million in incremental sales; $21 million of it is organic so we'll get approximately $8 million of additional OI in H2 just from the incremental organic sale or the organic company sales. The acquisitions are going to be up about $7 million in sales in the second half, which is going to yield $7 million of OI. Part of that's margin and part of it is the burn-off of the inventory step as I talked about that you'll see in the second half for the year.

They have $7 million of costs reductions and operational excellence improvements. Marty referred to the low-cost economy gains that Controls will see in the second half the year and some other minor one-time things that hit in the first half that aren't going to – $1 million or $2 million – that won't occur in the second half. So we have a pretty good roadmap of getting them to their full year margins. And sequentially they're probably going to improve sequentially just to give you an idea of how their year is going to lay out for the year. Improvement.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Great. Thanks for that color. And also do you happen to have the backlog by segment?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yes. Flow Control is $1.1 billion and Controls is $0.6 billion.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Perfect. And just in regards to the defective impeller supplier, could you just update us on how you've replaced that supplier? Is it single source at this point or do you have more than one supplier on that?

<A – Martin Benante – Curtiss-Wright Corp.>: Right now it's single source but we are looking at developing, I think we may even have a second source. I'm not sure.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Great. And the last question for me is just on the nuclear aftermarket. Obviously it's been a source of strength for you all, last hand-full of quarters. How long is the tail that you see on that?

<A – Martin Benante – Curtiss-Wright Corp.>: It just takes a long, long time. If you take a look at the fact that we're at our lowest outage, so just outages go up, the Fukushima initiatives. The obsolescence, and when we talk about obsolescence in the United States, remember the United States had the first nuclear build program come from our nuclear technology and then it expanded out to the rest of the world. So the same obsolescence that we see in the United States is also going to take place throughout the world. And then we have coverage throughout the world and most of the plants, are Westinghouse plants, we're familiar with, and Areva, which we installed base in Korea. So that's going to continue to grow, so we look at the aftermarket as continuing to go on for a long, long period of time.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Just one follow-on to that. I mean you've been tracking around $117 million, $118 million in terms of your nuclear business. How much of that would you say is aftermarket relative to new build?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Oh. Aftermarket in power gen?

<Q – Tyler Hojo – Sidoti & Co. LLC>: Yes.

<A – Glenn Tynan – Curtiss-Wright Corp.>: About two-thirds.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Two-thirds. All right, perfect; that's all I had. Thanks a lot.

Operator: Thank you. And I'm not showing any further questions. I would now like to turn the call back to Mr. Benante for any further remarks.

Martin R. Benante, Executive Chairman

Well, thank you very much for joining us today. We also look forward to speaking with you through our third quarter 2013 earnings call. And also we've love to see at our Investor Day. Have a good one. Take care.

David C. Adams, President & Chief Executive Officer

Bye-bye.

Operator: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone, have a great day.