CURTISS WRIGHT CORP

FORM 10-Q
(Quarterly Report)

Filed 8/11/1995 For Period Ending 6/30/1995

Address	1200 WALL ST W
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Industry	Aerospace & Defense
Sector	Capital Goods
Fiscal Year	12/31

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 June 30, 1995

Commission File Number 1-134

CURTISS-WRIGHT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware	13-0612970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1200 Wall Street West Lyndhurst, New Jersey	07071
(Address of principal executive offices)	(Zip Code)

(201) 896-8400
(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 and (2) has been subject to such filing requirements for the past 90 days.

Yes X 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: 5,059,293 shares (as of August 8, 1995)

CURTISS-WRIGHT CORPORATION AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

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

(In Thousands)

	June 30, 1995	December 31, 1994
Assets:		
Cash and cash equivalents	$ 5,700	$ 4,245
Short-term investments	75,690	72,200
Receivables, net	32,578	32,467
Deferred tax asset	7,203	8,204
Inventories	27,041	24,889
Other current assets	2,142	2,338
Total current assets	150,354	144,343
Property, plant and equipment, at cost	195,830	202,988
Less, accumulated depreciation	138,463	142,550
Property, plant and equipment, net	57,367	60,438
Prepaid pension costs	29,453	28,092
Other assets	5,803	5,821
Total assets	$242,977	$238,694
Liabilities:		
Current portion of long-term debt	$ 4,000	$ 5,354
Accounts payable and accrued expenses	14,200	15,250
Dividends payable	1,264	
Income taxes payable	350	2,105
Other current liabilities	13,518	13,305
Total current liabilities	33,332	36,014
Long-term debt	10,347	9,047
Deferred income taxes	6,671	6,446
Accrued post retirement benefit costs	10,982	10,802
Other liabilities	16,351	17,616
Total liabilities	77,683	79,925
Stockholders' equity:		
Common stock, $1 par value	10,000	10,000
Capital surplus	57,132	57,139
Retained earnings	281,307	275,600
Equity adjustments from foreign currency translation	(811)	(1,622)
	347,628	341,117
Less, cost of treasury stock	182,334	182,348
Total stockholders' equity	165,294	158,769
Total liab. & stockholders' equity	$242,977	$238,694

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of EARNINGS
(UNAUDITED)

(In thousands except per share data)

	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994	Three Months Ended June 30, 1995	Three Months Ended June 30, 1994
Revenues:				
Sales	$ 74,459	$ 76,027	$36,916	$37,489
Rentals & gains on sales of real estate and equipment	4,469	4,138	2,377	2,038
Interest, dividends & gains/(losses) on short-term investments, net	2,299	1,690	1,239	865
Other income, net	139	232	21	34
Total revenues	81,366	82,087	40,553	40,426
Costs and Expenses:				
Product and engineering	51,585	52,245	25,604	25,101
Selling and service	3,037	2,646	1,448	1,289
Administrative and general	14,093	12,987	7,056	6,472
Interest	289	181	161	93
Total costs and expenses	69,004	68,059	34,269	32,955
Earnings before taxes & cumulative eff. of change in acct'g principle	12,362	14,028	6,284	7,471
Provision for income taxes	4,125	4,398	2,059	2,146
Earnings before cumulative effect of change in accounting principle	8,237	9,630	4,225	5,325
Cumulative effect of change in acct'g principle (net of applicable taxes)		(244)		
Net earnings	$ 8,237	$ 9,386	$ 4,225	$ 5,325
Weighted average number of common shares outstanding	5,061	5,061	5,061	5,061
Net earnings per common share:				
Earnings before cumulative effect of change in accounting principle	$1.63	$1.90	$ .83	$1.05
Cumulative effect of change in accounting principle		(.05)		
Net earnings per common share	$1.63	$1.85	$ .83	$1.05
Dividends per common share	$ .50	$ .50	$ .25	$ .25

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of CASH FLOWS
(UNAUDITED)

(In thousands)

	Six Months Ended June 30 1995	Six Months Ended June 30 1994
Cash flows from operating activities:		
Net earnings	$ 8,237	$ 9,386
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Cum effect of change in accounting principle		244
Depreciation and amortization	4,975	5,350
Net gains on sales of short-term investments	(714)	(965)
Increase (decrease) in deferred taxes	1,226	(11)
Changes in operating assets and liabilities:		
Proceeds from sales of trading securities	90,750	69,000
Purchases of trading securities	(93,442)	(83,484)
Increase in receivables	(741)	(1,465)
Increase in inventory	(3,809)	(2,002)
Increase in progress payments	2,287	823
Inc (dec) in accts payable & accrued expenses	(1,050)	1,743
Increase (decrease) in income taxes payable	(1,755)	2,258
Increase in other assets	(1,145)	(1,359)
Decrease in other liabilities	(958)	(471)
Litigation settlement		(8,880)
Other, net	64	904
Total adjustments	(4,312)	(18,315)
Net cash provided (used) by operating activities	3,925	(8,929)
Cash flows from investing activities:		
Proceeds from sales of real estate and equipment	1,813	34
Additions to property, plant and equipment	(2,964)	(1,412)
Net cash used by investing activities	(1,151)	(1,378)
Cash flows from financing activities:		
Principal payments on long-term debt	(54)	(88)
Dividends paid	(1,265)	(1,266)
Net cash used by financing activities	(1,319)	(1,354)
Net increase (decrease) in cash and cash equivalents	1,455	(11,661)
Cash and cash equivalents at beginning of period	4,245	20,349
Cash and cash equivalents at end of period	$ 5,700	$ 8,688

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of STOCKHOLDERS' EQUITY
(UNAUDITED)

(In thousands of dollars)

	Common Stock Shares Issued	Common Stock Amount	Capital Surplus	Retained Earnings	Unearned Portion of Restricted Stock	Equity Adjustments from Foreign Currency Translation	Treasury Stock Shares	Treasury Stock Amount
December 31, 1993	10,000,000	$10,000	$57,172	$261,356	$ (87)	($1,862)	4,939,257	$182,348
Net earnings				19,303				
Common dividends				(5,059)				
Amortization of unearned portion of restricted stock			(33)		87			
Translation adjustments, net						(240)		
December 31, 1994	10,000,000	10,000	57,139	275,600		(1,622)	4,939,257	182,348
Net earnings				8,237				
Common dividends				(2,530)				
Exercise of stock options			(7)				(240)	(14)
Translation adjustment, net						811		
June 30, 1995	10,000,000	$10,000	$57,132	$281,307	$ -	$ (811)	4,939,017	$182,334

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The financial statements present the consolidated accounts of Curtiss- Wright Corporation and all majority owned subsidiaries (the "Corporation"), after elimination of all significant intercompany transactions and accounts.

The information furnished in this report reflects all adjustments, consisting primarily of normal recurring accruals, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's 1994 Annual Report to Stockholders. The results of operations for these interim periods are not necessarily indicative of the operating results for a full year.

2. SHORT-TERM INVESTMENTS

The Corporation accounts for its short-term investments in accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS No. 115). The Corporation's short-term investments are comprised of marketable equity and non-equity securities, all classified as trading securities under SFAS No. 115 and, accordingly, are carried at their fair value, which is based on quoted prices for these investments. Short-term investments have an aggregate cost of $75,378,000 and an aggregate fair value of $75,690,000 at June 30, 1995, compared with an aggregate cost of $72,750,000 and an aggregate fair value of $72,200,000 at December 31, 1994.

Included in the determination of net earnings were net realized gains and losses on the sales of short-term investments, determined on the specific identification cost basis. The composition of investment income for the first six months and second quarter of 1995 and 1994, respectively, is as follows:

(In thousands)

	Six Months Ended June 30, 1995	Six Months Ended June 30, 1994	Three Months Ended June 30, 1995	Three Months Ended June 30, 1994
Net realized gains (losses) on the sale of marketable securities	$ (147)	$2,312	$ 110	$1,103
Interest and dividend income, net	1,585	725	741	395
Net unrealized holding gains (losses)	861	(1,347)	388	(633)
Int, div & gains/(losses) on short-term investments, net	$2,299	$1,690	$1,239	$ 865

3. RECEIVABLES

Receivables, at June 30, 1995 and December 31, 1994, include amounts billed to customers and unbilled charges on long-term contracts consisting of amounts recognized as sales but not billed at the dates presented. Substantially all amounts of unbilled receivables are expected to be billed and collected within a year. The composition of receivables for those periods is as follows:

(In thousands)

	Jun 30, 1995	Dec 31, 1994
Accounts receivable, billed	$25,274	$28,121
Less: progress payments applied	3,100	4,464
	22,174	23,657
Unbilled charges on long-term contracts	30,634	27,084
Less: progress payments applied	19,574	17,580
	11,060	9,504
Allowance for doubtful accounts	(656)	(694)
Receivables, net	$32,578	$32,467

4. INVENTORIES

Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories at June 30, 1995 and December 31, 1994 is as follows:

(In thousands)

	Jun 30, 1995	Dec 31, 1994
Raw materials	$ 3,718	$ 4,195
Work-in-process	15,388	9,819
Finished goods	3,070	3,477
Inventoried costs related to U. S. Gov't and other long-term contracts	9,173	10,049
Total inventories	31,349	27,540
Less: progress payments applied, principally related to long-term contracts	4,308	2,651
Net inventories	$27,041	$24,889

5. ENVIRONMENTAL MATTERS

The Corporation is subject to federal, state and local laws and regulations concerning the environment, and is currently participating in administrative or court proceedings involving a number of sites under these laws, usually as a participant in an industry group of potentially responsible parties. Many of these proceedings are at a stage where it is impossible to estimate with any certainty the total cost of remediation, the timing and extent of remedial actions which may be required by governmental authorities, and the amount of the liability, if any, of the Corporation alone or in relation to that of any other responsible party. The Corporation also has been seeking to establish insurance coverage with respect to a number of these matters through litigation against certain insurance carriers. When it is possible to make a reasonable estimate of the Corporation's liability with respect to an environmental matter, a provision is recorded as appropriate. Actual costs to be incurred in future periods may vary from these estimates.

Based on facts presently known to it and the advice of counsel, the Corporation does not believe that the outcome of any one of these environmental proceedings, in excess of amounts provided, will have a material adverse effect on its results of operations or financial condition.

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

Interest payments of $294,000 and $212,000 were made primarily in association with long-term debt in the first six months of 1995 and 1994, respectively. The Corporation made estimated federal income tax payments of $3,012,000 and $2,400,000 the first six months of 1995 and 1994, respectively.

7. EARNINGS PER SHARE

Earnings per share were computed by dividing the applicable amount of earnings by the weighted average number of common shares outstanding during each period shown in the accompanying Consolidated Statements of Earnings. The assumed exercise of all outstanding stock options had an immaterial dilutive effect on earnings per share in each respective period.

PART I - ITEM 2
CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

MANAGEMENT'S DISCUSSION and ANALYSIS of
FINANCIAL CONDITION and RESULTS of OPERATIONS

RESULTS OF OPERATIONS:

Curtiss-Wright Corporation (the "Corporation") posted consolidated net earnings for the second quarter of 1995 totaling $4.2 million, or $.83 per share, a 21% decline when compared with net earnings of $5.3 million, or $1.05 per share, reported in the second quarter of 1994. Net earnings for the second quarter increased slightly in 1995, from $.79 per share in the first quarter to $.83 per share in the second quarter. For the first six months of 1995, net earnings totaled $8.2 million, or $1.63 per share, as compared with net earnings of $9.4 million, or $1.85 per share, reported for the same period of 1994.

Sales for the second quarter of 1995 were $36.9 million, down slightly from the level of the $37.5 million recorded in the 1994 second quarter. For the six-month period, sales also declined from $76.0 million in 1994 to $74.5 million in 1995. Operating income generated by the Corporation's three business segments was lower in the second quarter of 1995, totaling $4.9 million, compared with operating earnings of $6.8 million for the second quarter of 1994. For the first six months of 1995, operating income also decreased compared to 1994 first half levels, totaling $10.3 million in 1995 and $12.4 million in 1994. Overall, sales and operating earnings continue to reflect the trend of recent quarters with a substantial decline in Aerospace results, largely offset by increases in Industrial segment results. Our Flow Control and Marine segment continues to maintain steady levels of sales and operating income.

New orders rose to $36.5 million and $71.3 million for the second quarter and first six months of 1995, respectively, from new orders of $31.8 million and $58.6 million reported for the same respective periods of 1994. The increase in new orders reflects a higher level of activity in 1995 from industrial markets, overhaul services and the receipt of two production orders for commercial actuation systems received from the Boeing Airplane Company. Backlog levels of unshipped orders totaled $104.0 million at June 30, 1995, compared with $116.6 million at December 31, 1994 and $131.7 million at June 30, 1994. Significant declines in backlog positions for the Aerospace and Flow Control and Marine segments reflect a decline in available new production in military aircraft and shipbuilding programs. The Industrial segment also reported a decline in backlog due to the sale of the Buffalo Extrusion Facility, discussed below.

On June 13, 1995, the Corporation consummated the sale of its Extrusion Facility, located in Buffalo, New York, to International Extruded Products, LLC. The Buffalo facility manufactured extruded shapes and seamless tubular products of various metal alloys, utilizing a 12,000 ton press. The facility's products served Aerospace, Industrial and Flow Control and Marine markets but historically accounted for less than 10% of the Corporation's total consolidated sales. In earlier years, Buffalo's extrusion business had been largely in defense-oriented areas. More recently, its business had shifted to lower margin commercial pipe markets, bearing no relationship to Curtiss-Wright's other businesses. Buffalo had reported a small operating loss in 1994 and was only marginally profitable during the first six months of 1995. The transaction did not have a material impact on 1995 earnings.

Segment Performance:
The Corporation's Aerospace segment posted substantially lower results for both the second quarter and first six months of 1995, when compared with those for the same periods of 1994. Sales declined 19% in the second quarter of 1995, to $17.3 million, from sales in the same period of the prior year and totaled $34.2 million for the first six months of 1995, 22% lower than in the same six month period of 1994. Sales reductions in both periods, year to year, continue to reflect the completion last year of an Air Force F-16 retrofit program and a general softness in the global aerospace market. The F-16 retrofit program, completed in the third quarter of 1994, had contributed high sales levels of Curtiss-Wright actuation equipment in both the second quarter and first six months of last year. Sales of actuation products for Boeing production programs also continued to decline in comparison to the prior year, reflecting reduced current Boeing requirements. Aerospace sales of shot-peening and peen-forming services also declined when comparing the second quarter and first six months of 1995 to the same prior year periods. However, for the second quarter and first six months of 1995, the Aerospace segment has shown some significant improvements, when compared with 1994, in sales of actuation spare parts and overhaul services. Revenue from overhaul services, although currently at a much smaller volume than sales of production programs, has increased more than 46% in the first six months of 1995, when compared with the same period of 1994. The joint-venture overhaul facility in Denmark recently established to service the European commercial markets is fully operational and generated its first sales during the second quarter of 1995.

Operating income of the Aerospace segment for the second quarter of 1995 was substantially below that of the same period of 1994 as was operating income for the first six months of 1995 in comparison with the six month 1994 period.
In addition to the decline in revenue from current military and commercial production programs, the Corporation recorded significant non-reimbursed engineering costs associated with its actuation and control development programs during the first six months of 1995. It is important to note that Curtiss-Wright is currently running full scale development programs on three major aircraft, the Lockheed/Martin F-22, the Bell Boeing V-22 Osprey and the McDonnell Douglas F/A-18 E/F, an extraordinary situation for the Corporation.
While these development costs have had a substantial impact on operating income for the second quarter and first six months of 1995, they are regarded as an important investment in the future of Curtiss-Wright. Historically, the successful completion of a development program has gone a long way to ensuring the capture of follow-on production contracts.

The Corporation's Industrial segment posted substantial increases in sales and operating income for the first six months of 1995, when compared with the six month 1994 results. Sales totaled $13.4 million and $28.1 million for the second quarter and first six months of 1995, respectively, as compared with sales of $9.9 million and $19.3 million posted in the same respective periods of 1994. Improvements in the Industrial segment's results are largely reflective of higher domestic and European sales volumes from the Corporation's Metal Improvement Company (MIC) subsidiary. MIC performs shot-peening and heat-treating services for automotive, industrial and farm machinery customers and has experienced improvements throughout all sectors of its markets during the first half of 1995.

Sales for the Flow Control and Marine segment totaled $6.3 million and $12.1 million for the second quarter and first six month periods of 1995, respectively, as compared with sales of $6.2 million and $12.9 million reported in the second quarter and first six-month periods of 1994, respectively.
Operating income for the second quarter of 1995 improved over the income recorded in the second quarter of 1994, largely due to revenue recognized under a termination claim stemming from the partial cancellation of a valve actuation contract.

Other Revenues and Costs:

Other revenue recorded in the second quarter of 1995 totaled $3.6 million, compared with $2.9 million recorded in the second quarter of 1994, while other revenue for the first six months of 1995 totaled $6.9 million, compared with $6.1 million recorded in the same period of 1994. The change in other revenue for both 1995 periods is reflective of higher overall investment income and gains recorded on the sale of machinery and equipment.

Despite lower sales, operating costs for the Corporation as a whole were slightly higher for the second quarter and first six months of 1995, when compared with costs incurred in the same respective periods of 1994. The increase in operating costs is attributed to a high level of non-reimbursed expenses for Aerospace development programs, as discussed above. In addition, operating costs for the same 1994 periods had been reduced by lower Corporate administrative costs and a life insurance dividend of $0.5 million received in the second quarter of 1994. Administrative expenses for the first six months of 1995 also reflect a reduction in accrued income generated from the Corporation's overfunded pension plan. Pension income for the first six months of 1995 totaled $1.4 million, compared with $1.8 million for the first six months of 1994.

CHANGES IN FINANCIAL CONDITION:

Liquidity and Capital Resources:

The Corporation's working capital was $117.0 million at June 30, 1995, an 8% increase from working capital of $108.3 million at December 31, 1994. The ratio of current assets to current liabilities at June 30, 1995 also increased to 4.5 to 1 from 4.0 to 1 at December 31, 1994. The increase in working capital reflects an increase in cash, cash equivalents and short-term investments balances which total $81.4 million at June 30, 1995, a 6% increase from December 31, 1994. Net inventories at June 30, 1995 were higher when compared with balances at December 31, 1994, primarily due to significant increases in work-in-process inventory associated with current development contracts. Working capital for the first six months of 1995 also improved due to a reclassification of $1.3 million of debt from current to long-term liabilities. In May 1994, the bond holder had exercised a call option requiring payment in May 1995; however, the call was recently rescinded returning the bond to its original maturity date in the year 2001.

The Corporation continues to maintain its $22.5 million revolving credit lending facility and its $22.5 million short-term credit agreement, which provide additional sources of capital to the Corporation. The revolving credit agreement, of which $3.6 million remains unused at June 30, 1995, encompasses various letters of credit issued primarily in connection with outstanding industrial revenue bonds. There were no cash borrowings made on the short-term credit agreement during the first six months of 1995.

During the first half of 1995, internally generated funds were more than adequate to meet capital requirements. Projected funds from operating sources are expected to be more than adequate to cover future cash requirements, including anticipated capital expenditures of approximately $8.0 million for the balance of the year and anticipated expenditures connected with environmental remediation programs. In addition, the Corporation expects to make payment on an outstanding industrial revenue bond amounting to $4.0 million early in the fourth quarter of 1995.

PART II - OTHER INFORMATION

Item 5. OTHER INFORMATION

On June 13, 1995, the Corporation consummated the sale of its Extrusion Facility located in Buffalo, New York to International Extruded Products, LLC. This facility had manufactured extruded shapes and seamless tubular products of various metal alloys. This facility had accounted for less than 10% of the Registrant's total consolidated sales. The sale of this facility will not have a material impact on the Corporation's 1995 earnings.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 27 - Financial Data Schedules (Page 14)

(b) Reports on Form 8-K

The Corporation did not file any reports on Form 8-K during the quarter ended June 30, 1995.

SIGNATURES

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/Robert A. Bosi
Robert A. Bosi,
Vice President-Finance

By: s/Kenneth P. Slezak
Kenneth P. Slezak,
Controller

Dated: August 11, 1995

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD END	JUN 30 1995
CASH	5,700
SECURITIES	75,690
RECEIVABLES	33,234
ALLOWANCES	656
INVENTORY	27,041
CURRENT ASSETS	150,354
PP&E	195,830
DEPRECIATION	138,463
TOTAL ASSETS	242,977
CURRENT LIABILITIES	33,332
BONDS	10,347
COMMON	10,000
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	155,294
TOTAL LIABILITY AND EQUITY	242,977
SALES	74,459
TOTAL REVENUES	81,366
CGS	50,695
TOTAL COSTS	68,715
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	289
INCOME PRETAX	12,362
INCOME TAX	4,125
INCOME CONTINUING	8,237
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	8,237
EPS PRIMARY	1.63
EPS DILUTED	0 - 14 -

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