# CURTISS WRIGHT CORP

## FORM 10-Q
(Quarterly Report)

## Filed 11/6/2000 For Period Ending 9/30/2000

| | |
|---|---|
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| Industry | Aerospace & Defense |
| Sector | Capital Goods |
| Fiscal Year | 12/31 |

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# SECURITIES and EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

# FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the
Securities and Exchange Act of 1934

**FOR THE QUARTER ENDED SEPTEMBER 30, 2000**

*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: 10,013,769 shares (as of October 31, 2000)

# CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

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## PART 1 - FINANCIAL INFORMATION

### Item 1 - Financial Statements

### CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
### CONSOLIDATED BALANCE SHEETS
(In thousands)

| | (UNAUDITED) September 30, 2000 | December 31, 1999 |
|---|---|---|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 10,486 | $ 9,547 |
| Short-term investments | 50,548 | 25,560 |
| Receivables, net | 67,055 | 70,729 |
| Deferred tax assets | 9,340 | 8,688 |
| Inventories, net | 54,084 | 60,584 |
| Other current assets | 3,307 | 5,262 |
| Total current assets | 194,820 | 180,370 |
| Property, plant and equipment, at cost | 244,189 | 242,000 |
| Accumulated depreciation | 153,888 | 147,422 |
| Property, plant and equipment, net | 90,301 | 94,578 |
| Prepaid pension costs | 57,750 | 50,447 |
| Goodwill | 49,585 | 50,357 |
| Other assets | 9,751 | 11,374 |
| Total Assets | $ 402,207 | $ 387,126 |
| Liabilities | | |
| Current Liabilities: | | |
| Current portion of long-term debt | $ 4,047 | $ 4,047 |
| Account payable and accrued expenses | 31,421 | 32,767 |
| Dividends payable | 1,303 | 0 |
| Income taxes payable | 2,859 | 5,203 |
| Other current liabilities | 12,093 | 13,915 |
| Total current liabilities | 51,723 | 55,932 |
| Long-term debt | 26,867 | 34,171 |
| Deferred income taxes | 17,908 | 14,113 |
| Accrued postretirement benefit costs | 5,451 | 8,515 |
| Other liabilities | 16,157 | 16,040 |
| Total Liabilities | 118,106 | 128,771 |
| Stockholders' Equity | | |
| Common stock, $1 par value | 15,000 | 15,000 |
| Capital surplus | 51,426 | 51,599 |
| Retained earnings | 403,048 | 376,006 |
| Unearned portion of restricted stock | (26) | (24) |
| Accumulated other comprehensive income | (2,736) | (2,622) |
| | 466,712 | 439,959 |
| Less: cost of treasury stock | 182,611 | 181,604 |
| Total Stockholders' Equity | 284,101 | 258,355 |
| Total Liabilities and Stockholders' Equity | $ 402,207 | $ 387,126 |

See notes to consolidated financial statements.

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

(In thousands except per share data)

| | Three Months Ended September 30, 2000 | Three Months Ended September 30, 1999 (1) | Nine Months Ended September 30, 2000 | Nine Months Ended September 30, 1999 ( 1) |
|---|---|---|---|---|
| Net sales | $ 81,878 | $ 69,009 | $ 247,165 | $ 209,554 |
| Cost of sales | 51,111 | 45,128 | 156,998 | 135,917 |
| Gross profit | 30,767 | 23,881 | 90,167 | 73,637 |
| Research & development expenses | 1,373 | 506 | 4,247 | 2,246 |
| Selling expenses | 4,381 | 3,988 | 14,069 | 11,740 |
| General and administrative expenses | 11,964 | 10,968 | 34,466 | 30,038 |
| Environmental exp. (recoveries), net | 27 | (12,331) | (1,755) | (11,777) |
| Operating income | 13,022 | 20,750 | 39,140 | 41,390 |
| Investment income, net | 725 | 496 | 1,744 | 1,954 |
| Rental income, net | 971 | 554 | 3,021 | 2,856 |
| Pension income, net | 2,163 | 1,274 | 6,248 | 3,837 |
| Other income (expenses), net | 1,413 | 278 | 1,306 | (59) |
| Interest expense | (394) | (366) | (1,166) | (996) |
| Earnings before income taxes | 17,900 | 22,986 | 50,293 | 48,982 |
| Provision for income taxes | 6,821 | 9,001 | 19,341 | 18,736 |
| Net earnings | $ 11,079 | $ 13,985 | $ 30,952 | $ 30,246 |
| Basic earnings per common share | $ 1.11 | $ 1.38 | $ 3.09 | $ 2.98 |
| Diluted earnings per common share | $ 1.09 | $ 1.38 | $ 3.03 | $ 2.95 |
| Dividends per common share | $ 0.13 | $ 0.13 | $ 0.39 | $ 0.39 |
| Weighted average shares outstanding: | | | | |
| Basic | 10,012 | 10,135 | 10,015 | 10,135 |
| Diluted | 10,199 | 10,135 | 10,202 | 10,269 |

See notes to consolidated financial statements.

(1) Certain prior year information restated to conform to current presentation.

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

(In thousands)

| | Nine Months Ended September 30, 2000 | Nine Months Ended September 30, 1999 (1) |
|---|---|---|
| Cash flows from operating activities: | | |
| Net earnings | $ 30,952 | $ 30,246 |
| Adjustments to reconcile net earnings to net cash provided by operating activities (net of businesses acquired): | | |
| Depreciation and amortization | 10,883 | 9,140 |
| Net (gains) losses on short-term investments | (89) | 206 |
| Non-cash pension income | (6,248) | (3,837) |
| Increase in deferred taxes | 3,143 | 453 |
| Changes in operating assets and liabilities: | | |
| Proceeds from sales of trading securities | 204,342 | 360,855 |
| Purchases of trading securities | (229,241) | (319,361) |
| Decrease in receivables | 5,705 | 15,248 |
| Decrease (increase) in inventory | 6,436 | (2,238) |
| Decrease in progress payments | (1,967) | (13,350) |
| Decrease in accounts payable and accrued expenses | (1,346) | (1,327) |
| (Decrease) increase in income taxes payable | (2,344) | 2,363 |
| Decrease (increase) in other assets | 1,369 | (436) |
| Decrease in other liabilities | (4,769) | (20) |
| Other, net | (1,213) | (226) |
| Total adjustments | (15,339) | 47,470 |
| Net cash provided by operating activities | 15,613 | 77,716 |
| Cash flows from investing activities: | | |
| Proceeds from sales of real estate and equipment | 1,586 | 29 |
| Additions to property, plant and equipment | (6,383) | (17,167) |
| Acquisition of new businesses | 0 | (49,858) |
| Net cash used in investing activities | (4,797) | (66,996) |
| Cash flows from financing activities: | | |
| Dividends Paid | (2,606) | (2,633) |
| Debt repayments | (5,782) | 0 |
| Common stock repurchases | (1,489) | (3,992) |
| Net cash used in financing activities | (9,877) | (6,625) |
| Net increase in cash and cash equivalents | 939 | 4,095 |
| Cash and cash equivalents at beginning of period | 9,547 | 5,809 |
| Cash and cash equivalents at end of period | $ 10,486 | $ 9,904 |

See notes to consolidated financial statements.
(1) Certain prior year information restated to conform to current presentation.

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

(In thousands)

| | Common Stock | Capital Surplus | Retained Earnings | Unearned Portion of Restricted Stock | Accumulated Other Comprehensive Income | Treasury Stock |
|---|---|---|---|---|---|---|
| December 31, 1998 | $ 15,000 | $ 51,669 | $342,218 | ($40) | ($2,800) | $176,454 |
| Net earnings | | | 39,045 | | | |
| Common dividends | | | (5,257) | | | |
| Common stock repurchased | | | | | | 5,440 |
| Stock options exercised, net | | (70) | | | | (290) |
| Amortization of earned portion o of restricted stock | | | | 16 | | |
| Translation adjustments, net | | | | | 178 | |
| December 31, 1999 | 15,000 | 51,599 | 376,006 | (24) | (2,622) | 181,604 |
| Net earnings | | | 30,952 | | | |
| Common dividends | | | (3,910) | | | |
| Common stock issued | | | | (15) | | |
| Common stock repurchased | | | | | | 1,489 |
| Stock options exercised, net | | (173) | | | | (482) |
| Amortization of earned portion of restricted stock | | | | 13 | | |
| Translation adjustments, net | | | | | (114) | |
| September 30, 2000 | $ 15,000 | $ 51,426 | $403,048 | ($26) | ($2,736) | $182,611 |

See notes to consolidated financial statements.

# CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

## NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS of PRESENTATION

Curtiss-Wright Corporation including its subsidiaries (the "Corporation") is a diversified multi-national manufacturing and service concern that designs, manufactures and repairs precision components and systems and provides highly engineered services to the aerospace and ground defense, automotive, shipbuilding, oil, petrochemical, agricultural equipment, railroad, power generation, metalworking and fire and rescue industries. Operations are conducted through six manufacturing facilities, thirty-seven metal treatment service facilities and three component repair locations.

The information furnished in this report has been prepared in conformity with generally accepted accounting principles and as such 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 1999 Annual Report on Form 10-K. The results of operations for these interim periods are not necessarily indicative of the operating results for a full year. Certain reclassifications of prior year amounts have been made in order to conform to the current presentation.

2. RECEIVABLES

Receivables, at September 30, 2000 and December 31, 1999, include amounts billed to customers and unbilled charges on long-term contracts consisting of amounts recognized as sales but not billed as of the dates presented. Substantially all amounts of unbilled receivables are expected to be billed and collected within a year. The composition of receivables for these periods is as follows:

| | (In thousands) 9/30/2000 | 12/31/1999 |
|---|---|---|
| Accounts receivable, billed | $55,260 | $66,652 |
| Less: progress payments applied | 833 | 1,922 |
| | 54,427 | 64,730 |
| Unbilled charges on long-term contracts | 21,150 | 16,473 |
| Less: progress payments applied | 6,302 | 7,244 |
| | 14,848 | 9,229 |
| Less: allowance for doubtful accounts | (2,220) | (3,230) |
| Receivables, net | $67,055 | $70,729 |

## 3. INVENTORIES

Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories at September 30, 2000 and December 31, 1999 is as follows:

| | (In thousands) 9/30/2000 | 12/31/1999 |
|---|---|---|
| Raw materials | $11,774 | $12,952 |
| Work-in-process | 18,623 | 23,207 |
| Finished goods | 35,587 | 36,276 |
| Total inventories | 65,984 | 72,435 |
| Less: progress payments applied | 1,403 | 1,340 |
| | 64,581 | 71,095 |
| Less: reserves | 10,497 | 10,511 |
| Inventories, net | $54,084 | $60,584 |

## 4. ENVIRONMENTAL MATTERS

The Corporation establishes a reserve for a potential environmental responsibility when it concludes that a determination of legal liability is probable, based upon the advice of counsel. Such amounts, if quantified, reflect the Corporation's estimate of the amount of that liability. If only a range of potential liability can be estimated, a reserve will be established at the low end of that range. Such reserves represent today's values of anticipated remediation not reduced by any potential recovery from insurance carriers or through contested third-party legal actions, and are not discounted for the time value of money. The Corporation is joined with many other corporations and municipalities as potentially responsible parties (PRPs) in a number of environmental cleanup sites, which include but are not limited to the Sharkey landfill superfund site, Parsippany, New Jersey; Caldwell Trucking Company superfund site, Fairfield, New Jersey; Pfohl Brothers landfill site, Cheektowaga, New York; Amenia landfill site, Amenia, New York; and Chemsol, Inc. superfund site, Piscataway, New Jersey. The Corporation believes that the outcome of any of these matters would not have a material adverse effect on the Corporation's results of operations or financial condition.

## 5. SEGMENT INFORMATION

The Corporation conducts its business operations through three segments: Motion Control (formerly Actuation and Control Products & Services); Metal Treatment (formerly Precision Manufacturing Products & Services); and Flow Control (formerly Flow Control Products & Services).

(In thousands)
Three Months Ended September 30, 2000

| | Motion Control | Metal Treatment | Flow Control | Segment Total | Corporate & Other | Consolidated Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $32,614 | $25,320 | $23,944 | $81,878 | $ 0 | $81,878 |
| Intersegment revenues | 0 | 126 | 0 | 126 | 0 | 126 |
| Operating income | 4,537 | 5,743 | 3,054 | 13,334 | (312) | 13,022 |

(In thousands)
Three Months Ended September 30, 1999

| | Motion Control (1) | Metal Treatment | Flow Control | Segment Total | Corporate & Other (2) | Consolidated Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $28,074 | $26,048 | $14,887 | $69,009 | $ 0 | $69,009 |
| Intersegment revenues | 0 | 77 | 0 | 77 | 0 | 77 |
| Operating Income (1) (2) | 1,350 | 5,356 | 1,203 | 7,909 | 12,841 | 20,750 |

(1) Operating income for the Motion Control segment includes consolidation costs for the relocation of operations in the amount of $1.2 million.
(2) Operating income for Corporate and Other includes an insurance settlement, net of related expenses, in the amount of $12.4 million.

Reconciliation:

| | (In thousands) Three months ended 9/30/00 | 9/30/99 |
|---|---|---|
| Total operating income | $13,022 | $20,750 |
| Investment income, net | 725 | 496 |
| Rental income, net | 971 | 554 |
| Pension income, net | 2,163 | 1,274 |
| Other income, net | 1,413 | 278 |
| Interest expense | (394) | (366) |
| Earnings before income taxes | $17,900 | $22,986 |

(In thousands)
Nine Months Ended September 30, 2000

| | Motion Control | Metal Treatment | Flow Control | Segment Total | Corporate & Other (1) | Consolidated Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $92,264 | $80,021 | $74,880 | $247,165 | $ 0 | $247,165 |
| Intersegment revenues | 0 | 427 | 0 | 427 | 0 | 427 |
| Operating income(1) | 11,055 | 17,966 | 7,499 | 36,520 | 2,620 | 39,140 |
| Segment assets | 106,837 | 84,938 | 82,486 | 274,261 | 127,946 | 402,207 |

(1) Operating income for Corporate and Other includes a $2.8 million gain for the curtailment of post-retirement benefits associated with the closing of the Fairfield, NJ facility and environmental recoveries, net of expenses, of $1.9 million.

(In thousands)
Nine Months Ended September 30, 1999

| | Motion Control(2) | Metal Treatment | Flow Control | Segment Total | Corporate & Other(3) | Consolidated Total |
|---|---|---|---|---|---|---|
| Revenue from external customers | $88,912 | $78,066 | $42,576 | $209,554 | $ 0 | $209,554 |
| Intersegment revenues | 0 | 249 | 0 | 249 | 0 | 249 |
| Operating income (2) (3) | 5,182 | 17,547 | 4,438 | 27,167 | 14,223 | 41,390 |
| Segment assets | 116,137 | 82,196 | 86,919 | 285,252 | 101,874 | 387,126 |

(2) Operating income for the Motion Control segment includes consolidation costs for the relocation of operations in the amount of $3.0 million.
(3) Operating income for Corporate and Other includes environmental recoveries, net of expenses, of $12.4 million.

Reconciliation:

| | (In thousands) Nine months ended 9/30/00 | 9/30/99 |
|---|---|---|
| Total operating income | $39,140 | $41,390 |
| Investment income, net | 1,744 | 1,954 |
| Rental income, net | 3,021 | 2,856 |
| Pension income, net | 6,248 | 3,837 |
| Other income (expense), net | 1,306 | (59) |
| Interest expense | (1,166) | (996) |
| Earnings before income taxes | $50,293 | $48,982 |

## 6. COMPREHENSIVE INCOME

Total comprehensive income for the three months and nine months ended September 30, 2000 and 1999 is as follows:

| | (In thousands) Three Months Ended | | Nine Months Ended | |
|---|---|---|---|---|
| | 9/30/00 | 9/30/99 | 9/30/00 | 9/30/99 |
| Net earnings | $11,079 | $13,985 | $30,952 | $30,246 |
| Foreign currency translations | 242 | 1,566 | (114) | 978 |
| Total comprehensive income | $11,321 | $15,551 | $30,838 | $31,224 |

## 7. EARNINGS PER SHARE

The Corporation accounts for its earnings per share (EPS) in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" (SFAS No. 128). Diluted earnings per share were computed based on the weighted average number of shares outstanding plus all potentially dilutive common shares issuable for the periods. Dilutive common shares for the three and nine months ended September 30, 2000 were 187,000, and for the three and nine months ended September 30, 1999 were zero and 134,000, respectively.

## 8. RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1999, the Financial Accounting Standards Board issued Statement No. 137 deferring the effective date of Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities" (SFAS No. 133). SFAS No. 133 is now effective for fiscal years beginning after June 15, 2000 (January 1, 2001 for the Corporation). SFAS No. 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. Management of the Corporation anticipates that, due to its limited use of derivative instruments, the adoption of SFAS No. 133 will not have a significant effect on its results of operations or its financial position.

**PART I - ITEM 2**
**CURTISS-WRIGHT CORPORATION and SUBSIDIARIES**

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

**RESULTS of OPERATIONS**
Sales for the current quarter increased 19% to $81.9 million from $69.0 million in the prior year and operating income of $13.0 million was 37% below that for the same period in 1999. New orders in the third quarter of 2000 were $66.8 million, 8% below the third quarter of 1999, and backlog at $195.3 million was 6% higher than the prior year. Net earnings decreased 21% in the third quarter of 2000, to $11.1 million, or $1.09 per diluted share, from $14.0 million, or $1.38 per diluted share for the third quarter of 1999.

Sales for the first nine months of 2000 rose 18% to $247.2 million, from $209.6 million a year ago. Operating income at $39.1 million was 5% lower than the prior year and new orders totaled $229.6 million, 13% above the same nine-month period of last year. Net earnings for the first nine months of 2000 increased 2% to $31.0 million, or $3.03 per diluted share, from $30.2 million, or $2.95 per diluted share, for the first nine months of 1999.

Operating results for the third quarter of 1999 included several non-recurring items. Results were favorably impacted by the receipt of an insurance settlement (net of related expenses) of $12.4 million ($7.3 million after tax), offset partially by costs of $1.2 million ($0.7 million after tax) relating to the relocation of our Fairfield, NJ operations to our low cost, state-of-the-art facility located in North Carolina. After considering the foregoing, operating income for the third quarter 2000 of $13.0 million was 37% higher than "normalized" operating income for the third quarter of 1999 of $9.5 million. The third quarter of 2000 pre-tax earnings (other non-operating income) includes a $1.4 million gain ($0.9 million after tax) on the sale of a non-operating facility located in Chester, England. "Normalized" net income for the third quarter of 2000 of $10.2 million, or $1.00 per diluted share, was 38% higher than "normalized" net income for 1999 of $7.4 million, or $0.73 per diluted share.

In addition to the non-recurring item from the third quarter mentioned above, operating results for the first nine months of 2000 also benefited from the net effect of several non-recurring items recorded in the first and second quarters of this year. Those items, discussed in the "Other Revenue and Costs" section later in this report, favorably impacted 2000 pre-tax earnings by $3.9 million and after-tax earnings by $2.4 million. The results for the first nine months of 1999 included the insurance settlement and $3.0 million ($1.8 million after tax) of consolidation costs mentioned above. Excluding these non-recurring items, "normalized" operating income for the first nine months of 2000 of $35.2 million was 10% ahead of "normalized" operating income for the first nine months of 1999 of $32.0 million. "Normalized" net earnings for the first nine months of 2000 would have been $27.6 million, or $2.71 per diluted share, as compared to $24.8 million, or $2.41 per diluted share in 1999.

RESULTS of OPERATIONS (continued)

During 2000, especially the third quarter, foreign exchange rates have had an adverse effect in comparing this year's results to those of the prior year. For the third quarter and nine-month year-to-date period, the fluctuation in foreign exchange rates adversely impacted sales by $1.5 million and $3.2 million, respectively. Operating income was similarly negatively impacted for the third quarter and nine month year-to-date period by $.6 million and $1.1 million, respectively.

The improvement in operating results year-to-year largely reflects the acquisitions made by the Corporation in 1999 of Farris Engineering, Sprague Products and Metallurgical Processing Inc. Sales from these companies, in the aggregate, accounted for increases of $9.1 million and $31.2 million when comparing the third quarter and first nine months of 2000 to those same respective periods of the prior year.

During the third quarter of 2000, the company sold its PME distribution business, consisting of net inventory and other assets, and recorded an immaterial loss as a result of this sale.

Operating Performance

Motion Control

Sales for the Corporation's Motion Control segment improved to $32.6 million in the third quarter of 2000, from $28.1 million in the third quarter of 1999, a 16% increase. Sales for the quarter were largely a result of improved aerospace military sales and Drive Technology business in Europe, which showed continued growth in the ground defense aiming and stabilization markets as compared to the prior year. Sales of aerospace repair and overhaul services for the third quarter 2000 also improved over the third quarter 1999. Sales of commercial actuation products to Boeing were relatively flat in the third quarter when compared to the prior year period. Sales of Motion Control products for the first nine months of 2000 were $92.3 million, 4% higher than the 1999 levels.

Operating income for the Motion Control segment showed substantial improvements from both the third quarter and first nine months of last year as well as the first and second quarters of 2000. Prior year periods reflected the consolidation costs of the Fairfield, NJ operation into Motion Control's low-cost, state-of-the-art facility in North Carolina. Expenses related to the consolidation activities totaled approximately $1.2 million during the third quarter and $3.0 million for the first nine months of 1999. Year 2000 earnings reflect the very significant cost savings resulting from this consolidation.

Operating Performance (continued)
Metal Treatment
Sales for the Corporation's Metal Treatment segment totaled $25.3 million and $80.0 million for the third quarter and first nine months of 2000, respectively, when compared with sales of $26.0 million and $78.1 million for those same respective periods of 1999. Year-to-date sales improvements over the prior year reflect an acquisition which occurred in mid-1999 and increased sales volume in the commercial European aerospace market, which were largely offset by the negative effect of the strong dollar on currency translation. The weak European currencies had an adverse impact on sales of $0.9 million and $2.1 million in the third quarter and nine month year-to-date period, respectively. In addition, domestically, the Company has experienced increased sales in the heat treating operations, which were partially due to the acquisition made in mid-1999.
Operating income for the Metal Treatment segment showed a 7% increase in the third quarter as compared to 1999 and a slight increase when comparing the first nine months of 2000 with the same period of 1999. For the nine months ended September 30, 2000, improvements in heat-treating operations were largely offset by lower income at both European and North American shot-peening operations. As with sales, income from our European shot-peening operations were adversely affected by currency translation. The weak European currencies had an adverse impact on operating income of $0.5 million and $1.1 million in the third quarter and nine month year-to-date periods, respectively.

**Flow Control**

The Corporation's Flow Control segment posted sales of $23.9 million for the third quarter and $74.9 million for the first nine months of 2000, compared with sales of $14.9 million and $42.6 million reported in those same respective periods of 1999. Operating income for the third quarter and first nine month periods of 2000 were also significantly higher than 1999. The significant improvements in both sales and operating income were largely the result of the acquisition of the Farris and Sprague product lines which occurred in August of last year.

In the third quarter of 2000, sales and earnings from the traditional product lines in the Flow Control segment exceeded the levels achieved in the third quarter of 1999. Sales of marine product lines to the U.S. Navy continued to perform well, as did sales from retrofit and service programs for domestic nuclear utilities, and the sale of valves for new offshore nuclear power plant construction. Industrial valve sales continued to perform well notwithstanding general softness in two primary markets-petrochemical and chemical process industries.

### Other Revenue and Costs

During the third quarter of 2000, the company sold a non-operating facility located in Chester, England. Pre-tax earnings in the quarter includes a $1.4 million ($0.9 million after tax) gain on this sale. During the second quarter of 2000, the company settled litigation to recover environmental remediation costs against all but one remaining insurance carrier. These settlements, net of associated litigation expenses and amounts recognized for additional related environmental costs, provided additional operating income and net earnings for the period of $1.9 million and $1.2 million, respectively. During the first quarter of 2000, the company recognized a $2.8 million ($1.7 million after tax) reduction to general and administrative expenses from the curtailment of postretirement benefits associated with the closing of the Fairfield, New Jersey facility, partially offset by $0.8 million ($0.5 million after tax) of non-recurring postemployment expenses.
For the third quarter of 2000, the Corporation recorded other non-operating revenue netting to $5.3 million, compared with $2.6 million for the third quarter of 1999. The increase was primarily caused by higher non-cash pension income, reflecting the increased overfunded status of the Corporation's pension plan. In addition, the company recorded a gain on the sale of the Chester, U.K. building of $1.4 million included in other income during the third quarter 2000. For the first nine months of 2000, other non-operating net revenue totaling $12.3 million compared with $8.6 million for the 1999 period as higher pension income and the gain recorded was partially offset by lower investment income.

## CHANGES IN FINANCIAL CONDITION

### Liquidity and Capital Resources

The Corporation's working capital was $143.1 million at September 30, 2000, 15% above working capital at December 31, 1999 of $124.4 million. The ratio of current assets to current liabilities was 3.77 to 1 at September 30, 2000, compared with a ratio of 3.22 to 1 at December 31, 1999.

Cash, cash equivalents and short-term investments totaled $61.0 million in aggregate at September 30, 2000, a 74% increase from $35.1 million at the prior year-end, primarily caused by decreases in both receivables and inventories, proceeds from the sale of a facility in Chester, England, offset partially by retirement of long-term debt.

**Liquidity and Capital Resources (continued)**

Cash flow for the Corporation benefited from declines in receivables and inventories as the Corporation has made concentrated efforts to reduce its days sales outstanding and improve its inventory turnover. Days sales outstanding at September 30, 2000 has been reduced to 58 days from 77 at December 31, 1999 and inventory turnover improved to 3.90 from 3.20 at the prior year-end.

The Corporation has two credit agreements, a Revolving Credit Agreement and a Short-Term Credit Agreement, aggregating $100.0 million with a group of five banks. The credit agreements allow for borrowings to take place in U. S. or certain foreign currencies. The Revolving Credit Agreement commits a maximum of $60.0 million to the Corporation for cash borrowings and letters of credit. The unused credit available under this facility at September 30, 2000 was $26.2 million. The commitments made under the Revolving Credit Agreement expire December 17, 2004, but may be extended annually for successive one-year periods with the consent of the bank group. The Corporation also has in effect a Short-Term Credit Agreement, which allows for cash borrowings of $40.0 million, all of which was available at September 30, 2000. The Short-Term Credit Agreement expires on December 17, 2000. The Short-Term Credit Agreement may be extended, with the consent of the bank group, for an additional period not to exceed 364 days. Cash borrowings (excluding letters of credit of $21.6 million) under the two credit agreements at September 30, 2000 were at a US Dollar equivalent of $12.2 million, compared with cash borrowing of $20.7 million at September 30, 1999.

On May 30, 2000, the Corporation repaid 10.0 million Swiss francs of the initial 31.0 million Swiss franc borrowings used to finance the Drive Technology acquisition in December 1998. The debt repayment equated to US $5.8 million. The loans had variable interest rates which had a weighted average of 3.3% for our outstanding loans for the first nine months of 2000 and variable interest rates averaging 2.0% for the first nine months of 1999.

During the first nine months of 2000, internally available funds were adequate to meet capital expenditures of $6.4 million. Expenditures incurred during the first nine months were generally for new and replacement machinery and equipment needed for operations. Expenditures amounted to $3.0 million, $1.6 million and $1.5 million for the Metal Treatment, Motion Control and Flow Control segments, respectively. During the first nine months of 2000, the Corporation also repurchased 41,270 shares of its common stock at a total cost of approximately $1.5 million.

The Corporation is expected to make capital expenditures of an additional $5.1 million during the balance of the year, primarily for machinery and equipment for the business segments. Funds from internal sources are expected to be adequate to meet planned capital expenditures, environmental and other obligations for the remainder of the year.

**RECENTLY ISSUED ACCOUNTING STANDARDS**

As discussed in Note 8 to the Consolidated Financial Statements, the Corporation has reviewed Statement of Financial Accounting Standards No. 133, "Accounting for Derivatives and Hedging Activities." Due to the limited use of derivative instruments by the Corporation, this statement is not expected to have a material effect on the Corporation's results of operations or financial condition. The statement is effective for the Corporation beginning January 1, 2001.

FORWARD-LOOKING INFORMATION

Except for historical information contained herein, this Quarterly Report on Form 10-Q does contain "forward looking" information within the meaning of
Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934. Examples of forward looking information include, but are not limited to, (a) projections of or statements regarding return on investment, future earnings, interest income, other income, earnings or loss per share, investment mix and quality, 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 information can be identified by the use of forward looking terminology such as "believes," "expects," "may," "will," "should," "anticipates," or the negative of any of the foregoing or other variations thereon or comparable terminology, or by discussion of strategy. No assurance can be given that the future results described by the forward looking information will be achieved. Such statements are subject to risks, uncertainties, and other factors which are outside our control that could cause actual results to differ materially from future results expressed or implied by such forward looking information. Readers are cautioned not to put undue reliance on such forward-looking information. Such statements in this Report include, without limitation, those contained in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations and the Notes to the Consolidated Financial Statements including, without limitation, the Environmental Matters Note. Important factors that could cause the actual results to differ materially from those in these forward-looking statements include, among other items, (i) a reduction in anticipated orders; (ii) an economic downturn; (iii) unanticipated environmental remediation expenses or claims; (iv) changes in the need for additional machinery and equipment and/or in the cost for the expansion of the Corporation's operations; (v) changes in the competitive marketplace and/or customer requirements; (vi) an inability to perform customer contracts at anticipated cost levels and (vii) other factors that generally affect the business of companies operating in the Corporation's Segments.

**PART I - ITEM 3**

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK Although there have been no material changes in the Corporation's market risk during the nine months ended September 30, 2000, additional information regarding the adverse impact of foreign currency translation appears under the caption entitled "Operating Performance" in Item 2. More specific information regarding market risk and market risk management policies is more fully described in item 7A. "Quantitative and Qualitative Disclosures about Market Risk" of the Corporation's Annual Report on Form 10-K for the year ended December 31, 1999.

## PART II - OTHER INFORMATION

**Item 6. EXHIBITS and REPORTS on FORM 8-K**

(a) Exhibits

Exhibit 10 - Tenth Amendment to the Curtiss-Wright Corporation Retirement Plan (Page 21)

**Exhibit 27 - Financial Data Schedules (Page 24)**

(b) Reports on Form 8-K

The Registrant did not file any report on Form 8-K during the quarter ended September 30, 2000.

## 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*
*(Chief Financial Officer)*

*By: /s/ Glenn E. Tynan*
*------------------*
*Glenn E. Tynan*
*Corporate Controller*
*(Chief Accounting Officer)*

*Dated: November 6, 2000*

**TENTH AMENDMENT TO THE**
**CURTISS-WRIGHT CORPORATION RETIREMENT PLAN**

AMENDMENT, made this 1st day of August, 2000, to the CURTISS-WRIGHT CORPORATION RETIREMENT PLAN (hereinafter, "the Plan"):

WHEREAS, CURTISS-WRIGHT CORPORATION (herein, "the Company") adopted a restated defined benefit plan for the Company's employees; and

WHEREAS, Article-12 of the Plan permits the Company to amend the Plan at any time and from time to time; and

WHEREAS, the Company has decided to amend the Plan to provide for special additional benefits for certain participants who are affected by a reduction in force at a Company facility,

**NOW, THEREFORE, the CURTISS-WRIGHT CORPORATION RETIREMENT PLAN shall be and**
hereby is amended in the following respects:

1. A new Section-4.08 shall be added at the end of Article-4, which new section shall be effective as of August 1, 2000 and shall read in its entirety as follows:
"4.08 Supplemental Credits
(a) For each Participant employed at the Employer's Target Rock operations and whose employment with the Employer is terminated between August 1, 2000 and August 15, 2000, in connection with or as a result of a reduction in force at the Target Rock operations, a supplemental credit

shall be added to his Escalating Annuity Benefit. The amount of such supplemental credits shall be determined as follows: an amount equal to the product of (i) 4/75, (ii) his number of years of Service, and (iii) his weekly base rate of pay, provided, however, that the number of years of Service taken into account for this purpose shall not be less than 4 years and shall not be greater than 24 years.

(b) For purposes of Section 4.03(b), the supplemental credits added to a Participant's Escalating Annuity Benefit in accordance with this section shall be treated in the same manner as the Pay Based Credits earned by the Participant during the year in which such supplemental credits were added.

(c) The supplemental credits added to a Participant's Escalating Annuity Benefit in accordance with this section shall be payable in the same manner and under the same conditions as amounts credited to his Escalating Annuity Benefit under Section-4.02."

2. A new subsection (c) shall be added at the end of Section 5.02, which new subsection shall be effective as of August 1, 2000 and shall read in its entirety as follows: "(c) Special Provision for Reduction in Force at Target Rock Operations. Notwithstanding any provision hereof to the contrary, a Participant whose employment with the Employer is terminated between August 1, 2000 and August 15, 2000, in connection with or as a result of a reduction in force at the Target Rock operations shall be 100% vested in his Normal Retirement Benefit and his Escalating Annuity Benefit."

IN WITNESS WHEREOF, and as evidence of the adoption of this Tenth Amendment, the Company has caused the same to be executed by its duly authorized officers and its corporate seal to be affixed hereto this 1st day of August, 2000.
ATTEST: CURTISS-WRIGHT CORPORATION RETIREMENT PLAN COMMITTEE

**Paul J. Ferdenzi, Secretary**

**Gary Benschip, Member**

**Robert A. Bosi, Member**

**Joyce Quinlan, Member**

**ARTICLE 5**

MULTIPLIER: 1000

| | |
|---|---|
| PERIOD TYPE | 9 MOS |
| FISCAL YEAR END | DEC 31 2000 |
| PERIOD END | SEP 30 2000 |
| CASH | 10,486 |
| SECURITIES | 50,548 |
| RECEIVABLES | 69,275 |
| ALLOWANCES | 2,220 |
| INVENTORY | 54,084 |
| CURRENT ASSETS | 194,820 |
| PP&E | 244,189 |
| DEPRECIATION | 153,888 |
| TOTAL ASSETS | 402,207 |
| CURRENT LIABILITIES | 51,723 |
| BONDS | 26,867 |
| PREFERRED MANDATORY | 0 |
| PREFERRED | 0 |
| COMMON | 15,000 |
| OTHER SE | 269,101 |
| TOTAL LIABILITY AND EQUITY | 402,207 |
| SALES | 247,165 |
| TOTAL REVENUES | 259,484 |
| CGS | 156,998 |
| TOTAL COSTS | 208,025 |
| OTHER EXPENSES | 0 |
| LOSS PROVISION | 0 |
| INTEREST EXPENSE | 1,166 |
| INCOME PRETAX | 50,293 |
| INCOME TAX | 19,341 |
| INCOME CONTINUING | 30,952 |
| DISCONTINUED | 0 |
| EXTRAORDINARY | 0 |
| CHANGES | 0 |
| NET INCOME | 30,952 |
| EPS BASIC | 3.09 |
| EPS DILUTED | 3.03 |

**End of Filing**

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