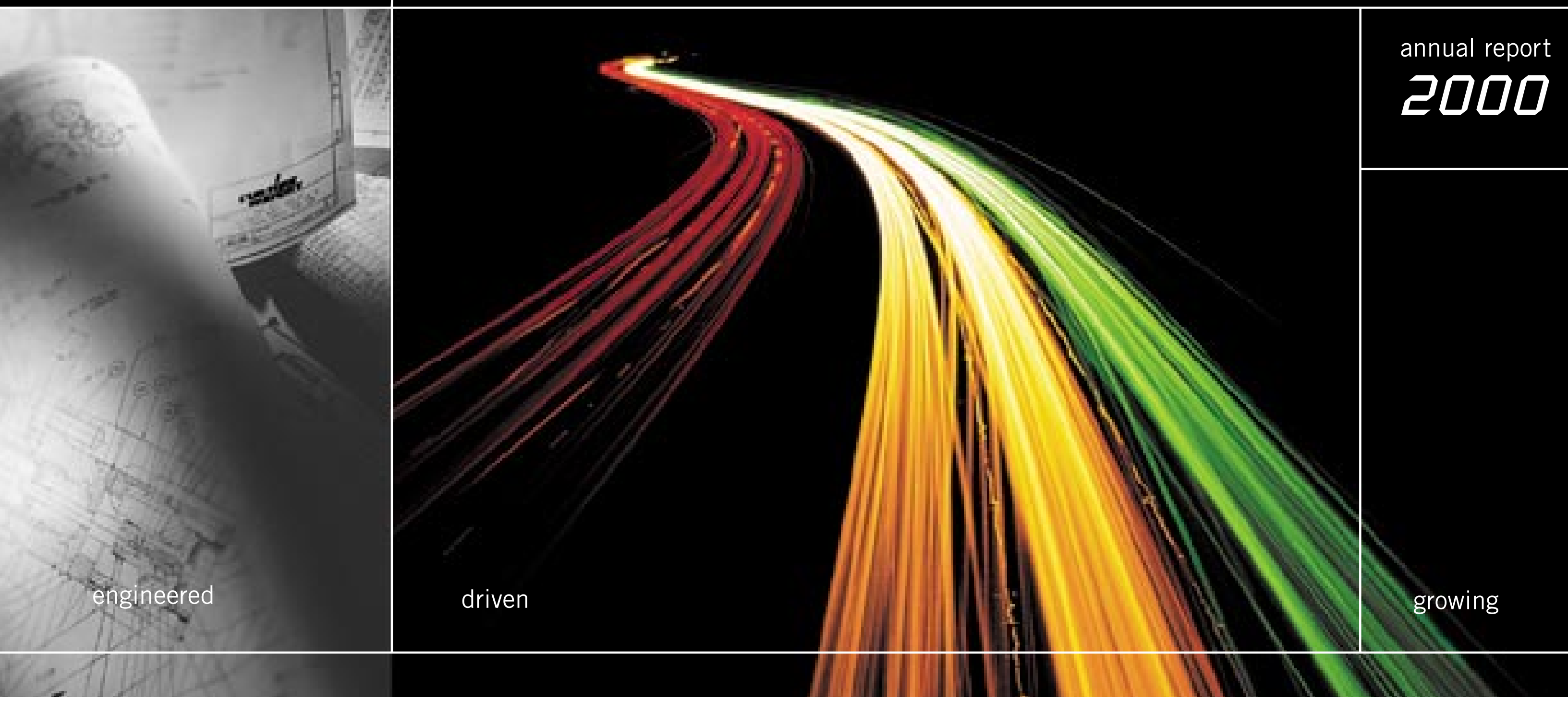
solutions

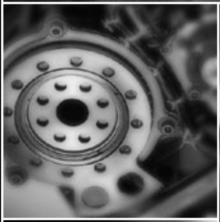
annual report
2000



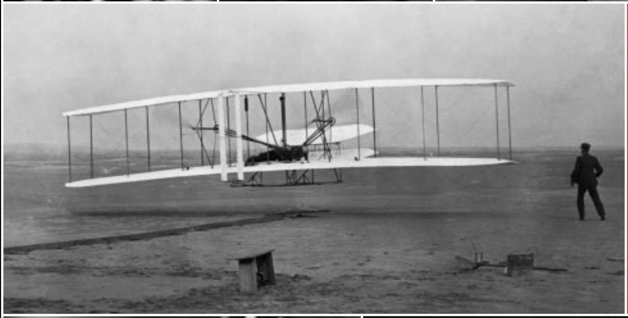
Curtiss-Wright Corporation









a tradition of engineering excellence



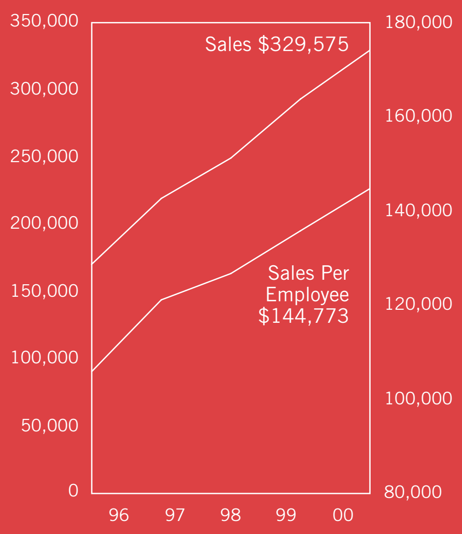


contents

company overview

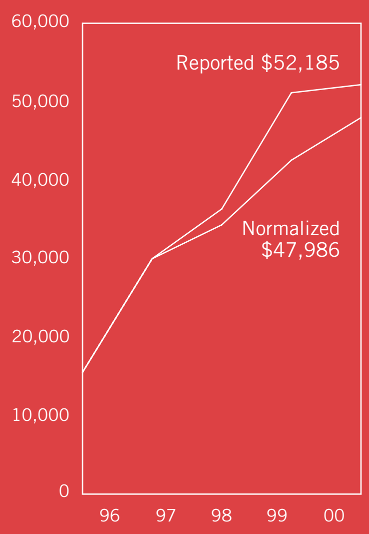
Curtiss-Wright Corporation is a diversified global provider of highly engineered products and services to the Motion Control, Flow Control, and Metal Treatment industries. The firm employs 2,286 people. More information on Curtiss-Wright can be found on the Internet at www.curtisswright.com

net sales ($000s)
sales per employee ($)



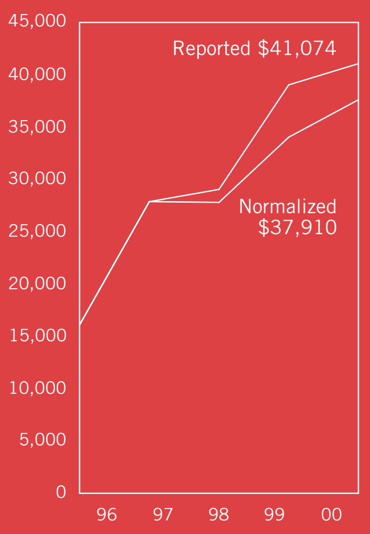
Compound annual growth rate for Sales was 18%.

operating income ($000s)



Compound annual growth rate for Normalized Operating Income was 33%.

net earnings ($000s)



Compound annual growth rate for Normalized Net Earnings was 24%.

financial highlights

(Dollars in thousands, except per share data; unaudited)	*2000*	*1999*	*1998*
Performance			
Net Sales	**$ 329,575**	$ 293,263	$ 249,413
Earnings before interest, taxes, depreciation, amortization and pension income	**$ 74,247**	$ 70,888	$ 52,600
Net earnings	**$ 41,074**	$ 39,045	$ 29,053
Normalized net earnings[1]	**$ 37,910**	$ 34,042	$ 27,817
Diluted earnings per common share	**$ 4.03**	$ 3.82	$ 2.82
Normalized diluted earnings per common share	**$ 3.72**	$ 3.33	$ 2.70
Return on sales	**12.5%**	13.3%	11.6%
Return on average assets	**10.3%**	10.6%	9.1%
Return on average stockholders' equity	**15.0%**	16.0%	13.4%
New orders	**$ 299,403**	$ 295,709	$ 232,217
Backlog at year-end	**$ 182,648**	$ 212,820	$ 198,297
Year-End Financial Position			
Working capital	**$ 149,779**	$ 124,438	$ 130,763
Current ratio	**3.9 to 1**	3.2 to 1	2.9 to 1
Total assets	**$ 409,416**	$ 387,126	$ 352,740
Stockholders' equity	**$ 290,224**	$ 258,355	$ 229,593
Stockholders' equity per common share	**$ 28.97**	$ 25.73	$ 22.53
Other Year-End Data			
Depreciation and amortization	**$ 14,346**	$ 12,864	$ 9.661
Capital expenditures	**$ 9,506**	$ 19,883	$ 10.642
Shares of common stock outstanding	**10,017,280**	10,040,250	10,190,790
Number of stockholders	**3,602**	3,854	3,926
Number of employees	**2,286**	2,267	2,052
Dividends per Common Share	**$ 0.52**	$ 0.52	$ 0.52

[1]Earnings have been adjusted to exclude the effects of environmental insurance settlements, postretirement benefits, postemployment costs, recapitalization costs, a gain on sale of a nonoperating facility and consolidation costs.

annual report
2000

The cornerstone of Curtiss-Wright's past successes and future growth is our ability to provide engineered solutions to our customers' problems. Many of the products and services we provide require a close working relationship with our customers in order to satisfy their demanding performance parameters. Our engineering capabilities are an important part of the package that we bring to the marketplace. Whether it is actuation systems for wing flap systems, severe duty nuclear valves, or our metallurgical expertise in shot peening and heat treating, we work alongside our customers to solve their engineering challenges and ultimately improve the performance of the products or services they provide.

challenge

The F-22 is the next generation tactical fighter for the United States Air Force. The aircraft has a stealth design to minimize the chance of detection by radar. In order to maintain its invisibility, all weapons are carried within the aircraft rather than on its wings.

The challenge was to develop a stealth system for opening the bomb bay doors, each of which is about the size of a garage door, to allow the weapons to be deployed without significantly changing the aircraft's radar signature. Door opening and closing had to be accomplished in a matter of seconds while traveling at extremely high speeds and enduring extreme aerodynamic forces.

solution

no. 186600

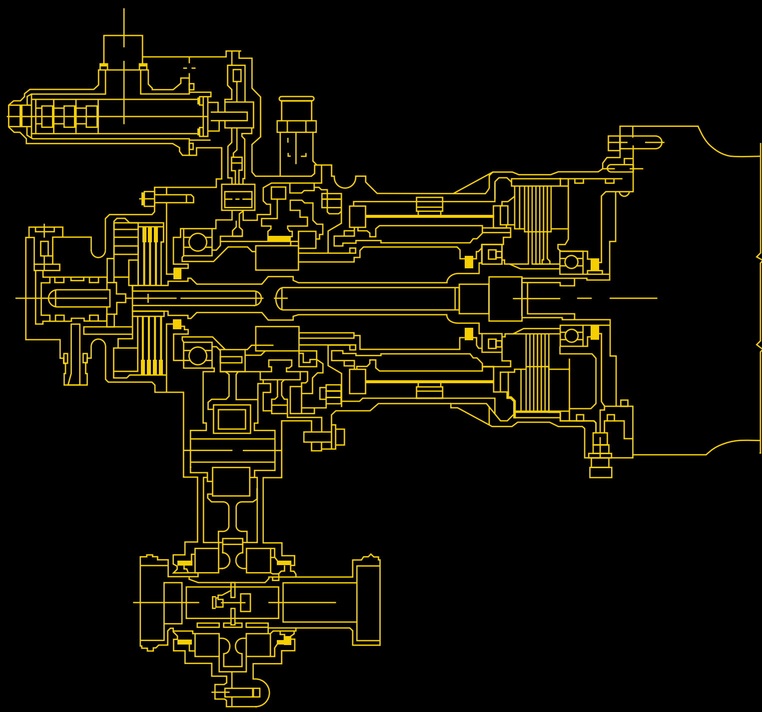
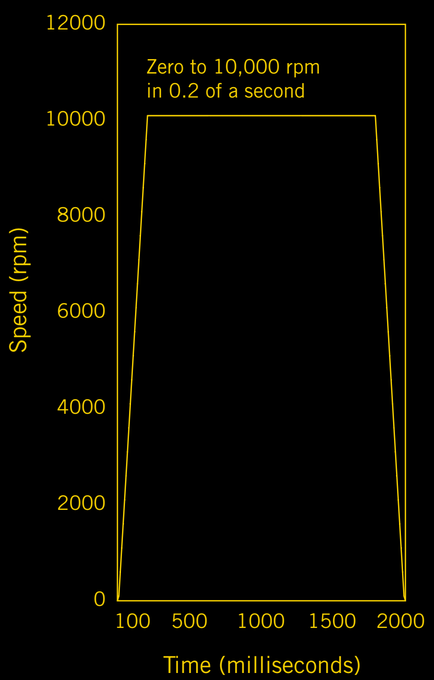


FIGURE 1.1 WEAPONS BAY DOOR POWER DRIVE UNIT

door power drive unit
speed versus time



Curtiss-Wright designed, tested and will manufacture the actuation system, which will operate under the most demanding conditions. Not only will it be used on the F-22, but it will also provide an experience base for the development of similar systems for future military aircraft. It has already been adapted to a prototype for a new unmanned attack aircraft.

FIGURE 1.2

Curtiss-Wright components and systems help make the F-22 the world's most advanced tactical fighter, which will allow the United States to maintain its air superiority in the decades ahead.

challenge

In the past, components used in aircraft and automotive applications experienced metal fatigue failures due to the extreme loads under which they operated. In response to this challenge, Curtiss-Wright developed an application of our shot-peening process that improved the components' resistance to metal fatigue and stress corrosion cracking, thereby extending their life and reliability.

However, our customers had further requirements for improving the performance of their products. In addition to enhancing the mechanical properties of these components, there was the need to reduce the weight of the end products while maintaining durability.

solution

no. AG7290

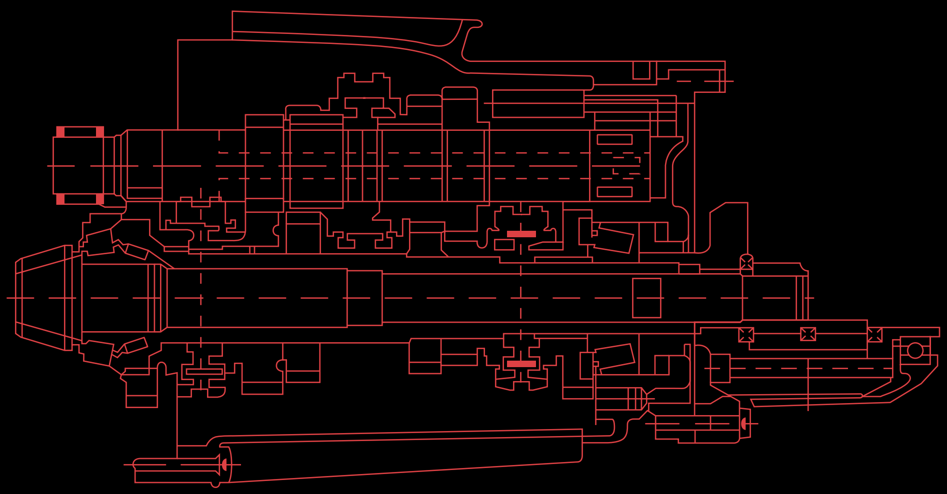
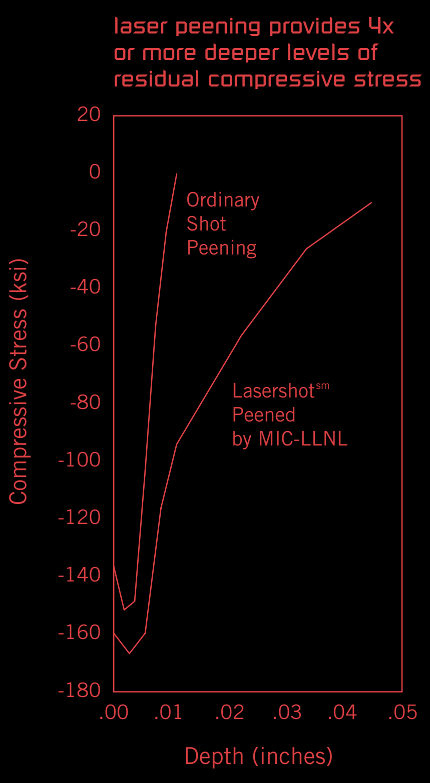
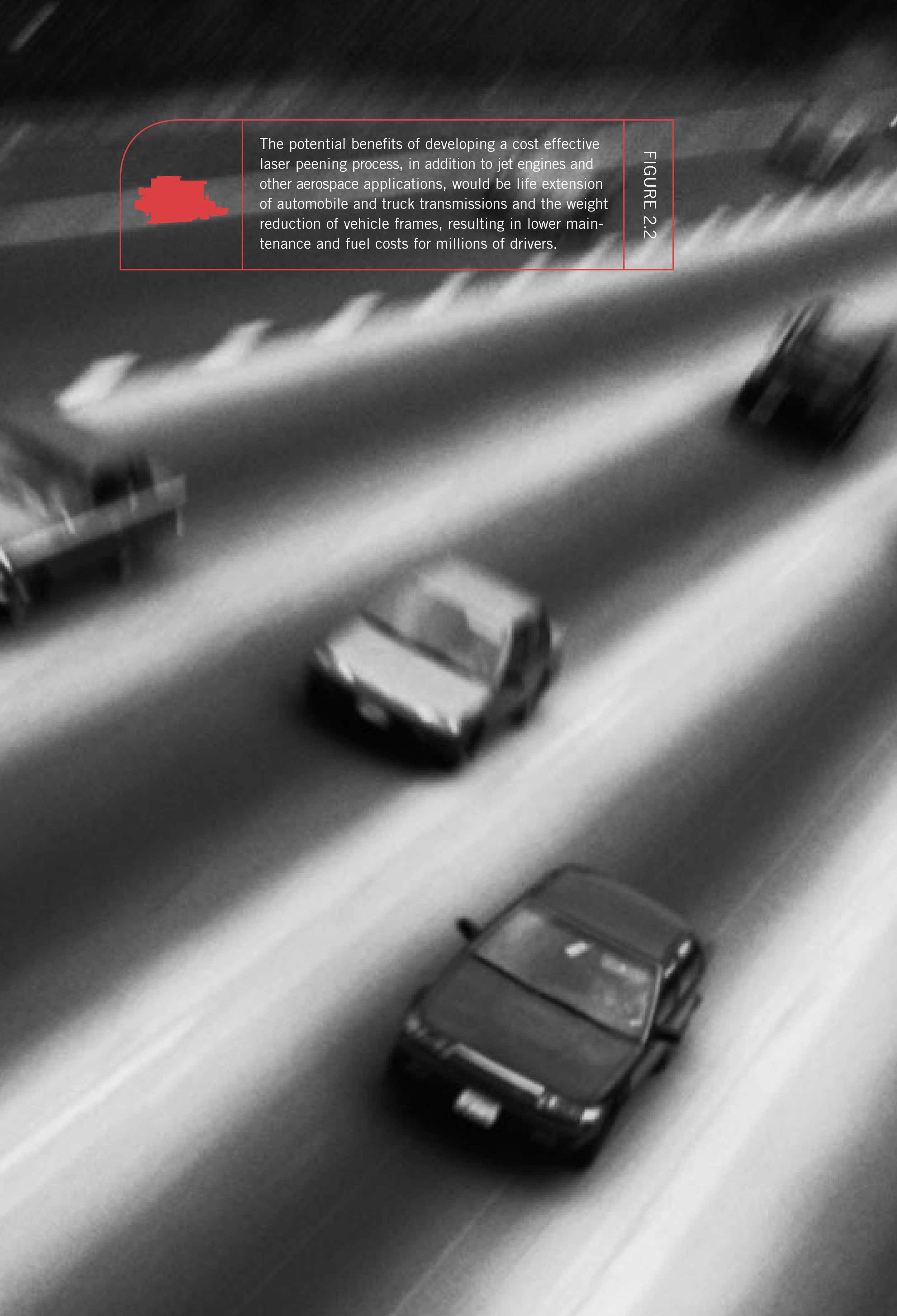


FIGURE 2.1 LASER PEENING



Curtiss-Wright is working with Lawrence Livermore National Laboratory in developing an advanced metal surface treatment process utilizing laser technology. The result is a deeper surface compression that significantly improves resistance to metal fatigue and stress corrosion cracking beyond what is currently provided for by other surface treatment processes.



The potential benefits of developing a cost effective laser peening process, in addition to jet engines and other aerospace applications, would be life extension of automobile and truck transmissions and the weight reduction of vehicle frames, resulting in lower maintenance and fuel costs for millions of drivers.

FIGURE 2.2

challenge

The processing industry has established programs to monitor and reduce the release of fugitive emissions into the air. One source of this leakage is through the stems of control valves used throughout today's processing plants. The packing in the stems becomes worn over time, requiring the repair or replacement of the valve.

The protection of our environment requires not only additional costs associated with the repair and replacement of valves but also additional expenses for monitoring all the valves in the plant to measure emission leakage rates and determine when corrective action has to be taken.

solution

no. 95169

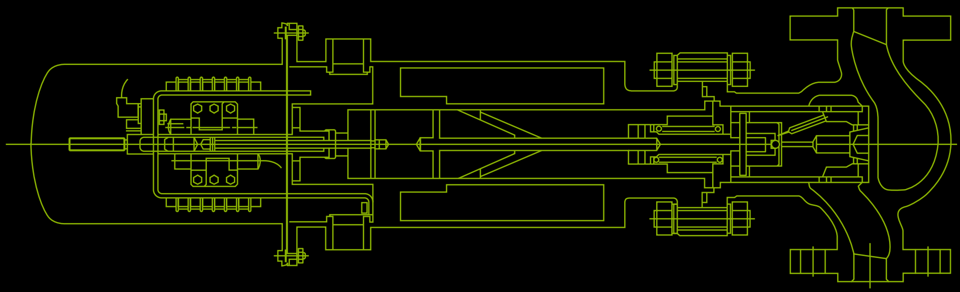
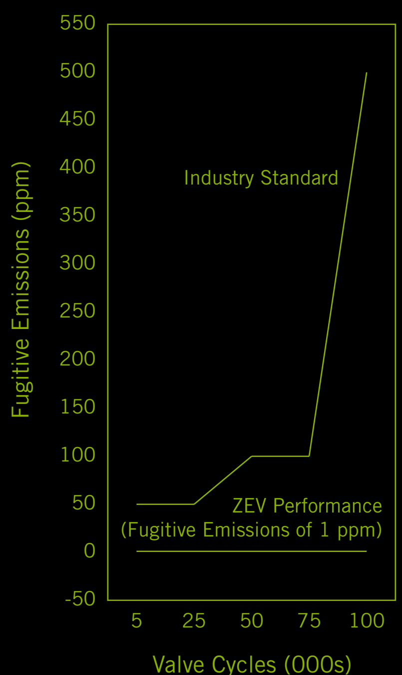


FIGURE 3.1 ZERO EMISSION VALVE (ZEV) — MODELS 100 & 120

fugitive emissions vs. valve cycles



Curtiss-Wright has produced valves for applications in nuclear submarines, aircraft carriers and power generation plants where, by necessity, they must be truly leakless in the most severe conditions. We have applied this leakless technology to developing a high-performance control valve that totally eliminates hazardous valve-stem emissions in processing plants.

FIGURE 3.2

Thanks to Curtiss-Wright, processing plants now have a product available, certified by the California EPA, that prevents the release of hazardous emissions into the environment and reduces the cost of monitoring, repairing or replacing non-compliant valves.

at a glance

The Wright Brothers and Glenn Curtiss were pioneers of aviation. Their ability to develop the technology driving early advancements in flight is a tradition that continues at Curtiss-Wright. Today, the Company operates across three business segments of approximately equal size, giving us diversification and balance. We provide highly engineered products and services to a number of global markets and pride ourselves in the strong customer relationships that have been developed over the years.

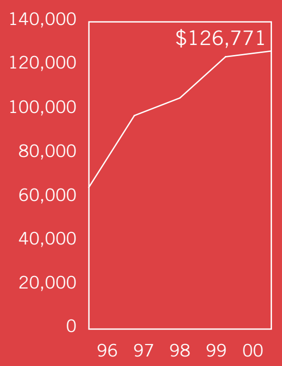
Our Motion Control segment designs, engineers and manufactures actuation components and systems used for leading and trailing edge wing flaps on commercial and military aircraft, systems for opening and closing cargo doors on commercial aircraft and weapons bay doors on fighter aircraft, suspension systems and turret stabilizing and aiming systems for armored vehicles, and leveling systems for railroad car applications. Another important part of this business segment is providing maintenance, repair and overhaul services for commercial and military aerospace components.

Our Metal Treatment segment is built around our leadership in providing shot-peening services through a network of thirty-nine facilities located throughout North America and Europe. Shot peening is a process applied to metal components that increases fatigue strength and improves resistance to stress corrosion, thereby increasing the life of the components. In addition to shot peening, we provide shot-peen forming services, which actually shape wing skins to create the aerodynamic curvature in the wing. We also provide a wide assortment of other metal treatment services, such as heat-treating, to an active base of over 5,000 customers.

The Company's involvement in the Flow Control segment began when the U.S. Navy came to us to design a valve for use on nuclear submarines under development. Since that time we have provided critical valves on every U.S. nuclear submarine and aircraft carrier that has gone to sea and continue to work closely with the Navy on the development of valves for new applications. We have expanded upon this base to be a supplier of flow control products and related services to the nuclear power generation and petrochemical industries and other processing industries.

revenues ($ in thousands)	products and services	major markets

motion control



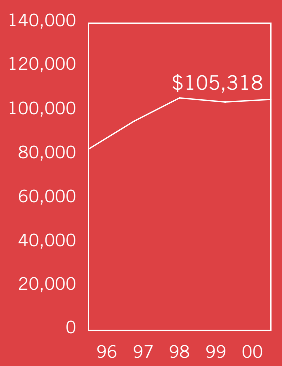
products and services

Control and Actuation Components & Systems
Aerospace Overhaul Services
Hydropneumatic Suspension Systems
Electromechanical Drives & Systems
Electrohydraulic Drives & Systems
Rescue Tools

major markets

Aerospace Manufacturing
Commercial Airlines
Airfreight Haulers
Military Air Forces
Military Vehicle Manufacturing
Railway Car Manufacturing
Diesel Engine Manufacturing
Rescue Tool Industry

metal treatment



products and services

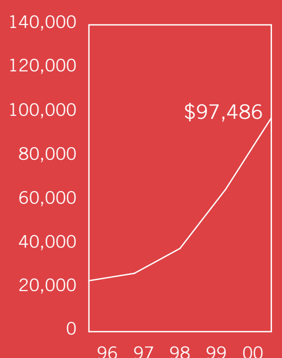
Among the approximately 50 services we provide are:

Aluminum/Nonferrous Treating
Annealing/Stress Relieving
Austempering/Brazing
Blast Cleaning
Carbonitriding/Nitriding
Carbon Testroration/Carburizing
Cryogenic Treatments
Deburring
Edge, Vibratory & Superfinishing
Engineering & Field Services
Fabrication of Machinery, Tooling, Parts & Supplies
Fatigue & Physical Testing
Flame, Induction & Precipitation Hardening
Laser Peening
Marquenching/Normalizing
Nondestructive Testing
Painting/Plating
Shot-Peening
Shot-Peen Forming
Straightening
Texturizing
Vacuum Treatments

major markets

Valve Reed Manufacturing
Aerospace Manufacturing
Automotive Manufacturing
Metalworking Industries
Oil & Gas Drilling/Exploration
Power Generation
Jet Engine Manufacturing
Agricultural Equipment
Transportation
Construction & Mining

flow control



products and services

Military & Commercial Nuclear/ Non-nuclear Valves (globe, gate, control, safety, solenoid and relief)
Fluid Power Products & Systems
Valve Overhaul & Repair
Engineering, Inspection & Testing Services
Air-Driven Hydraulic Pumps & Gas Boosters

major markets

U.S. Navy Propulsion Systems
U.S. Navy Shipbuilding
Nuclear Power Plants
Petrochemical/Chemical Industry
Entertainment Industry
Petroleum Production/Refining
Pharmaceutical Industry
Industrial Gases Industry
Automotive/Truck Industry

to our shareholders

I am pleased to report that Curtiss-Wright achieved another year of strong profitability and cash flow. The year 2000 represents the fourth consecutive year that we have grown normalized operating income at double-digit rates and our objective is to continue this growth rate into the foreseeable future.

In spite of downturns in a few of our markets, we increased sales by 12% from 1999 and our normalized operating income increased by 13%. These achievements are a result of the balance and diversification that we have within Curtiss-Wright and our three business segments as well as the corporate wide cost reduction/profitability improvement programs that we have put in place. Where we were once a company dependent on the OEM aerospace market and exposed to the cyclical nature of that industry, we have taken actions to broaden ourselves within the core businesses we operate. We have seen the benefits of this diversification in 2000 and will continue to build upon the basic strengths of the organization to further broaden ourselves and to generate balanced growth in the future.

Our long-term performance placed us on *Forbes* magazine's list of **America's 200 Best Small Companies** for the second year in a row.

Curtiss-Wright has a long history, with roots going back to the Wright Brothers' first flight in 1903. Today we continue on the path they began as a company centered upon engineering excellence. Our present successes have been a direct result of our expertise in developing highly engineered products and services to serve a variety of specific markets. Successful application of our engineering expertise is the core quality that unites our business units and allows us to position ourselves within niche segments serving the Motion Control, Metal Treatment and Flow Control markets where we operate and earn attractive profit margins. We will continue to use this asset to drive the growth we seek and to create value. We at Curtiss-Wright expect to expand our technical know-how into areas related to our existing products and services and, as a result, to achieve even higher profit and sales growth. Our expertise in metallurgical and application engineering will provide the basis for growing into other metal-treating processes as well as sustaining our continued growth in shot peening and heat treating. Our capabilities in motion control mechanisms and systems are expected to strengthen our existing position in the aerospace industry and enable us to enter new markets. We have also expanded our engineered valve capability, which will provide the groundwork for further penetration of market segments related to highly engineered valves, actuators and controls for complete integrated systems.

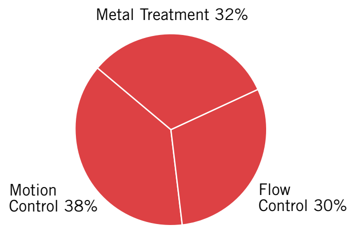
Growth Opportunities

Our Company has established strong positions in the markets that we serve and has an excellent reputation among our customer base. We will take advantage of our position to expand into related product lines and markets. This will take place through organic development of programs and through strategic acquisitions that expand our current operations. Our planned growth can and will take on several forms.

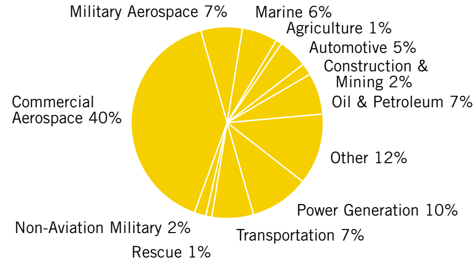
We have opportunities to apply our *technology and engineering* capabilities to new areas and product lines. In some markets, such as Flow Control, where we have high-end technology, we see market needs moving up to where we are. This is evident in the market movement to smart valves and systems that manage flow control processes by collecting operational data, analyzing it and providing new instruction feedback to the system components. We are positioning ourselves in this area through internal capabilities and through partnering arrangements to take advantage of the movement toward these more sophisticated systems.

Martin R. Benante
Chairman and Chief Executive Officer

sales by business segment



sales by industry



"We have seen the benefits of diversification in 2000 and will continue to build upon the basic strengths of the organization to further broaden ourselves and to generate balanced growth in the future."

We have expanded our *international presence*, and we see this as an area that continues to offer additional growth opportunities. An example of this is in our Metal Treatment business segment. Of our thirty-nine facilities, nine are outside of North America. We are aggressively looking for additional markets where new facilities can be established and we anticipate opening several new shot-peening facilities over the next five years in Europe, Asia and Latin America. We are also continuing to improve our Flow Control product distribution network to increase our penetration into overseas markets.

A growing trend affecting a few of our businesses is the increasing importance of *aftermarket product and services*. In the aerospace and flow control markets, we continue to expand our capabilities not only for the sale of spare parts for products we manufacture but also for the repair and overhaul of products manufactured by other companies. We have grown our aerospace overhaul and repair activities in our Motion Control business segment, which were virtually nonexistent eight years ago, to become a global market player. Today we operate from three certified repair stations and produce a sales level nearly equal to the sales of the aerospace OEM products we manufacture. We plan to continue this growth by providing additional services such as aviation inventory logistics and piece-part overhaul and repair services.

In our Metal Treatment business segment we will be expanding our capabilities to *broaden the products and services* we can deliver to our customer base. We will be increasing the number of heat-treating facilities from our current number of seven to establish a network similar to that which we have built in our shot-peening business. Developing a network of facilities has provided us with a competitive advantage, and we will seek to duplicate this in other services we provide. We are also exploring other services such as plating, which will allow us to provide a complete metal-treatment package from full-service locations, thereby reducing logistics problems and turnaround times for our customers.

Customer Relations

Strong customer relationships continue to be one of our greatest advantages. Each relationship is built upon our ability to provide superior technical products with a high level of service. We have earned an excellent reputation in all the markets we serve.

One prime example of this is our reputation in Metal Treatment. We are recognized as the technological leader in the field of shot peening. This business has been built upon our ability to solve our customers' stress problems. We cost-effectively increase the resistance of components to stress corrosion, thereby reducing failures in our customers' products and improving performance. By helping our customers improve their products we increase the satisfaction of their customers. The fact that we have an active base of over 5,000 customers illustrates the importance of the Metal Treatment services we provide.

Our excellent customer relationships extend through our other business segments as well. Motion Control has gained a strong reputation as a "can-do" supplier. Boeing Military Airplane Co. was aware of Curtiss-Wright's unique capabilities in developing complex actuation systems and as a result, we were asked to participate in the development of their next generation aircraft, the Boeing Unmanned Combat Air Vehicle or UCAV. It will be a stealth aircraft that carries all of its armament internally, similar to the Lockheed/Boeing F-22 manned fighter. Based upon our success in developing the F-22 Weapons Bay Door actuation system, Boeing contracted with us for the development of a similar system for the UCAV. We were able to leverage our experience with the F-22 program to meet a rapid development schedule and the successful rollout of the first UCAV in November 2000.

In our Flow Control business segment we have supplied product to the U.S. Navy for every nuclear submarine and aircraft carrier that has gone to sea. Curtiss-Wright is now considered the premier supplier of valves for U.S. Navy nuclear applications. We are now using this long-standing relationship and our renowned engineering and manufacturing capabilities to provide product for other non-nuclear shipboard and land-based applications. The Navy is currently evaluating our titanium valves, which have been specially engineered to provide greater resistance to seawater corrosion. The Navy is also testing our leakless valves for use in aviation fuel transport systems aboard its aircraft carriers.

Positioning the Organization

In 2000 we have initiated some key programs to position ourselves for future growth and continued improvements in the performance of our operations. We strive to be the most innovative, cost-effective and profitable producer in each of our markets. We work consistently to improve our Company's operations, increase efficiency and reduce costs, thereby maximizing operating margins and cash flow. To ensure that we maintain the quality and depth of our management ranks to support our growth expectations and our acquisition program, we will be making new, significant investments in our employee resources.

We have evaluated the performance levels of each of our operating units against industry standards. While all three of our business segments rank among the industry leaders in areas of operating performance, control of working capital requirements and return on investment, we continue to implement programs to meet and exceed those industry standards. Activities to improve profitability and investment returns are as important as those geared toward the future growth of the organization.

Broadening of Shareholder Base

In November of 2000 we announced plans which will allow Unitrin, Inc., our largest shareholder holding 44% of our stock, to distribute their shares to their approximately 8,000 shareholders in a tax-free manner. Unitrin has held this interest since 1976. While we appreciate the long relationship we have had with Unitrin we believe the proposed transaction will result in additional benefits to all of our shareholders. It will significantly increase the liquidity and public float of Curtiss-Wright's capital stock and this, with a broader shareholder base, is expected to attract additional analyst coverage of Curtiss-Wright. Additional analyst coverage will enhance the market's awareness of Curtiss-Wright and stimulate demand from new investors.

We believe these improvements will enhance our ability to grow our Company and over the long-term benefit the valuation of Curtiss-Wright's common stock in the marketplace.

Outlook

Much of our business is driven by the general growth of the basic industries we serve, such as aerospace and defense, automotive, oil and gas exploration, petrochemical and other processing industries, agriculture, transportation and construction. While some of these markets may experience a downturn in 2001, we feel that our diversification will create offsets in other markets, resulting in overall higher sales and improved profitability.

A portion of our aerospace business is related to the build rate of commercial airliners, which is cyclical and experienced a decline in 2000 from the level of 1999. Airbus and Boeing, both customers of Curtiss-Wright, are projecting increases in their production schedules in 2001. The Company also expects to be supplying several systems for the F-22 Raptor, the new U.S. Air Force air superiority fighter. Advancing this program into full production would be an important addition for our Motion Control business segment.

Our strong balance sheet will continue to be a tool generating growth for the Company independent of the general economy. Our three business segments provide us with multiple opportunities not only for acquisitions but also for investment in programs for organic growth. In addition, we look to expand our geographical presence and to build upon our engineering capabilities and the high regard we enjoy from our customers to improve our competitive position in our existing markets.

We can achieve our objectives only through the individual successes of our employees. Curtiss-Wright's employees are talented and dedicated and have worked together as teammates to achieve these common objectives. We will continue to foster a work environment that provides the resources necessary for their continued success. Their efforts have produced the growth that the Curtiss-Wright organization has delivered over the last five years. As shareholders, you may be assured that all of us at Curtiss-Wright will continue working to deliver the very best results we can for you in the years ahead.

Martin R. Benante
Chairman and Chief Executive Officer

quarterly results of operations (unaudited)

(In thousands, except per share data)	First	Second	Third	Fourth
2000				
Net Sales	**$82,237**	**$83,050**	**$81,878**	**$82,410**
Gross profit	**28,929**	**30,471**	**30,767**	**30,803**
Net earnings	**9,229**	**10,644**	**11,079**	**10,122**
Earnings per share:				
Basic earnings per common share	**$ .92**	**$ 1.06**	**$ 1.11**	**$ 1.01**
Diluted earnings per common share	**$ .91**	**$ 1.05**	**$ 1.09**	**$ .99**
Dividends per common share	**$ .13**	**$ .13**	**$ .13**	**$ .13**
1999				
Net Sales	$70,350	$70,195	$69,009	$83,709
Gross profit	25,018	24,680	23,881	28,832
Net earnings	7,982	8,279	13,985	8,799
Earnings per share:				
Basic earnings per common share	$ .79	$ .82	$ 1.38	$ .87
Diluted earnings per common share	$ .78	$ .79	$ 1.38	$ .87
Dividends per common share	$ .13	$ .13	$ .13	$ .13

consolidated selected financial data

(In thousands, except per share data)	*2000*	*1999*	*1998*	*1997*	*1996*
Net Sales	**$329,575**	$293,263	$249,413	$219,395	$170,536
Net earnings	**41,074**	39,045	29,053	27,885	16,109
Total assets	**409,416**	387,126	352,740	284,708	267,164
Long-term debt	**24,730**	34,171	20,162	10,347	10,347
Basic earnings per common share	**$ 4.10**	$ 3.86	$ 2.85	$ 2.74	$ 1.59
Diluted earnings per common share	**$ 4.03**	$ 3.82	$ 2.82	$ 2.71	$ 1.58
Cash dividends per common share	**$ .52**	$ .52	$ .52	$ .50	$ .50

See notes to consolidated financial statements for additional financial information.

forward-looking statements

This Annual Report contains not only historical information but also forward-looking statements regarding expectations for future company performance. Forward-looking statements involve risk and uncertainty. Please refer to the Company's 2000 Annual Report on Form 10-K for a discussion relating to forward-looking statements contained in this Annual Report and factors that could cause future results to differ from current expectations.

Results of Operations

Curtiss-Wright Corporation posted consolidated net sales of $329.6 million and net earnings of $41.1 million, or $4.03 per diluted share, for the year ended December 31, 2000. Sales for the current year increased 12% over 1999 sales of $293.3 million, and 32% over 1998 sales of $249.4 million. Net earnings for 2000 improved 5% over prior year net earnings of $39.0 million, or $3.82 per diluted share and 41% over net earnings of 1998, which totaled $29.1 million, or $2.82 per diluted share. Net earnings for all three years include several nonrecurring items, which impact a year-to-year comparison. The following table depicts the Corporation's "normalized" results, which should present a clearer picture of its after-tax performance:

Normalized Net Earnings:

(In thousands, except per share data)	*2000*	*1999*	*1998*
Net earnings	**$ 41,074**	$ 39,045	$ 29,053
Environmental insurance settlements, net	**(1,894)**	(7,354)	(1,754)
Postretirement benefits and postemployment costs, net	**(1,336)**	—	—
Facility consolidation costs	**50**	2,351	518
Gain on sale of nonoperating property	**(894)**	—	—
Recapitalization costs	**910**	—	—
Normalized net earnings	**$ 37,910**	$ 34,042	$ 27,817
Normalized net earnings per diluted share	**$ 3.72**	$ 3.33	$ 2.70

Environmental Insurance Settlements
The Corporation had previously filed lawsuits against several insurance carriers seeking recovery for environmental costs and reached settlements with the remaining carriers in 2000, after having settled with two carriers in 1999 and one in 1998. The amounts reported above are recoveries, net of associated expenses and additional expenses related to ongoing environmental liabilities of the Corporation. Further information on environmental costs is contained in Note 11 to the Consolidated Financial Statements.

Postretirement Benefits and Postemployment Costs
In 2000, the Corporation recognized a reduction in general and administrative expenses related to the curtailment of postretirement benefits associated with the closing of the Fairfield, New Jersey facility, partially offset by the recognition of other postemployment costs. Further information on retirement plans is contained in Note 12 to the Consolidated Financial Statements.

Facility Consolidation Costs
Beginning in 1998, the Corporation incurred costs associated with the consolidation of manufacturing operations within the Motion Control segment. These costs include costs relative to the shutdown of the Fairfield, New Jersey facility, the consolidation of manufacturing operations into an expanded Shelby, North Carolina facility, and the move of certain overhaul and repair services to a new location in Gastonia, North Carolina.

Sale of Nonoperating Property
In September 2000, the Corporation recorded a net after-tax gain of $0.9 million on the sale of a nonoperating Metal Treatment facility located in Chester, England.

Recapitalization Costs
During 2000, the Corporation incurred costs related to a proposed transaction between Curtiss-Wright and Unitrin, the holder of approximately 44% of its outstanding common stock. Further information on this transaction is contained later in this section—see "Recapitalization."

Excluding these nonrecurring items, "normalized" net earnings for 2000 of $37.9 million, or $3.72 per diluted share, were 11% higher than "normalized" net earnings of $34.0 million, or $3.33 per diluted share, for 1999 and 36% higher than "normalized" net earnings of $27.8 million, or $2.70 per diluted share, for 1998. Excluding the net recoveries from insurance settlements and facility consolidation costs, "normalized" operating income from the Corporation's three operating segments totaled $49.2 million for 2000, an improvement of 17% and 42%, respectively, when compared with "normalized" operating income of $42.1 million for 1999 and $34.6 million for 1998. Adversely impacting financial results for 2000 was a significant decline in foreign exchange rates. Comparing this year's results to those of the prior year, weak European currencies negatively impacted sales by $5.2 million and operating income by $1.7 million.

The improvement in financial results comparing 2000 to 1999 largely reflects the full year contributions from the acquisitions of Farris Engineering, Sprague Products and Metallurgical Processing Inc., made by the Corporation in 1999. Improvements in 1999 from 1998 reflect a full year of contributions from the businesses acquired in 1998. Since April 1998, the Corporation has acquired seven new businesses: EF Quality Heat Treating Company, Alpha Heat Treaters, Enertech, Drive Technology, Metallurgical Processing, Farris Engineering and Sprague Products.

New orders received in 2000 totaled $299.4 million, only slightly above 1999 total new orders of $295.7 million but 29% higher than new orders received in 1998. Backlog at December 31, 2000 stands at $182.6 million compared with $212.8 million at December 31, 1999 and $198.3 million at December 31, 1998. It should be noted that metal treatment services, repair and overhaul services and after-market sales, which represent more than 50% of the Corporation's total sales for 2000, are sold with very modest lead times. Accordingly, the backlog for these businesses is less of an indication of future sales than the backlog of the majority of the Motion Control and Flow Control segments, in which a significant portion of sales are derived from long-term contracts.

Segment Performance

Motion Control

Sales for the Corporation's Motion Control segment totaled $126.8 million in 2000, 2% above sales of $124.2 million in 1999. Sales of aerospace overhaul and repair services for 2000 improved over 1999 but were largely offset by lower Boeing commercial aircraft production. Additional revenue was provided by a Boeing 757 retrofit program, which was largely offset by declines in other Boeing programs. Sales of Motion Control products for 2000 also reflect continued growth in the ground defense aiming and stabilization markets from its Drive Technology business in Europe as compared to the prior year. Operating income for the Motion Control segment showed substantial improvements in 2000. Included in 1999 results were costs related to the consolidation of the Fairfield, NJ operation into Motion Control's low-cost, state-of-the-art facilities in North Carolina. Expenses related to the consolidation activities totaled approximately $3.8 million in 1999. In 2000, the Corporation began to realize cost savings relative to the consolidation. The cost savings were partially offset by lower operating income in the overhaul and repair business due to lower gross margins caused by softening in many of their served markets.

The Corporation's Motion Control segment sales for 1999 were 18% above the sales reported for 1998 of $105.4 million. The higher sales largely reflected the acquisition of Drive Technology on December 31, 1998. Sales of commercial aircraft actuation products in 1999 also improved over the prior year, reflecting a contract extension with Boeing signed in the first quarter of 1999. Sales for the aircraft component overhaul and repair business improved slightly in 1999, as compared to 1998, but sales of military aircraft actuation products declined during the same period. Sales of military actuation products for 1998 benefited from the completion of "safety of flight" testing on F-22 components and final sales for a previously received F-16 shaft retrofit contract. Operating income for the Motion Control segment was impacted in 1999 by the aforementioned consolidation costs and in 1998 by several cost, efficiency and inventory valuation issues. In the aggregate, accounting adjustments, cost overruns on military development contracts and costs related to the consolidation of manufacturing operations resulted in a charge to net earnings of $3.9 million, or $0.38 per share, in 1998.

Metal Treatment

Sales for the Corporation's Metal Treatment segment totaled $105.3 million for 2000, slightly above sales of $104.1 million for 1999. Sales improvements in 2000 from the prior year reflect an acquisition that occurred in mid-1999, and increased sales volume in the commercial European aerospace market, which were largely offset by the negative effect of foreign currency translation. Weak European currencies adversely impacted sales in 2000 (from 1999) by $3.5 million. Operating income for the Metal Treatment segment showed a slight decrease when comparing 2000 to 1999. For 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 European shot-peening operations were adversely impacted by foreign currency translation. Foreign currency translation reduced operating income in 2000 by $1.6 million.

The Corporation's Metal Treatment segment reported sales for 1999 were slightly lower than the record sales for metal treatment services in 1998 of $106.0 million. Sales for 1999 were depressed by softness in several of its primary markets, which offset the benefits from acquisitions and facility expansions made in 1998. Operating income for 1999 was significantly below that of 1998, due to lower margins and increased operating expenses, including costs for facility expansions in both North America and Europe. During 1999 three of this segment's operations relocated into larger facilities and incurred higher operating costs and temporary start-up costs as a result.

Flow Control

The Corporation's Flow Control segment posted sales of $97.5 million for 2000, compared with sales of $65.0 for 1999. Operating income for 2000 was 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 businesses, which occurred in August of 1999. Sales and earnings from the traditional product lines in the Flow Control segment exceeded the levels achieved in 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, foreign nuclear power plant construction programs. Industrial valve sales continued to perform well notwithstanding a general softness in two primary markets—petrochemical and chemical process industries. In the third quarter of 2000, the Flow Control segment sold a small hydraulic products distribution business, consisting of net inventory and other assets, for approximately its book value.

The Corporation's Flow Control segment reported sales for 1999 which were 71% above sales for 1998 of $38 million. The improved sales reflected contributions from the acquisitions of Enertech in July 1998 and the Farris and Sprague business units in August 1999. Sales in 1999 also reflected additional U.S. Navy valve business, while 1998 sales reflected higher commercial valve product sales for a foreign nuclear power plant. Operating income for 1999 benefited from acquisitions but higher administrative expenses largely offset those improvements. Operating income for 1998 had also benefited from improved cost performance on valve remakes and upgrade programs.

Corporate and Other Expenses

Operating income for the Corporation includes the recognition of environmental remediation costs, related administrative expenses, costs for legal services to pursue claims against related parties and related recoveries of such claims. Details of environmental expenses and related recoveries are discussed further in Note 11 to the Consolidated Financial Statements. Also included in nonsegment operating income for 2000 is a $2.9 million benefit resulting from the curtailment of postretirement medical coverage for former employees of the Corporation's Fairfield, NJ plant due to its closure in

December 1999, offset partially by postemployment expenses related to the retirement of the former chairman and chief executive officer. Administrative expenses for 2000 also include approximately $0.9 million associated with the Corporation's proposed recapitalization transaction (see "Recapitalization" later in this section for more information). Earnings for 1999 included income related to the termination of benefits for former employees of its Buffalo, NY plant.

Other Revenues

The Corporation recorded other nonoperating net revenues for 2000 aggregating $15.5 million compared with $13.4 million in 1999 and $11.7 million in 1998. Noncash pension income, net of benefits paid, recognized as a result of the Corporation's overfunded pension plan increased 19% to $7.8 million for 2000. Rental income declined in 2000 largely due to the settlement of a real estate tax appeal recorded in 1999, but was 10% above 1998 levels. Investment income improved over the prior year but was 11% below investment income of 1998, reflecting the Corporation's acquisition activity in 1999 and 1998. In 2000, the Corporation sold a nonoperating property in Chester, England resulting in a pretax gain of approximately $1.4 million.

Changes in Financial Position

Liquidity and Capital Resources

The Corporation's working capital increased 20% at December 31, 2000, totaling $149.8 million as compared with $124.4 million at December 31, 1999. The ratio of current assets to current liabilities improved to 3.9 to 1 at December 31, 2000 compared with 3.2 to 1 at the end of 1999. The Corporation's balance of cash and short-term investments totaled $71.5 million at December 31, 2000, which increased $36.4 million from the balance at December 31, 1999. The Corporation's cash and short-term investments had been used to finance the acquisition of three businesses in 1999, which involved aggregate cash outflows of $49.3 million.

Working capital changes were highlighted by significant decreases in trade receivables and net inventories during the year. The Corporation has reduced its days sales outstanding and improved its inventory turnover. Days sales outstanding at December 31, 2000 was reduced to 63 days from 77 at December 31, 1999 and inventory turnover improved to 3.8 turns from 3.2 turns at the prior year end. The decline in receivables was also due, in part, to the receipt of a real estate tax appeal recovery in early 2000.

At December 31, 2000, the Corporation had two credit agreements in effect aggregating $100.0 million with a group of five banks. A Revolving Credit Agreement commits a maximum of $60.0 million to the Corporation for cash borrowings and letters of credit. The Corporation also has in effect a Short-Term Credit Agreement, which allows for cash borrowings of $40.0 million. The unused credit available under these agreements at December 31, 2000 was $67.1 million. Cash borrowings under the Revolving Credit Agreement were $11.3 million at December 31, 2000 and were $19.5 million at December 31, 1999. During 2000, the Corporation paid $7.6 million towards its Swiss franc denominated loan, financed under the Revolving Credit Agreement. In 2001, the Corporation expects to payoff two Industrial Revenue Bond loans totaling approximately $5.3 million.

Capital expenditures were $9.5 million in 2000, decreasing from $19.9 million spent in 1999 and $10.6 million in 1998. Principal expenditures were for additional machinery and equipment. Capital expenditures in 1999 included construction of a new, state-of-the-art Metal Treatment facility in Chester, England.

In 2001, capital expenditures are expected to increase significantly due to the continued expansion of the Metal Treatment segment. In addition, expenditures for machinery and equipment in both the Motion Control and Flow Control segments are expected to continue. At December 31, 2000, the Corporation had capital commitments of approximately $1.1 million primarily for the purchase of equipment in 2001.

During 2000, the Corporation also repurchased 41,270 shares of its common stock at a total cost of approximately $1.5 million. Since inception, the Corporation has repurchased a total of 210,930 shares of its common stock at an approximate cost of $7.5 million.

Cash generated from operations and current short-term investment holdings are considered adequate to meet the Corporation's overall cash requirements for the upcoming year, including anticipated debt repayments, planned capital expenditures, dividends, satisfying environmental obligations and working capital requirements.

Recapitalization

On November 6, 2000, the Corporation and Unitrin, the holder of approximately 44% of the Corporation's outstanding capital stock, announced a series of transactions that will permit Unitrin to distribute to its stockholders, in a tax-free distribution, the approximately 4.4 million shares of the Corporation's common stock currently held by Unitrin. In order to permit this distribution to be tax-free for U.S. federal income tax purposes, the Corporation proposes to make certain changes to its capital structure as more thoroughly described in the Company's proxy statement filed on or about February 16, 2001. In addition, if the distribution occurs, the Corporation will pay a special cash dividend of $0.25 per share to all holders of record of its common stock, other than Unitrin, which has waived its right to the cash dividend.

The Corporation and Unitrin have entered into a merger agreement that provides for a recapitalization of the Corporation involving the creation of a new class of common stock (Class B). In order for the distribution to be tax-free to Unitrin and its stockholders, Unitrin must own, at the time of the distribution, capital stock of the Corporation having the right to elect at least 80% of our board of directors, and must distribute all of that stock to its stockholders in a single transaction. The shares of common stock held by Unitrin will be converted into an equivalent number of shares of the new Class B common stock. Each Corporation stockholder other than Unitrin will retain its shares of the Corporation's common stock. These transactions are referred to as the recapitalization.

The holders of shares of Class B common stock will be entitled to elect at least 80% of our board of directors. The holders of shares of common stock will have the right to elect the remaining members of our board of directors. In all other respects the rights of the holders of the common stock and the Class B common stock will be identical, including with respect to voting rights on fundamental transactions affecting the Corporation, and the right to receive dividends. The minimum number of directors on our board will be set at five so the holders of common stock will always be assured of representation. All of the Class B common stock issued to Unitrin in the recapitalization will be distributed by Unitrin to its stockholders immediately following the recapitalization.

Newly Issued Accounting Pronouncements

Effective January 1, 2001, the Corporation will begin accounting for derivative instruments in accordance with Statement of Financial Accounting Standards No. 133 "Accounting for Derivatives and Hedging Activities" (SFAS No. 133). 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 have no effect on its results of operations or its financial position.

report of the corporation

The consolidated financial statements appearing on pages 25 through 40 of this Annual Report have been prepared by the Corporation in conformity with generally accepted accounting principles. The financial statements necessarily include some amounts that are based on the best estimates and judgments of the Corporation. Other financial information in the Annual Report is consistent with that in the financial statements.

The Corporation maintains accounting systems, procedures and internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with the appropriate corporate authorization and are properly recorded. The accounting systems and internal accounting controls are augmented by written policies and procedures; organizational structure providing for a division of responsibilities; selection and training of qualified personnel and an internal audit program. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures.

PricewaterhouseCoopers LLP, independent certified public accountants, have examined the Corporation's consolidated financial statements as stated in their report. Their examination included a study and evaluation of the Corporation's accounting systems, procedures and internal controls, and tests and other auditing procedures, all of a scope deemed necessary by them to support their opinion as to the fairness of the financial statements.

The Audit Committee of the board of directors, composed entirely of directors from outside the Corporation, among other things, makes recommendations to the board as to the nomination of independent auditors for appointment by stockholders and considers the scope of the independent auditors' examination, the audit results and the adequacy of internal accounting controls of the Corporation. The independent auditors have direct access to the Audit Committee, and they meet with the committee from time to time with and without management present, to discuss accounting, auditing, internal control and financial reporting matters.

report of independent accountants

To the Board of Directors and Shareholders of Curtiss-Wright Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of earnings and stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Curtiss-Wright Corporation and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Florham Park, New Jersey
January 31, 2001

consolidated statements of earnings

For the years ended December 31, (In thousands, except per share data)	2000	1999	1998
Net sales	**$329,575**	$293,263	$249,413
Cost of sales	**208,605**	190,852	167,399
Gross profit	**120,970**	102,411	82,014
Research and development costs	**3,443**	2,801	1,346
Selling expenses	**18,591**	17,015	11,606
General and administrative expenses	**49,792**	43,121	34,277
Environmental remediation and administrative recoveries, net of expenses	**(3,041)**	(11,683)	(1,562)
Operating income	**52,185**	51,157	36,347
Investment income, net	**2,862**	2,295	3,206
Rental income, net	**3,638**	4,580	3,299
Pension income, net	**7,813**	6,574	5,126
Other income (expense), net	**1,216**	(8)	87
Interest expense	**(1,743)**	(1,289)	(485)
Earnings before income taxes	**65,971**	63,309	47,580
Provision for income taxes	**24,897**	24,264	18,527
Net earnings	**$ 41,074**	$ 39,045	$ 29,053
Net Earnings per Common Share:			
Basic earnings per share	**$ 4.10**	$ 3.86	$ 2.85
Diluted earnings per share	**$ 4.03**	$ 3.82	$ 2.82

See notes to consolidated financial statements.

consolidated balance sheets

At December 31, (In thousands)	2000	1999
Assets:		
Current assets:		
Cash and cash equivalents	$ 8,692	$ 9,547
Short-term investments	62,766	25,560
Receivables, net	67,815	70,729
Inventories, net	50,002	60,584
Deferred tax assets	9,378	8,688
Other current assets	3,419	5,262
Total current assets	202,072	180,370
Property, plant and equipment, at cost:		
Land	5,024	5,267
Buildings and improvements	95,965	95,631
Machinery, equipment and other	145,907	141,102
	246,896	242,000
Less: accumulated depreciation	156,443	147,422
Property, plant and equipment, net	90,453	94,578
Prepaid pension costs	59,765	50,447
Goodwill, net	47,543	50,357
Property held for sale	2,460	2,653
Other assets	7,123	8,721
Total assets	$409,416	$387,126
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$ 5,347	$ 4,047
Accounts payable	13,766	13,304
Accrued expenses	19,389	19,463
Income taxes payable	4,157	5,203
Other current liabilities	9,634	13,915
Total current liabilities	52,293	55,932
Long-term debt	24,730	34,171
Deferred income taxes	21,689	14,113
Accrued postretirement benefit costs	5,479	8,515
Other liabilities	15,001	16,040
Total liabilities	119,192	128,771
Contingencies and Commitments (Notes 9, 13 & 15)		
Stockholders' Equity:		
Preferred stock, $1 par value, 650,000 shares authorized, none issued	—	—
Common stock, $1 par value, 22,500,000 shares authorized, 15,000,000 shares issued; Outstanding shares were 10,017,280 and 10,040,250 at December 31, 2000 and 1999, respectively	15,000	15,000
Additional paid-in capital	51,506	51,599
Retained earnings	411,866	376,006
Unearned portion of restricted stock	(22)	(24)
Accumulated other comprehensive income	(5,626)	(2,622)
	472,724	439,959
Less: treasury stock, at cost (4,982,720 shares and 4,959,750 shares at December 31, 2000 and 1999, respectively)	182,500	181,604
Total stockholders' equity	290,224	258,355
Total liabilities and stockholders' equity	$409,416	$387,126

See notes to consolidated financial statements.

consolidated statements of cash flows

For the years ended December 31, (In thousands)	2000	1999[1]	1998[1]
Cash flows from operating activities:			
Net earnings	$ 41,074	$ 39,045	$ 29,053
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	14,346	12,864	9,661
Noncash pension income	(7,813)	(6,574)	(5,126)
Net (gains) losses on sales and disposals of real estate and equipment	(1,390)	—	94
Net (gains) losses on short-term investments	(206)	390	(266)
Deferred income taxes	6,886	2,300	1,494
Changes in operating assets and liabilities, net of businesses acquired:			
Proceeds from sales of trading securities	523,656	394,355	374,802
Purchases of trading securities	(560,656)	(353,861)	(379,097)
Decrease (increase) in receivables	3,702	6,878	(7,181)
Decrease (increase) in inventories	11,534	2,830	734
(Decrease) increase in progress payments	(1,552)	(13,057)	(1,248)
Increase (decrease) in accounts payable and accrued expenses	338	(1,734)	2,470
(Decrease) increase in income taxes payable	(1,046)	151	207
Decrease (increase) in other assets	4,499	(1,016)	(320)
(Decrease) increase in other liabilities	(10,081)	241	(236)
Other, net	838	(1,936)	392
Total adjustments	(16,945)	41,831	(3,620)
Net cash provided by operating activities	24,129	80,876	25,433
Cash flows from investing activities:			
Proceeds from sales and disposals of real estate and equipment	3,765	2,586	950
Additions to property, plant and equipment	(9,506)	(19,883)	(10,642)
Acquisition of new businesses	(1,961)	(49,322)	(41,711)
Net cash used for investing activities	(7,702)	(66,619)	(51,403)
Cash flows from financing activities:			
Proceeds from short-term borrowing	—	—	20,523
Proceeds from long-term borrowing	—	—	9,815
Principal payments on long-term debt	(7,575)	—	—
Common stock repurchases	(1,489)	(5,440)	(611)
Dividends paid	(5,214)	(5,257)	(5,309)
Net cash (used for) provided by financing activities	(14,278)	(10,697)	24,418
Effect of foreign currency	(3,004)	178	489
Net (decrease) increase in cash and cash equivalents	(855)	3,738	(1,063)
Cash and cash equivalents at beginning of year	9,547	5,809	6,872
Cash and cash equivalents at end of year	$ 8,692	$ 9,547	$ 5,809
Supplemental disclosure of noncash investing activities:			
Fair value of assets acquired	$ 2,231	$ 54,868	$ 54,635
Liabilities assumed	(270)	(5,034)	(10,857)
Cash acquired	—	(512)	(2,067)
Net cash paid	$ 1,961	$ 49,322	$ 41,711

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

See notes to consolidated financial statements.

consolidated statements of stockholders' equity

(In thousands)	Common Stock	Additional Paid in Capital	Retained Earnings	Unearned Portion of Restricted Stock Awards	Accumulated Other Comprehensive Income	Comprehensive Income	Treasury Stock
December 31, 1997	$15,000	$52,010	$318,474	$(342)	$(3,289)		$177,000
Comprehensive income:							
Net earnings	—	—	29,053	—	—	$29,053	—
Translation adjustments, net	—	—	—	—	489	489	—
Total comprehensive income	—	—	—	—	—	$29,542	
Common dividends	—	—	(5,309)	—	—		—
Common stock repurchase	—	—	—	—	—		612
Stock options exercised, net	—	(341)	—	—	—		(1,158)
Amortization of earned portion of restricted stock awards	—	—	—	302	—		—
December 31, 1998	15,000	51,669	342,218	(40)	(2,800)		176,454
Comprehensive income:							
Net earnings	—	—	39,045	—	—	$39,045	—
Translation adjustments, net	—	—	—	—	178	178	—
Total comprehensive income	—	—	—	—	—	$39,223	—
Common dividends	—	—	(5,257)	—	—		—
Common stock repurchase	—	—	—	—	—		5,400
Stock options exercised, net	—	(70)	—	—	—		(290)
Amortization of earned portion of restricted stock awards	—	—	—	16	—		—
December 31, 1999	15,000	51,599	376,006	(24)	(2,622)		181,604
Comprehensive income:							
Net earnings	—	—	41,074	—	—	$41,074	—
Translation adjustments, net	—	—	—	—	(3,004)	(3,004)	—
Total comprehensive income	—	—	—	—	—	$38,070	—
Common dividends	—	—	(5,214)	—	—		—
Common stock repurchase	—	—	—	—	—		1,489
Stock options exercised, net	—	(94)	—	—	—		(579)
Restricted stock awards	—	1	—	(15)	—		(14)
Amortization of earned portion of restricted stock awards	—	—	—	17	—		—
December 31, 2000	**$ 15,000**	**$ 51,506**	**$ 411,866**	**$ (22)**	**$ (5,626)**		**$ 182,500**

See notes to consolidated financial statements.

notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Curtiss-Wright Corporation and its subsidiaries (the "Corporation") is a diversified multinational manufacturing and service company that designs, manufactures and overhauls precision components and systems, and provides highly engineered services to the aerospace, defense, automotive, shipbuilding, processing, oil, petrochemical, agricultural equipment, railroad, power generation and metalworking industries. Operations are conducted through eight manufacturing facilities, thirty-nine metal treatment service facilities and four component overhaul locations.

A. Principles of Consolidation

The financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles and such preparation has required the use of management's estimates in presenting the consolidated accounts of the Corporation, after elimination of all significant intercompany transactions and accounts. Management's estimates include assumptions that affect the reported amount of assets, liabilities, revenue and expenses in the accompanying financial statements. Actual results may differ from these estimates. Certain prior year information has been reclassified to conform with current presentation.

B. Cash Equivalents

Cash equivalents consist of money market funds and commercial paper that are readily convertible into cash, all with original maturity dates of three months or less.

C. Progress Payments

Progress payments received under prime contracts and subcontracts have been deducted from receivables and inventories as disclosed in the appropriate following notes.

With respect to government contracts, the government has a lien on all materials and work-in-process to the extent of progress payments.

D. Revenue Recognition

The Corporation records sales and related profits for the majority of its operations as units are shipped or services are rendered. Sales and estimated profits under long-term valve contracts are recognized under the percentage-of-completion method of accounting. Profits are recorded pro rata, based upon current estimates of direct and indirect manufacturing and engineering costs to complete such contracts.

Losses on contracts are provided for in the period in which the losses become determinable. Revisions in profit estimates are reflected on a cumulative basis in the period in which the basis for such revisions becomes known.

In accordance with industry practice, inventoried costs contain amounts relating to contracts and programs with long production cycles, a portion of which will not be realized within one year.

E. Property, Plant and Equipment

Property, plant and equipment are carried at cost. Major renewals and betterments are capitalized, while maintenance and repairs that do not improve or extend the life of the asset are expensed in the period they occur.

Depreciation is computed using the straight-line method based upon the estimated useful lives of the respective assets.

Average useful lives for property and equipment are as follows:

Buildings and improvements	5 to 40 years
Machinery and equipment	5 to 15 years
Office furniture and equipment	3 to 10 years

F. Intangible Assets

Intangible assets consist primarily of the excess purchase price of the acquisitions over the fair value of net assets acquired. The Corporation amortizes such costs on a straight-line basis over the estimated period benefited but not exceeding 30 years. Amortization of intangibles, consisting primarily of goodwill, totaled $2,561,000, $1,618,000 and $385,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

The Corporation reviews the recoverability of all long-term assets, including the related amortization period, whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. The Corporation determines whether there has been an impairment by comparing the anticipated undiscounted future net cash flows to the related asset's carrying value. If an asset is considered impaired, the asset is written down to fair value which is either determined based on discounted cash flows or appraised values, depending on the nature of the asset. There were no such write-downs in 2000, 1999 or 1998.

G. Fair Value of Financial Instruments

The financial instruments with which the Corporation is involved are primarily of a traditional nature. The Corporation's short-term investments are comprised of equity and debt securities, all classified as trading securities, which are carried at their fair value based upon the quoted market prices of those investments at December 31, 2000 and 1999. Accordingly, net realized and unrealized gains and losses on trading securities are included in net earnings. Due to the short maturities of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses, the carrying value of these financial instruments approximates fair value. The carrying amount of long-term debt approximates fair value because the interest rates are reset periodically to reflect current market conditions and rates.

H. Environmental Costs

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 quantifiable, 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 recognizing any recovery from insurance carriers or third-party legal actions, and are not discounted.

I. Accounting for Stock-Based Compensation

The Corporation follows Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25), in accounting for its employee stock options, rather than the alternative method of accounting provided under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). Under APB No. 25, the Corporation does not recognize compensation expense on stock options granted to employees when the exercise price of the options is equal to the market price of the underlying stock on the date of the grant. Further information concerning options granted under the Corporation's Long-Term Incentive Plan is provided in Note 10.

J. Capital Stock

In October 1998, the Corporation initiated a stock repurchase program, approved by its board of directors, under which the Company is authorized to purchase up to 300,000 shares or approximately 3% of its outstanding common stock. Purchases were authorized to be made from time to time in the open market or privately negotiated transactions, depending on market and other conditions, based upon the view of the Corporation that market prices of the stock did not adequately reflect the true value of the Corporation and, therefore, represented an attractive investment opportunity. Through December 31, 2000, the Corporation has repurchased 210,930 shares under this program.

K. Earnings Per Share

The Corporation is required to report both basic earnings per share (EPS), based on the weighted average number of common shares outstanding, and diluted earnings per share based on the weighted average number of common shares outstanding plus all potentially dilutive common shares issuable. At December 31, 2000, the Corporation had approximately 124,000 additional stock options outstanding that could potentially dilute basic EPS in the future. The effect of these options was not included in the computation of diluted EPS because to do so would have been antidilutive for the period. The Corporation had antidilutive options of approximately 334,000 at December 31, 1999 and no antidilutive options at December 31, 1998. Earnings per share calculations for the years ended December 31, 2000, 1999 and 1998 are as follows:

(In thousands, except per share data)	Net Income	Weighted Average Shares Outstanding	Earnings Per Share Amount
2000:			
Basic earnings per share	**$ 41,074**	**10,015**	**$ 4.10**
Effective of dilutive securities:			
Stock options		**176**	
Deferred stock compensation		**3**	
Diluted earnings per share	**$ 41,074**	**10,194**	**$ 4.03**
1999:			
Basic earnings per share	$39,045	10,115	$3.86
Effective of dilutive securities:			
Stock options		99	
Deferred stock compensation		1	
Diluted earnings per share	$39,045	10,215	$3.82
1998:			
Basic earnings per share	$29,053	10,194	$2.85
Effective of dilutive securities:			
Stock options		109	
Deferred stock compensation		2	
Diluted earnings per share	$29,053	10,305	$2.82

L. Newly Issued Accounting Pronouncements

Effective January 1, 2001, the Corporation will begin accounting for derivative instruments in accordance with Statement of Financial Accounting Standards No. 133 "Accounting for Derivatives and Hedging Activities" (SFAS No. 133). 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 have no effect on its results of operations or its financial position.

2. Acquisitions

The Corporation acquired one business in 2000 and three businesses in 1999, as described below. All companies acquired have been accounted for as purchases with the excess of the purchase price over the estimated fair value of the net assets acquired recorded as goodwill. The results of each operation have been included in the consolidated financial results of the Corporation from the date of acquisition.

EF Quality Heat Treating Company

On December 14, 2000, the Corporation acquired EF Quality Heat Treating Company ("EF"), a Midwest provider of quality heat treating services primarily to the automotive industry. EF provides high quality atmosphere normalizing, annealing and stress relieving services from its Salem, Ohio location.

The Corporation acquired the net assets of the EF business for approximately $2.2 million, subject to adjustment as provided for in the agreement. This acquisition has been accounted for as a purchase in the fourth quarter of 2000. The excess of the purchase price over the fair value of the net assets acquired is approximately $1.0 million and is being amortized over 25 years. The fair value of the net assets acquired was based on preliminary estimates and may be revised at a later date.

Farris Engineering and Sprague Products

On August 27, 1999, the Corporation completed its acquisition of the Farris and Sprague business units of Teledyne Fluid Systems, an Allegheny Teledyne Incorporated company.

Farris is one of the world's leading manufacturers of pressure-relief valves for use in processing industries, which include refineries, petrochemical/chemical plants and pharmaceutical manufacturing. Products are manufactured in Brecksville, Ohio and Brantford, Ontario. A service and distribution center is located in Edmonton, Alberta. The Sprague business, also located in Brecksville, Ohio, provides specialty hydraulic and pneumatic valves and air-driven pumps and gas boosters under the "Sprague" and "PowerStar" trade names for general industrial applications as well as directional control valves for truck transmissions and car transport carriers.

The Corporation acquired the net assets of the Farris and Sprague businesses for $42.9 million in cash. This acquisition has been accounted for as a purchase in the third quarter of 1999. The excess of the purchase price over the fair value of the net assets acquired was $18.5 million and is being amortized over 30 years.

Metallurgical Processing Inc.

On June 30, 1999, the Corporation acquired Metallurgical Processing, Inc. (MPI), a Midwest supplier of commercial heat-treating services, primarily to the automotive and industrial markets. MPI provides a number of metal-treatment processes including carburizing, hardening, and carbonitriding and services a broad spectrum of customers from its Fort Wayne, Indiana location.

The Corporation acquired the stock of MPI for $7.4 million in cash (of which $1.0 million has been deferred for two years) and accounted for the acquisition as a purchase in the second quarter of 1999. The excess of the purchase price over the fair value of the net assets acquired was $2.2 million and is being amortized over 25 years.

3. Short-term Investments

The composition of short-term investments is as follows:

December 31,	*2000*		*1999*	
(In thousands)	**Cost**	**Fair Value**	Cost	Fair Value
Money market preferred stock	**$16,700**	**$16,700**	$11,400	$11,400
Common and preferred stocks	**2,104**	**2,166**	2,104	1,960
Tax exempt revenue bonds	**43,900**	**43,900**	12,200	12,200
Total short-term investments	**$62,704**	**$62,766**	$25,704	$25,560

Investment income for the years ended December 31 consists of:

(In thousands)	*2000*	*1999*	*1998*
Net realized gains on the sales of trading securities	**$ 135**	$ 274	$ 141
Interest and dividend income, net	**2,521**	2,361	2,940
Net unrealized holding gains (losses)	**206**	(340)	125
Investment income, net	**$2,862**	$2,295	$3,206

4. Receivables

Receivables include current notes, amounts billed to customers, claims and other receivables and unbilled revenue on long-term contracts consisting of amounts recognized as sales but not billed. Substantially all amounts of unbilled receivables are expected to be billed and collected in the subsequent year.

Credit risk is generally diversified due to the large number of entities comprising the Corporation's customer base and their geographic dispersion. The largest single customer represented 7% of the total outstanding billed receivables at December 31, 2000 and 8% of the total outstanding billed receivables at December 31, 1999. This same customer of the Motion Control segment accounted for 13% of consolidated revenue in 2000, 14% in 1999 and 16% in 1998. In addition, the Corporation is either a prime or subcontractor of various agencies of the U.S. government. Revenues derived either directly or indirectly from government sources (primarily the U.S. government) totaled $56,400,000, or 17% of consolidated revenue in 2000, $50,116,000, or 17% in 1999 and $41,565,000, or 17% in 1998.

The Corporation performs ongoing credit evaluations of its customers and establishes appropriate allowances for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information.

The composition of receivables is as follows:

(In thousands) December 31,	*2000*	*1999*
Billed Receivables:		
Trade and other receivables	**$59,904**	$66,652
Less: progress payments applied	**(1,508)**	(1,922)
allowance for doubtful accounts	**(2,659)**	(3,230)
Net billed receivables	**55,737**	61,500
Unbilled Receivables:		
Recoverable costs and estimated earnings not billed	**18,091**	16,473
Less: progress payments applied	**(7,040)**	(7,244)
Net unbilled receivables	**11,051**	9,229
Notes Receivable	**1,027**	—
Total receivables, net	**$67,815**	$70,729

5. Inventories

Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories is as follows:

(In thousands) December 31,	*2000*	*1999*
Raw material	**$ 11,955**	$ 12,952
Work-in-process	**10,815**	15,493
Finished goods/component parts	**32,621**	36,276
Inventoried costs related to U.S. government and other long-term contracts	**5,961**	7,714
Gross Inventories	**61,352**	72,435
Less: inventory reserves	**(10,944)**	(10,511)
progress payments applied, principally related to long-term contracts	**(406)**	(1,340)
Net inventories	**$ 50,002**	$ 60,584

6. Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following:

(In thousands) December 31,	*2000*	*1999*
Accrued compensation	**$ 9,117**	$ 7,545
Accrued taxes other than income taxes	**2,073**	1,961
Accrued insurance	**1,812**	1,623
All other	**6,387**	8,334
Total accrued expenses	**$19,389**	$19,463

Other current liabilities consist of the following:

(In thousands) December 31,	*2000*	*1999*
Customer advances	**$3,734**	$ 2,338
Current portion of environmental reserves	**1,393**	2,717
Anticipated losses on long-term contracts	**1,322**	2,280
Due tenants on tax recovery	**—**	3,520
All other	**3,185**	3,060
Total other current liabilities	**$9,634**	$13,915

7. Income Taxes

Earnings before income taxes for the years ended December 31 consist of:

(In thousands)	*2000*	*1999*	*1998*
Domestic	**$48,550**	$47,088	$33,320
Foreign	**17,421**	16,221	14,260
Total	**$65,971**	$63,309	$47,580

The provision for income taxes for the years ended December 31 consist of:

(In thousands)	*2000*	*1999*	*1998*
Current:			
Federal	**$ 9,342**	$11,843	$ 8,835
State	**2,571**	3,619	3,045
Foreign	**5,809**	6,000	5,019
	17,722	21,462	16,899
Deferred:			
Federal	**5,953**	2,143	1,231
State	**966**	407	397
Foreign	**256**	252	—
	7,175	2,802	1,628
Provision for income taxes	**$24,897**	$24,264	$18,527

The effective tax rate varies from the U.S. federal statutory tax rate for the years ended December 31 principally due to the following:

	2000	*1999*	*1998*
U.S. Federal statutory tax rate	**35.0%**	35.0%	35.0%
Add (deduct):			
Dividends received deduction and tax exempt income	**(0.8)**	(0.8)	(1.4)
State and local taxes	**3.5**	4.1	4.7
All other, net	**—**	—	0.6
Effective tax rate	**37.7%**	38.3%	38.9%

The components of the Corporation's deferred tax assets and liabilities at December 31 are as follows:

(In thousands)	*2000*	*1999*
Deferred tax assets:		
Environmental cleanup	**$ 5,416**	$ 6,119
Inventories	**4,440**	4,407
Postretirement/postemployment benefits	**2,229**	3,540
Incentive compensation	**1,737**	1,589
Vacation pay	**1,159**	1,048
Other	**1,953**	3,372
Total deferred tax assets	**$16,934**	$20,075
Deferred tax liabilities:		
Retirement plans	**$22,929**	$19,265
Depreciation	**4,270**	4,697
Other	**2,046**	1,538
Total deferred tax liabilities	**$29,245**	$25,500
Net deferred tax liabilities	**$12,311**	$ 5,425

Deferred tax assets and liabilities are reflected on the Corporation's consolidated balance sheets at December 31 as follows:

	2000	*1999*
Current deferred tax assets	**$ 9,378**	$ 8,688
Noncurrent deferred tax liabilities	**(21,689)**	(14,113)
Net deferred tax liabilities	**$(12,311)**	$ (5,425)

Income tax payments of $15,466,000 were made in 2000, $20,954,000 in 1999, and $16,321,000 in 1998.

At December 31, 2000, the balance of undistributed earnings of foreign subsidiaries was $2,760,000. It is presumed that ultimately these earnings will be distributed to the Corporation. The tax effect of this presumption was determined by assuming that these earnings were remitted to the Corporation in the current period, and that the Corporation received the benefit of all available tax alternatives, tax credits and deductions. Under these assumptions, no federal income tax provision was required.

8. Long-term Debt

Long-term debt at December 31 consists of the following:

(In thousands)	*2000*	*1999*
Industrial Revenue Bonds, due from 2001 to 2028. Weighted average interest rate is 4.07% and 3.12% per annum for 2000 and 1999, respectively	**$18,747**	$18,747
Revolving Credit Agreement Borrowing, due 2004. Weighted average interest rate is 3.49% for 2000 and 2.94% for 1999	**11,330**	19,471
Total debt	**30,077**	38,218
Less: Portion due within one year	**(5,347)**	(4,047)
Total Long-term Debt	**$24,730**	$34,171

Debt under the Corporation's revolving credit agreement is denominated in Swiss francs. Actual borrowings were 18,250,000 and 31,000,000 Swiss francs at December 31, 2000 and 1999, respectively. The carrying amount of long-term debt approximates fair value because the interest rates are reset periodically to reflect market conditions and rates.

Aggregate maturities of debt are as follows:

(In thousands)	
2001	**$ 5,347**
2002	**—**
2003	**—**
2004	**11,330**
2005	**—**
2006 and beyond	**13,400**
	$30,077

Interest payments of approximately $1,006,000, $818,000 and $470,000 were made in 2000, 1999 and 1998, respectively.

9. Credit Agreements

The Corporation has two credit agreements in effect aggregating $100,000,000 with a group of five banks. The credit agreements allow for borrowings to be denominated in a number of foreign currencies. The Revolving Credit Agreement commits a maximum of $60,000,000 to the Corporation for cash borrowings and letters of credit. The unused credit available under this facility at December 31, 2000 was $27,086,000 and was $18,226,000 at December 31, 1999. Cash borrowings under the Revolving Credit Agreement at December 31, 2000 were $11,330,000 with a weighted average interest rate of 3.49%. Cash borrowings at December 31, 1999 were $19,471,000 with a weighted average interest rate of 2.94%. The commitment made under the Revolving Credit Agreement expires 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 $40,000,000, of which $40,000,000 was available at December 31, 2000 and December 31, 1999. The Short-Term Credit Agreement expires December 14, 2001. The Short-Term Credit Agreement may be extended for additional periods, with the consent of the bank group, for additional periods not to exceed 364 days each. The Corporation is required under these Agreements to maintain certain financial ratios, and meet certain net worth and indebtedness tests for which the Corporation is in compliance.

At December 31, 2000, substantially all of the industrial revenue bond issues are collateralized by real estate, machinery and equipment. Certain of these issues are supported by letters of credit, which total approximately $17,793,000. The Corporation has various other letters of credit totaling approximately $3,800,000, most of which are now included under the Revolving Credit Agreement.

10. Stock Compensation Plans

Stock-Based Compensation: Pro forma information regarding net earnings and earnings per share is required by SFAS No. 123 and has been determined as if the Corporation had accounted for its 2000, 1999 and 1998 employee stock option grants under the fair value method of that Statement. Information with regard to the number of options granted, market price of the grants, vesting requirements and the maximum term of the options granted appears by plan type in the sections below. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	2000	*1999*	*1998*
Risk-free interest rate	**5.87%**	6.09%	4.80%
Expected volatility	**23.96%**	25.06%	18.80%
Expected dividend yield	**1.09%**	1.37%	1.38%
Weighted average option life	**7 years**	7 years	7 years

The estimated fair value of the option grants are amortized to expense over the options' vesting period beginning January 1 of the following year, due to the timing of the grants. The Corporation's pro forma information for the years ended December 31, 2000, 1999 and 1998 is as follows:

(In thousands, except per share data)	*2000*	*1999*	*1998*
Net earnings:			
As reported	**$41,074**	$39,045	$29,053
Pro forma	**$40,074**	$38,430	$28,509
Net earnings per common share:			
As reported:			
Basic	**$ 4.10**	$ 3.86	$ 2.85
Diluted	**$ 4.03**	$ 3.82	$ 2.82
Pro forma:			
Basic	**$ 4.00**	$ 3.80	$ 2.80
Diluted	**$ 3.93**	$ 3.76	$ 2.77

Long-Term Incentive Plan: Under a Long-Term Incentive Plan approved by stockholders in 1995, an aggregate total of 1,000,000 shares of common stock (after 1997 2 for 1 stock split) were reserved for issuance under said Plan. No more than 50,000 shares of common stock subject to the Plan may be awarded in any year to any one participant in the Plan.

Under this Plan, the Corporation awarded 1,604,825 performance units in 2000, 1,539,778 in 1999 and 1,184,604 in 1998 to certain key employees. The performance units are denominated in dollars and are contingent upon the satisfaction of performance objectives keyed to profitable growth over a period of three fiscal years commencing with the fiscal year following such awards. The anticipated cost of such awards is expensed over the three-year performance period. However, the actual cost of the performance units may vary from total value of the awards depending upon the degree to which the key performance objectives are met.

Under this Plan, the Corporation has granted nonqualified stock options in 2000, 1999 and 1998 to key employees. Stock options granted under this Plan expire ten years after the date of the grant and are exercisable as follows: up to one-third of the grant after one full year, up to two-thirds of the grant after two full years and in full three years from the date of grant. Stock option activity during the periods is indicated as follows:

	Shares	Weighted Average Exercise Price	Options Exercisable
Outstanding at			
December 31, 1997	369,826	$24.76	216,398
Granted	118,886	37.66	
Exercised	(31,554)	19.13	
Forfeited	(20,657)	30.59	
Outstanding at			
December 31, 1998	436,501	28.63	242,071
Granted	147,551	37.82	
Exercised	(6,155)	21.01	
Forfeited	(20,276)	34.78	
Outstanding at			
December 31, 1999	557,621	30.92	310,586
Granted	**124,398**	**47.72**	
Exercised	**(16,080)**	**22.93**	
Forfeited	**(13,225)**	**37.18**	
Outstanding at			
December 31, 2000	**652,714**	**$ 34.19**	**396,049**

Stock Plan for Non-Employee Directors: The Stock Plan for Non-Employee Directors, approved by stockholders in 1996, authorized the grant of restricted stock awards and, at the option of the directors, the payment of regular stipulated compensation and meeting fees in equivalent shares. In April 2000, the Corporation granted its newest non-employee director restricted stock, valued at $38.19 per share, the market price on the date of the award. The cost of the restricted stock awards is being amortized over a five-year restriction period from the date of grant. At December 31, 2000, the Corporation had provided for an aggregate additional 11,210 shares, at an average price of $33.27, for its non-employee directors pursuant to election by directors to receive such shares in lieu of payment for earned compensation under the Plan. Depending on the extent to which the non-employee directors elect to receive future compensation in shares, total awards under this Plan could reach or exceed 16,000 shares by April 12, 2006, the termination date of the Plan. Pursuant to elections, 1,546 shares were issued as compensation in 2000 under the Plan.

11. Environmental Costs

The Corporation has continued the operation of the ground water and soil remediation activities at the Wood-Ridge, New Jersey site through 2000. The cost of constructing and operating this site was provided for in 1990 when the Corporation established a $21,000,000 reserve to remediate the property. Costs for operating and maintaining this site totaled $490,000 in 2000, $563,000 in 1999, and $854,000 in 1998.

The Corporation has previously filed lawsuits against several insurance carriers seeking recovery for environmental costs. The Corporation settled with one carrier in 1998 and two carriers in 1999. During 2000, the Corporation settled with the remaining carriers. The amount of these settlements in 2000 totaled $4,409,000, net of associated expenses. No potential recovery from this lawsuit has been utilized to offset or reduce any of the Corporation's environmental liabilities. During the year, several sites required increases in the previously established reserve for those sites in the amount of $1,746,000. In addition, one site required a decrease in the reserve during 2000 in the amount of $381,000.

The Corporation has been named as a potentially responsible party, as have many other corporations and municipalities, in a number of environmental clean-up sites. The Corporation continues to make progress in resolving these claims through settlement discussions and payments from reserves previously established. Significant sites remaining open at the end of the year are: Caldwell Trucking landfill superfund site, Fairfield, New Jersey; Sharkey landfill superfund site, Parsippany, 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 for any of these remaining sites will not have a materially adverse effect on the Corporation's results of operations or financial condition.

The noncurrent environmental obligation on the books at December 31, 2000 was $9,925,000, compared to $8,857,000 at December 31, 1999.

12. Pension and Other Postretirement Benefit Plans

The Corporation maintains a noncontributory defined benefit pension plan covering substantially all employees. The Curtiss-Wright Retirement Plan formula for nonunion employees is based on years of credited service and the five highest consecutive years' compensation during the last ten years of service and a "cash balance" benefit. Union employees who have negotiated a benefit under this Plan are entitled to a benefit based on years of service multiplied by a monthly pension rate. Employees are eligible to participate in this Plan after one year of service and are vested after five years of service. At December 31, 2000 and December 31, 1999, the Corporation had prepaid pension costs of $59,765,000 and $50,447,000, respectively, under this Plan. At December 31, 2000, approximately 35% of the Plan's assets are invested in debt securities, including a portion in U.S. government issues. Approximately 65% of plan assets are invested in equity securities.

In addition, the Corporation provided postretirement health benefits to certain employees.

The Corporation also maintains a nonqualified Restoration Plan covering those employees whose compensation or benefits exceeds the IRS limitation for pension benefits. Benefits under this Plan are not funded and as such, the Corporation had an accrued pension liability of $1,226,000 and $2,102,000 at December 31, 2000 and 1999, respectively. In addition, the Corporation had foreign pension costs under retirement plans of $864,000, $734,000 and $367,000 in 2000, 1999 and 1998, respectively.

(In thousands)	Pension Benefits 2000	Pension Benefits 1999	Postretirement Benefits 2000	Postretirement Benefits 1999
Change in Benefit Obligation:				
Benefit obligation at beginning of year	$106,965	$109,487	$ 3,955	$ 5,187
Service cost	4,803	4,703	118	191
Interest cost	7,256	7,377	181	298
Plan participants' contributions	—	—	158	42
Actuarial gain	2,022	(338)	(168)	(264)
Benefits paid	(17,619)	(14,264)	(280)	(401)
Change due to curtailment of benefits	—	—	(1,937)	(1,098)
Benefit obligation at end of year	103,427	106,965	2,027	3,955
Change in Plan Assets:				
Fair value of plan assets, beginning of year	237,813	216,882	—	—
Actual return on plan assets	30,107	35,105	—	—
Employer contribution	2,381	90	122	359
Plan participants' contribution	—	—	158	42
Benefits paid	(17,619)	(14,264)	(280)	(401)
Fair value of plan assets at end of year	252,682	237,813	—	—
Funded status	149,255	130,848	(2,027)	(3,955)
Unrecognized net actuarial gain	(88,765)	(78,326)	(2,532)	(2,925)
Unrecognized transition obligation	(2,206)	(4,394)	—	—
Unrecognized prior service costs	255	217	(920)	(1,635)
Prepaid (accrued) benefit costs	$ 58,539	$ 48,345	$(5,479)	$(8,515)
Components of Net Periodic Benefit Cost (Revenue):				
Service cost	$ 4,803	$ 4,703	$ 118	$ 191
Interest cost	7,256	7,377	181	298
Expected return on plan assets	(16,973)	(15,579)	—	—
Amortization of prior service cost	(36)	(36)	(123)	(193)
Amortization of transition obligation	(2,188)	(2,188)	—	—
Recognized net actuarial gain	(2,090)	(851)	(200)	(184)
Benefit cost reduction due to curtailment	—	—	(2,890)	(813)
Cost of settlement	1,415	—	—	—
Net periodic benefit revenue	$ (7,813)	$ (6,574)	$(2,914)	$ (701)
Weighted-average assumptions as of December 31:				
Discount rate	7.00%	7.00%	7.00%	7.00%
Expected return on plan assets	8.50%	8.50%	—	—
Rate of compensation increase	4.50%	4.50%	—	—

For measurement purposes, a 7.85% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2000. The rate was assumed to decrease gradually to 5.5% over the next seven years and remaining at that level thereafter.

Effect of change in health care cost trend on:

(In thousands)	1% Increase	1% Decrease
Total service and interest cost components	$ 30	$ (40)
Postretirement benefit obligation	$252	$(230)

The Corporation discontinued postretirement medical coverage for former employees of its Fairfield, NJ plant due to its closure, which resulted in income of $2,890,000 in 2000 and for the former employees of its Buffalo, NY plant, which resulted in income of $813,000 in 1999.

13. Leases

Buildings and Improvements Leased to Others. The Corporation leases certain of its buildings and related improvements to outside parties under noncancelable operating leases. Cost and accumulated depreciation of the leased buildings and improvements at December 31, 2000, were $49,575,000 and $44,166,000, respectively, and at December 31, 1999, were $50,878,000 and $44,095,000, respectively.

Facilities and Equipment Leased from Others. The Corporation conducts a portion of its operations from leased facilities, which include manufacturing and service facilities, administrative offices and warehouses. In addition, the Corporation leases automobiles, machinery and office equipment under operating leases. Rental expenses for all operating leases amounted to approximately $4,273,000 in 2000, $2,770,000 in 1999 and $2,586,000 in 1998.

At December 31, 2000, the approximate future minimum rental income and commitment under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

(In thousands)	Rental Income	Rental Commitment
2001	$ 5,470	$ 4,189
2002	3,783	3,931
2003	2,592	3,689
2004	2,004	3,062
2005	1,171	1,577
2006 and beyond	9,133	2,000
	$24,153	$18,448

14. Industry Segments

The Corporation manages and evaluates its operations in three reportable segments: Motion Control, Metal Treatment and Flow Control. The operating segments are managed separately because each offers different products and serves different markets. The principal products and major markets of the three operating segments are described in the *At a Glance* section of this Annual Report.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Interest income is not reported on an operating segment basis because short-term investments and returns on those investments are aggregated and evaluated separately from business operations. Interest expense and income taxes are also not reported on an operating segment basis because they are not considered in the performance evaluation by the Corporation's chief operating decision-maker, its chairman and CEO.

The Corporation had one commercial customer in the Motion Control segment, which accounted for 13% of consolidated revenue in 2000, 14% in 1999 and 16% in 1998.

Consolidated Industry Segment Information:

(In thousands)	Motion Control[1]	Metal Treatment	Flow Control	Segment Total	Corporate & Other	Consolidated Total
Year Ended December 31, 2000:						
Revenue from external customers	**$ 126,771**	**$ 105,318**	**$ 97,486**	**$ 329,575**	**$ —**	**$ 329,575**
Intersegment revenues	**—**	**508**	**—**	**508**	**—**	**508**
Operating income	**15,383**	**23,502**	**10,276**	**49,161**	**3,024**	**52,185**
Depreciation and amortization expense	**4,086**	**5,031**	**4,124**	**13,241**	**1,105**	**14,346**
Segment assets at year end	**96,955**	**84,538**	**82,670**	**264,163**	**145,253**	**409,416**
Expenditures for long-lived assets	**1,776**	**5,451**	**1,826**	**9,053**	**453**	**9,506**
Year Ended December 31, 1999:						
Revenue from external customers	$124,155	$104,143	$64,965	$293,263	$ —	$293,263
Intersegment revenues	—	337	—	337	—	337
Operating income	8,667	23,551	6,082	38,300	12,857	51,157
Depreciation and amortization expense	5,056	4,407	2,355	11,818	1,046	12,864
Segment assets at year end	112,943	83,350	95,214	291,507	95,619	387,126
Expenditures for long-lived assets	3,433	14,530	1,543	19,506	377	19,883
Year Ended December 31, 1998:						
Revenue from external customers	$105,400	$105,999	$38,014	$249,413	$ —	$249,413
Intersegment Revenues	—	554	—	554	—	554
Operating income (loss)	(1,413)	30,020	5,161	33,768	2,579	36,347
Depreciation and amortization expense	3,608	3,792	1,246	8,646	1,015	9,661
Segment assets at year end	119,351	68,198	40,080	227,629	125,111	352,740
Expenditures for long-lived assets	2,111	6,053	2,180	10,344	298	10,642

(1) Operating income for the Motion Control segment includes consolidation costs for the relocation of operations in the amount of $3.8 million for 1999 and $0.8 million for 1998.

Reconciliations:

For the years ended December 31, (In thousands)	*2000*	*1999*	*1998*
Revenues:			
Total segment revenue	**$329,575**	$293,263	$249,413
Intersegment revenue	**508**	337	554
Elimination of intersegment revenue	**(508)**	(337)	(554)
Total consolidated revenues	**$329,575**	$293,263	$249,413
Earnings before taxes:			
Total segment operating income	**$ 49,161**	$ 38,300	$ 33,768
Insurance settlements, net	**3,041**	11,683	1,562
Corporate and other	**(17)**	1,174	1,017
Investment income, net	**2,862**	2,295	3,206
Rental income, net	**3,638**	4,580	3,299
Pension income, net	**7,813**	6,574	5,126
Other income (expense), net	**1,216**	(8)	87
Interest expense	**(1,743)**	(1,289)	(485)
Total consolidated earnings before tax	**$ 65,971**	$ 63,309	$ 47,580
Assets (at December 31):			
Total assets for reportable segments	**$264,163**	$291,507	$227,629
Short-term investments	**62,766**	25,560	66,444
Pension assets	**59,765**	50,447	43,822
Other assets	**22,801**	19,652	14,914
Elimination of intersegment receivables	**(79)**	(40)	(69)
Total consolidated assets	**$409,416**	$387,126	$352,740

December 31, (In thousands)	*2000*		*1999*		*1998*	
	Revenues(1)	**Long-Lived Assets**	Revenues(1)	Long-Lived Assets	Revenues(1)	Long-Lived Assets
Geographic Information:						
United States	**$213,343**	**$211,964**	$200,253	$209,370	$165,567	$217,668
United Kingdom	**32,133**	**22,666**	29,762	20,986	32,320	11,454
Other foreign countries	**84,099**	**12,266**	63,248	11,644	51,526	8,093
Consolidated total	**$329,575**	**$246,896**	$293,263	$242,000	$249,413	$237,215

(1) Revenues are attributed to countries based on the location of the customer.

15. Contingencies and Commitments

The Corporation's Drive Technology subsidiary located in Switzerland entered into a sales agreement with the Spanish Ministry of Defense which contained an offset obligation for the purchase of approximately 24 million Swiss francs of product from Spanish suppliers over a seven-year period which began in 1999. The offset obligation contains two interim milestones, which, if not met, could increase the total obligation by 10% per milestone. The first milestone occurs in February 2001 and has been met. It is expected that the second milestone will be met as well. In addition, the agreement contains a penalty of 5% of the total obligation if it is not met by the end of the seven-year period. The Corporation expects to fully comply with its obligations under this agreement.

corporate directory

Directors

Martin R. Benante
Chairman and Chief Executive Officer

Admiral James B. Busey IV
Admiral, U.S. Navy (Ret.)
Former President and Chief Executive Officer of AFCEA International
Aviation Safety and Security Consultant

S. Marce Fuller
President and Chief Executive Officer of Mirant Corporation, Inc.
(formerly known as Southern Energy, Inc.)

David Lasky
Director, Primex Technologies, Inc.
Former Chairman and Chief Executive Officer
of Curtiss-Wright Corporation

William B. Mitchell
Director, Mitre Corporation
Former Vice-Chairman of Texas Instruments Inc.

John R. Myers
Chairman of Tru-Circle Corporation
Management Consultant
Former Chairman of the Board of Garrett Aviation Services

Dr. William W. Sihler
Ronald E. Trzcinski Professor of Business Administration
Darden Graduate School of Business Administration
University of Virginia

J. McLain Stewart
Former Director, McKinsey & Co. Management Consultants

Officers

Martin R. Benante
Chairman and Chief Executive Officer

Gerald Nachman
Executive Vice President

George J. Yohrling
Vice President

Joseph Napoleon
Vice President

Robert A. Bosi
Vice President—Finance

Brian D. O'Neill
Secretary and General Counsel

Gary J. Benschip
Treasurer

Glenn E. Tynan
Controller

Gary R. Struening
Assistant Controller

James V. Maher
Assistant Secretary

corporate information

Corporate Headquarters
1200 Wall Street West, Lyndhurst, New Jersey 07071
Tel. (201) 896-8400 Fax. (201) 438-5680

Annual Meeting
The 2001 annual meeting of stockholders will be held on May 4, 2001, at 2:00 p.m., at the Renaissance Meadowlands Hotel, 801 Rutherford Avenue, Rutherford, New Jersey.

Stock Exchange Listing
The Corporation's common stock is listed and traded on the New York Stock Exchange. The stock transfer symbol is CW.

Common Stockholders
As of December 31, 2000, the approximate number of holders of record of common stock, par value $1.00 per share, of the Corporation was 3,602.

Stock Transfer Agent and Registrar
For services such as changes of address, replacement of lost certificates or dividend checks, and changes in registered ownership, or for inquiries as to account status, write to Mellon Investor Services LLC, at the following addresses:

Stockholder Inquiries/Address Changes/Consolidations
P.O. Box 3315, South Hackensack, NJ 07606

Duplicate Mailings
If you receive duplicate mailings because of slight differences in the registration of your accounts and wish to eliminate the duplication, please call Mellon's toll-free number, (800) 416-3743, or write to Mellon Investor Services LLC, 85 Challenger Road, Ridgefield Park, NJ 07660 for instructions on combining your accounts.

Direct Stock Purchase Plan/Dividend Reinvestment Plan
A plan is available to purchase or sell shares of Curtiss-Wright that provides a low cost alternative to the traditional methods of buying, holding, and selling stock. The plan also provides for the automatic reinvestment of Curtiss-Wright dividends. For more information contact our transfer agent, Mellon Investor Services LLC, toll-free at (888) 266-6793.

Lost Certificates/Certificate Replacement
Estoppel Department, P.O. Box 3317,
South Hackensack, NJ 07606

Certificate Transfers
Stock Transfer Department, P.O. Box 3312,
South Hackensack, NJ 07606

Please include your name, address, and telephone number with all correspondence. Telephone inquiries may be made to (800) 416-3743. Foreign: (201) 329-8660. Domestic hearing-impaired: (800) 231-5469. Foreign hearing-impaired: (201) 329-8354. Internet inquiries should be addressed to http://www.mellon-investor.com.

Investor Information
Investors, stockbrokers, security analysts, and others seeking information about Curtiss-Wright Corporation should contact Robert A. Bosi, Vice President—Finance, or Gary J. Benschip, Treasurer, at the Corporate Headquarters; telephone (201) 896-1751.

Internet Address
Use http://www.curtisswright.com to reach the Curtiss-Wright home page for information about Curtiss-Wright.

Financial Reports
This Annual Report includes most of the periodic financial information required to be on file with the Securities and Exchange Commission. The Company also files an Annual Report on Form 10-K, a copy to which may be obtained free of charge. These reports, as well as additional financial documents such as quarterly shareholder reports, proxy statements, and quarterly reports on Form 10-Q, may be obtained by written request to Gary J. Benschip, Treasurer, at Corporate Headquarters.

Common Stock Price Range

	2000		1999	
	High	**Low**	High	Low
First Quarter	**$40.3125**	**$35.0000**	$40.6250	$31.0000
Second Quarter	**39.8750**	**33.4375**	39.0625	31.1875
Third Quarter	**48.3750**	**36.5000**	38.8750	30.3750
Fourth Quarter	**51.1250**	**43.3750**	38.6250	31.5000

Dividends

	2000	1999
First Quarter	**$0.130**	$0.130
Second Quarter	**$0.130**	$0.130
Third Quarter	**$0.130**	$0.130
Fourth Quarter	**$0.130**	$0.130

Design: VCG New York/San Francisco   Selected Photography: John Rae   F-22 Photograph Credit: *Aviation Week & Space Technology*

Curtiss-Wright Corporation
1200 Wall Street West
Lyndhurst, New Jersey 07071

CW
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THE NEW YORK STOCK EXCHANGE