CURTISS WRIGHT CORP
Form 10-K
February 24, 2012

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

FORM 10-K

S **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
OR

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER 1-134

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

Delaware	**13-0612970**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
10 Waterview Blvd. Parsippany, NJ	**07054**
(Address of principal executive offices)	**(Zip Code)**

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of Each Exchange on Which Registered**
Common stock, par value $1 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes S No £

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes £ No S

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes S No £

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes S No £

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer S Accelerated filer £ Non-accelerated filer £ Smaller reporting company £
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
£Yes S No

The aggregate market value of the voting and non-voting Common stock held by non-affiliates of the Registrant as of June 30, 2011 was approximately $1.5 billion.

The number of shares outstanding of the Registrant s Common stock as of January 31, 2012:

Class	Number of shares
Common stock, par value $1 per share	46,689,759

Documents Incorporated by Reference

Portions of the Proxy Statement of the Registrant with respect to the 2012 Annual Meeting of Stockholders to be held on May 4, 2012 are incorporated by reference into Part III of this Form 10-K.

INDEX TO FORM 10-K

PART I

Forward-Looking Statements

Except for historical information, this Annual Report on Form 10-K may be deemed to contain forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to: (a) projections of or statements regarding return on investment, future earnings, interest income, sales, volume, other income, earnings or loss per share, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking statements can be identified by the use of forward-looking terminology such as anticipates, believes, continue, could estimate, expects, intend, may, might, outlook, potential, predict, should, will, as well as the nega foregoing or variations of such terms or comparable terminology, or by discussion of strategy. No assurance may be given that the future results described by the forward-looking statements will be achieved. While we believe these forward-looking statements are reasonable, they are only predictions and are subject to known and unknown risks, uncertainties, and other factors, many of which are beyond our control, which could cause actual results, performance or achievement to differ materially from anticipated future results, performance or achievement expressed or implied by such forward-looking statements. In addition, other risks, uncertainties, assumptions, and factors that could affect the Company s results and prospects are described in this report, including under the heading Item 1A. Risk Factors and elsewhere, and may further be described in the Company s prior and future filings with the Securities and Exchange Commission and other written and oral statements made or released by the Company. Such forward-looking statements in this Annual Report on Form 10-K include, without limitation, those contained in Item 1. Business, Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations, Item 8. Financial Statements and Supplementary Data including, without limitation, the Notes to Consolidated Financial Statements, and Item 11. Executive Compensation.

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

Item 1. ***Business.***

Business Description

Curtiss-Wright Corporation is a diversified, multinational provider of highly engineered, technologically advanced products and services. We are the corporate descendants of the Wright brothers, the fathers of flight, and Mr. Glenn Curtiss, the father of naval aviation. In 1929, the companies founded by these three great aviation pioneers merged to form the largest aircraft company at the time, Curtiss-Wright Corporation. Today, we design and manufacture highly engineered, advanced technologies that perform critical functions in demanding conditions in the defense, power generation, oil and gas, commercial aerospace, and general industrial markets, where safety, performance, and reliability are essential. The Company is incorporated under the laws of the State of Delaware.

Our strategy is to maintain a balanced portfolio to grow sales and profitability consistently through organic growth supplemented by acquisitions. We intend to accomplish this by utilizing our technical capabilities to maintain and expand our leading niche market positions with highly engineered products and services. Through our strategy, we have achieved this balance with revenues generated across our defense, energy, and commercial/industrial markets. In addition to maintaining a diversified business portfolio, we also continue to develop new core competencies, such as electronic and sensor technologies. We believe our ability to design and develop future generations of advanced electronics systems is a strategic growth area for the high performance platforms in our served markets, particularly in embedded computing and electronic systems. We intend to continue to execute our growth strategy that focuses on

diversification in complementary markets that demand high performance and highly engineered products and services.

Our core competence is providing advanced technologies for customers operating in harsh environments. In addition to meeting demanding performance requirements, our technologies are intended to improve worker

safety, minimize impact on the environment, and improve operating efficiency. We compete globally based on technology and pricing; however, significant engineering expertise is a limiting factor to competition, particularly in the U.S. Government market. Our business challenges include price pressure, environmental impact, and geopolitical events, such as the global war on terrorism and diplomatic accords. Our ability to provide high-performance, advanced technologies on a cost-effective basis is fundamental to our strategy for meeting customer demand.

Business Segments

We manage and evaluate our operations based on the products we offer and the different markets we serve. Based on this approach, we operate through three segments: Flow Control, Motion Control, and Metal Treatment. Our principal manufacturing facilities are located in the United States in California, New York, North Carolina, Pennsylvania, and Texas, and internationally in Canada and the United Kingdom.

Flow Control

Our Flow Control segment primarily designs, manufactures, and distributes highly engineered, critical-function products including valves, pumps, motors, generators, instrumentation, shipboard systems, super vessels, and control electronics. These products manage the flow of liquids and gases, generate power, provide electronic operating systems, and monitor or provide critical functions. In 2011, net sales in our Flow Control segment of $1,061 million represented 52% of our total net sales.

This segment s primary markets are power generation, naval defense, oil and gas, and general industrial.

In the naval defense market, we are a supplier to the U.S. Navy for a wide array of ship building programs including the nuclear aircraft carrier and submarine programs, offering power and propulsion technologies, instrumentation and control systems, auxiliary systems, and shipborne aircraft and helicopter landing systems. Government sales, primarily to the U.S. Navy as a subcontractor, comprised 31%, 34%, and 30% of segment sales in 2011, 2010, and 2009, respectively.

The Flow Control segment operates through four operating divisions: Electro-Mechanical Systems, Nuclear Group, Oil and Gas Systems, and Marine and Power Products. The segment has a global customer base with principal manufacturing operations in the United States, Canada, and the United Kingdom.

Electro-Mechanical Systems

Our Electro-Mechanical Systems division produces advanced electro-mechanical and pumping solutions for the naval defense, power generation, oil and gas, and other general industrial markets. The division designs and manufactures advanced critical function pumps, motors, generators, ship propulsors, mechanical seals, control rod drive mechanisms, power conditioning electronics, pulse power supplies, integrated motor controls, composite materials applications, and protection technologies solutions.

This division develops, designs, manufactures, and performs qualification testing of critical-function, electro-mechanical solutions for its primary customer, the U.S. Navy, including main coolant pumps, various other critical-function pumps, power-dense compact motors, main and ship service generators, secondary propulsion systems, and design engineering and testing services. The division has served the U.S. Navy for over 60 years and is a supplier or sole source provider of pumps that are used in the nuclear propulsion system. The division also overhauls and provides critical spares for units serving the fleet on operational platforms. Current platforms include the Nimitz and Ford class aircraft carriers and the Virginia, Los Angeles, Seawolf, and Ohio Class submarines. We have also received funding for engineering and component development on the next generation Ohio Class Replacement submarine program.

We expect to strengthen our relationship with the U.S. Navy by participating in the design and development of major subsystems for the U.S. Navy s Advanced Arresting Gear aircraft retrieval system for installation on its future aircraft carrier fleet and the advanced propulsion, pump, and motor designs for the next generation submarine fleet. In addition, the division provides propulsion motors and main generators to the non-nuclear U.S. Navy, including the DDG 1000 destroyer program.

Electro-Mechanical Systems products are also sold to complementary commercial markets, primarily nuclear power generation and oil and gas. We have been a supplier to the nuclear power market since its

inception more than 50 years ago, including significant content on the first nuclear reactor at Shippingport, PA. We provide Reactor Coolant Pumps (RCPs), pump seals, and control rod drive mechanisms for commercial nuclear power plants. In 2008, we announced our first award for reactor coolant pumps for two new Westinghouse AP1000 nuclear power plants to be built in China and anticipate shipping the first four pumps in the second quarter of 2012. In 2009, we announced our first domestic new construction contract for three AP1000 power plants to be built in the United States. Each AP1000 reactor will hold four RCPs and each plant will have two reactors. The AP1000 reactor is the only Generation III+ reactor to receive Design Certification from the Nuclear Regulatory Commission (NRC).

Elsewhere, in the oil and gas market, we are utilizing our canned motor and pumping system expertise to partner with industry leaders to develop advanced systems for offshore recovery, production, and transmission. Current programs encompass sub-sea pumping and power-dense motors for compact, integrated compressor systems. This division also offers hazardous waste pumps for the U.S. Department of Energy (DoE) and in-line pumps for the hydrocarbon processing industry.

In the general industrial market, we design, develop, and manufacture integrated motor-controls and protection technology solutions for original equipment manufacturers (OEMs) and industrial customers. We engineer and manufacture a full range of rugged, reliable, and internationally compliant products that smoothly control the amount of electrical current provided to motors. Custom panel solutions include a variety of low and medium voltage components, such as starters, drives, contactors, breakers, and other related devices. While this is a highly competitive market, our installed base of over 100,000 control units with hundreds of custom designed systems supports customers in the industrial heating, ventilation, and air conditioning (HVAC) market, as well as in the municipal services and energy processing markets, including petrochemicals, power generation, mining, and transportation.

Nuclear Group

The Nuclear Group division designs, manufactures, distributes, and qualifies flow control products for nuclear power plants, nuclear equipment manufacturers, hydroelectric energy producers, the DoE, and the U.S. Department of Defense (DoD). This division offers a wide range of critical hardware, including pumps, valves, pressure vessels, fastening systems, specialized containment doors, airlock hatches, and electrical units. In addition, we provide a range of critical services including bolting solutions, nuclear storage solutions, spent fuel solutions, and enterprise resource planning. We provide diagnostic equipment, consulting, inspection, and testing services that help support plant-life extensions and power upgrades on all 104 operating reactors in the United States, as well as operating reactors located throughout the world.

We maintain all of the regulatory certifications (known as N-stamps) required to provide representations and certification and/or qualify value-added nuclear-grade products both domestically and internationally. N-stamp certification indicates nuclear-grade status as designated by the NRC. We compete in this market through an expanded array of nuclear technology, industry-benchmarked quality assurance programs, strategic alliances, resident expertise, and customer recognition for our long-term service commitment to solving the unique challenges of the nuclear market.

In 2011, the Nuclear Group division acquired the assets of Anatec International, Inc. and Lambert, MacGill, Thomas, Inc. (Anatec and LMT), both of which perform testing and inspection services for commercial nuclear power plants to ensure safety, operational soundness, and compliance with regulatory codes. Anatec and LMT provide technologies and techniques for non-destructive examination (NDE) and testing of systems and components in nuclear power plants. NDE services support both in-service inspections to satisfy regulatory requirements and decision-making by nuclear plant operators concerning the ongoing reliability, operability, and safety of nuclear systems and equipment. Anatec and LMT services also include quality control inspections, training and qualification of NDE technicians, and development of programs in support of compliance with the American Society of Mechanical Engineers (ASME) code.

Oil and Gas Systems

Our Oil and Gas Systems division designs and manufactures valves and vessel products for the oil and gas refining market. Primary products include coke unheading systems, fluidic catalytic cracking unit (FCCU) components, relief valves, pressure protection systems, super vessels, and engineering design tools for the

refining, chemical and process industries, and web-enabled control systems for refinery monitoring and process control.

Our coke unheading system, which includes top and bottom unheading valves, isolation valves, cutting tools, and valve automation, process control, and protection systems, enables safer coke drum operation during the refining process. Included in this portfolio of products is the coke-drum unheading valve, an advancement in coke- drum unheading technology. Our patented technology is remotely operated, therefore inherently safe, easy to operate, reliable, cost effective, and can be configured for any coke-drum application.

We also offer a delayed coker operations optimization system featuring process control, interlocks, valve control solutions, batch process data acquisition, interactive operator batch sequence procedures, batch scheduler, batch sequence editor, risk management, asset protection, and predictive maintenance capabilities.

Our FCCU product portfolio includes custom-designed valves, engineered pressure vessels, and complementary components that operate in industrial process applications including fluid, residual, and catalytic cracking units as well as power generation, steel manufacture, and ore reduction. We manufacture, repair, and modify orifice chambers, hydrotreaters, and ASME code pressure vessels. In addition, we provide a wide array of field services, including equipment repair, modification, or replacement; inspection of valves, controls, pipes, and refractory linings; maintenance planning and scheduling for valves or control systems; diagnostic assistance with troubleshooting problems in critical components; and on-site system training. In 2011, we opened a new state-of-the-art manufacturing facility to build large thick-walled vessels (called super vessels which include coke drums, fractionators, reactors, regenerators, hydrotreaters, and fluid catalytic cracking units) for the refining, petrochemical, and nuclear power industries. Due to the critical and severe service applications requiring highly engineered solutions, competition in the FCCU market is limited to a few major competitors.

Our safety relief valve and pressure protection system portfolio incorporates a broad range of valve sizes and ratings used in a wide range of chemical and process industry applications. The valves are marketed as individual components or at the subsystem/system level, with a global service and support network of Farris Authorized Service Team centers. The proprietary iPRSM® provides a broad set of design and monitoring tools for process operators, incorporating the latest industry and regulatory standards.

In addition, we provide inspection, installation, repair and maintenance, and other field services for harsh environment flow control systems. Competition is mitigated by our technical expertise, proven technology, and extraordinary service.

Marine and Power Products

Our Marine and Power Products division produces high-performance, specialized valve solutions, designs and manufactures electro-mechanical systems, and develops, manufactures, and services specialized electronic instrumentation and control equipment.

Our valve solutions control the flow of liquids and gases for vessels, and equipment for the defense, power generation, and general industrial markets. We design, engineer, and manufacture spring-loaded, pilot-operated pressure relief valves and solenoid operated valves, as well as ball valves used in standard and advanced applications, including high-cycle, high-pressure, extreme temperature, and corrosive plant environments. Our products are highly engineered to meet stringent performance and reliability requirements. We provide engineering support, testing, repair, and consulting services globally.

Our valves are utilized in the nuclear propulsion system of virtually every nuclear submarine and aircraft carrier commissioned by the U.S. Navy. Current programs include the Virginia class submarine and Ford class aircraft carriers. In addition, we provide spares and repair work for various submarine classes, such as Los Angeles and Ohio,

as well as the Nimitz class aircraft carriers.

The division also designs and manufactures electro-mechanical systems for securing and traversing military aircraft and helicopters aboard naval vessels. These shipboard aircraft and helicopter handling systems are used by the U.S. Navy, U.S. Coast Guard, and more than ten other navies around the world. In support of embarking helicopters onboard naval ships, we also produce aviation lighting and guidance systems and in-deck tie-downs and tracks. We also design and build shipboard specialized structures, including telescopic hangars and doors. Specialized cable handling systems are designed and manufactured for towing active and passive sonar systems for both submarines and surface ships.

For commercial markets, we provide specialized valves to commercial nuclear power plants, oil and gas refineries, production platforms and pipelines, and general processing industries worldwide. We also provide towbarless and conventional aircraft handling systems to the commercial aerospace industry. General industrial products include hydraulic power units and components primarily for the automotive and the entertainment industries and specialty hydraulic valves, air-driven pumps, gas boosters, and directional control valves used in industrial applications such as car transport carriers. Competition is based upon quality of technology, price, installed base, and delivery times.

The Marine and Power Products division also develops, manufactures, tests, and services specialized electronic instrumentation and control equipment, including instrumentation for primary and secondary controls, steam generator control equipment, valve actuators, and valve and heater controls. This division provides custom designed and commercial-off-the-shelf (COTS) electronic circuit boards and systems to the U.S. Navy. It also provides advanced valve controllers and predictive maintenance systems for the oil and gas and general industrial market. There is strong competition in the COTS market, but competition is limited by significant qualification and performance requirements. The division also provides engineering and support services.

In 2011, the Marine and Power Products division acquired the assets of Douglas Equipment Ltd., a supplier of commercial aviation ground support vehicles, including a range of towbarless and conventional aircraft tractors and runway friction measuring devices. The business sells its products to many of the world s leading airlines, ground handling companies, the U.S. Navy, and foreign navies.

The following list defines our principal products and the markets served by the Flow Control segment.

Naval Defense

Nuclear propulsion system components

Valves (globe, gate, control, safety, relief, solenoid, hydraulic operated gate)
Pumps
Motors and generators
Instrumentation and controls

Instrumentation and control systems

Aircraft launch and retrieval equipment onboard carrier decks

Advanced electromagnetic systems
Flight critical components (aircraft shuttle components, holdback bars, capacity selector valves)

Equipment for Submarines

Cable handling systems for towed arrays
Sub-safe ball valves

Equipment for Surface ships

Helicopter and military aircraft handling and traverse systems
Tie-down components
Valve actuation and control systems

Non-nuclear products

Smart leakless valves
Sub-safe ball valves
Jet-fuel pumping valves
Steam generator control equipment
Air driven fluid pumps
Engineering, inspection, and testing services

Oil & Gas Processing

Critical process valves

Coker unheading valves
Boltless catalyst control slide valves
Butterfly and triple offset butterfly valves
Pilot-operated relief valves
Pressure relief valves
Safety valves
Solenoid, gate, and globe valves
Steam valves

Fluidic catalytic cracking equipment

Air grids and cyclones
Risers, headers, and wye sections

Engineered process vessels

Cat cracking reactors and regenerator heads
Hydrotreators

Advanced valve controls and prognostics technology

Digital valve controller with redundant technology
Signature recognition for fault and leak detection
Integrated valve, automation, safety, and control systems

Power Generation

Advanced motors, generators, and pumps

Reactor coolant pumps for Westinghouse AP1000 reactor

Valves
Solenoid, ball, butterfly, check, pressure relief, safety, and pilot-operated relief valves, and gate and globe (motor operated, air operated, pneumatically operated)

Control rod drive mechanisms

Design and fabrication of nuclear facility airlocks, doors, hatches

Instrumentation

Diagnostic and test equipment

Fluid sealing technologies

Actuators
Pneumatic and hydraulic

Plate heat exchangers

Separation technologies

Fasteners

Advanced bolting technologies

Spent fuel management technologies

Equipment reliability services and software

Engineering services

Equipment qualification, commercial grade dedication	
Inventory management systems	

General Industrial

Valves
Directional control and pneumatic

Power Control Systems
Integrated motor-control systems
Variable frequency drives
Pump control panels
Low voltage solid state starters
Medium voltage controls
Protective technology solutions

Critical machinery fault detection and prognostics systems
Commercial Aerospace

Towbarless and conventional aircraft handling systems
Customer Concentration and Backlog

Total backlog includes both funded (unfilled orders for which funding is authorized, appropriated, and contractually obligated by the customer) and unfunded backlog (firm orders for which funding has not been appropriated and/or contractually obligated by the customer). The corporation is a subcontractor to prime contractors for the vast majority of our government business; as such substantially all amounts in backlog are funded. Backlog excludes unexercised contract options and potential orders under ordering type contracts (e.g. Indefinite Delivery / Indefinite Quantity). Backlog is adjusted for changes in foreign exchange rates and is reduced for contract cancellations and terminations in the period in which they occur. There were no significant contract cancellations which affected backlog in 2011.

Backlog for this segment at December 31, 2011, was $1,151 million, of which 56% ($647 million) is expected to be shipped after one year, compared with backlog of $1,149 million at December 31, 2010. Sales to this segment s largest commercial customer represented approximately 8%, 10%, and 13% of this segment s sales in 2011, 2010, and 2009, respectively. Additionally, sales to our largest naval defense customer accounted for 10%, 10%, and 11% of this segment s net sales in 2011, 2010, and 2009. The loss of either of these customers would have a material adverse effect on the business of this segment.

Motion Control

Our Motion Control segment designs, develops, manufactures, and maintains sophisticated, high-performance mechanical actuation and drive systems, specialized sensors, motors, and electronic controller units, and mission-critical embedded computing components and control systems. In 2011, net sales in our Motion Control segment of $710 million represented 34% of our total net sales.

This segment s primary markets are commercial aerospace, aerospace defense, ground defense, and general industrial.

Our Motion Control segment is managed through three operating divisions: Embedded Computing, Flight Systems, and Integrated Sensing. The segment has a global customer base with principal manufacturing operations throughout the United States, Canada, and Europe.

Embedded Computing

Our Embedded Computing division designs, develops, and manufactures rugged embedded computing board-level modules and integrated subsystems, primarily for the aerospace and ground defense markets, and supports the U.S. Government s Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) applications. Using standard, commercially available electronics technologies, coupled with application-domain specific knowledge, we offer COTS hardware and software modules based on open industry standards. We also offer high performance electronic packaging and thermal management systems using custom and standards-based enclosures.

Our advanced subsystems are integrated using standard modules and custom modules based on in-house intellectual property content as well as third-party technology. We also offer a broad array of support services that include life-cycle management, technical support, training, and custom engineering of modules and fully integrated subsystems. We are a single source supplier for high-density radar processing, data communications, digital signal processing, video and graphics, recording and network storage, analog acquisition and reconstruction, radar, and integrated subsystems. Our COTS modules and integrated subsystems are designed to perform in harsh conditions where space, weight, and power constraints are critical. Our rugged products are designed to perform in extreme temperatures and environments, enduring high shock and vibration, as well as in commercial environments for use in laboratory and benign environment applications.

Embedded Computing s subsystem products are used in a wide variety of mission-critical applications for military ground vehicles, including fire control, aiming, and stabilization, munitions loading, and environmental processors. These products are used on combat platforms such as the Bradley Fighting Vehicle, the Abrams Tank, and the Stryker family of vehicles. Our modules, featuring commercial processors on open standard board architectures, are used in numerous active programs, including the Improved Bradley Acquisition System and the Improved Tow Acquisition System.

The division drafts and defines embedded standards, which address the more demanding performance and data bandwidth requirements of emerging applications. Embedded Computing supports technologically advanced military platforms including the F-35 JSF, P-8 Poseidon, and U.S. Marine Corps Ground/Air Task Orientation Radar program.

Embedded Computing also provides the advanced mission management system, flight control computers, and the sensor management units for advanced aerospace platforms including the Global Hawk, the U.S. Air Force s high-altitude and high-endurance unmanned aerial vehicle, as well as the U.S. Navy s Broad Area Maritime Surveillance (BAMS) variant of the Global Hawk platform.

This division s products are manufactured at its operations located in North America and Europe. Our products are sold primarily to prime contractors and subsystem suppliers located principally in the United States, United Kingdom, and Canada, both directly and through a network of independent sales representatives. In recent years, competition in the embedded electronic systems market has migrated away from traditional board competitors toward fully integrated subsystem and system providers, selling to prime and second-tier defense and aerospace companies. Competition in this market is based on quality of technology, price, and delivery time to market.

Flight Systems

Our Flight Systems division s product offerings to the commercial OEM and aerospace defense markets consist of electro-mechanical and hydro-mechanical actuation control components and systems that are designed to position aircraft control surfaces or operate flaps, slats, and utility systems such as canopies, cargo doors, weapons bay doors, or other moving devices used on aircraft. Aircraft applications include actuators and electro-mechanical control systems for the Boeing 737, 747, 747-8, 757, 767, 777, and 787 civil air transports, the Lockheed Martin F-16 Falcon fighter jet, the Boeing F/A-18 Hornet fighter jet, the P-8 Poseidon, the Bell Boeing V-22 Osprey, and the Sikorsky Black Hawk and Seahawk helicopters. The Flight Systems division is also developing flight control actuators and weapons handling systems for Lockheed Martin s F-35 Lightning II Joint Strike Fighter (F-35 JSF) program. The F-35 JSF is the next-generation fighter aircraft being designed for use by all three branches of the U.S. military as well as by several foreign governments. This division also provides commercial airlines, the military and general aviation customers with component overhaul and repair of hydraulic, mechanical, and electro-mechanical components and component exchange services for a wide array of aircraft.

Flight Systems also designs, manufactures, and distributes electro-mechanical and electro-hydraulic actuation components and systems and electronic controls for military tracked and wheeled vehicles within the ground defense and commercial markets. These products include turret aiming and stabilization and weapons handling systems for

armored military vehicles. In addition, we provide a range of general industrial products, such as fuel control valves for large commercial transport ships, stabilization systems, and a variety of commercial servo valves.

Flight Systems products are sold primarily through a direct domestic sales force and international network of independent sales representatives. Sales are made directly to OEMs, airlines, and government agencies.

Our Flight Systems products are sold in competition with a number of other suppliers, some of whom have broader product lines and greater financial, technical, and human resources. The competitive environment for these products is focused on a short list of companies, with recent strategic trends at the prime contractor level resulting in a smaller market of vertically integrated suppliers, while prime contractors specialize in integration and final assembly. Price, technical capability, performance, service, and investment are the primary forces of competition, together with an ability to offer solutions to perform control and actuation functions on new production programs.

In 2011, the Flight Systems division acquired all of the outstanding capital stock of Predator Systems Inc (PSI), which designs and manufactures motion control components and subsystems for ground defense, ordnance guidance, and aerospace applications through its proprietary electro-hydraulic technologies.

Integrated Sensing

Our Integrated Sensing division develops and manufactures a range of sensors, controllers, and electronic control units for commercial, aerospace defense, and general industrial markets. These products include position and smoke detection sensors, solenoids and solenoid valves, cooling fans and motors, torque sensing, ice detection and protection equipment, air data computers, flight data recorders, joysticks, and electronic signal conditioning and control equipment. The division also provides electric motors with controllers, rotary sensors, controllers, and smaller electro-mechanical actuation subsystems for flight, engine, and environmental control for aircraft and space applications. This division s products are sold primarily to prime contractors and system integrators (both directly and through a network of independent sales representatives) on a worldwide basis. Position sensors are used on primary flight control systems and engine controls on Airbus and Boeing aircraft, most notably for the Airbus A320 single-aisle aircraft, as well as regional and business aircraft, and on many U.S. and European military aircraft. Air data, flight recorder, and ice detection and protection equipment are supplied to many helicopter applications, including the Apache, Blackhawk, Stallion, and Chinook platforms. We also sell our products for use in a wide range of industrial applications such as off-highway vehicles, powered mobility vehicles, process controls, and motorsports.

In 2011, the Integrated Sensing division acquired all the outstanding capital stock of ACRA Control, Ltd. (ACRA), a supplier of data acquisition systems and networks, data recorders, and telemetry ground stations for both defense and commercial aerospace markets. The combination of ACRA s customizable modular products, engineering expertise, and advanced technologies along with our existing current data recording and avionics solutions are expected to enable us to provide aerospace and defense customers with a fully integrated system featuring enhanced data acquisition capabilities, airborne ethernet data transmission and synchronization and wireless download of data to ground stations.

In 2011, the Integrated Sensing division acquired the assets of South Bend Controls, a designer and manufacturer of highly engineered, solenoid-based components used in critical applications across multiple markets. The company s expertise, experience, and long-standing customer relationships are expected to provide us with a competitive position in the aerospace and defense markets, along with further penetration into the industrial and medical markets.

Competitive differentiators for Integrating Sensing include technical leadership and support, product price, and customer service. Integrated Sensing products are marketed through facilities in the United Kingdom, Germany, and the United States. Manufacturing facilities have been established in Mexico and China.

The following list defines our principal products and the markets served by the Motion Control segment.

Commercial Aerospace

	Commercial Jet Transports, Business and Regional Jets
Secondary flight control actuation systems and electromechanical trim actuators	
Aircraft cargo door and utility actuation systems	
Fire detection and suppression control systems	
Data acquisition systems	

Flight data recorders
Position sensors
Pressure sensors
Solenoids and solenoid valves
Throttle quadrants
Fans and motors

Helicopters

Rotor ice protection systems
Flight data recorders
Air data computers
Logic control modules and utility control electronics
Mission video displays, distribution systems, recorders and associated products

Repair and Overhaul Services

Component overhaul and logistics support services

Aerospace Defense

Transport and fighter aircraft

Weapons bay door actuation systems
Weapons handling systems
Secondary flight control actuation
Rotary actuation for environmental control systems
Video displays, recorders, and radar converters
Position sensors
Solenoids and solenoid valves
Throttle quadrants
Fans and motors
Data acquisition systems
Flight data recorders

Helicopters

Radar warning systems
Acoustic processing systems
Flight data recorders
Air data computers
Position sensors
Logic control modules and utility control electronics
Mission video displays, distribution systems, recorders, and associated products

Unmanned aerial vehicles

Integrated mission management and flight control computers
Sensor management systems
Weapons handling systems
Position sensors

Ground Defense

Tanks and light armored vehicles

Digital electromechanical aiming and stabilization systems
Fire control, sight head, and environmental control processors
Single Board Computers for target acquisition systems
Ammunition handling systems
Mission computing systems

Power management systems
Position sensors

Other Military & Government

High performance data communication products
Power conversion products

Space programs
Control electronics and sensors

Security systems
Perimeter intrusion detection equipment

FAA
Airport surface detection equipment radar video processing

General Industrial Markets

Automated industrial equipment
Air, sea, and ground simulation
Fractional horse power specialty motors
Force transducers
Joysticks
Sensors

Customer Concentration and Backlog

Sales by this segment to its largest commercial customer accounted for 10% of its net sales in 2011 and 2010, and 11% in 2009. The loss of this customer would have a material adverse effect on the Motion Control segment. Direct and end-use sales of this segment to government agencies, primarily the U.S. Government, in 2011, 2010, and 2009, accounted for 63%, 64%, and 70%, respectively, of total Motion Control net sales. Although the loss of this business would have a material adverse effect on the Motion Control segment, no single prime contractor to the U.S. Government to which we are a subcontractor provided greater than 10% of Motion Control revenue during any of the last three years.

Backlog for this segment at December 31, 2011, was $540 million, of which 73% ($397 million) is expected to be shipped after one year, compared with a backlog of $519 million at December 31, 2010. Substantially all amounts in

backlog are funded and there were no significant contract cancellations which effected backlog in 2011. Raw materials are generally available in adequate quantities from a number of suppliers; however, we utilize sole-source suppliers in this segment. Thus, the failure and/or inability of a sole-source supplier to provide product to Motion Control could have an adverse impact on our financial performance. While alternatives could be identified to replace a sole source supplier, a transition could result in increased costs and manufacturing delays.

Metal Treatment

Our Metal Treatment segment provides unique and precise metallurgical processing services to enhance the performance and durability, extend the life, and prevent premature fatigue and failure on customer-supplied metal components. In 2011, net sales of our Metal Treatment segment of $283 million contributed 14% to our total net sales.

This segment s primary markets are commercial and defense aerospace, oil and gas, power generation, and general industrial markets, including automotive, transportation, construction equipment, and miscellaneous metal working industries.

This segment provides five primary technical services on highly stressed, critical function metal parts: shot peening, specialty coatings, heat treating, laser peening, and analytical services.

Shot Peening

Shot peening is a process by which the durability of metal parts is enhanced by bombarding the part s surface with spherical media, such as steel shot or ceramic or glass beads, to compress the outer layer of the metal. In addition, shot peen forming shapes metal panels with aerodynamic curvatures, which are assembled as wing skins of commercial and military aircraft. Currently, we conduct shot peen forming on wing panels and other components for Airbus, Boeing, and other aerospace OEMs.

Specialty Coatings

Specialty coatings primarily consist of the application of solid film lubricant and corrosion resistant protective coatings to metal components used in critical applications for a broad range of industries. The coatings are applied by either an air spray or a dipping and spinning process for bulk applications.

We recently entered the thermal spray coatings arena, adding a new offering in the area of high technology coatings to Curtiss-Wright s existing portfolio of niche coating technologies. Thermal spray coatings are synergistic with our current offering of highly engineered surface technologies services. Our offering includes high velocity oxygen fuel, plasma spray, and flame spray coatings.

We also have diversified our capabilities into the growing medical market by the addition of a vapor deposition process to apply parylene coatings to medical devices, including rubber and silicone seals and wire forming mandrels used in the manufacture of catheters. Parylene coatings provide resistance to solvents and moisture and are biocompatible.

Heat Treating

Heat treating is a process of exposing metal parts to precisely controlled temperature cycles to change the mechanical and metallurgical properties of the metal.

Laser Peening

Laser peening is a metal surface treatment process that utilizes a proprietary high energy laser developed by the Lawrence Livermore National Laboratory and adapted for use by Metal Treatment engineers. The laser peening process is being used in production to extend the life of critical industrial and flight turbine engine components. Future applications include high value, extreme service components in aircraft structures, oil and gas, medical implant, and marine applications. We retain the exclusive worldwide rights to the intellectual property necessary for the use of this laser architecture on laser peening of commercial products.

Analytical Services

Analytical Services provides mechanical and metallurgical testing services to materials across a broad range of industries. This recent addition to our portfolio is the cornerstone of a new engineered service business and enables us to enter a highly technical service niche in the manufacturing value chain for components used in premium industrial markets. Material testing is utilized in the on-going quality assurance of raw materials for production manufacturing as well as for the validation of new component designs.

In addition to the aforementioned capabilities, other services that are provided by our Metal Treatment segment include nondestructive inspection, plating, and anodizing. To expand our capabilities in these areas, in 2011 the Metal Treatment segment acquired certain assets of both the BASF Corporation s Surface Technologies business and IMR Test Labs Inc.

BASF s Surface Technologies business is a supplier of metallic and ceramic thermal spray coatings which are utilized to protect and enhance a wide variety of critical components used in the aerospace, automotive, power generation, diesel, medical, and general industrial markets. These coatings provide thermal barrier protection, abrasion and erosion resistance, high temperature oxidation/corrosion resistance, and the capability to serve as a replacement of hard chrome plating. This business applies several different types of thermal spray coatings, including high velocity oxygen fuel, plasma spray, and flame spray coatings, which can all be tailored to the specific end use application.

The IMR Test Labs business is a provider of mechanical and metallurgical testing services for the aerospace, power generation, and medical markets. IMR s complete range of testing capabilities includes fatigue testing, metallurgical analysis, chemical analysis, mechanical testing, failure analysis, and training.

Through a combination of acquisitions and new plant openings, we continue to increase Metal Treatment s network of regional facilities. Metal Treatment operations are now conducted from 64 facilities located in the United States, Canada, United Kingdom, Western Europe, and Asia. Our Metal Treatment services are marketed directly by our employees. Although numerous companies compete in this field and many customers have the resources to perform such services themselves, we believe that our technical knowledge, quality of workmanship, and proximity to major customers provide a competitive advantage. We compete in this segment on the basis of quality, service, and price.

Customer Concentration and Backlog

Our largest customer in this segment accounted for approximately 8% of Metal Treatment s sales during 2011, 10% of its sales during 2010, and 11% during 2009. Although the active customer base is in excess of 5,000, the loss of this customer would have a material adverse effect on the Metal Treatment segment.

The backlog of Metal Treatment was $3 million and $2 million, as of December 31, 2011 and 2010, respectively, substantially all of which is expected to be recognized in the first quarter of 2012. Due to the nature of our Metal Treatment services, we operate with a very limited backlog of orders and services that are provided primarily on new manufactured parts. Thus, the backlog of this segment is not indicative of our future sales, and as a result, this segment s sales and profitability are closely aligned with general industrial economic conditions and, in particular, the commercial aerospace market.

The following list defines our principal products and the markets served by the Metal Treatment segment.

Commercial Aerospace

Peen
Forming
Wing skin

Shot
Peening
Aircraft structural components
Landing gear components
Turbine engine rotating components

Heat
Treating
Aluminum structural components

Laser
Peening
Turbine engine rotating components

Coatings

Thermal spraying of metallic and ceramic coatings for turbine engines
Fasteners
Sliding components

Analytical Services

Mechanical and metallurgical testing services
Chemical testing services

General Industrial

Shot Peening

Highly stressed metal components susceptible to fatigue
Welded components subject to distortion
Architectural structures
Engine and transmission components

Heat Treating

Miscellaneous engine, transmission, and structural components
Miscellaneous aluminum and steel components

Coatings

Fasteners
Brake and suspension components
Sliding components
Miscellaneous components subject to corrosion and sliding wear
Silicone and rubber medical components

Analytical Services

Mechanical and metallurgical testing services
Chemical testing services

Aerospace Defense

Shot Peening

Helicopter and fighter aircraft structural and turbine engine components

Laser Peening

Fighter aircraft structural components

Power Generation

Coatings

Thermal spraying of metallic and ceramic coatings for industrial gas turbines

Analytical Services

Mechanical and metallurgical testing services
Chemical testing services

Other Information

Certain Financial Information

For information regarding sales by geographic region, see Note 18 to the Consolidated Financial Statements contained in Part II, Item 8, of this Annual Report on Form 10-K.

In 2011, 2010, and 2009, our foreign operations generated 39%, 36%, and 35%, respectively, of our pre-tax earnings.

Government Sales

Our direct sales to the U.S. Government and sales for U.S. Government and foreign government end use represented 40%, 41%, and 42% of consolidated revenue during 2011, 2010, and 2009, respectively. U.S. Government sales, both direct and indirect, are generally made under standard types of government contracts, including fixed price, fixed price-redeterminable, and cost plus fixed or award fees.

In accordance with normal practice in the case of U.S. Government business, contracts and orders are subject to partial or complete termination at any time, at the option of the customer. In the event of a termination for convenience by the government, there generally are provisions for recovery of our allowable incurred costs and a proportionate share of the profit or fee on the work completed, consistent with regulations of the U.S. Government. Fixed-price redeterminable contracts, generally on naval programs, usually provide that we absorb the majority of any cost overrun. In the event that there is a cost underrun, the customer recoups a portion of the underrun based upon a formula in which the customer s portion increases as the underrun exceeds certain established levels.

Generally, long-term contracts with the U.S. Government require us to invest in and carry significant levels of inventory. However, where allowable, we utilize progress payments and other interim billing practices on nearly all of these contracts, thus reducing the overall working capital requirements. It is our policy to seek customary progress payments on certain of our contracts. Where we obtain such payments under U.S. Government prime contracts or subcontracts, the U.S. Government has either title to or a secured interest in the materials and work in process allocable or chargeable to the respective contracts. (See Notes 1.F, 3, and 4 to the Consolidated Financial Statements, contained in Part II, Item 8, of this Annual Report on Form 10-K).

Patents

We own and are licensed under a number of United States and foreign patents and patent applications, which have been obtained or filed over a period of years. We also license intellectual property to and from third parties. Specifically, the U.S. Government has licenses in our patents that are developed in performance of government contracts, and it may use or authorize others to use the inventions covered by such patents for government purposes. Additionally, unpatented research, development, and engineering skills, some of which have been acquired by us through business acquisitions, make an important contribution to our business. While our intellectual property rights in the aggregate are important to the operation of our business, we do not consider the successful conduct of our business or business segments to be materially dependent upon the timing of expiration or protection of any one or group of patents, patent applications, or patent license agreements under which we now operate.

Research and Development

We conduct research and development activities under customer-sponsored contracts, shared development contracts, and our own independent research and development activities. Customer-sponsored research and development costs are charged to costs of goods sold when the associated revenue is recognized. Funds received under shared development contracts are a reduction of the total development expenditures under the shared contract and are shown net as research and development costs. Company-sponsored research and development costs are charged to expense when incurred. Customer-sponsored research and development activity amounted to $30 million, $26 million, and $29 million, in 2011, 2010, and 2009, respectively, and were attributed to customers within our Flow Control and Motion Control segments. Research and development expenses amounted to $62 million in 2011, $54 million in 2010, and $55 million in 2009.

Environmental Protection

We are subject to federal, state, local, and foreign laws, regulations, and ordinances that govern activities or operations that may have adverse environmental effects, such as discharges to air and water. These laws, regulations, and ordinances may also apply to handling and disposal practices for solid and hazardous waste and impose liability for the costs of cleaning up and for certain damages resulting from sites of past spills, disposals, or other releases of hazardous substances.

At various times, we have been identified as a potentially responsible party pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), and analogous state environmental laws, for the cleanup of contamination resulting from past disposals of hazardous wastes at certain current and former facilities and at sites to which we, among others, sent wastes in the past. CERCLA requires potentially responsible persons to pay for cleanup of sites from which there has been a release or threatened release of hazardous substances. Courts have interpreted CERCLA to impose strict joint and several liability on all persons liable for cleanup costs. As a practical matter, however, at sites where there are multiple potentially responsible persons, the costs of cleanup typically are allocated among the parties according to a volumetric or other standard.

Information concerning our specific environmental liabilities is described in Notes 1.N and 15 to the Consolidated Financial Statements contained in Part II, Item 8, of this Annual Report on Form 10-K.

Executive Officers

Martin R. Benante, age 59, has served as the Chairman of the Board of Directors and Chief Executive Officer of the Corporation since April 2000. He has been a Director of the Corporation since 1999.

David J. Linton, age 56, has served as Co-Chief Operating Officer of the Corporation since November 2008 and President of Curtiss-Wright Flow Control Corporation since May 2004; prior to his promotion to Co-Chief Operating Officer Mr. Linton served as Vice President of the Corporation from May 2004, Vice President of Program Management, Raytheon Network Centric Systems from November 2003 to April 2004; Chief Executive Officer, Cordiem, Inc. from April 2001 to March 2003; Vice President and General Manager of Electric Systems, Hamilton Sundstrand Corporation, June 1998 to April 2001.

David C. Adams, age 57, has served as Co-Chief Operating Officer since November 2008 and President of Curtiss-Wright Controls from June 2005; prior to his promotion to Co-Chief Operating Officer Mr. Adams served as Vice President of the Corporation from November 2005; Senior Vice President, Electronic Systems of Curtiss-Wright Controls from February 2004 to June 2005; Group Vice President, Integrated Sensing from April 2002 to February 2004.

Thomas P. Quinly, age 53, has served as Vice President of the Corporation since November 2010 and President of Curtiss-Wright Controls, Inc. since November 2008; Senior Vice President, Embedded Computing of Curtiss-Wright Controls, Inc. since 2004.

Glenn E. Tynan, age 53, has served as Vice President of Finance and Chief Financial Officer of the Corporation since June 2002; Controller of the Corporation from June 2000 to May 2002.

Michael J. Denton, age 56, has served as Vice President, Secretary, and General Counsel of the Corporation since August 2001.

Glenn G. Coleman, age 44, has served as Vice President and Corporate Controller of the Corporation since May 2008. Prior to his appointment, Mr. Coleman spent the preceding 10 years with Alcatel Lucent (formerly Lucent Technologies) in various positions, including Finance Vice President, Wireless Business Group from June 2007 to December 2007 and Finance Vice President, Americas Controller from January 2002 to May 2007.

Harry S. Jakubowitz, age 59, has served as Vice President of the Corporation since May 2007 and as Treasurer of the Corporation since September 2005; Director of Taxes of the Corporation from June 2002 to September 2005.

Paul J. Ferdenzi, age 44, has served as Vice President, Human Resources of the Corporation since November 2011 and has served as Associate General Counsel and Assistant Secretary of the Corporation since June 1999 and May 2001, respectively.

Employees

At the end of 2011, we had approximately 8,900 employees, 7% of which are represented by labor unions and covered by collective bargaining agreements.

Available information

We file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statements for our annual stockholders meetings, as well as any amendments to those reports, with the Securities and Exchange Commission (SEC). The public may read and copy any of our materials filed with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including our filings. These reports are also available free of charge through our web site at *www.curtisswright.com* as soon as reasonably practicable after we electronically file that material with, or furnish it to, the SEC.

Item 1A. ***Risk Factors.***

We have summarized below the significant, known material risks to our business. Our business, financial condition, and results of operations and cash flows could be materially and adversely impacted if any of these risks materialize. Additional risk factors not currently known to us or that we believe are immaterial may also impair our business, financial condition, and results of operations. The risk factors below should be considered together with information included elsewhere in this Annual Report on Form 10-K as well as other required

filings by us to the Securities Exchange Commission, such as our Form 10-Q s, Form 8-K s, proxy statements for our annual shareholder meetings, and subsequent amendments, if any.

A substantial portion of our revenues and earnings depends upon the continued willingness of the U.S. Government and our other customers in the defense industry to buy our products and services.

In 2011, approximately 40% of our revenues were derived from or related to defense programs, with approximately 16% attributable to U.S. Navy procurements. U.S. defense spending has historically been cyclical, and defense budgets tend to rise when perceived threats to national security increase the level of concern over the country s safety. At other times, spending by the military can decrease. While Department of Defense funding has grown rapidly over the past few years, the top-line DoD budget is expected to flatten or potentially decline over the next several years. Competing demands for federal funds can put pressure on all areas of discretionary spending, which could ultimately impact the defense budget. A decrease in U.S. Government defense spending or changes in spending allocation could result in one or more of our programs being reduced, delayed, or terminated. Reductions in defense industry spending may or may not have an adverse effect on programs for which we provide products and services. In the event expenditures are reduced for products we manufacture or services we provide and are not offset by revenues from foreign sales, new programs, or products or services that we currently manufacture or provide, we may experience a reduction in our revenues and earnings and a material adverse effect on our business, financial condition, and results of operations. Further, there can be no assurance that our significant customers will continue to buy our products and services at current or increased levels.

As a U.S. Government contractor, we are subject to a number of procurement rules and regulations.

We must comply with and are affected by laws and regulations relating to the award, administration, and performance of U.S. Government contracts. Government contract laws and regulations affect how we do business with our customers and, in some instances, impose added costs on our business. A violation of specific laws and regulations could result in the imposition of fines and penalties or the termination of our contracts or debarment from bidding on contracts. These fines and penalties could be imposed for failing to follow procurement integrity and bidding rules, employing improper billing practices or otherwise failing to follow cost accounting standards, receiving or paying kickbacks, or filing false claims. We have been, and expect to continue to be, subjected to audits and investigations by government agencies. The failure to comply with the terms of our government contracts could harm our business reputation. It could also result in our progress payments being withheld.

In some instances, these laws and regulations impose terms or rights that are more favorable to the government than those typically available to commercial parties in negotiated transactions. For example, the U.S. Government may terminate any of our government contracts and, in general, subcontracts, at its convenience as well as for default based on performance. Upon termination for convenience of a fixed-price type contract, we normally are entitled to receive the purchase price for delivered items, reimbursement for allowable costs for work-in-process, and an allowance for profit on work actually completed on the contract or adjustment for loss if completion of performance would have resulted in a loss. Upon termination for convenience of a cost reimbursement contract, we normally are entitled to reimbursement of allowable costs plus a portion of the fee. Such allowable costs would normally include our cost to terminate agreements with our suppliers and subcontractors. The amount of the fee recovered, if any, is related to the portion of the work accomplished prior to termination and is determined by negotiation.

A termination arising out of our default could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, on those contracts for which we are teamed with others and are not the prime contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our services as a subcontractor.

In addition, our U.S. Government contracts typically span one or more base years and multiple option years. The U.S. Government generally has the right to not exercise option periods and may not exercise an option period if the agency

is not satisfied with our performance on the contract or does not receive funding to continue the program. U.S. Government procurement may adversely affect our cash flow or program profitability.

A significant reduction in the purchase of our products by the U.S. government would have a material adverse effect on our business. The risk that governmental purchases of our products may decline stems from the nature of our business with the U.S. government, where it may:

- terminate, reduce, or modify contracts or subcontracts if its requirements or budgetary constraints change;
- cancel multi-year contracts and related orders if funds become unavailable; and
- shift its spending priorities.

In addition, as a defense contractor, we are subject to risks in connection with government contracts, including without limitation:

- the frequent need to bid on programs prior to completing the necessary design, which may result in unforeseen technological difficulties and/or cost overruns;
- the difficulty in forecasting long-term costs and schedules and

- the potential obsolescence of products related to long-term, fixed price contracts;
- contracts with varying fixed terms that may not be renewed or followed by follow-on contracts upon expiration;
- cancellation of the follow-on production phase of contracts if program requirements are not met in the development phase;
- the failure of a prime contractor customer to perform on a contract; and
- the fact that government contract wins can be contested by other contractors.

Our business could be adversely affected by a negative audit by the U.S. Government.

We operate in a highly regulated environment and have been, and expect to continue to be, routinely audited by the U.S. Government and others. On a regular basis, we monitor our policies and procedures with respect to our contracts to ensure consistent application under similar terms and conditions and to assess compliance with all applicable

government regulations. Negative audit findings could result in termination of a contract, forfeiture of profits, or suspension of payments. From time to time, we are subject to U.S. Government investigations relating to our operations. Government contractors that are found to have violated the law, such as the False Claims Act or the Arms Export Control Act, or are indicted or convicted for violations of other federal laws, or are found not to have acted responsibly as defined by the law, may be subject to significant fines. Such convictions could also result in suspension or debarment from government contracting for some period of time. Given our dependence on government contracting, suspension or debarment could have a material adverse effect on our business.

Our operating results are subject to fluctuations.

Our business is subject to changes in economic cycles and fluctuations in the timing of government procurement activities. As a result, our annual and quarterly operating results may fluctuate. It is possible that our operating results may not meet the expectations of securities analysts or investors. Similarly, securities analysts may issue reports downgrading our common stock. These events could cause the market price of our common stock to decline.

The success of our growth strategy is dependent upon our ability to complete acquisitions and integrate acquired businesses.

Our strategy includes growth through acquisitions. As a result, our future growth depends in part on our ability to implement our acquisition strategy and successfully integrate acquired businesses into our existing operations. If we are unable to identify suitable candidates, negotiate appropriate acquisition terms, obtain financing, and successfully integrate acquired businesses into our existing operations, our growth strategy may not be successful. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, services, and products of the acquired company, the potential loss of key employees of the acquired company, and the diversion of our management s attention from other business concerns. This is the case particularly in the fiscal quarters immediately following the completion of an acquisition since the operations of the acquired business are integrated into the acquiring businesses operations

during this period. We cannot be sure that we will accurately anticipate all of the changing demands that any future acquisition may impose on our management, our operational and management information systems, and our financial systems. Once integrated, acquired operations may not achieve levels of revenue, profitability, or productivity comparable to those of our existing operations or may otherwise not perform as we expected. We may fail to discover liabilities relating to a pending acquisition during the due diligence investigation, liabilities for which we, as the successor owner, might be responsible. Although we seek to minimize the impact of potential undiscovered liabilities by structuring acquisitions to minimize liabilities and obtaining indemnities and warranties from the selling party, these methods may not fully protect us from the impact of undiscovered liabilities. For example, indemnities or warranties are often limited in scope, amount, or duration, and may not fully cover the liabilities for which they were intended. If indemnities or warranties are limited, the liabilities that are not covered by the limited indemnities or warranties could have a material adverse effect on our business and financial condition.

We use estimates when accounting for long-term contracts. Changes in estimates could affect our profitability and overall financial position.

Long-term contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables. For example, assumptions have to be made regarding the length of time to complete the contract as costs also include expected increases in wages and prices for materials. Similarly, assumptions have to be made regarding the future impact of efficiency initiatives and cost reduction efforts. Incentives, awards, price escalations, or penalties related to performance on contracts are considered in estimating revenue and profit rates and are recorded when there is sufficient information to assess anticipated performance. It is possible that materially different amounts could be obtained, because of the significance of the judgments and estimation processes described above, if different assumptions were used or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances, or estimates may have a material adverse effect upon future period financial reporting and performance. See Critical Accounting Estimates and Policies in Part II, Item 7.

If we fail to satisfy our contractual obligations or meet performance standards, our contracts may be terminated and we may incur significant costs or liabilities, including liquidated damages and penalties.

In general, our contracts may be terminated for our failure to satisfy our contractual obligations or to meet performance standards. In addition, some of our contracts contain substantial liquidated damages provisions and financial penalties related to our failure to satisfy our contractual obligations or performance failures. Consequently, as a result of the above matters, we may incur significant costs or liabilities, including penalties, which could have a material adverse effect on our financial condition and results of our operation.

Our earnings and margins may vary based on the mix of our contracts and programs.

At December 31, 2011, our backlog included both cost reimbursable and fixed-price contracts. Cost reimbursable contracts generally have lower profit margins than fixed-price contracts. Production contracts are mainly fixed-price contracts, and developmental contracts are generally cost reimbursable contracts. Our earnings and margins may vary materially depending on the types of long-term government and commercial contracts undertaken, the nature of the products produced or services performed under those contracts, the costs incurred in performing the work, the achievement of other performance objectives, and the stage of performance at which the right to receive fees, particularly under incentive and award fee contracts, is finally determined.

Under fixed-price contracts, we receive a fixed price irrespective of the actual costs we incur and, consequently, any costs in excess of the fixed price are generally absorbed by us. Under time-and-materials contracts, we are paid for labor at negotiated hourly billing rates and for certain expenses. Under cost-reimbursable contracts, subject to a contract-ceiling amount in certain cases, we are reimbursed for allowable costs and paid a fee, which may be fixed or

performance based. However, if our costs exceed the contract ceiling or are not allowable under the provisions of the contract or applicable regulations, we may not be able to obtain reimbursement for all such costs and may have our fees reduced or eliminated. The failure to perform to customer expectations and contract requirements can result in reduced fees and may affect our financial performance for the affected period. Under each type of contract, if we are unable to control costs we incur in

performing under the contract, our financial condition and operating results could be materially adversely affected. Cost over-runs also may adversely affect our ability to sustain existing programs and obtain future contract awards.

Our backlog is subject to reduction and cancellation, which could negatively impact our revenues and results of operations.

Backlog represents products or services that our customers have committed by contract to purchase from us. Total backlog includes both funded (unfilled orders for which funding is authorized, appropriated and contractually obligated by the customer) and unfunded backlog (firm orders for which funding has not been appropriated and/or contractually obligated by the customer). The Corporation is a subcontractor to prime contractors for the vast majority of our government business; as such, substantially all amounts in backlog are funded. Backlog excludes unexercised contract options and potential orders under ordering type contracts (e.g. Indefinite Delivery / Indefinite Quantity). Backlog is adjusted for changes in foreign exchange rates and is reduced for contract cancellations and terminations in the period in which they occur. Backlog as of December 31, 2011 was $1.7 billion. Backlog is subject to fluctuations and is not necessarily indicative of future sales. The U.S. government may unilaterally modify or cancel its contracts. In addition, under certain of our commercial contracts, our customers may unilaterally modify or terminate their orders at any time for their convenience. Accordingly, certain portions of our backlog can be cancelled or reduced at the option of the U.S. government and commercial customers. Our failure to replace cancelled or reduced backlog could negatively impact our revenues and results of operations.

Our future financial results could be adversely impacted by asset impairment charges.

At December 31, 2011, we had goodwill and other intangible assets of approximately $1 billion, net of accumulated amortization, which represented approximately 40% of our total assets. Our goodwill is subject to an impairment test on an annual basis and is also tested whenever events and circumstances indicate that goodwill may be impaired. Any excess goodwill resulting from the impairment test must be written off in the period of determination. Intangible assets (other than goodwill) are generally amortized over the useful life of such assets. In addition, from time to time, we may acquire or make an investment in a business that will require us to record goodwill based on the purchase price and the value of the acquired assets. We may subsequently experience unforeseen issues with such business that adversely affect the anticipated returns of the business or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets for such business. Future determinations of significant write-offs of goodwill or intangible assets as a result of an impairment test or any accelerated amortization of other intangible assets could have a material adverse impact on our results of operations and financial condition.

We operate in highly competitive markets.

We compete against companies that often have greater sales volumes and financial, research, human, and marketing resources than we have. In addition, some of our largest customers could develop the capability to manufacture products or provide services similar to products that we manufacture or services that we provide. This would result in these customers supplying their own products or services and competing directly with us for sales of these products or services, all of which could significantly reduce our revenues. Furthermore, we are facing increased international competition and cross-border consolidation of competition. Our management believes that the principal points of competition in our markets are technology, product quality, performance, price, service, previous installation history, technical expertise, and timeliness of delivery. If we are unable to compete successfully with existing or new competitors in these areas, our business, financial condition, and results of operations could be materially and adversely impacted.

Our future growth and continued success is dependent upon our key personnel.

Our success is dependent upon the efforts of our senior management personnel and our ability to attract and retain other highly qualified management and technical personnel. We face competition for management and qualified

technical personnel from other companies and organizations. Therefore, we may not be able to retain our existing management and technical personnel or fill new management or technical positions or vacancies created by expansion or turnover at our existing compensation levels. Although we have entered into change of control agreements with some members of senior management, we do not have employment

contracts with our key executives. We have made a concerted effort to reduce the effect of the loss of our senior management personnel through management succession planning. The loss of members of our senior management and qualified technical personnel could have a material and adverse effect on our business.

Our international operations are subject to risks and volatility.

During 2011, approximately 30% of our consolidated revenue was from customers outside of the United States, and we have operating facilities in foreign countries. Doing business in foreign countries is subject to numerous risks, including without limitation: political and economic instability; the uncertainty of the ability of non- U.S. customers to finance purchases; restrictive trade policies; and complying with foreign regulatory and tax requirements that are subject to change. While these factors or the impact of these factors are difficult to predict, any one or more of these factors could adversely affect our operations. To the extent that foreign sales are transacted in foreign currencies and we do not enter into currency hedge transactions, we are exposed to risk of losses due to fluctuations in foreign currency exchange rates, particularly for the Canadian dollar, the Euro, Swiss franc, and the British pound. Significant fluctuations in the value of the currencies of the countries in which we do business could have an adverse effect on our results of operations.

We may be unable to protect the value of our intellectual property.

Obtaining, maintaining, and enforcing our intellectual property rights and avoiding infringing on the intellectual property rights of others are important factors to the operation of our business. While we take precautionary steps to protect our technological advantages and intellectual property and rely in part on patent, trademark, trade secret, and copyright laws, we cannot assure that the precautionary steps we have taken will completely protect our intellectual property rights. Because patent applications in the United States are maintained in secrecy until either the patent application is published or a patent is issued, we may not be aware of third-party patents, patent applications, and other intellectual property relevant to our products that may block our use of our intellectual property or may be used in third-party products that compete with our products and processes. When others infringe on our intellectual property rights, the value of our products is diminished, and we may incur substantial litigation costs to enforce our rights. Similarly, we may incur substantial litigation costs and the obligation to pay royalties if others claim we infringed on their intellectual property rights. When we develop intellectual property and technologies with funding from U.S. Government contracts, the government has the royalty-free right to use that property.

In addition to our patent rights, we also rely on unpatented technology, trade secrets, and confidential information. Others may independently develop substantially equivalent information and techniques or otherwise gain access to or disclose our technology. We may not be able to protect our rights in unpatented technology, trade secrets, and confidential information effectively. We require each of our employees and consultants to execute a confidentiality agreement at the commencement of an employment or consulting relationship with us. There is no guarantee that we will succeed in obtaining and retaining executed agreements from all employees or consultants. Moreover, these agreements may not provide effective protection of our information or, in the event of unauthorized use or disclosure, they may not provide adequate remedies.

Our operations are subject to numerous domestic and international laws, regulations, and restrictions, and noncompliance with these laws, regulations, and restrictions could expose us to fines, penalties, suspension, or debarment, which could have a material adverse effect on our profitability and overall financial condition.

We have contracts and operations in many parts of the world subject to United States and foreign laws and regulations, including the False Claims Act, regulations relating to import-export control (including the International Traffic in Arms Regulation promulgated under the Arms Export Control Act), technology transfer restrictions, repatriation of earnings, exchange controls, the Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act, and the anti-boycott provisions of the U.S. Export Administration Act. Although we have implemented policies and procedures and provided training that we believe are sufficient to address these risks, we cannot guarantee that our

operations will never fail to comply with these laws and regulations. Failure by us or our sales representatives or consultants to comply with these laws and regulations could result in administrative, civil, or criminal liabilities and could, in the extreme case, result in suspension or debarment

from government contracts or suspension of our export privileges, which could have a material adverse effect on our business.

We are subject to liability under environmental laws.

Our business and facilities are subject to numerous federal, state, local, and foreign laws and regulations relating to the use, manufacture, storage, handling, and disposal of hazardous materials and other waste products. Environmental laws generally impose liability for investigation, remediation, and removal of hazardous materials and other waste products on property owners and those who dispose of materials at waste sites, whether or not the waste was disposed of legally at the time in question. We are currently addressing environmental remediation at certain current and former facilities, and we have been named as a potentially responsible party along with other organizations in a number of environmental clean-up sites and may be named in connection with future sites. We are required to contribute to the costs of the investigation and remediation and to establish reserves in our financial statements for future costs deemed probable and estimable. Although we have estimated and reserved for future environmental remediation costs, the final resolution of these liabilities may significantly vary from our estimates and could potentially have an adverse effect on our results of operations and financial position.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our profitability.

Our business operates in many locations under government jurisdictions that impose income taxes. Changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. In addition, audits by income tax authorities could result in unanticipated increases in our income tax expense.

Our current debt, and debt we may incur in the future, could adversely affect our business and financial position.

As of December 31, 2011, we had $586 million of debt outstanding, of which $584 million is long-term debt. Our debt consists primarily of principal payable under our fixed rate senior notes. Our level of debt could have significant consequences for our business including: requiring us to use our cash flow to pay principal and interest on our debt, reducing funds available for acquisitions and other investments in our business; making us vulnerable to economic downturns and increases in interest rates; limiting us from obtaining additional debt; and impacting our ability to pay dividends.

A percentage of our workforce is employed under collective bargaining agreements.

Approximately 7% of our workforce is employed under collective bargaining agreements, which from time to time are subject to renewal and negotiation. We cannot ensure that we will be successful in negotiating new collective bargaining agreements, that such negotiations will not result in significant increases in the cost of labor, or that a breakdown in such negotiations will not result in the disruption of our operations. Although we have generally enjoyed good relations with both our unionized and non-unionized employees, if we are subject to labor actions, we may experience an adverse impact on our operating results.

Substantial defaults by our customers related to accounts receivable or the loss of significant customers could have a significant negative impact on our business, results of operations, financial condition or liquidity.

A significant portion of our working capital consists of accounts receivable from customers. If customers responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for products and services, or were to become unwilling or unable to make payments in a timely manner, our business, results of operations, financial condition or liquidity could be adversely affected. An economic or industry downturn could

adversely and materially affect the servicing of these accounts receivable, which could result in longer payment cycles, increased collection costs, and defaults in excess of management s expectations.

We rely on certain suppliers as a sole source of components for some of our products.

Our manufacturing processes for our products often consist of the assembly of purchased components that are generally available from a number of different suppliers, though several suppliers are our sole source of certain components. If a sole-source supplier should cease or otherwise be unable to deliver such components, our operating results could be adversely impacted. In addition, if our suppliers are unable to keep up with our demand for purchased components and we are unable to locate additional sources of supply, our operating results could be adversely impacted.

Our earnings and margins depend in part on subcontractor performance, as well as raw material and component availability and pricing.

Our businesses depend on suppliers and subcontractors for raw materials and components. At times subcontractors perform services that we provide to our customers. We depend on these subcontractors and vendors to meet their contractual obligations in full compliance with customer requirements. These supply networks can sometimes experience price fluctuations. Our ability to perform our obligations as a prime contractor may be adversely affected if one or more of these suppliers are unable to provide the agreed-upon supplies or perform the agreed-upon services in a timely and cost-effective manner. While we have attempted to mitigate the effects of increased costs through price increases, there are no assurances that higher prices can effectively be passed through to our customers or that we will be able to offset fully or on a timely basis the effects of higher raw materials costs through price increases.

Our business involves risks associated with complex manufacturing processes.

Our manufacturing processes depend on certain sophisticated and high-value equipment. Unexpected failures of this equipment may result in production delays, revenue loss, and significant repair costs. In addition, equipment failures could result in injuries to our employees. Moreover, the competitive nature of our businesses requires us to continuously implement process changes intended to achieve product improvements and manufacturing efficiencies. These process changes may at times result in production delays, quality concerns, and increased costs. Any disruption of operations at our facilities due to equipment failures or process interruptions could have a material adverse effect on our business.

The airline industry is heavily regulated, and if we fail to comply with applicable requirements, our results of operations could suffer.

Governmental agencies throughout the world, including the U.S. Federal Aviation Administration (FAA) and the European Aviation Safety Agency, prescribe standards and qualification requirements for aircraft components, including virtually all commercial airline and general aviation products. Specific regulations vary from country to country, although compliance with FAA requirements generally satisfies regulatory requirements in other countries. We include, with the products that we sell to our aircraft manufacturing customers, documentation certifying that each part complies with applicable regulatory requirements and meets applicable standards of airworthiness established by the FAA or the equivalent regulatory agencies in other countries. In order to sell our products, we and the products we manufacture must also be certified by our individual OEM customers. If any of the material authorizations or approvals qualifying us to supply our products is revoked or suspended, then the sale of the subject product would be prohibited by law, which would have an adverse effect on our business, financial condition, and results of operations.

From time to time, the FAA or equivalent regulatory agencies in other countries propose new regulations or changes to existing regulations, which are usually more stringent than existing regulations. If these proposed regulations are adopted and enacted, we may incur significant additional costs to achieve compliance, which could have a material adverse effect on our business, financial condition, and results of operations.

Our future success will depend, in part, on our ability to develop new technologies.

Virtually all of the products produced and sold by us are highly engineered and require sophisticated manufacturing and system-integration techniques and capabilities. The commercial and government markets in which we operate are characterized by rapidly changing technologies. The product and program needs of our government and commercial customers change and evolve regularly. Accordingly, our future performance depends in part on our ability to identify emerging technological trends, develop and manufacture competitive products, and bring those products to market quickly at cost-effective prices.

Potential product liability risks exist from the products that we sell.

Our businesses expose us to potential product liability risks that are inherent in the design, manufacture, and sale of our products and the products of third-party vendors that we use or resell. We currently maintain what we believe to be suitable and adequate product liability insurance. There can be no assurance, however, that we will be able to maintain our product liability insurance on acceptable terms or that our product liability insurance will provide adequate protection against potential liabilities. In the event of a claim against us, a lack of sufficient insurance coverage could have a material adverse effect on our business, financial condition, and results of operations. Moreover, even if we maintain adequate insurance, any successful claim could have a material adverse effect on our business, financial condition, results of operations, and on the ability to obtain suitable or adequate insurance.

Increasing costs of certain employee and retiree benefits could adversely affect our financial position, results of operations, or cash flows.

Our earnings may be positively or negatively impacted by the amount of income or expense we record for our pension and other postretirement benefit plans. U.S. GAAP requires that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions relating to financial market and other economic conditions. Changes in key economic indicators can change the assumptions. The most significant year-end assumptions used to estimate pension or other postretirement benefit expense for the following year are the discount rate, the expected long-term rate of return on plan assets, expected future medical cost inflation, and expected compensation increases. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity through a reduction or increase to other comprehensive income. For a discussion regarding how our financial statements can be affected by pension and other postretirement benefit plans accounting policies, see Management s Discussion and Analysis Critical Accounting Estimates and Policies Pension and Other Postretirement Benefits in Part II, Item 7. Although U.S. GAAP expense and pension or other postretirement contributions are not directly related, the key economic factors that affect U.S. GAAP expense would also likely affect the amount of cash the company would contribute to the pension or other postretirement plans. Potential pension contributions include both mandatory amounts required under federal law, Employee Retirement Income Security Act, and discretionary contributions to improve the plans funded status. An obligation to make contributions to pension plans could reduce the cash available for working capital and other corporate uses.

Our operating results and financial condition may be adversely impacted by the current worldwide economic conditions.

We currently generate significant operating cash flows, which combined with access to the credit markets provides us with significant discretionary funding capacity. However, financial markets in the United States, Europe, and Asia have been experiencing extreme disruption in recent years, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. While currently these conditions have not impaired our ability to operate our business, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies, which could impact consumer and customer demand for our products, as well as our ability to manage normal commercial relationships with our customers, suppliers, and creditors. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions, and the effects they will have on our business and financial condition.

Future terror attacks, war, natural disasters, or other events beyond our control could adversely impact our businesses.

Despite our concerted effort to minimize risk to our production capabilities and corporate information systems and to reduce the effect of unforeseen interruptions to us through business continuity planning and disaster recovery plans, terrorist attacks, war, natural disasters, such as hurricanes, floods, tornados, pandemic diseases, or other events such as

strikes by a significant customer s or supplier s workforce could adversely impact demand for or supply of our products and could also cause disruption to our facilities or systems which could also interrupt operational processes and adversely impact our ability to manufacture our products and provide services and support to our customers. We operate facilities in areas of the world that are exposed to

natural disasters, such as but not limited to hurricanes, floods, tornados, and pandemic diseases. For example, Hurricanes Ike and Gustav in 2008 caused disruption to the oil and gas market for our products and services. Similarly, the terrorist attacks of September 11, 2001 and subsequent terrorist attacks worldwide caused decreased demand in the commercial aerospace market for our products and commercial overhaul and repair services. Financial difficulties of our customers, delays by our customers in production of their products, high fuel prices, the concern of another major terrorist attack, and the overall decreased demand for our customers products could adversely affect our operating results and financial position.

Intrusion on our systems could damage our business.

We store sensitive data, including intellectual property, proprietary business information, and confidential employee information, in our servers and on our databases. Despite our implementation of firewalls, switchgear, and other network security measures, our servers, databases, and other systems may be vulnerable to computer hackers, physical or electronic break-ins, sabotage, computer viruses, worms and similar disruptions from unauthorized tampering with our computer systems. We will continue to review and enhance our computer systems to try to prevent unauthorized and unlawful intrusions, but in the future it is possible that we may not be able to prevent all intrusions and such intrusions could result in our network security or computer systems being compromised and possibly result in the misappropriation or corruption of sensitive information or cause disruptions in our services. We might be required to expend significant capital and resources to protect against, remediate or alleviate problems caused by such intrusions. Any such intrusion could cause us to be non-compliant with applicable laws or regulations, subject us to legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services, any of which could have a material adverse effect on our business, financial condition, and results of operations.

There are risks associated with owning our common stock.

Like any equity security, our common stock is subject to a number of risks that may adversely impact our share price including: there is a limited trading market in our common stock; we may not in the future be able to pay dividends on our common stock; we may issue common stock for acquisitions or other purposes that could be dilutive to current stockholders; and we have various anti-takeover defenses such as our rights plan and our ability to issue preferred stock that may discourage a potential acquirer.

Item 1B. ***Unresolved Staff Comments.***

None.

Item 2. ***Properties.***

Our corporate headquarters are located at a leased facility in Parsippany, New Jersey. As of December 31, 2011, we had 196 facilities worldwide. Approximately 65% of our facilities operate as manufacturing and engineering, metal treatment, or aerospace overhaul plants, while the remaining 35% operate as selling and administrative offices facilities. The number and type of facilities utilized by each of our reportable segments is summarized below:

Owned Facilities Location	**Flow Control**	**Motion Control**	**Metal Treatment**	**Total**
North America	14	2	18	34
Europe	1	1	11	13
Asia	1			1
Total	16	3	29	48

Leased Facilities Location	**Flow Control**	**Motion Control**	**Metal Treatment**	**Total**
North America	51	23	35	109
Europe	4	15	13	32
Asia	2	2	2	6
Total	57	40	50	147

Flow Control has principal manufacturing facilities located in Canada, New York, Pennsylvania, and Texas. Motion Control has principal manufacturing facilities located in California, Canada, Mexico, and North Carolina. Metal Treatment has principal manufacturing facilities located in England. The buildings on the properties referred to in this Item are well maintained, in good condition, and are suitable and adequate for the uses presently being made of them. Management believes the productive capacity of our properties is adequate to meet our anticipated volume for the foreseeable future.

Item 3. ***Legal Proceedings.***

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

We have been named in approximately 177 pending lawsuits that allege injury from exposure to asbestos. In addition, to date, we have secured dismissals with prejudice and without prejudice in approximately 163 and 220 lawsuits, respectively, and are currently in discussions for similar dismissal of several other lawsuits, and have not been found liable or paid any material sum of money in settlement in any case. We believe that the minimal use of asbestos in our past and current operations and the relatively non-friable condition of asbestos in our products makes it unlikely that we will face material liability in any asbestos litigation, whether individually or in the aggregate. We do maintain insurance coverage for these potential liabilities and we believe adequate coverage exists to cover any unanticipated asbestos liability.

Item 4. ***Mine and Safety Disclosures.***

Not applicable.

PART II

Item 5. ***Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

MARKET INFORMATION

Our common stock is listed and traded on the New York Stock Exchange under the symbol CW.

Stock Price Range	2011		2010	
Common Stock	High	Low	High	Low
First Quarter	$ 38.92	$ 32.34	$ 36.48	$ 28.32
Second Quarter	35.75	30.97	37.54	28.92
Third Quarter	33.15	25.67	31.49	26.11
Fourth Quarter	36.00	26.92	34.01	28.78

As of January 1, 2012, we had approximately 5,347 registered shareholders of our common stock, $1.00 par value.

DIVIDENDS

Our quarterly dividend payments were constant in 2011 and 2010.

Common Stock	2011	2010
First Quarter	$ 0.08	$ 0.08
Second Quarter	0.08	0.08
Third Quarter	0.08	0.08
Fourth Quarter	0.08	0.08

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information regarding our equity compensation plans as of December 31, 2011, the end of our most recently completed fiscal year:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	4,917,164(a)	$31.83	1,964,048(b)
Equity compensation plans not approved by security holders	None	Not applicable	Not applicable

(a) Consists of 4,700,632 shares issuable upon exercise of outstanding options and vesting of performance shares, restricted shares, and restricted stock units under the 2005 Long-Term Incentive Plan, 142,515 shares issuable under the Employee Stock Purchase Plan, and 74,017 shares outstanding under the 2005 Stock Plan for Non- Employee Directors.

(b) Consists of 505,010 shares available for future option grants under the 2005 Long-Term Incentive Plan, 1,424,322 shares remaining available for issuance under the Employee Stock Purchase Plan, and 34,716 shares remaining available for

issuance under the 2005 Stock Plan for Non-Employee Directors.

Issuer Purchases of Equity Securities

The following table provides information about our repurchases of equity securities that are registered by us pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the quarter ended December 31, 2011.

	Total Number of shares purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Number of Shares that may yet be Purchased Under the Program
November 1 November 30	231,800	$ 31.15	231,800	3,458,200
December 1 December 31	29,203	32.75	261,003	3,428,997
For the quarter ended	261,003	$ 31.33	261,003	3,428,997

We repurchase shares under a program announced on September 28, 2011, which authorizes the Corporation to repurchase up to 3,000,000 shares of our common stock, in addition to approximately 690,000 shares remaining under a previously authorized share repurchase program, and is subject to a $100 million repurchase limitation. Under the current program, shares may be purchased on the open market, in privately negotiated transactions and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended.

The following performance graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any of our other filings under the Securities Act or the Securities Exchange Act of 1934, except to the extent we specifically incorporate this information by reference therein.

PERFORMANCE GRAPH

The following graph compares the annual change in the cumulative total return on our Company s Common Stock during the last five fiscal years with the annual change in the cumulative total return of the Russell 2000 Index, the S&P SmallCap 600 Index, and the S&P 500 Aerospace & Defense Index. The graph assumes an investment of $100 on December 31, 2006 and the reinvestment of all dividends paid during the following five fiscal years.

Company / Index	2006	2007	2008	2009	2010	2011
Curtiss-Wright Corp	**100**	136.17	91.35	86.59	92.73	99.68
S&P SmallCap 600 Index	**100**	99.70	68.72	86.29	109.00	110.10
Russell 2000	**100**	98.43	65.18	82.89	105.14	100.75
S&P 500 Aerospace & Defense	**100**	119.32	75.72	94.38	108.64	114.37

Item 6. ***Selected Financial Data.***

The following table presents our selected financial data, which is derived from the audited financial statements. The table should be read in conjunction with Item 7, *Management s Discussion and Analysis of Financial Condition and Results of Operations*, and Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

Five-Year Financial Highlights

CONSOLIDATED SELECTED FINANCIAL DATA

	2011	2010	2009	2008	2007
	(In thousands, except per share data)				
Net sales	$ 2,054,130	$ 1,893,134	$ 1,809,690	$ 1,830,140	$ 1,592,124
Net earnings	130,423	106,598	95,221	109,390	104,328
Total assets	2,652,837	2,242,018	2,142,041	2,042,030	1,985,560
Total debt	586,430	396,644	465,093	516,709	511,904
Basic earnings per share	$ 2.81	$ 2.33	$ 2.10	$ 2.45	$ 2.35
Diluted earnings per share	$ 2.77	$ 2.30	$ 2.08	$ 2.41	$ 2.32
Cash dividends per share	$ 0.32	$ 0.32	$ 0.32	$ 0.32	$ 0.28

See notes to the consolidated financial statements for additional financial information.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations.***

Analytical Definitions

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

Company Organization

Our Management s Discussion and Analysis of Financial Condition and Results of Operations begins with an overview of our company, followed by economic and industry-wide factors impacting our company and the markets we serve, a discussion of the overall results of operations, and finally a more detailed discussion of those results within each of our reportable operating segments.

We manage and evaluate our operations based on the products and services we offer and the different industries and markets we serve. Based on this approach, we have three reportable segments: Flow Control, Motion Control, and Metal Treatment. For further information on our products and services and the major markets served by our three segments, refer to the Business Description in Part I, Item I of this Annual Report on Form 10-K. The following charts represent our sales by market for 2011 and 2010:

Market Analysis and Economic Factors

In 2011, Curtiss-Wright produced solid sales and stronger profitability driven by robust demand for our unique and highly engineered products and services across most of our end markets. We have a diversified product portfolio, and our three reportable segments are solidly positioned in our core markets: defense, power generation, oil and gas, commercial aerospace, and general industrial. Furthermore, our technologies are relied

upon to provide increased safety, reliability, and performance in the most demanding environments, serving numerous customers across a multitude of industries.

Modest overall defense sales growth of 4% was driven by increased demand for our technologies across several of the defense markets. In particular, we experienced 11% growth in our aerospace defense market, led by a strong surge in sales to various helicopters programs, most notably for the Black Hawk, as well as improved demand on various fighter aircraft programs. Elsewhere, sales to the naval defense market were mixed, dropping 1% overall, as the ramp-up in production on the Virginia class submarine program and CVN-79 Ford class aircraft carrier, along with the shift to full production on the Advanced Arresting Gear program, were not enough to offset the winding down in production-related sales on the CVN-78 aircraft carrier and the Electro-Mechanical Aircraft Launch System program. Sales to the ground defense market declined 3% due to continued reductions in reset and modernization opportunities on various ground vehicles, primarily due to reduced spending on the Bradley Fighting Vehicle, as well as the winding down on the Future Combat Systems (FCS) program. Sales to the international ground defense market were strong, led by increased demand for our turret drive stabilization systems. Across our defense businesses, we saw increased demand for our embedded computing technologies on new domestic programs and upgrades, which is in line with the U.S. Government s continued focus on expanding ISR and unmanned applications, as well as a steady rise in sales to foreign military platforms.

Following a period of significant growth in the overall defense budget and related supplemental budgets seen in the previous decade, future defense spending is expected to moderate and eventually flatten out in the coming years, as several large development programs have been delayed or cancelled, and the current Administration looks to decrease troops stationed abroad.

Our commercial markets increased 12% in 2011, driven by solid organic sales in our commercial aerospace and power generation markets, along with general improvements to global economies which benefited our general industrial market. In particular, we experienced a strong increase of 30% in our commercial aerospace market due to increased production by both Boeing and Airbus, while our general industrial market, grew 17% over the prior year, led by strong sales to the automotive, transportation, and HVAC industries. Meanwhile, we experienced some weakness in our oil and gas markets, which declined 4% due to customer delays and reduced capital spending on larger projects, primarily from international customers, despite marked improvement in maintenance, repair, and overhaul (MRO) and super vessels sales.

Economic Factors Impacting Our Markets

Looking forward, we believe that most industries within our commercial markets will likely experience solid improvements as global economies continue to improve off of the recent lows, and our unique and highly engineered products and services, which are typically provided through long-term programs, will continue to generate demand. We expect the commercial aerospace market to increase in the near-term as ongoing demand for new aircraft deliveries drives production increases and the global economic recovery stimulates the travel and transportation industries. In addition, we expect continued growth in our power generation market, due to ongoing maintenance and upgrade requirements on operating nuclear plants, a renewed interest in products to aid safety and extend the reliability of existing reactors, and the continued emphasis on global nuclear power construction. We also expect a rebound in our oil and gas market, led by improved MRO activity as world economies continue to strengthen. We believe our performance in the energy markets will be aided by the ongoing focus on resource independence and environmental issues. U.S. defense spending levels are expected to slow considerably over the next few years with a repositioning of the U.S. defense budget, while higher costs for labor will likely reduce funding available for certain development and production programs.

General Economy

Many of our U.S industrial businesses are driven in large part by global economic growth. As the world economies continue to recover from the 2008-2009 global recession, as well as the aftermath of the earthquake and tsunami that struck Japan early in 2011, the pace of recovery has been slow compared to past recessions. In 2011, the U.S. economy, as measured by real gross domestic product (GDP), showed modest, sequential improvements throughout the year resulting in annual GDP growth of 1.7% according to the most recent estimate, compared with a 3% annual increase in 2010. Despite a slow start to the year, improvements in GDP reflected the ongoing turnaround from the previous global economic recession. Full year 2011 industrial

production improved 4.1% based on the most current estimates, building on the 5.3% gain in 2010. Through December 2011, industrial production figures posted ten consecutive quarterly gains, a positive sign for several of the markets in which we participate. Additionally, capacity utilization in 2011 reached the highest level in three years. Other general sectors of the economy such as: unemployment levels, real estate markets, and growth in household income, remain weak.

In 2012, the broader U.S. economy is expected to continue to recover, with world economies showing improvements off of recessionary lows. Current estimates for U.S. GDP growth range from 1.8% to 2.1%. However, world economies are likely to experience continued volatility due to the impact of Europe s debt crisis and possible contagion effects that could undermine economic growth in Europe and the rest of the world. Overall, we remain cautiously optimistic that our commercial and industrial markets will continue to improve in 2012.

Defense

During 2011, approximately 40% of our business was attributed to the defense sector, predominantly in the United States, and characterized by long-term programs and contracts driven primarily by the DoD budgets and funding levels.

We have a well-diversified portfolio of products and services that supply all branches of the U.S. military, with content on many high performance defense platforms including: aircraft carriers, submarines, destroyers, and the F-18 Super Hornet for the U.S. Navy; the U.S. Coast Guard Deepwater program; the F-35 JSF, P-8 Poseidon, F-16 Falcon, V-22 Osprey, and Unmanned Aerial Vehicle programs, such as the Global Hawk, for the U.S. Air Force; and the UH-60 Black Hawk, AH-64 Apache and CH-47 Chinook helicopters, the Abrams Tank, the Bradley Fighting Vehicle, and the Stryker for the U.S. Army. In addition, we are involved in many of the future military systems that are currently in development, such as the U.S Army s Ground Combat Vehicle, the U.S. Navy s BAMS variant of the Global Hawk platform and the Navy s next-generation Ohio Class replacement submarine program. We also provide a variety of products to non-U.S. military programs in Europe, the Asia Pacific region, the Middle East, South America, and Canada.

The U.S. Defense budget serves as a leading indicator of our defense market, and its future outlook has been marked with some uncertainty. In 2010 and 2011, U.S. defense spending levels, as measured by the DoD funding, began to slow after years of strong growth. However, increased C4ISR funding in 2011 was one of the key positives as it relates to our business, as our embedded computing products and electronics systems benefited from the increased focus and are expected to continue to receive solid funding in future years.

Fiscal year 2011 served as an active year for defense budget analysis, particularly in the fall of 2011 when the Congressional Super Committee, created from the Budget Control Act of 2011, failed to agree on necessary budget cuts and created further uncertainty within the DoD budgetary environment. The 12-member Super Committee failed to identify $1.2 trillion of savings in order to further reduce the country s mounting deficit. The inability to reach a deal and produce additional savings means that sequestration, or automatic cuts of $1.2 trillion over 10 years, could take effect beginning in January 2013. As a result, the U.S. Defense budget is subject to additional cuts of $500 billion over the next 10 years.

Rather than operate under a continuing resolution for all of government fiscal year 2012, Congress passed a $1 trillion Omnibus spending bill in mid-December 2011 to fund the U.S. Government for the remainder of fiscal year 2012. The Omnibus package includes a $531 billion base budget (a slight increase compared to the base fiscal year 2011 budget) and $115 billion of wartime or Overseas Contingency Operations (OCO) funding, both lower than the President s request. Both figures are in-line with Defense Secretary Panetta s guidance to deliver approximately $487 billion in cuts over 10 years, which is relative to the previous (fiscal year 2012) Future Years Defense Plan (FYDP). OCO funding was lower, as a result of scaled down operations and reduced need for troops in Iraq and Afghanistan.

On January 5, 2012, President Obama and Defense Secretary Leon Panetta provided strategic guidance to serve as a precursor to the 2013 FYDP. The new strategic guidance is consistent with the Defense Cap scenario of the Budget Control Act, which implies positive nominal growth in the base budget. It does not include sequestration cuts that were triggered by the failure of the super committee (scheduled to go into effect in January 2013). Two areas in which we participate C4ISR and unmanned systems are likely to receive increased funding in the coming future years plan.

The release of the initial fiscal year 2013 DoD Budget Request will play a key role in shaping future military budgets, as it indicated a smaller and leaner structure moving forward, consistent with the President s strategy. The Pentagon is requesting $525 billion for its base budget in fiscal year 2013, a $6 billion reduction from the prior year request, including a reduction of $88 billion in OCO funding. The outcome pointed to a reduction in certain underperforming military programs while slowing down production of others, as well as substantial force size reductions over the next five years. Some of the reductions and cancellations will impact programs in which we participate, although we do expect to benefit from the increased focus on new ISR, electronic warfare, and communications capabilities.

In naval defense, the fiscal year 2012 budget indicates continued support and funding for the U.S. Navy s shipbuilding program, and includes construction of two Virginia class submarines in fiscal year 2012, as well as funding for the restart of the DDG 51 class destroyer construction program. While the fiscal year 2012 budget includes continued development of the Ohio Class SSBN submarine replacement program (ORP), the launch date was pushed out by two years to 2021 in the DoD Budget Request. The ORP program received $672 million of Research and Development (R&D) funding in fiscal year 2011 and has requested more than $1 billion in fiscal year 2012. The U.S. Navy is expected to procure 11 new ships in fiscal year 2012 and 56 ships through fiscal year 2016. In addition to the increase in production from one to two Virginia class submarines per year starting in fiscal year 2011, as part of an eight submarine multi-year contract, work on the new CVN-79 Ford class aircraft carrier is expected to ramp up significantly as part of the 5-year build cycle on aircraft carriers. Overall, the fiscal year 2012 budget includes increased funding for the U.S. Navy shipbuilding program, with plans to balance capability, affordability, and industrial base stability.

In aerospace defense, production-related funding is expected to be positive on programs such as the F-35, Global Hawk, and P-8, as well as modest demand for helicopters and other ISR applications. However, we expect our performance in this market to be impacted by reduced year-over-year funding levels and program restructuring, particularly on the F-35, as well as the winding down of development for the Air Force s Global Hawk program and lower volumes on the F-16.

In ground defense, new production orders and resets on the Bradley Fighting Vehicle slowed as U.S. military ground forces shifted from Iraq to Afghanistan, lessening the need for an equivalent complement of wheeled vehicles given the mountainous terrain. While we anticipate ground vehicle upgrades and modernization programs will continue to be funded, the timing is uncertain following years of rapid growth from the supplemental defense budgets and the impending draw down of our forces from overseas operations. We anticipate future spending will include technology upgrades on current platforms, such as the Abrams, Bradley, and Stryker, programs, as well as the development of newer manned and unmanned platforms.

As the core defense budget is expected to moderate and eventually flatten over the next few years, reductions in supplemental spending, as well as the trimming of procurement and investment accounts, could negatively impact overall demand for some of our technologies. In the near-term, however, the global war on terror, emerging security challenges around the globe, and the need to replace worn-out equipment may provide some modest opportunities for our defense oriented products. Additionally, as is typical in an election year, the 2012 Presidential election is unlikely to result in near-term funding and force structure changes. While DoD funding fluctuates year-by-year and program-by-program, the primary risk facing Curtiss-Wright would be the termination of a Navy nuclear program, such as the aircraft carrier or submarine, which for the moment does not appear to be under consideration. Although we monitor the budget process as it relates to programs in which we participate, we cannot predict the ultimate impact of future DoD budgets.

Commercial Aerospace

Approximately 15% of our revenue is derived from the global commercial aerospace market. Our primary focus in this market is OEM products and services for commercial jets. We are expanding into the regional and business jet sectors with new content on the Cessna, Embraer, and Learjet platforms, and are providing increasing content to

commercial helicopters. Our Motion Control segment primarily provides flight control and utility actuation systems, sensors, and other electronics to Boeing as well as electronic products to Airbus. The Metal Treatment segment uses shot peen forming on the majority of Airbus aircraft wing skins; and laser peen forming on certain wing skins of the Boeing 747-8. Shot and Laser Peening are also utilized on highly stressed components of turbine engines, landing gear, and aircraft structures. Demand for our commercial aerospace products and services is primarily driven by increased customer production levels, including new platforms for

both Boeing and Airbus, increased demand for Sikorsky helicopters, and our successful introduction of new products for existing programs.

The largest driver of the commercial aerospace business is OEM parts, which is highly dependent on new aircraft production. Industry data supports a modest increase in commercial aircraft deliveries over the next few years, as 2011 marked the first year in a multi-year production up-cycle for the commercial aerospace market. Over the next few years, OEM-oriented companies are expected to perform well, due to planned increases in production by Boeing and Airbus, on both legacy and new aircraft. As such, after a solid performance in 2011, the commercial aerospace business is expected to continue its strong growth in 2012. Industry experts also expect a solid outlook for both regional and business jets.

Oil and Gas

Approximately 12% of our revenue is derived from the oil and gas market. We provide critical-function valves, process vessels, and control electronics to this market through our Flow Control segment as well as various metal treatment services on highly stressed metal components through our Metal Treatment segment. Our significant portfolio of advanced technologies for this market includes integrated systems technologies developed for secondary refining processes such as delayed coking, catalytic cracking, and hydrotreating, as well as a large portfolio of safety-related valve and pressure protection technologies and digital process control electronics, which provide protection throughout the entire refinery, as well as in petrochemical and other processing plants. In 2011, we expanded our offering in this market through the development of a state-of-the-art manufacturing facility to build large, thick-walled super vessels such as coke drums, fractionators, fluid catalytic cracking units, and hydrotreaters for the refining, chemical, and nuclear power industries.

The most prevalent driver impacting this market is capital spending by refiners for maintenance, upgrades, capacity expansion, safety improvements, and compliance with environmental regulations, which is experienced by both our domestic and international customers. Refiner profitability and global crude oil prices in general will impact their capital spending levels. In 2011, the oil and gas market continued to be hampered by a reduction in new capital equipment orders due to a lack of capital spending, despite a rebound in MRO activity. Crude oil prices (based on West Texas Intermediate) increased approximately 20% in 2011, due to ongoing volatility, lingering concerns stemming from Libya, and uncertainty regarding Europe s debt crisis. Prices are forecasted to continue to grow in 2012, albeit at a much slower pace, according to the Energy Information Administration (EIA), as world economies recover and demand continues to outpace supply. Meanwhile, despite somewhat improved refinery margins in 2011 compared to the prior year, the significant downward trend experienced over the past 6 months along with continued tight crack spreads (the spread between light and heavy crude) have led to modest uncertainty for future refinery margins for 2012. Furthermore, lower U.S. crude oil production in 2011 led to weaker capital expenditures for downstream refining, the key segment of the oil and gas market in which we participate, driving further market uncertainty for 2012.

Looking ahead, we believe a base level of maintenance capital spending will result in continued demand for our products, in particular for our pressure-relief valve technologies and field services, as refineries opportunistically service or upgrade equipment which has been operating at full capacity in recent years. We also expect solid sales related to our recently introduced super vessels, building on solid new order activity from the latter half of 2011. As global demand begins to rebound, we anticipate increased sales of our complete coker deheading system, which includes top and bottom unheading valves, isolation valves, cutting tools, and valve automation, process control, and protection systems, which enables safer coke drum operation during the refining process. Additionally, global environmental concerns will drive incremental spending to comply with more stringent emissions standards. Longer term, as global dependence on natural resources persists, oil exploration deepens, and transport requirements widen, we anticipate additional opportunities will arise for Flow Control products. We continue to take a long-term view that energy and energy production, transmission, and consumption will provide a foundation of economic strength.

Power Generation

Approximately 19% of our revenue is derived from the commercial nuclear power generation market, where we supply a variety of highly engineered products and services, including reactor coolant pumps, control rod drive mechanisms, valves, motors, spent fuel management, containment doors, bolting solutions, and enterprise resource planning and plant process controls through our Flow Control segment. We are one of a

small number of companies that provides N-stamp quality assurance certification necessary for supplying nuclear plant equipment. Many of the companies that originally participated in the nuclear power plant construction market years ago have since exited this market. We provide diagnostic equipment, consulting, inspection, and testing services that support plant life extensions and power uprates on all of the 104 operating reactors in the U.S., as well as operating reactors located throughout the world.

According to the NRC, nuclear power comprises approximately 20% of all the electric power produced in the United States, with 104 reactors operating across 65 nuclear power plants in 31 states. Our strong growth in recent years is a result of the U.S. plant recertification process. Nearly all of the operating U.S. nuclear power plants have applied for or will be applying for plant life extensions as they reach the end of their current 40-year operating lives. As of December 31, 2011, 71 reactors have received plant life extensions, applications from 15 additional reactors have been submitted and are pending approval, and letters of intent to apply have been submitted from 17 more reactors with expected application submittal dates from 2012 through 2017.

Additionally, as assessments and analysis from the events at Fukushima drive safety and reliability improvements, we expect to see increased opportunities worldwide for our vast portfolio of advanced nuclear technologies that are specifically designed to enhance plant safety, fire safety, seismic design and controls, spent fuel storage, backup site power, and also comply with other regulatory requirements on existing plants.

In addition to plant recertifications, there are several emerging factors that could precipitate an expansion in global commercial nuclear power demand over the next several years. The Energy Information Administration forecasts that worldwide total energy consumption is expected to grow by 53% between 2008 and 2035, increasing at an average annual rate of 1.6%. Continued growth in global demand for electricity, especially in developing countries with limited supply such as China and India, will require increased capacity. In addition, the continued supply constraints and environmental concerns attributed to the current dependence on fossil fuels have led to a reassessment of the value of nuclear technology as the most efficient and environmentally friendly source of energy available today. As a result, we expect growth opportunities in this market both domestically and internationally, although the timing of orders remains uncertain.

Domestically, applications for 28 new reactors at 19 power plants have been submitted to the NRC. Thus far, the Westinghouse AP1000 reactor design, for which we are the sole supplier of reactor coolant pumps, has been selected for 14 of the potential new reactors. Our Flow Control segment has significant content on the AP1000 reactor, the only Generation III+ advanced design certified by the NRC.

Internationally, new nuclear plant construction is active. Currently there are approximately 63 new reactors under construction in 15 countries, 156 more planned, and another 343 proposed. In particular, China intends to expand its nuclear power capabilities significantly through the construction of new nuclear power plants over the next several years. Looking ahead, worldwide nuclear energy consumption is expected to grow at an average annual rate of 2.4% through 2035, according to the EIA, including more than 10% annual growth in China and India.

As a result, we expect to see continued solid new order activity and increased sales for our vast array of nuclear technologies supporting our operating and new build nuclear power generation businesses.

General Industrial

Approximately 14% of our revenue is derived from the general industrial market, which consists primarily of metal treatment services, analytical services, industrial sensors, and motor and machine control systems for OEMs and industrial customers, including the HVAC, automotive, construction, transportation, entertainment, and medical industries. Our performance in this market is typically sensitive to the performance of the U.S. and global economies.

For 2011, we experienced a broad increase in our general industrial market, as we benefited from the early stages of a global economic recovery, particularly in the U.S. This demand was primarily related to improved performance in sensors, and controls systems, metal treatment services, and commercial HVAC products. In particular, we had strong sales in our automotive market to both domestic and international customers, due to the increase in global auto production. Looking ahead, based on expectations for improved global economic conditions in 2012, the general industrial market is likely to experience modest growth based on higher volumes across several industries in which we participate.

Results of Operations

	Year Ended December 31,			Percent changes	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	(In thousands, except percentages)				
Sales:					
Flow Control	$ 1,060,774	$ 1,024,828	$ 985,172	4 %	4 %
Motion Control	710,037	647,031	621,038	10 %	4 %
Metal Treatment	283,319	221,275	203,480	28 %	9 %
Total sales	$ 2,054,130	$ 1,893,134	$ 1,809,690	9 %	5 %
Operating income:					
Flow Control	$ 103,421	$ 104,391	$ 92,721	(1 %)	13 %
Motion Control	81,009	80,410	80,949	1 %	(1 %)
Metal Treatment	43,992	25,842	19,891	70 %	30 %
Corporate and eliminations	(23,466)	(30,820)	(24,242)	(24 %)	27 %
Total operating income	$ 204,956	$ 179,823	$ 169,319	14 %	6 %
Interest expense	(20,834)	(22,107)	(25,066)	(6 %)	(12 %)
Other income, net	867	579	1,006	50 %	(42 %)
Earnings before income taxes	184,989	158,295	145,259	17 %	9 %
Provision for income taxes	(54,566)	(51,697)	(50,038)	6 %	3 %
Net earnings	$ 130,423	$ 106,598	$ 95,221	22 %	12 %
New orders	$ 2,065,997	$ 1,918,536	$ 1,730,477		
Backlog	$ 1,695,419	$ 1,669,964	$ 1,626,895		

Sales

Sales increased $161 million, or 9%, in 2011, as compared with 2010, and $83 million, or 5%, in 2010, as compared with 2009. The increase in sales in 2011 primarily reflects higher volume in all segments, with the largest percent increase occurring in the Metal Treatment segment. The increase in sales in 2010 is due to higher organic sales in our

Flow Control and Metal Treatment segments as well as higher incremental sales in our Motion Control segment. The first table below further depicts our sales by market, while the second table depicts the components of our sales and operating income growth.

	Year Ended December 31,			Percent changes	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	(In thousands, except percentages)				
Defense markets:					
Aerospace	$ 305,430	$ 274,861	$ 241,874	11 %	14 %
Ground	119,675	123,998	172,288	(3 %)	(28 %)
Naval	362,828	365,012	319,282	(1 %)	14 %
Other	32,305	25,901	26,305	25 %	(2 %)
Total Defense	$ 820,238	$ 789,772	$ 759,749	4 %	4 %
Commercial markets:					
Aerospace	$ 314,580	$ 242,610	$ 224,404	30 %	8 %
Oil and Gas	249,494	259,450	270,619	(4 %)	(4 %)
Power Generation	383,364	356,560	347,745	8 %	3 %
General Industrial	286,454	244,742	207,173	17 %	18 %
Total Commercial	$ 1,233,892	$ 1,103,362	$ 1,049,941	12 %	5 %
Total Curtiss-Wright	$ 2,054,130	$ 1,893,134	$ 1,809,690	9 %	5 %

Components of sales and operating income growth (decrease):

	2011 vs. 2010		2010 vs. 2009	
	Sales	Operating Income	Sales	Operating Income
Organic	4 %	17 %	3 %	12 %
Acquisitions/divestitures	4 %	(1 %)	2 %	0 %
Foreign currency	1 %	(2 %)	0 %	(6 %)
Total	9 %	14 %	5 %	6 %

Year ended December 31, 2011 compared to year ended December 31, 2010

Sales

Commercial sales increased $131 million, or 12%, as compared to the prior year period, primarily due to increased sales across most of our major markets. The higher sales in the commercial aerospace, general industrial, and power generation markets were primarily due to increased demand for our metal treatment services, increased sales of flight controls on Boeing aircraft as well as our Douglas acquisition, and higher sales in support of AP1000 and other operating reactor projects. The increases were partially offset by a decline in the oil and gas market, primarily due to the timing of new orders for international capital projects.

Defense sales increased $30 million, or 4%, as compared to the prior year period, primarily due to higher sales in the aerospace defense market. Sales in the aerospace defense market improved due to increases on the V-22 Osprey program and higher sales of our embedded computing and sensing products on the Blackhawk, offset by expected decreases on the F-22. The slight decrease in sales in the ground defense market is due to lower sales on the Bradley program somewhat offset by higher sales of turret drive servo systems and ammunition handling systems to international customers. The slight decrease in sales in the naval defense market is primarily due to declines in production cycles on certain aircraft carrier programs, particularly the CVN-78 and the Electromagnetic Aircraft Launching System. These decreases were somewhat offset by increased production on the Virginia class submarine.

Operating income

Operating income increased $25 million, or 14%, as compared to the prior year period, primarily due to higher sales volume in our Metal Treatment segment resulting in improved absorption of overhead costs, as well as contributions from our 2011 acquisitions of BASF Surface Technologies and IMR Test Labs. This increase was partially offset by lower operating income and operating margins in our Flow Control segment, largely driven by a decline in international capital projects in our oil and gas business. In our Motion Control segment, higher sales volume of our sensors and controls products and ammunition handling systems contributed to improved operating income, somewhat offset by the negative impacts of unfavorable foreign currency translation as well as purchase accounting and transaction costs of our ACRA acquisition.

Non-segment operating expense

The decrease in non-segment operating expense in 2011 of $7 million, as compared to the prior year period, is primarily due to anticipated lower legal and medical expenses in the current year period.

Interest expense

Interest expense decreased $1 million in 2011, as compared to the prior year period, primarily due to lower average debt levels and interest rates for the period. In December 2011, we completed a $300 million private placement offering, which was used, in part, to pay down our revolving credit facility. The December 2011 private placement offering, less the pay down of the revolving credit facility, increased our outstanding debt levels as of December 31, 2011. However, our debt levels were lower through most of 2011 than the prior year.

Effective tax rate

Our effective tax rates for 2011 and 2010, were 29.5%, and 32.7%, respectively. The decrease in the effective tax rate in 2011, as compared to 2010, is primarily due to a $4.1 million research and development tax

credit recognized in the current year that did not occur in the prior year. For further information on the changes in effective tax rates, see Note 11 to the Consolidated Financial Statements.

Net earnings

Net earnings increased $24 million in 2011, as compared to the prior year period, primarily due to the higher operating income, lower interest expense, and lower effective tax rates discussed above.

Backlog and new orders

Backlog increased 2% to $1,695 million at December 31, 2011 from $1,670 million at December 31, 2010. New orders increased $147 million in 2011 as compared to the prior year period, primarily due to an increase in new orders in the power generation market that support existing nuclear operating reactors, increased demand in the oil and gas market for MRO projects, strong demand in the commercial aerospace market due to production rate increases by the OEM s, and increased orders in the naval defense market for the CVN-79 program. Acquisitions contributed incremental new orders of $92 million to the current year.

Year ended December 31, 2010 compared to year ended December 31, 2009

Sales

Commercial sales increased $53 million or 5%, as compared to the prior year period, primarily due to increased sales in our commercial aerospace and general industrial markets. Sales in our commercial aerospace market increased due to increased demand for our sensors and controls products used on various commercial aircraft as well as the ramp-up of production on the Boeing 787 program. In addition, sales increased in our general industrial market for our industrial control and embedded computing products as well as our shot peening, heating treating, and coating services, respectively.

Defense sales increased $30 million or 4%, as compared to the prior year period, primarily due to higher sales in the aerospace and naval markets. The improvements were driven by increased sales supporting ISR applications, including the Global Hawk Unmanned Aerial Vehicle and various helicopter programs, as well as the Virginia class submarine program. The increased sales were largely offset by declines in the ground defense market, due to lower sales of embedded computing products for tanks and light armored vehicles, such as the Stryker and Bradley Fighting Vehicles, as well as lower sales due to the cancellation of the FCS program.

Operating income

Operating income increased $11 million or 6%, as compared to the prior year period, primarily due to improvements in our Flow Control and Metal Treatment segment. The improvement in our Flow Control and Metal Treatment segments were driven by both improved absorption on increased sales volumes and benefits generated from our cost reduction and restructuring programs.

Non-segment operating expense

Non-segment operating expense increased $7 million in 2010, as compared to the prior year period, primarily due to higher medical and pension expenses.

Interest expense

Interest expense decreased $3 million in 2010, as compared to the prior year period, primarily due to a reduction in our average outstanding debt, which decreased 11%, mainly due to making additional payments on our revolver.

Effective tax rate

Our effective tax rates for 2010 and 2009 were 32.7%, and 34.4%, respectively. The lower effective tax rate in 2010, as compared to 2009, is primarily due to foreign tax credits that were generated by a repatriation

of cash from certain foreign locations in 2010. For further information on the changes in effective tax rates, see Note 11 to the Consolidated Financial Statements.

Net earnings

Net earnings increased $11 million in 2010, as compared to the prior year period, primarily due to higher operating income, lower interest expense, and lower effective tax rates discussed above.

Backlog and new orders

Backlog increased 3% to $1,670 million at December 31, 2010 from $1,627 million at December 31, 2009. New orders increased $188 million in 2010, as compared to the prior year period. The increase is attributable to a large number of orders, distributed across our ground defense, aerospace defense, commercial aerospace, and oil and gas markets, partially offset by the timing of new orders on long-term naval defense contracts. In 2010, acquisitions contributed incremental new orders of $34 million.

RESULTS BY BUSINESS SEGMENT

Flow Control

	Year Ended December 31,			Percent Changes	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	(In thousands, except percentages)				
Sales	$ 1,060,774	$ 1,024,828	$ 985,172	4 %	4 %
Operating income	103,421	104,391	92,721	(1 %)	13 %
Operating margin	9.7 %	10.2 %	9.4 %	(50)bps	80 bps
New orders	$ 1,072,969	$ 987,544	$ 979,755	9 %	1 %
Backlog	$ 1,154,147	$ 1,148,712	$ 1,182,184	0 %	(3 %)

Components of sales and operating income growth (decrease):

	2011 vs. 2010		2010 vs. 2009	
	Sales	Operating Income	Sales	Operating Income
Organic	1 %	0 %	4 %	15 %
Acquisitions/divestitures	3 %	(1 %)	0 %	0 %
Foreign currency	0 %	0 %	0 %	(2 %)
Total	4 %	(1 %)	4 %	13 %

Year ended December 31, 2011 compared to year ended December 31, 2010

Sales

Sales increased $36 million, or 4%, year-over-year, due to the incremental contributions from acquisitions as well as increased sales in the power generation, commercial aerospace, and general industrial markets. The increased sales in the power generation market was due to progress on the AP1000 domestic and China reactor projects as well as increased product demand on domestic operating reactors. In addition, higher sales of our commercial heating, ventilation, and air conditioning products contributed to the increase in our general industrial market. Our acquisition of Douglas, which expands our presence in the commercial aerospace market, contributed $22 million of sales to this market in 2011. These increases were partially offset by a decline in the oil and gas market due to delays in international spending on capital projects.

Sales in the defense market decreased slightly due to declines in production cycles on certain aircraft carrier programs, particularly the CVN-78 and the Electromagnetic Aircraft Launching System. These decreases were somewhat offset by increased production cycles on the Virginia class submarine, Advanced Arresting Gear, and CVN-79 aircraft carrier programs.

Operating income

Operating income decreased $1 million, or 50 basis points, compared to the prior year. The decrease was mainly due to under absorption of fixed overhead costs in our oil and gas division, primarily the result of delays in new capital projects with international customers as well as start-up costs relative to our super vessel business. In addition, we had certain changes to our cost estimates on long-term contracts, which had an overall minimal effect on 2011 results. Included within these changes were net additional investments of $10 million to address a localized heating issue in the reactor coolant pump (RCP) that we are supplying for the Westinghouse AP1000 nuclear power plants in China. The net impact of the additional investments in the RCPs was offset by cost decreases on other long-term contracts; particularly for certain U.S. Naval and Aircraft carrier programs, as progressive improvements in production resulted in realized cost decreases. As the revenue related to long-term contracts is recorded on the percentage-of-completion method, the cumulative effect of changes to estimated total contract costs were recognized in the current year. In our other major markets, particularly nuclear power, operating income improved primarily due to higher sales volume and our cost containment efforts.

Backlog and new orders

Backlog was essentially flat as compared to the prior year period. New orders increased $85 million, as compared to the prior year period, primarily due to higher orders in the power generation market that support existing nuclear operating reactors as well as increased demand in the oil and gas market for MRO projects. Acquisitions contributed $35 million of incremental new orders to the current period.

Year ended December 31, 2010 compared to year ended December 31, 2009

Sales

Sales increased $40 million, or 4%, year-over year, largely due to increased sales in the defense, power generation, and general industrial markets, partially offset by a decrease in the oil and gas market.

The increase in sales in our defense markets was driven by increases in production on the Virginia class submarine programs due to the advanced procurement for the ramp up in production from one to two submarines per year. In addition, we had increases in production on the CVN-79 Ford class aircraft carrier programs, in particular pumps and generators, as well as increased sales of our helicopter handling systems. These increases in naval defense were partially offset by lower sales on the CVN-78 Ford class aircraft carrier program, as our efforts shift toward the CVN-79, and a reduction in production on the DDG1000 destroyer program as we completed the third and final ship in the fourth quarter of 2010.

Our commercial markets were relatively flat from the prior year period, as growth in our power generation and general industrial markets were offset by declines in the oil and gas market. In our power generation market, we continued to experience increased demand for upgrades and plant maintenance on domestic nuclear reactors as well as increases in our domestic sales of our next-generation reactor coolant pumps for the AP1000 nuclear reactors; however, these increases were largely offset by lower AP1000 sales in China. The growth in our general industrial market was mainly due to higher demand for our industrial control products due to the timing of order placement in the HVAC industry. Within our oil and gas market, we experienced a decrease in domestic sales of our engineered process vessels and continued to experience delays in new order placement for our traditional valve products; however, these declines were somewhat offset by an increase for our coker valve products in the international market.

Operating income

Operating income increased $12 million, or 13%, mainly due to improved absorption on increased sales volume and benefits generated by our cost reduction and restructuring programs. These improvements were somewhat offset by

strategic investments in the AP1000 program and consolidation costs in our oil and gas business. Acquisitions had a minimal impact on our operating income in the current year, while foreign currency translation had an unfavorable impact of $2 million.

Backlog and new orders

Backlog decreased $33 million or 3% as compared to the prior year period. New orders increased by $8 million in 2010, as compared to the prior year period, mainly due to growth in orders within our international oil and gas market, partially offset by the timing of new orders on long-term naval defense contracts. Acquisitions contributed $3 million of incremental new orders to the current period.

Motion Control

	Year Ended December 31,			Percent Changes	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	(In thousands, except percentages)				
Sales	$ 710,037	$ 647,031	$ 621,038	10 %	4 %
Operating income	81,009	80,410	80,949	1 %	(1 %)
Operating margin	11.4 %	12.4 %	13.0 %	(100)bps	(60)bps
New orders	$ 709,194	$ 709,429	$ 547,494	0 %	30 %
Backlog	$ 538,545	$ 519,039	$ 442,787	4 %	17 %

Components of sales and operating income growth (decrease):

	2011 vs. 2010		2010 vs. 2009	
	Sales	Operating Income	Sales	Operating Income
Organic	4 %	11 %	0 %	8 %
Acquisitions/divestitures	5 %	(5 %)	4 %	0 %
Foreign currency	1 %	(5 %)	0 %	(9 %)
Total	10 %	1 %	4 %	(1 %)

Year ended December 31, 2011 compared to year ended December 31, 2010

Sales

Sales increased $63 million, or 10%, as compared to the prior year, driven by increases in the commercial and defense markets, of 15% and 7%, respectively. Acquisitions made within the last twelve months contributed $29 million in increased sales, while the effect of foreign currency translation increased sales by $9 million.

The increase in sales in our commercial markets was driven by higher sales in the commercial aerospace and general industrial markets of 16% and 15%, respectively. The growth in sales in the commercial aerospace market was primarily due to increases of our flight control products on Boeing 747 and 787 aircraft as well as increased commercial repairs and overhaul, including contributions from our acquisition of ACRA. In addition, higher sales in our general industrial market are mainly due to increased demand for our sensors and controls products.

Sales increased in the defense market mainly due to higher sales in the aerospace defense market driven by increased demand for our embedded computing and sensing products on various helicopter programs, most notably the Blackhawk. In addition, we realized solid growth on the V-22 Osprey program. These increases were partially offset by the previous cancellation of the F-22 program. The ground defense market was down slightly due to the previous cancellations of the FCS program and lower sales on the Bradley platform which were somewhat offset by increases on turret drive systems to international customers.

Operating income

Operating income was essentially flat compared to the same period in 2010, while operating margin decreased 100 basis points from the prior year period to 11.4%. Current year operating margin was negatively impacted by unfavorable foreign currency translation as well as purchase accounting and transaction costs related to our ACRA acquisition. The negative impact of foreign currency translation and acquisitions was offset by higher organic sales volume of our sensors and controls products and ground vehicle applications, which contributed to improved operating income.

Backlog and new orders

Backlog increased 4% to $539 million at December 31, 2011 from $519 million at December 31, 2010. New orders were flat, as compared to the prior year period, primarily due to incremental orders from acquisitions of $27 million, offset by the timing of new orders on our embedded computing products.

Year ended December 31, 2010 compared to year ended December 31, 2009

Sales

Sales increased $26 million, or 4%, as compared to the prior year, mainly due to the incremental effects of acquisitions of $24 million. Increased sales in our general industrial, commercial aerospace and aerospace defense market were largely offset by a decrease in our ground defense market.

The increase in sales in our general industrial market was due to demand for both embedded computing and controller products to a broad range of customers, while the increased sales in our commercial aerospace market is the result of increased demand for our sensors and controls products on commercial aircraft as well as higher sales of flight controls on the Boeing 787 series aircraft. Offsetting the positive performance in these commercial markets was a decline in sales in our defense markets, primarily due to a decrease in sales in our ground defense market. The decrease in the ground defense market was driven by both the cancellation of the FCS program and by lower sales of embedded computing products for tanks and light armored vehicles, such as the Stryker and Bradley Fighting Vehicles. This decrease was somewhat offset by an increase in the aerospace defense market driven primarily by higher sales for our embedded computing products on the Global Hawk Program as well as various integrated sensing products on international aircraft and helicopter programs.

Operating income

Operating income was essentially flat year-over-year as improved absorption on increased sales volume in our commercial markets and benefits generated from our cost reduction and restructuring programs were offset by unfavorable foreign currency translation. Our 2010 acquisitions had a minimal impact on current year operating income.

Backlog and new orders

Backlog increased 17% to $519 million at December 31, 2010 from $443 million at December 31, 2009. New orders increased by $162 million, as compared to the prior year period, primarily due to a large number of orders distributed across our commercial aerospace, ground defense, and aerospace defense markets. Acquisitions contributed $32 million of incremental new orders to the current period.

Metal Treatment

	Year Ended December 31,			Percent Changes	
	2011	2010	2009	2011 vs. 2010	2010 vs. 2009
	(In thousands, except percentages)				
Sales	$ 283,319	$ 221,275	$ 203,480	28 %	9 %
Operating income	43,992	25,842	19,891	70 %	30 %

Operating margin	15.5 %	11.7 %	9.8 %	380 bps	190 bps
New orders	$ 283,834	$ 221,563	$ 203,228	28 %	9 %

Components of sales and operating income growth (decrease):

	2011 vs. 2010		2010 vs. 2009	
	Sales	**Operating Income**	**Sales**	**Operating Income**
Organic	13 %	57 %	9 %	32 %
Acquisitions	13 %	10 %	0 %	0 %
Foreign currency	2 %	3 %	0 %	(2 %)
Total	28 %	70 %	9 %	30 %

Year ended December 31, 2011 compared to year ended December 31, 2010

Sales

Sales increased $62 million, or 28%, from the prior year, due to increased demand across all of our major lines of business and markets, particularly for our shot peening and coatings services to commercial markets. Sales in the commercial aerospace and general industrial market increased 29% and 23%, respectively. Acquisitions and the effects of foreign currency translation contributed $30 million and $4 million, respectively, to current year sales, which accounted for over half of the sales increase.

Operating income

Operating income increased $18 million, or 70%, from the prior year and was favorably impacted by approximately $3 million from acquisitions and the effects of foreign currency translation. Excluding these items, operating margin increased to 16.2%, a 450 basis point improvement over the prior year. The improvement was driven primarily by increased sales volume resulting in favorable absorption of fixed overhead costs, mainly in our shot peening and coatings businesses.

New orders

New orders increased $62 million, from the prior year, due to increased orders for domestic and international shot peening services. Acquisitions contributed $30 million of new orders to the current period.

Year ended December 31, 2010 compared to year ended December 31, 2009

Sales increased $18 million, or 9%, from the prior year, mainly due to an increase in sales to the general industrial market of 22%. The increase in sales in the general industrial market was mainly the result of increases in demand for shot peening, heat treating, and coating services.

Operating income

Operating income increased $6 million, or 30%, compared to the same period in 2009, mainly due to benefits generated by our cost reduction and restructuring programs, which were partially offset by higher compensation expenses and start-up costs for expansion into international markets.

New orders

New orders increased $18 million, from the prior year, primarily due to increased orders for domestic and international shot peening services.

Liquidity and Capital Resources

Sources and Uses of Cash

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

44

Operating Activities

	December 31, 2011	December 31, 2010
Working Capital	$ 661,750	$ 472,088
Ratio of Current Assets to Current Liabilities	2.3 to 1	2.1 to 1
Cash and Cash Equivalents	$ 194,387	$ 68,119
Days Sales Outstanding	54 days	44 days
Inventory Turns	4.6	4.5

Our working capital was $662 million at December 31, 2011, an increase of $190 million from the working capital at December 31, 2010, of $472 million. Excluding the impact of cash, acquisitions, and divestitures, our working capital increased $43 million. This increase, excluding the impact of working capital changes from our acquisitions and divestitures, was caused mainly by an increase in accounts receivable of $78 million and an increase in inventory of $23 million, offset by an increase in deferred revenue of $52 million. The increase in accounts receivable is the result of both higher trade receivables and unbilled receivables on long-term contracts. The increase in inventory is mainly due to a build up for future sales, stocking of new programs, and the purchase of long-lead time materials, while the increase in deferred revenue is primarily due to collection of advanced payments.

During the twelve months ended 2011, we contributed $35 million to the Curtiss-Wright Pension Plan. We expect to make contributions to the Curtiss-Wright Pension Plan of approximately $45 million in 2012.

Investing Activities

Capital Expenditures

Our capital expenditures were $85 million in 2011, $53 million in 2010, and $76 million in 2009. The increase in capital expenditures in 2011, as compared to 2010, was driven largely by our facility expansions within our oil and gas and commercial aerospace businesses. Capital expenditures relate primarily to new and replacement machinery and equipment, the expansion of new product lines within the business segments, and the construction of new facilities or upgrade of existing facilities.

Acquisitions of Businesses

During 2011, 2010, and 2009 we acquired eight, two, and five businesses, respectively, and expect to continue to seek acquisitions that are consistent with our long-term growth strategy. A combination of cash resources, funds available under our credit agreement, and proceeds from our Senior Notes were utilized to fund our acquisitions, which totaled $178 million and $42 million in 2011 and 2010, respectively. As indicated in Note 2 to the Consolidated Financial Statements, some of our acquisition agreements contain purchase price adjustments and contingent payments, such as potential earn-out payments and working capital adjustments. Additional acquisitions will depend, in part, on the availability of financial resources at a cost of capital that meet our stringent criteria. As such, future acquisitions, if any, may be funded through use of our cash and cash equivalents, through additional financing available under the credit agreement, or through new financing alternatives.

Financing Activities

Debt Issuances

On December 8, 2011, we issued $300 million