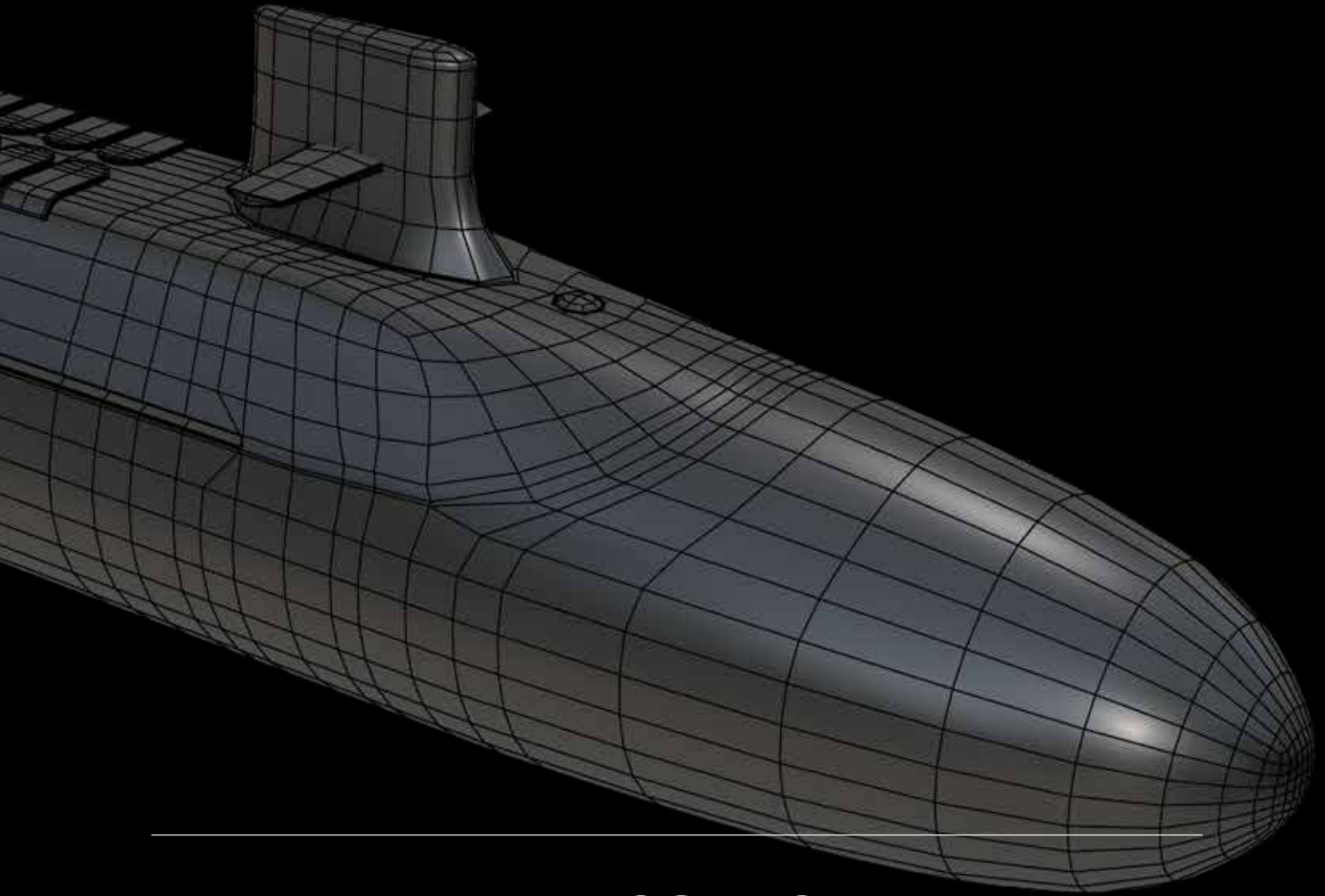


CURTISS - WRIGHT



WELL POSITIONED

2020 ANNUAL REPORT

WELL POSITIONED THROUGH

STRONG LEADERSHIP SUCCESSION

TECHNOLOGICAL EXPERTISE AND INNOVATION

OPERATIONAL EXCELLENCE

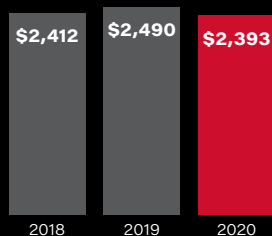
TOP QUARTILE FINANCIAL PERFORMANCE

FREE CASH FLOW GENERATION

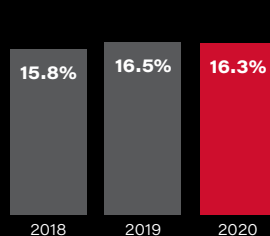
Headquartered in Davidson, N.C., Curtiss-Wright Corporation is a global innovative company built on long-standing customer relationships, leading market positions and innovative technologies. Our legacy dates back to 1929 with the merger of companies founded by aviation pioneers Glenn Curtiss and the Wright Brothers.

Today, our team of approximately 8,200 employees remains dedicated to providing highly-engineered, advanced solutions to the Aerospace and Defense markets, and to the Commercial markets including Power, Process and General Industrial.

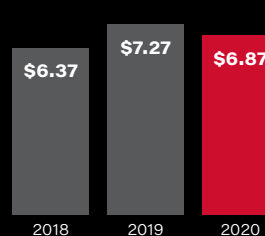
SALES (\$M)¹



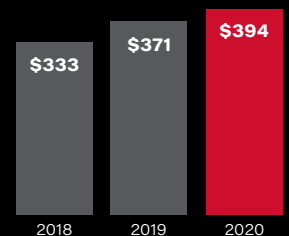
OPERATING MARGIN¹



DILUTED EPS¹



FREE CASH FLOW (\$M)²



¹Adjusted financials are defined as Reported Sales, Operating Margin and Diluted EPS under GAAP excluding a) 2020 restructuring costs, b) the impact of first year purchase accounting costs associated with acquisitions, specifically one-time inventory step-up, backlog amortization and transaction costs, c) a non-cash impairment of capitalized development costs in 2020 related to a commercial aerospace program, d) one-time transition and IT security costs related to the relocation of the DRG business, and e) a \$10 million non-cash currency translation loss in 2020 related to the liquidation of a foreign entity, which is classified within non-operating income. 2020 adjusted financial results also exclude an impairment loss of \$33 million for our industrial valve business in Germany, which was classified as held for sale in the fourth quarter of 2020.

²Adjusted free cash flow (FCF) is defined as cash flow from operating activities less capital expenditures, and excludes contributions of \$150 million and \$50 million to the Company's corporate defined benefit pension plan in 2020 and 2018, respectively. Also excludes the 2020 cash impact from restructuring, as well as 2020 and 2019 capital investments in the Power segment related to the new, state-of-the-art naval facility principally for DRG.



**CURTISS-WRIGHT
DELIVERED EXCEPTIONAL
RESULTS IN 2020, ENABLED
BY OUR DIVERSIFIED
PORTFOLIO, ALIGNMENT
TO TOP DOD PRIORITIES,
AND OUR EMPLOYEES'
UNWAVERING COMMITMENT
TO ACHIEVE THE HIGHEST
LEVELS OF PERFORMANCE.**

END MARKET SALES (2020)

66%

TOTAL AEROSPACE & DEFENSE MARKETS

53%
DEFENSE

13%
COMMERCIAL
AEROSPACE

20%
GENERAL
INDUSTRIAL

14%
POWER
GENERATION

TOTAL COMMERCIAL MARKETS

34%

YEAR IN REVIEW

PACSTAR ACQUISITION

In November, the Company closed on the largest transaction in our history, as we completed the acquisition of Pacific Star Communications, Inc. (PacStar®) for \$400 million in cash. PacStar is a leading provider of secure tactical communications solutions for battlefield network management, including commercial off-the-shelf (COTS)-based rugged, small form factor communications systems, and its proprietary “IQ-Core® Software” integrated network communications management software (both of which are displayed here).

The acquisition established Curtiss-Wright as a critical supplier of advanced tactical and enterprise network communications solutions supporting a broad spectrum of high-priority U.S. military force modernization programs. The combination of Curtiss-Wright’s mission-critical mobile and secure COTS-based processing, data management and communications technologies with PacStar’s highly complementary hardware and software solutions will enable the delivery of best-in-class platform network integration and tactical data link network management to

the warfighter. In addition, it ensures that the Company is well-positioned to benefit from the military’s continued investment in the net-centric connected battlefield, as well as robust, secure and integrated network modernization.

\$400M

**NET-CENTRIC CONNECTED
BATTLEFIELD**



DYNA-FLO ACQUISITION

In February, the Company acquired the stock of Dyna-Flo Control Valve Services Ltd. (Dyna-Flo) for \$62 million in cash. Dyna-Flo is a leading supplier of control valves, actuators and pressure control systems to the process control industry. The acquisition of Dyna-Flo yields significant opportunities

for growth by increasing the breadth of our industrial valve portfolio with complementary products recognized for their critical performance in severe service environments. Further, the combination of this business with Curtiss-Wright’s established global sales channel and marketing capabilities serving similar

customers will ensure that we remain a leading provider of pressure relief, control and isolation valve solutions.

\$62M

VALVES ACQUISITION

YEAR IN REVIEW



ACTIVE SHARE REPURCHASE PROGRAM

The Company completed \$200 million in share repurchases in 2020, \$150 million of which was repurchased opportunistically, as we bought back approximately 2.0 million shares of our common stock and reduced our shares outstanding by 2.5%. In October, our Board of Directors authorized a new \$200 million share repurchase program, under which the Company

expects to repurchase at least \$50 million in stock during 2021.

\$200M
IN SHARE
REPURCHASES

NAVAL CONTRACTS

In July, we were awarded contracts valued in excess of \$220 million to provide propulsion valves, pumps and advanced instrumentation and control systems for the U.S. Navy's Virginia-class nuclear powered attack submarine, Columbia-class submarine and Ford-class aircraft carrier programs. These contracts built upon our long-standing relationship with the U.S. Nuclear Navy and helped solidify our ongoing support of these critical naval defense platforms, which continue to receive strong bipartisan support.

\$220M
NEW NAVAL
CONTRACTS

DEBT OFFERING

In August, the Company successfully completed a private placement debt offering of \$300 million for long-term senior notes. We secured very attractive rates in a historically low interest rate environment, leveraging our healthy balance

sheet and strong free cash flow generation to further support our capital allocation strategy.

\$300M
SENIOR NOTES

Our commitment to a balanced capital allocation strategy consisting of a disciplined pace of acquisitions, reinvesting in our business, and providing steady distributions to our shareholders has created tremendous value.



DEAR FELLOW SHAREHOLDERS,

It has truly been a rewarding experience to have worked for this iconic organization for the past 21 years, and as CEO for just over the past 7 years. When I began my career at Curtiss-Wright, we were a much smaller organization, at \$300 Million in annual revenues, albeit with a rich history in both Naval Defense and Aerospace. Today, through a remarkable transformation, we are a global, diversified \$2.5 Billion organization.

16.3%

**SOLID OPERATING
MARGIN**

\$394M

**RECORD FREE
CASH FLOW**

Under the One Curtiss-Wright vision established in 2013, we focused on driving operational excellence and financial discipline to achieve top quartile performance as compared to our peer group. Led by our strong culture and drive for continuous improvement, I have witnessed firsthand the dedication of our employees who have continued to press forward with their unyielding commitment to achieving and exceeding that vision.

While it is bittersweet to conclude my role as the CEO of this amazing Company, I look forward with confidence to my successor Lynn Bamford to continue to deliver strong financial results, and in turn, drive long-term value for Curtiss-Wright and its shareholders.

2020 FINANCIAL PERFORMANCE

Throughout this past year, and in response to the COVID-19 pandemic, our top priority was protecting our employees' health, and ensuring safe and productive working environments.

As a result of our employees' perseverance and agility to manage through an especially challenging set of circumstances, Curtiss-Wright produced an exceptional year in 2020, which is a true testament to their dedication to ensuring the company's long-term success.

We entered 2020 with our recession playbook in hand and quickly implemented and accelerated our plans in response to COVID-19 to ensure that Curtiss-Wright would be well positioned for 2021 and beyond.

Net sales of \$2.4 billion decreased only 4%, led by tremendous growth in our defense markets, particularly 22% growth in naval defense, and the contribution from our acquisitions. Although weaker economic and market conditions impacted our commercial and industrial businesses last year, we were encouraged by the strong sequential improvement and steady rebound from the lows experienced in the second quarter.

Adjusted operating income of \$391 million was down 7%, while adjusted operating margin of 16.3% was fairly stable, falling only 20 basis points compared to the prior year. This performance reflects our strong execution on higher sales in our defense businesses and the benefits of our restructuring and cost containment initiatives.

We achieved adjusted diluted earnings per share of \$6.87, which exceeded our expectations driven by a solid fourth quarter performance, as well as the benefit of our ongoing share repurchase activity.

"I REMAIN EXCITED FOR THE OPPORTUNITIES THAT LIE AHEAD FOR THIS GREAT ORGANIZATION AND ITS ABILITY TO DELIVER SOLID EARNINGS GROWTH AND FREE CASH FLOW."

In addition, and despite the pandemic, we generated record \$394 million in adjusted free cash flow, equating to 137% adjusted free cash flow conversion. This represented our eighth consecutive year achieving more than 100% free cash flow conversion.

DELIVERING TOP QUARTILE PERFORMANCE

Next, I'd like to reflect on our performance over the past seven years — which began by leveraging the critical mass of One Curtiss-Wright across the enterprise.

If you recall, in 2013, we established a five-year goal to achieve top quartile performance versus our peer group across a range of key financial metrics, including: Operating Margin, Earnings per Share, Return on Invested Capital (ROIC), Working Capital as a percentage of Sales, Capital Expenditures as a percentage of Sales and Free Cash Flow Conversion. We achieved or exceeded all of the original targets and reached top quartile for every metric within that five-year timeframe. I am very proud of our accomplishments and our employees' steadfast focus on relentlessly driving operational improvement.

Our strong operational execution has also played a key role in driving Curtiss-Wright's robust free cash flow generation. Further, our strong balance sheet has enabled a balanced capital allocation strategy inclusive of strategic acquisitions, consistent returns to our shareholders (nearly \$1 billion in stock repurchased since 2013), and steady operational investments to drive our organic growth.

STRONG SUCCESSION PLANNING

Turning to our senior leadership team, the Board of Directors' selection of Lynn Bamford as the Company's next President and Chief Executive Officer, and as a member of the Board, underscores our deeply engrained succession planning process. Since joining Curtiss-Wright in 2004, she has established herself as a respected leader with a long-standing track record of success. She is experienced in executing our strategic growth initiatives, driving

significant financial performance and integrating numerous defense acquisitions. Further, Lynn has been a catalyst in driving tremendous value for Curtiss-Wright and our shareholders, and I have the utmost confidence in her ability to lead Curtiss-Wright.

Earlier in 2020, we announced K. Christopher Farkas as the Company's next Chief Financial Officer, succeeding our former CFO Glenn Tynan, who retired following a distinguished 20-year career at the Company. We also recently announced that Kevin Rayment would succeed Tom Quinly, who is retiring as Chief Operating Officer in 2021 following a tremendous 17-year career at Curtiss-Wright. I personally would like to thank Glenn and Tom for their dedication and service to Curtiss-Wright and wish them well in their future endeavors.

Chris and Kevin have been strong leaders at Curtiss-Wright for more than a decade and their appointments are prime examples of our long-standing succession planning process.

IN RECOGNITION

As always, I would like to commend our 8,200 employees for their untiring efforts and hard work. Their ongoing dedication and commitment will ensure Curtiss-Wright's continued success.

I would like to thank all of our stakeholders — including our shareholders, analysts, customers, suppliers, partners and other constituencies — for being a part of this journey and expressing your confidence in Curtiss-Wright.

I remain excited for the opportunities that lie ahead for this great organization and its ability to deliver solid earnings growth and free cash flow, and I look forward to serving as Executive Chairman.



David C. Adams
Executive Chairman

TO MY FELLOW SHAREHOLDERS AND EMPLOYEES:

It is a distinct pleasure and honor to be appointed Curtiss-Wright's next President and Chief Executive Officer and build upon the strong foundation that Dave and our past leaders have created for this iconic company.

Curtiss-Wright is extremely well positioned, backed by a strong and seasoned senior leadership team, and a dedicated employee base which continues to demonstrate its resilience and solid execution to ensure that our Company remains on a path to success.

Looking to the future, we are Pivoting our focus to Growth to drive the next phase of our journey.

Our organization has done a fantastic job to enhance the operations and push the boundaries of our financial performance beyond what we committed to in 2013. Through our operational agility, we have achieved strong returns via operating margin expansion, diluted EPS growth, and free cash flow generation. The team and I look forward to continuing to advance the One Curtiss-Wright vision that Dave set out more than seven years ago, and build upon our strong track record of top quartile performance.

PIVOT TO GROWTH

In our renewed drive for top-line acceleration, we will build upon our core strengths and our positions within key markets to grow both organically and through strategic acquisitions to ensure our continued technological leadership.

We will advance those initiatives through internal investments, with a steady focus on strategic investments in technology and ideas that drive organic growth. Over the past few years, we created both Growth and Innovation Councils that will leverage our core strength in innovation and define pathways to accelerate growth in our business.

Further, we are laser focused on reaching our 17% operating margin target in 2022, and leveraging our strong and lean operating structure to drive continued, solid growth in diluted EPS and free cash flow.

We have a proud and motivated team, and we look forward to sharing more details of our new plans as the year progresses.

ENHANCING OUR LONG-TERM VALUE PROPOSITION

In early 2021, we concentrated on simplifying the Curtiss-Wright story as a means of improving investors' understanding of our long-term value proposition. Our objective was straightforward — simplify how we present Curtiss-Wright to investors. We reconstituted our diversified portfolio to be less complex and easier to follow through an updated and simplified structure for both our segments and end markets.

We sought to establish a consistent product alignment with improved concentration across all three segments and our end markets, and ensure that our constituents better understand how our businesses are aligned to industry drivers and metrics.

As a result, and beginning in 2021, the Company will report under the following three segments:

- *Aerospace & Industrial,*
- *Defense Electronics, and*
- *Naval & Power*

By enhancing our communication and alignment, we believe that this outcome will provide greater transparency and clarity into the growth rates and profitability for each of our segments, and also strengthen investors' understanding of and appreciation for our long-term value proposition.

DISCIPLINED AND BALANCED CAPITAL ALLOCATION STRATEGY

Curtiss-Wright's commitment to a balanced capital allocation strategy consisting of a disciplined pace of acquisitions, reinvesting in our business, and providing steady distributions to our shareholders has created tremendous value.

2020 was no exception, and I'm proud to say that we accomplished the following:

- *Completed two significant acquisitions, including the largest transaction in our history with the \$400 million acquisition of Pacific Star Communications, Inc. (PacStar), a leading provider of tactical battlefield communications equipment,*



"IN OUR RENEWED DRIVE FOR TOP-LINE ACCELERATION, WE WILL BUILD UPON OUR CORE STRENGTHS AND OUR POSITIONS WITHIN KEY MARKETS. WE WILL GROW BOTH ORGANICALLY AND THROUGH STRATEGIC ACQUISITIONS TO ENSURE OUR CONTINUED TECHNOLOGICAL LEADERSHIP."

- Returned more than \$200 million to shareholders through share repurchases and dividends, including opportunistically deploying our capital to buybacks, while maintaining a steady pace of dividend payouts, and
- Spent approximately \$200 million on operational investments, including capital expenditures and voluntary pension contributions

We maintain a strong and healthy balance sheet, with approximately \$1.5 billion of borrowing capacity at the end of 2020 to support our balanced capital allocation strategy, providing the financial flexibility that will enable us to pursue our long-term growth strategies.

FOCUS ON ESG AND SUSTAINABILITY

It would be remiss of me to not acknowledge the challenges that the pandemic presented to all of us in 2020. As Dave mentioned, protecting the health and safety of our employees, as well as ensuring our business continuity, were of paramount importance. Further, and as part of our diligence, we continued to track total recordable rate (TRR) and days away, restriction and transfer rate (DART) for all sites worldwide. The Company demonstrated a reduction of nearly 30% in its

2020 TRR and DART rates compared to 2015; the 2020 rates were 0.98 and 0.65, respectively, as we continually strive for best in class performance.

In 2020, we created a new Environmental, Social and Governance (ESG) council, built a new Sustainability section of our website and improved our ESG scores across numerous ratings platforms. We remain diligently focused on ways to measure and improve our performance, increase our transparency and highlight our commitment to our ESG efforts.

We also launched a new Sustainability Portal and established an energy baseline from which to track energy usage and spend; this data will be used to calculate greenhouse gas (GHG) emissions in accordance with industry standards.

We are dedicated to building on these efforts in 2021 and further progressing our diversity and inclusion programs.

OPTIMISM FOR 2021 AND BEYOND

We are continuing to invest in our future through increased research and development funding in 2021, while driving solid execution and leveraging the benefits of our 2020 restructuring actions. We will continue to outperform in our

defense markets, driven by our position as a critical supplier to the defense industry with long-term visibility on key platforms. We also expect to benefit from improved conditions in several of our commercial-facing businesses this year, especially in the industrial markets.

Our strong and stable balance sheet, as well as our continued ability to deliver solid earnings growth and free cash flow, have enabled us to consistently provide a steady and solid return to our shareholders. I look forward to Curtiss-Wright's continued successes in 2021 and am excited for the future.

Lynn M. Bamford
President and Chief Executive Officer

SEGMENT FINANCIAL INFORMATION

Years ended December 31 (Dollars in millions, except percentages; unaudited)

SALES	2020	2019	CHANGE
Commercial/Industrial	\$ 949.8	\$ 1,137.8	(17%)
Defense	733.9	625.9	17%
Power	707.7	724.2	(2%)
Total Sales	\$ 2,391.3	\$ 2,488.0	(4%)

OPERATING INCOME (EXPENSE)

Commercial/Industrial	\$ 81.6	\$ 179.6	(55%)
Defense	140.4	137.3	2%
Power	104.6	122.1	(14%)
Total Segments	\$ 326.6	\$ 439.1	(26%)
Corporate & Other	(37.8)	(35.1)	(8%)
Total Operating Income	\$ 288.8	\$ 404.0	(28%)

OPERATING MARGINS

Commercial/Industrial	8.6%	15.8%
Defense	19.1%	21.9%
Power	14.8%	16.9%
Segment Margins	13.7%	17.6%
Total Operating Margins	12.1%	16.2%

Note: Amounts may not add due to rounding.

HISTORICAL FINANCIAL PERFORMANCE

Years ended December 31 (Dollars in millions, except percentages and per share data; unaudited)

PERFORMANCE	2020	2019	2018
Net Sales	\$ 2,391.3	\$ 2,488.0	\$ 2,411.8
Operating Income	\$ 288.8	\$ 404.0	\$ 373.6
Operating Margin	12.1%	16.2%	15.5%
Net Earnings	\$ 201.4	\$ 625.9	\$ 275.7

EARNINGS PER SHARE

Basic	\$ 4.83	\$ 7.20	\$ 6.28
Diluted	\$ 4.80	\$ 7.15	\$ 6.22
Dividends Per Share	\$ 0.68	\$ 0.66	\$ 0.60

YEAR-END FINANCIAL POSITION

Return on Invested Capital ¹	9.2%	15.1%	14.9%
New Orders	\$ 2,321.5	\$ 2,579.6	\$ 2,426.7
Backlog	\$ 2,163.8	\$ 2,166.8	\$ 2,032.5
Working Capital as % of Sales ²	23.0%	20.0%	19.4%
Total Assets	\$ 4,021.3	\$ 3,764.3	\$ 3,255.4
Total Debt	\$ 1,058.3	\$ 760.6	\$ 762.6
Stockholders' Equity	\$ 1,787.6	\$ 1,774.4	\$ 1,530.8

OTHER YEAR-END DATA

Cash Flow from Operations	\$ 261.2	\$ 421.4	\$ 336.3
Capital Expenditures	\$ 47.5	\$ 69.8	\$ 53.4
Free Cash Flow ³	\$ 213.7	\$ 351.7	\$ 282.9
EBITDA	\$ 404.8	\$ 506.4	\$ 476.6
Depreciation & Amortization	\$ 115.9	\$ 102.4	\$ 102.9
Shares of Stock Outstanding at December 31	40.9	42.7	42.8
Number of Registered Shareholders ⁴	2,977	3,150	3,220
Number of Employees ⁴	8,173	9,125	9,002

Note: Amounts may not add due to rounding.

¹Return on invested capital is equal to net operating profit after-tax over two-year average net debt plus equity.

²Working capital is equal to accounts receivable plus inventory minus accounts payable, deferred income and deferred development costs, and excludes first year impact from acquisitions.

³Free cash flow is defined as cash flow from operations less capital expenditures.

⁴Actual number, not in millions.

DIRECTORS

DAVID C. ADAMS

Executive Chairman and former Chief Executive Officer of Curtiss-Wright Corporation; Director, Snap-On Incorporated

LYNN M. BAMFORD

President and Chief Executive Officer of Curtiss-Wright Corporation

DEAN M. FLATT

Former President and Chief Operating Officer of Honeywell International's Defense and Space Business; Director, Ducommun, Inc. and National Technical Systems, Inc.

S. MARCE FULLER

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

BRUCE D. HOECHNER

President and Chief Executive Officer, and a Director, of Rogers Corporation

GLEND A. J. MINOR

Chief Executive Officer and Principal of Silket Advisory Services; Director, Albemarle Corporation and Schmitzer Steel Industries, Inc.

JOHN B. NATHMAN

Admiral, U.S. Navy (Ret.), Former Vice Chief of Naval Operations

ROBERT J. RIVET

Former Executive Vice President, Chief Operations, and Administrative Officer of Advanced Micro Devices, Inc.

ALBERT E. SMITH

Former Executive Vice President of Lockheed Martin Corporation; Former Director, Tetra Tech, Inc.

PETER C. WALLACE

Former Chief Executive Officer and Director of Gardner Denver Inc.; Director, Applied Industrial Technologies, Inc. and Rogers Corporation

OFFICERS

DAVID C. ADAMS

Executive Chairman

LYNN M. BAMFORD

President and Chief Executive Officer

K. CHRISTOPHER FARKAS

Vice President and Chief Financial Officer

KEVIN M. RAYMENT

Vice President and Chief Operating Officer

PAUL J. FERDENZI

Vice President, General Counsel, and Corporate Secretary

ROBERT F. FRED A

Vice President and Treasurer

GARY A. OGILBY

Vice President and Corporate Controller

CURTISS - WRIGHT

WELL POSITIONED

2020 FORM 10-K

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

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

(State or other jurisdiction of
incorporation or organization)

130 Harbour Place Drive, Suite 300

Davidson, North Carolina

(Address of principal executive offices)

13-0612970

(I.R.S. Employer Identification No.)

28036

(Zip Code)

Registrant's telephone number, including area code: (704) 869-4600

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock	CW	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 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

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the voting and non-voting Common stock held by non-affiliates of the Registrant as of June 30, 2020 was approximately \$3.3 billion.

The number of shares outstanding of the Registrant's Common stock as of January 31, 2021:

<u>Class</u>	<u>Number of shares</u>
Common stock, par value \$1 per share	40,938,180

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of the Registrant with respect to the 2021 Annual Meeting of Stockholders to be held on May 6, 2021 are incorporated by reference into Part III of this Form 10-K.

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PART IV

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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, liquidity requirements, and other financial terms, (b) statements of plans and objectives of management, (c) statements of future economic performance and potential impacts from COVID-19, including the impacts to supply and demand, and measures taken by governments and private industry in response, (d) the effect of laws, rules, regulations, new accounting pronouncements, and outstanding litigation on our business and future performance, and (e) 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 negative of any of the 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 our results and prospects are described in this report, including under the heading “Item 1A. Risk Factors” and elsewhere, and may further be described in our prior and future filings with the Securities and Exchange Commission and other written and oral statements made or released by us. 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, and Item 8. Financial Statements and Supplementary Data, including, without limitation, the Notes to Consolidated Financial Statements.

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 and its subsidiaries (we, the Corporation, or the Company) is a global, diversified manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the defense, general industrial, power generation, and commercial aerospace markets. We were formed in 1929 by the merger of companies founded by the Wright brothers and Glenn Curtiss, who were aviation pioneers. We are incorporated under the laws of the State of Delaware and headquartered in Davidson, North Carolina. Our common stock is listed on the New York Stock Exchange (NYSE) and trades under the symbol CW.

We expect that the diversification and breadth of our portfolio should improve our competitive positions in our core markets, mitigate the impact of business cycle or economic volatility, and allow us to drive growth in new products and markets. We seek to leverage and build upon our critical mass to expand our global manufacturing capabilities, sales channels, and customer relationships. We strive for consistent sales growth, operating margin expansion, diluted earnings per share growth and free cash flow generation, while maintaining a disciplined capital deployment strategy in order to drive long-term shareholder value.

We are well positioned on high-performance platforms and critical applications that require our technical sophistication and benefit from decades of engineering expertise. Our technologies are relied upon to improve safety, operating efficiency, and reliability, while meeting performance requirements in the most demanding environments. Our ability to provide these advanced technologies on a cost-effective basis is fundamental to our strategy to drive increased value to our customers. We compete globally, primarily based on technology and pricing.

Business Segments

We manage and evaluate our operations based on the products and services we offer and the different markets we serve. Based on this approach, we operate through three segments: Commercial/Industrial, Defense, and Power.

Our principal domestic manufacturing facilities are located in Arizona, New York, North Carolina, Ohio, Pennsylvania, and South Carolina, and internationally in Canada, Mexico, and the United Kingdom.

Commercial / Industrial

Sales in the Commercial/Industrial segment are primarily to the general industrial and commercial aerospace markets and, to a lesser extent, the defense and power generation markets. The businesses in this segment provide a diversified offering of highly engineered products and services including: (i.) industrial and specialty vehicle products, such as electronic throttle control devices, joysticks, and transmission shifters, (ii.) sensors, controls, and electro-mechanical actuation components used on commercial aircraft, (iii.) severe-service valves to the industrial market, and (iv.) surface technology services, such as shot peening, laser peening, and engineered coatings. Certain industrial businesses within our Commercial/Industrial segment are impacted primarily by general economic conditions, which may include consumer consumption or commercial construction rates, as the nature of their products and services primarily support global industrial, commercial vehicles, oil and gas, medical, and transportation industries. The commercial aerospace business is impacted by OEM production rates of new aircraft, while the defense business is impacted by government funding and spending on new programs, primarily driven by the U.S. Government. As commercial industrial businesses, production and service processes rest primarily within material modification, machining, assembly, and testing and inspection at commercial grade specifications. The businesses distribute products through commercial sales and marketing channels.

Defense

Sales in the Defense segment are primarily to the defense markets and, to a lesser extent, the commercial aerospace and power generation markets. The defense businesses in this segment provide a diversified offering of products including: Commercial Off-the-Shelf (COTS) embedded computing board-level modules, data acquisition and flight test instrumentation equipment, integrated subsystems, valves, instrumentation and control systems, tactical communications solutions for battlefield network management, and electronic stabilization products. The defense businesses within our Defense segment are impacted primarily by government funding and spending, driven primarily by the U.S. Government. Our products typically support government entities in the aerospace defense, ground defense, and naval defense industries. As a result, we have varying degrees of content on fighter jets, helicopters, unmanned aerial vehicles (UAVs), ground vehicle platforms, and nuclear and non-nuclear surface ships and submarines. Additionally, we provide avionics and electronics, flight test equipment, and aircraft data management solutions to the commercial aerospace market, and severe-service valves to the power generation market. Our defense businesses supporting government contractors typically utilize more advanced and ruggedized production and service processes compared to our commercial businesses and have more stringent specifications and performance requirements. The businesses in this segment typically market and distribute products through regulated government contracting channels.

Power

Sales in the Power segment are primarily to the naval defense and commercial nuclear power generation markets. For the defense markets, we provide naval propulsion and auxiliary equipment, including main coolant pumps, power-dense compact motors, generators, steam turbines, valves, and secondary propulsion systems, primarily to the U.S. Navy. We also provide ship repair and maintenance for the U.S. Navy's Atlantic and Pacific fleets through three service centers. The defense businesses in this segment are impacted by government funding and spending on shipbuilding programs, primarily driven by the U.S. Government. For the commercial markets, we provide a diversified offering of products for commercial nuclear power plants and nuclear equipment manufacturers, including hardware, pumps, fastening systems, specialized containment doors, airlock hatches, and spent fuel management products supporting the continued performance, safety and modernization of operating reactors. We also provide Reactor Coolant Pumps (RCPs) and control rod drive mechanisms for commercial nuclear power plants, most notably to support the Westinghouse AP1000 reactor design. The businesses are dependent upon the need for ongoing maintenance, repair and overhaul of existing operating power plants, principally to U.S. customers, as well as the construction of new power plants globally. The businesses in this segment typically market and distribute products through regulated or government contracting channels.

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 2020, 2019, and 2018, our foreign operations as a percentage of pre-tax earnings were 28%, 31%, and 39%, respectively, with 2020 adjusted to reflect the add-back of a \$33 million impairment loss associated with our industrial valves business in Germany.

Government Sales

Our sales to the U.S. Government and foreign government end use represented 53%, 43%, and 40% of total net sales during 2020, 2019, and 2018, respectively.

In accordance with normal U.S. Government business practices, 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 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 working capital requirements. It is our policy to seek customary progress payments on certain contracts. Where we obtain such payments under U.S. Government prime contracts or subcontracts, the U.S. Government generally has control of the materials and work in process allocable or chargeable to the respective contracts. (See Notes 1, 5, and 6 to the Consolidated Financial Statements, contained in Part II, Item 8, of this Annual Report on Form 10-K).

Customers

We have hundreds of customers in the various industries that we serve. No commercial customer accounted for more than 10% of our total net sales during 2020, 2019, or 2018.

Approximately 47% of our total net sales for 2020, 38% for 2019, and 34% for 2018 were derived from contracts with agencies of, and prime contractors to, the U.S. Government. Information on our sales to the U.S. Government, including both direct sales as a prime contractor and indirect sales as a subcontractor, is as follows:

<i>(In thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Commercial/Industrial	\$ 164,583	\$146,263	\$123,938
Defense	576,948	439,754	408,880
Power	377,787	350,688	282,182
Total U.S. Government sales	\$1,119,318	\$936,705	\$815,000

Patents

We own and license 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 receives licenses to our patents that are developed in performance of government contracts, and it may use or authorize others to use the technology covered by such patents for government purposes. Additionally, trade secrets, unpatented research and development, and engineering, some of which have been acquired by the company 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 success 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.

Executive Officers

Name	Current Position	Business Experience	Age	Executive Officer Since
David C. Adams	Executive Chairman	Executive Chairman of the Board of Directors since January 1, 2021. Prior to this, he served as Chairman and Chief Executive Officer of the Corporation from January 1, 2015 until his resignation from that position on January 1, 2021. He served as President and Chief Executive Officer of the Corporation from August 2013. He also served as President and Chief Operating Officer of the Corporation from October 2012 and as Co-Chief Operating Officer of the Corporation from November 2008. He has been a Director of the Corporation since August 2013.	66	2005
Lynn M. Bamford	President and Chief Executive Officer	President and Chief Executive Officer of the Corporation since January 1, 2021. Prior to this, she served as President of the Defense and Power segments of the Corporation from January 2020. She also served as Senior Vice President and General Manager of the Company's Defense Solutions and Nuclear divisions from 2018, and Senior Vice President and General Manager of the Company's Defense Solutions division from 2013. She has held various leadership positions in the Corporation since 2004. She has been a Director of the Corporation since January 1, 2021.	57	2021
Thomas P. Quinly	Vice President and Chief Operating Officer	Vice President of the Corporation since November 2010 and Chief Operating Officer of the Corporation since October 2013. Prior to this, he served as President of Curtiss-Wright Controls, Inc. from November 2008. Effective March 1, 2020, Mr. Quinly took a personal leave of absence, which is expected to last until his planned retirement on April 1, 2021.	62	2010
K. Christopher Farkas	Vice President and Chief Financial Officer	Vice President and Chief Financial Officer of the Corporation since May 2020. Prior to this, he served as Vice President of Finance from December 2017 and served as Vice President and Corporate Controller of the Corporation from September 2014. He also served as Assistant Corporate Controller of the Corporation from May 2009.	52	2014
Paul J. Ferdenzi	Vice President, General Counsel, and Corporate Secretary	Vice President, General Counsel, and Corporate Secretary of the Corporation since March 2014. Prior to this, he served as Vice President-Human Resources of the Corporation from November 2011 and also served as Associate General Counsel and Assistant Secretary of the Corporation from June 1999 and May 2001, respectively.	53	2011
Gary A. Ogilby	Vice President and Corporate Controller	Vice President and Controller of the Corporation since May 2020. Prior to this, he served as Vice President of Finance and Administration of the Company's Surface Technologies division from November 2016. He also served as Assistant Corporate Controller of the Corporation from 2014.	39	2020
Robert F. Freda	Vice President and Treasurer	Vice President and Treasurer of the Corporation since January 2021. Prior to this, he served as Assistant Corporate Controller of the Corporation from June 2017 and also served as Director of Finance from September 2006.	53	2021

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 SEC 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 the Investor Relations section of our website at www.curtisswright.com as soon as reasonably practicable after we electronically file.

Human Capital

At the end of 2020, we had approximately 8,200 employees in more than 20 countries, 7% of which are represented by labor unions and covered by collective bargaining agreements.

Set forth below are some of the key aspects of Curtiss-Wright's human capital strategy:

Compensation Programs and Employee Benefits

Our success as an organization is ultimately dependent upon the success of our employees. As a result, we have made significant investments in order to attract, develop, and retain talented personnel, inclusive of competitive pay, share-based compensation, benefits, training, and professional development opportunities. Notable programs offered include the following:

- Employer 401(k) matching contributions;
- Employee Stock Purchase Plan;
- Employer-sponsored health insurance; and
- Training and professional development

In addition to the above, we also offer equity compensation plans to certain employees through the issuance of performance share units, restricted stock units, and cash-based performance units. Our equity compensation plans ultimately act as a key lever for rewarding and retaining key employees, while also aligning the interests of our key employees and external shareholders. See Note 16 to the Consolidated Financial Statements for more information regarding our share-based compensation plans.

Diversity and Inclusion

Curtiss-Wright believes in an inclusive workforce, where diverse backgrounds are represented, engaged, and empowered to inspire and innovate. We do business in more than 20 countries, and our employees operate across cultures, functions, language barriers, and time zones to solve the technical and logistical challenges presented by its worldwide customer base. To foster a more diverse and inclusive culture, Curtiss-Wright is focused on (1) promoting a culture of diversity and inclusion that leverages the talents of all employees, and (2) implementing practices that attract, recruit, and retain diverse top talent.

Health and Safety

The health and safety of our employees is a top priority for the Corporation. At the corporate level, we track total recordable rate (TRR) and days away, restriction and transfer rate (DART) for all sites worldwide. For the year ended December 31, 2020, our TRR and DART rates were 0.98 and 0.65, respectively.

In response to the COVID-19 pandemic, we continue to execute safety measures at all of our facilities to protect the health and safety of our employees and visitors. We have implemented rigorous hygiene and social distancing practices, inclusive of mask requirements and staggered shifts. Additionally, a significant portion of our non-manufacturing employees are currently working remotely in an effort to minimize any potential spread of COVID-19. These working conditions have been designed to allow for the continuation of key business-critical operations and controls.

Ethics and Integrity

Curtiss-Wright is deeply committed to ensuring that all of its employees conduct business with the highest levels of ethics and integrity. In order to enhance understanding of and compliance with the Corporation's code of conduct, all employees are required to complete a training program annually which details ethical business practices. In addition, the Corporation maintains an ethics-related hotline through which employees can report any accounting or auditing concerns. The hotline facilitates the communication of ethical concerns, and serves as the vehicle through which employees may communicate with the Audit Committee of the Board of Directors confidentially and anonymously.

Item 1A. Risk Factors.

We have summarized the known, material risks to our business below. 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 and cash flows, and require significant management time and attention. In addition to the risks and uncertainties set forth in section below entitled "Risks Related to the Coronavirus (COVID-19) Pandemic," many of the risks and uncertainties set forth in the other risk factors are exacerbated by the COVID-19 pandemic, corresponding government and business responses, and any further resulting decline in the global business and economic environment, and may be impacted by the extent and speed of the global economic recovery. 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.

RISKS RELATED TO THE CORONAVIRUS (COVID-19) PANDEMIC

The COVID-19 pandemic has adversely impacted and poses risks to our business, the nature and extent of which are highly uncertain and unpredictable.

In March 2020, the World Health Organization characterized the outbreak of COVID-19 as a pandemic. While we continue to actively monitor the pandemic and take steps to mitigate the risks posed by its spread, there is no guarantee that our efforts will mitigate the adverse impacts of COVID-19 or will be effective.

The pandemic has adversely affected, and is expected to continue to adversely affect, certain elements of our business, including our supply chain and production levels. We have experienced operational interruptions as a result of COVID-19, including the temporary suspension of operations due to government-imposed restrictions at our facilities in Mexico and India. As of December 31, 2020, all of our manufacturing operations have resumed, but we are unable to predict if there will be additional government-imposed restrictions on our ability to operate in future periods. Additionally, certain portions of our workforce might not be able to work effectively due to quarantines, government orders and guidance, travel restrictions, and other precautionary measures and restrictions. This could have an adverse effect on the productivity and profitability of such manufacturing facilities, which could in turn adversely impact our business and operations.

We also have experienced and expect to continue to experience unpredictable volatility in demand in our commercial aerospace and general industrial end markets. Several countries, including the United States, have taken steps to restrict air travel, along with many companies, including us, adopting policies which prohibit non-essential business travel by their employees. Even in the absence of formal restrictions and prohibitions, contagious illness and fear of contagion adversely affects travel behavior. Approximately 14% of our net sales for the year ended December 31, 2020 were derived from sales to commercial aerospace customers. Current travel restrictions, as well as changes in the propensity for the general public to travel by air as a result of the COVID-19 pandemic, have caused reductions in demand for commercial aircraft, which will adversely impact our net sales and operating results and may continue to do so for an extended period of time. In addition, an overall reduction in business activity as a result of the disruption caused by COVID-19 has led to a decrease in sales to our general industrial market, which primarily includes industrial vehicle and industrial valve products. Approximately 20% of our net sales for the year ended

December 31, 2020 were derived from sales to our general industrial market. While we are unable to predict the magnitude of such impact at this time, the loss of, or significant reduction in, purchases by our large commercial aircraft manufacturers and general industrial customers could have a material adverse effect on our business, financial condition, and results of operations.

If the pandemic continues and conditions worsen, we may continue to experience additional adverse impacts on our operational and commercial activities, costs, customer orders, and collections of accounts receivable, which may be material. In addition, we may also incur additional costs to remedy damages caused by business disruptions, performance delays or interruptions, or payment defaults or bankruptcy of our third-party customers and suppliers, any of which could adversely affect our financial condition and results of operations. Furthermore, the pandemic has impacted and may further impact the broader economies of affected countries, including negatively impacting economic growth. Due to the speed with which the situation is developing, the global breadth of its spread and the range of governmental and community reactions thereto, there is uncertainty around its duration, ultimate impact, and the timing of recovery. Therefore, the pandemic could lead to an extended disruption of economic activity whereby the impact on our consolidated results of operations, financial position and cash flows could be material.

RISKS RELATED TO OUR OPERATIONS

Intrusion on our systems could damage our business.

We store sensitive data, including intellectual property, proprietary business information, and confidential employee information on our servers and databases. The COVID-19 pandemic has caused us to modify our business practices, including requiring many of our office-based associates to work from home. As a result, we are increasingly dependent upon our information systems to operate our business. Our ability to effectively manage our business depends on the security, reliability, and adequacy of our information systems. In addition, various privacy and securities laws require us to manage and protect sensitive and confidential information, including personal data of our employees, from disclosure. For example, the European Union's General Data Protection Regulation, which became effective in May 2018, extends the scope of the European Union data protection laws to all companies processing data of European Union residents, regardless of the company's location. 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 continue to review and enhance our computer systems as well as provide training to our employees in an attempt to prevent unauthorized and unlawful intrusions, but in the future, it is possible that we may not be able to prevent all intrusions. 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. While we carry cyber insurance, we still may 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.

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

We may be exposed to liabilities for personal injury, death, or property damage due to the failure of a product that we have sold. We typically agree to indemnify our customers against certain liabilities resulting from the products we sell, and any third-party indemnification we seek from our suppliers and our liability insurance may not fully cover our indemnification obligations to customers. We may also not be able to maintain insurance coverage in the future at an acceptable cost. Any liability for which third-party indemnification is not available that is not covered by insurance could have a material adverse effect on our business, financial condition, and results of operations.

In addition, an accident caused by one of our products could damage our reputation for selling quality products. We believe that our customers consider safety and reliability as key criteria in selecting our products and believe that our reputation for quality assurance is a significant competitive strength. If an accident were to be caused by one of our products, or if we were to otherwise fail to maintain a satisfactory record of safety and reliability, our ability to retain and attract customers may be materially adversely affected.

We are subject to liability under warranty obligations.

The majority of our contracts contain provisions which expose us to potential liability for warranty claims made by customers or third parties with respect to products that have been designed, manufactured, or serviced by us or our suppliers. Material product warranty obligations could have a material adverse effect on our business, financial condition, and results of operations. Further, our reputation may be adversely affected by such defective product claims, whether or not successful, including potential negative publicity about our products.

If we fail to satisfy our contractual obligations, 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. In addition, some of our contracts contain substantial liquidated damages provisions and financial penalties related to our failure to satisfy our contractual obligations. For example, the terms of the Electro-Mechanical Division's AP1000 China and AP1000 U.S. contracts with Westinghouse Electric Company (WEC) include liquidated damage penalty provisions for failure to meet contractual delivery dates if we caused the delay and the delay was not excusable. On October 10, 2013, we received a letter from WEC stating entitlements to the maximum amount of liquidated damages allowable under the AP1000 China contract of approximately \$25 million. To date, we have not met certain contractual delivery dates under our AP1000 U.S. and China contracts; however, there are significant counterclaims and uncertainties as to which parties are responsible for the delays. In January 2021, we agreed to participate in formal non-binding mediation with WEC. We believe that the ultimate resolution of these matters will not have a material impact on our consolidated financial statements. However, as of December 31, 2020, the range of possible loss for these matters is \$0 to \$55.5 million.

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. Our supply chain has been and may continue to be impacted by the COVID-19 pandemic. We depend on these subcontractors and suppliers to meet their contractual obligations in full compliance with customer requirements. Nonperformance or underperformance by subcontractors and suppliers could materially impact our ability to perform obligations to our customers, which could result in a customer terminating our contract for default, expose us to liability, and substantially impair our ability to compete for future contracts and orders. Generally, raw materials and purchased components are 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, our 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 fully offset the effects of higher raw materials costs through price increases on a timely basis.

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.

RISKS RELATED TO OUR STRATEGY

Implementing our acquisition strategy involves risks, and our failure to successfully implement this strategy could have a material adverse effect on our business.

As part of our capital allocation strategy, we aim to grow our business by selectively pursuing acquisitions to supplement our organic growth. We are continuing to actively pursue additional acquisition opportunities, some of which may be material to our business and financial performance. Although we have been successful with this strategy in the past, we may not be able to grow our business in the future through acquisitions for several reasons, including:

- Encountering difficulties identifying and executing acquisitions;
- Increased competition for targets, which may increase acquisition costs;
- Consolidation in our industry, reducing the number of acquisition targets;
- Competition laws and regulations preventing us from making certain acquisitions; and
- Acquisition financing not being available on acceptable terms, or at all.

In addition, there are potential risks associated with growing our business through acquisitions, including the failure to successfully integrate and realize the expected benefits of an acquisition, which could be exacerbated by the impact of the COVID-19 pandemic. For example, with any past or future acquisition, there is the possibility that:

- The business culture of the acquired business may not match well with our culture;
- Technological and product synergies, economies of scale, or cost reductions may not occur as expected;
- Management may be distracted from overseeing existing operations by the need to integrate acquired businesses;
- We may acquire or assume unexpected liabilities;
- We may experience unforeseen difficulties in integrating operations and systems;
- We may fail to retain or assimilate employees of the acquired business;
- We may experience problems in retaining customers or integrating customer bases; and
- We may encounter difficulties in entering new markets in which we may have little or no experience.

Failure to successfully implement our acquisition strategy, including successfully integrating acquired businesses, 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 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 in our current and target markets; develop and manufacture competitive products, systems, and services; enhance our offerings by adding technological innovations that differentiate our products, systems, and services from those of our competitors; and develop, manufacture, and bring those products, systems, and service to market quickly at cost-effective prices.

We operate in highly competitive markets.

Many of our products and services are sold in highly competitive markets and are affected by varying degrees of competition. We compete against companies that often have higher sales volumes and greater financial, technological, research and development, human, and marketing resources than we have. As a result, they may be better able to withstand the effects of periodic economic downturns. 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, product performance, price, technical expertise, timeliness of delivery, superior customer service and support, and continued certification under customer quality requirements and assurance programs. If we are unable to compete successfully with existing or new competitors in these areas, we may experience a material adverse effect on our business, financial condition, and 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 generally 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.

RISKS RELATED TO MARKET CONDITIONS

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

In 2020, approximately 47% of our total net sales were derived from or related to U.S. defense programs. 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. In August 2011, Congress enacted the Budget Control Act of 2011 (BCA), which imposed spending caps and certain reductions in defense spending over a ten-year period through 2021. These spending caps and reductions, referred to as sequestration, went into effect in March 2013. Through a series of bipartisan agreements, Congress has been able to temporarily lift discretionary spending limits every year through 2019. On August 2, 2019, the Bipartisan Budget Act of 2019 (BBA) was signed into law, which raised the BCA budget caps for both defense and non-defense spending in 2020 and 2021. The BBA also temporarily suspends the public debt limit through

July 31, 2021. However, the BCA remains in place, extended through 2029. Absent additional legislative or other remedial action, the sequestration could require reduced U.S. federal government spending from fiscal 2022 through fiscal 2029. As a result of this uncertainty, 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. In the event that one or more of our programs are reduced, delayed, or terminated for which we provide products and services 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.

A downturn in the aircraft market could adversely affect our business.

Our sales to large commercial aircraft manufacturers are cyclical in nature and can be adversely affected by a number of factors, including current and future passenger traffic levels, increasing fuel and labor costs, intense price competition, the retirement of older aircraft, regulatory changes, outbreak of infectious disease such as the COVID-19 pandemic, terrorist attacks, general economic conditions, worldwide airline profits, and backlog levels, all of which can be unpredictable and are outside our control. Any decrease in demand resulting from a downturn in the aerospace market could adversely affect our business, financial condition, and results of operations.

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 contractually committed 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). We are 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, 2020 was \$2.2 billion. Backlog is subject to fluctuations and is not necessarily indicative of future sales. The timing of backlog may be impacted by project delays. 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. We believe that these risks are heightened due to the global economic impact of the COVID-19 pandemic. Our failure to replace cancelled or reduced backlog could negatively impact our revenues and results of operations.

RISKS RELATED TO LEGAL AND REGULATORY MATTERS

As a U.S. Government contractor, we are subject to numerous 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, 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 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.

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.

Furthermore, we are subject to other 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; and
- the fact that government contract wins can be contested by other contractors.

Our operations are subject to numerous domestic and international laws, regulations, and restrictions. 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), sanctions programs implemented by the Office of Foreign Assets Control of the U.S. Department of Treasury, 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. Because the COVID-19 pandemic has so negatively impacted local economies, government intervention has increased, which in turn can create elevated risk and opportunity for corruption. 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 always comply with these laws and regulations. From time to time, we may file voluntary disclosure reports with the U.S. Department of State, the Department of Energy, and the Department of Commerce regarding certain violations of U.S. export control laws and regulations discovered by us in the course of our business activities, employee training, or internal reviews and audits. To date, our voluntary disclosures have not resulted in a fine, penalty, or export privilege denial or restriction that has had a material adverse impact on our financial condition or ability to export. Our failure, or failure by 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.

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 documentation with our products sold to aircraft manufacturing customers 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, the Corporation as well as the products we manufacture must also be certified by our individual original equipment manufacturers (OEM) customers. If any of the material authorizations or approvals qualifying us to supply our products is revoked or suspended, then the sale of such 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.

We are subject to liability under environmental and health and safety laws and regulations.

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. We are also subject to worker health and safety requirements as well as various state and local public health laws, rules, regulations and orders related to COVID-19, including mask and social distancing requirements. While we are in compliance with government health and safety regulations related to COVID-19, the cost of complying, or failing to comply, with these regulations could have an adverse effect on our operating results.

Our business, financial condition, and results of operations could be materially adversely affected by climate change regulations.

Climate change regulations at the federal, state, or local level or in international jurisdictions could require us to limit emissions, change our manufacturing processes, obtain substitute materials which may cost more or be less available, increase our investment in control technology for greenhouse gas emissions, fund offset projects, or undertake other costly activities. These regulations could significantly increase our costs and restrict our manufacturing operations by virtue of requirements for new equipment. New permits may be required for our current operations, or expansions thereof. Failure to timely receive permits could result in fines, suspension of production, or cessation of operations at one or more facilities. In addition, restrictions on carbon dioxide or other greenhouse gas emissions could result in significant costs such as higher energy costs and the passing down of carbon taxes, emission cap and trade programs, and renewable portfolio standards by utility companies. The cost of complying, or of failing to comply, with these and other climate change and emissions regulations could have an adverse effect on our operating results.

Increasing focus on environmental, social, and governance responsibility may impose additional costs on us and expose us to new risks.

Increasing focus on environmental, social, and governance responsibility may impose additional costs on us and expose us to new risks. Regulators, stockholders, and other interested constituencies have focused increasingly on the environmental, social, and governance practices of companies. Our customers may require us to implement environmental, social, or governance responsibility procedures or standards before they continue to do business with us. Additionally, we may face reputational challenges in the event that our environmental, social, or governance responsibility procedures or standards do not meet the standards set by certain constituencies. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition, and results of operations.

RISKS RELATED TO FINANCIAL MATTERS

Political and economic changes in foreign countries and markets, including foreign currency fluctuations, may have a material effect on our operating results.

During 2020, approximately 26% of our total net sales were to customers outside of the United States. Additionally, we also have operating facilities located 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, changes in the local labor-relations climate, economic conditions in local markets, health concerns, 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 British Pound, Euro, and Canadian dollar. 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.

Unanticipated changes in our tax provisions or exposure to additional income tax liabilities could affect our cash flows and financial condition.

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. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted in response to the COVID-19 pandemic. The CARES Act, among other things, included certain changes in tax law intended to stimulate the U.S. economy in light of the COVID-19 pandemic, including temporary beneficial changes to the treatment of net operating losses, interest deductibility limitations, and payroll tax matters. The CARES Act is subject to interpretation and implementation guidance by both federal and state tax authorities, as well as amendments and technical corrections. Any or all of these could impact our business unfavorably. Additionally, tax rates in various jurisdictions in which we operate or sell into may increase as a means of funding the significant cost of governmental stimulus measures enacted to assist and protect individuals and businesses impacted by the COVID-19 pandemic. It cannot be predicted whether, when, in what form, or with what effective dates, new tax laws or changes in tax rates may be enacted, or regulations and rulings may be enacted, promulgated or issued under existing or new tax laws, which could result in an increase in our tax liability or require changes in the manner in which we operate in order to minimize or mitigate any adverse effects of changes in tax law or in the interpretation thereof.

Furthermore, the amount of income taxes paid by us is subject to examination by U.S. federal, state, and local tax authorities and by non-U.S. tax authorities. We regularly assess the likelihood of an adverse outcome resulting from such examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of any such examinations. If the ultimate determination of our taxes owed were for an amount in excess of amounts reserved, our operating results, cash flows, and financial condition could be materially and adversely affected.

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, liquidated damages, 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 of this Form 10-K.

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

As of December 31, 2020, we had goodwill and other intangible assets, net of accumulated amortization, of approximately \$2,065 million, which represented approximately 51% 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. 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. For example, if the financial performance of such business was to decline significantly, we could incur a material non-cash charge to our income statement for the impairment of goodwill and other intangible assets. 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 financial condition and results of operations.

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

As of December 31, 2020, we had \$1,058 million of debt outstanding. Our level of debt could have significant consequences for our business including: requiring us to use our cash flow to pay the 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.

We self-insure health benefits and may be adversely impacted by unfavorable claims experience.

We are primarily self-insured for our health benefits. If the number or severity of claims increases, or we are required to accrue or pay additional amounts because the claims prove to be more severe than our original assessment, our operating results would be adversely affected. Our future claims expense might exceed historical levels, which could reduce our earnings. We expect to periodically assess our self-insurance strategy. We are required to periodically evaluate and adjust our claims reserves to reflect our experience. However, ultimate results may differ from our estimates, which could result in losses over our reserved amounts. In addition, because we do not carry “stop loss” insurance, a significant increase in the number of claims that we must cover under our self-insurance retainage could adversely affect our profitability.

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 markets 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 of this Form 10-K. 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 we 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.

GENERAL RISKS

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. Additionally, it is particularly difficult to hire new employees during the COVID-19 pandemic as conducting interviews remotely makes it more difficult to ensure that we are recruiting and hiring high-quality employees. Further, the uncertainty created by the COVID-19 pandemic makes it less likely that potential candidates will be willing to leave a stable job to explore a new opportunity. 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. As some of our key executives approach retirement age, we have made a concerted effort to reduce the effect of the loss of our senior management personnel through management succession planning. However, we may be required to devote significant time and resources to identify and integrate key new personnel should key management losses occur earlier than anticipated. The loss of members of our senior management and qualified technical personnel could have a material adverse effect on our business.

Our business, financial condition, and results of operations could be materially adversely affected if the United States were to withdraw from or materially modify certain international trade agreements, or if tariffs or other restrictions on the foreign-sourced goods that we sell were to increase.

A significant portion of our business activities are conducted in foreign countries, including Mexico and Canada. Our business benefits from free trade agreements such as the North American Free Trade Agreement (NAFTA) and also relies on various U.S. corporate tax provisions related to international commerce as we build, market, and sell our products globally. The U.S. federal government has altered U.S. international trade policy and has indicated its intention to renegotiate or terminate certain existing trade agreements and treaties with foreign governments. On November 30, 2018, the U.S. reached an agreement with Canada and Mexico on the United States-Mexico-Canada Trade Agreement (USMCA), which replaced NAFTA. The USMCA was ratified by all three countries and became effective on July 1, 2020. The USMCA maintains duty-free access for most products and leaves most key provisions of the NAFTA agreement largely intact. Although we have determined that there have been no immediate effects on our operations with respect to USMCA, we cannot predict future developments in the political climate

involving the United States, Mexico and Canada, and thus, these may have an adverse and material impact on our operations and financial growth.

The United States and other countries have levied tariffs and taxes on certain goods. General trade tensions between the United States and China have been escalating since 2018, with U.S. tariffs on Chinese goods and retaliatory Chinese tariffs on U.S. goods. Some of our products are included in these tariffs. Despite the execution of the trade deal between the U.S. and China in January 2020, tariffs in some cases will remain in place, albeit at a lower rate. All of this could lead to increased costs and diminished sales opportunities in the U.S. and China markets. Media and political reactions in the affected countries could potentially exacerbate the impact on our operations in those countries. The imposition of new or increased tariffs, duties, border adjustment taxes or other trade restrictions by the United States could also result in the adoption of new or increased tariffs or other trade restrictions by other countries. The tariffs may in the future increase our cost of materials and may cause us to increase prices to our customers which we believe may reduce demand for our products. Our price increases may not be sufficient to fully offset the impact of the tariffs and result in lowering our margin on products sold. If the U.S. government increases or implements additional tariffs, or if additional tariffs or trade restrictions are implemented by other countries, the resulting trade barriers could have a significant adverse impact on our suppliers, our customers and on our business. We are not able to predict future trade policy of the U.S. or of any foreign countries in which we operate or purchase goods, or the terms of any renegotiated trade agreements, or their impact on our business.

Global economic conditions may adversely affect our business, operating results and financial condition.

Although we currently generate significant operating cash flows, which combined with access to the credit markets provides us with significant discretionary funding capacity, global macroeconomic uncertainty, including the economic downturn caused by the COVID-19 pandemic, the ongoing trade disputes between the United States and China, the United Kingdom's withdrawal from the European Union, and uncertainty regarding the stability of global credit and financial markets could affect our ability to fund our operations. In addition, certain of our customers and suppliers could be affected directly by an economic downturn and could face credit issues or cash flow problems that could give rise to payment delays, increased credit risk, bankruptcies, and other financial hardships, which could impact customer demand for our products as well as our ability to manage normal commercial relationships with our customers and suppliers. Depending on their severity and duration, the effects and consequences of a global economic downturn could have an adverse impact on our results of operations and financial condition.

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, we may experience an adverse impact on our operating results if we are subject to labor actions.

Future terror attacks, war, natural disasters, pandemic diseases (including the COVID-19 pandemic), 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 through business continuity planning and disaster recovery plans, we could be adversely impacted by terror attacks, war, natural disasters such as hurricanes, floods, tornadoes, pandemic diseases such as COVID-19, or other events such as strikes by the workforce of a significant customer or supplier. These risks could negatively 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. 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 products could adversely affect our operating results and financial condition.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters is located at a leased facility in Davidson, North Carolina. As of December 31, 2020, we had 157 facilities worldwide, including four corporate and shared-services facilities. Approximately 79% of our facilities operate as manufacturing and engineering, metal treatment, or aerospace overhaul plants, while the remaining 21% operate as selling and administrative office facilities. The number and type of facilities utilized by each of our reportable segments are summarized below:

Owned Facilities Location	Commercial/			Total
	Industrial	Defense	Power	
North America	12	2	4	18
Europe	10	—	—	10
Total	22	2	4	28

Leased Facilities Location	Commercial/			Total
	Industrial	Defense	Power	
North America	49	17	21	87
Europe	20	6	—	26
Asia	11	1	—	12
Total	80	24	21	125

The buildings on the properties referred to in this Item are well maintained, in good condition, and are suitable and adequate for current needs. Management believes that 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, the Corporation and its 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 condition, results of operations, and cash flows.

We have been named in pending lawsuits that allege injury from exposure to asbestos. To date, we have not been found liable or paid any material sum of money in settlement in any asbestos-related case. We believe that the minimal use of asbestos in our past operations and the relatively non-friable condition of asbestos in our products make it unlikely that we will face material liability in any asbestos litigation, whether individually or in the aggregate. We maintain insurance coverage for these potential liabilities and we believe adequate coverage exists to cover any unanticipated asbestos liability.

Item 4. Mine 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 (NYSE) under the symbol CW. As of January 1, 2021, we had approximately 3,000 registered shareholders of our common stock, \$1.00 par value.

DIVIDENDS

During 2020 and 2019, the Company paid quarterly dividends as follows:

	2020	2019
Common Stock		
First Quarter	\$0.17	\$0.15
Second Quarter	0.17	0.17
Third Quarter	0.17	0.17
Fourth Quarter	0.17	0.17

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information regarding our equity compensation plans as of December 31, 2020, 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	419,940 ^(a)	\$109.42	2,153,964 ^(b)
Equity compensation plans not approved by security holders	None	Not applicable	Not applicable

^(a) Consists of 381,905 shares issuable upon exercise of outstanding options and vesting of performance share units, restricted shares, restricted stock units, and shares to non-employee directors under the 2005 and 2014 Omnibus Incentive Plan, and 38,035 shares issuable under the Employee Stock Purchase Plans.

^(b) Consists of 1,385,136 shares available for future option grants under the 2014 Omnibus Incentive Plan, and 768,828 shares remaining available for issuance under the Employee Stock Purchase Plan.

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, 2020.

	Total Number of shares purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar amount of shares that may yet be Purchased Under the Program
October 1 – October 31	46,521	\$ 94.59	1,412,207	\$258,341,872
November 1 – November 30	535,376	100.86	1,947,583	204,342,164
December 1 – December 31	36,293	115.80	1,983,876	200,139,452
For the quarter ended December 31	618,190	\$101.27	1,983,876	\$200,139,452

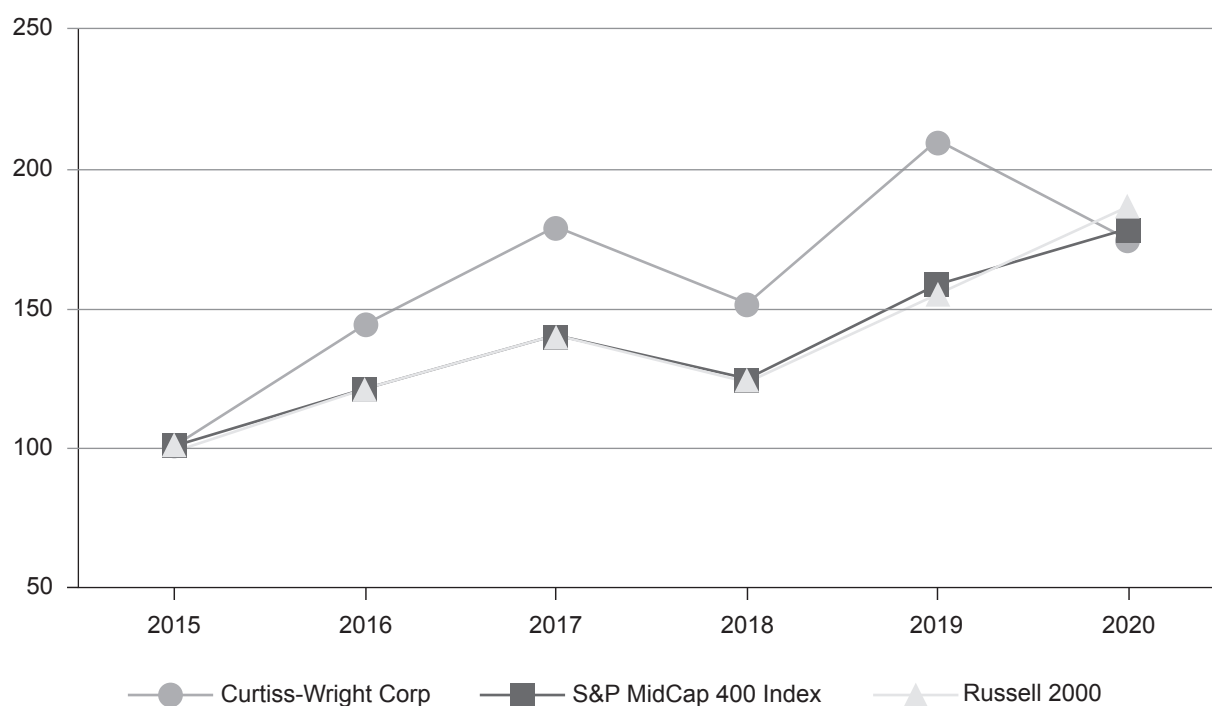
In October 2020, the Corporation announced that its Board of Directors has authorized an additional \$200 million for future share repurchases. The Corporation plans to repurchase at least \$50 million of its common stock via a 10b5-1 program during the 2021 calendar year.

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 common stock during the last five fiscal years with the annual change in the cumulative total return of the Russell 2000 Index and the S&P MidCap 400 Index. The graph assumes an investment of \$100 on December 31, 2015 and the reinvestment of all dividends paid during the following five fiscal years.

COMPARISON OF CUMULATIVE FIVE YEAR TOTAL RETURN



Company / Index	2015	2016	2017	2018	2019	2020
Curtiss-Wright Corp	100	144.45	179.93	151.53	210.17	174.80
S&P MidCap 400 Index	100	120.74	140.35	124.80	157.49	179.00
Russell 2000	100	121.31	139.08	123.76	155.35	186.36

Item 6. Selected Financial Data.

The following table presents our selected financial data from continuing operations. 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				
<i>(In thousands, except per share data)</i>	2020	2019	2018	2017	2016
Net sales	\$2,391,336	\$2,487,961	\$2,411,835	\$2,271,026	\$2,108,931
Earnings from continuing operations	201,392	307,583	275,749	214,891	189,382
Total assets	4,021,334	3,764,261	3,255,385	3,236,321	3,037,781
Total debt, net	1,058,292	760,639	762,556	814,139	966,298
Earnings per share from continuing operations:					
Basic	\$ 4.83	\$ 7.20	\$ 6.28	\$ 4.86	\$ 4.27
Diluted	\$ 4.80	\$ 7.15	\$ 6.22	\$ 4.80	\$ 4.20
Cash dividends per share	\$ 0.68	\$ 0.66	\$ 0.60	\$ 0.56	\$ 0.52

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

Our Management’s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) 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.

COMPANY ORGANIZATION

Curtiss-Wright Corporation and its subsidiaries is a global, diversified manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the defense, general industrial, commercial aerospace, and power generation markets. We report our operations through our Commercial/Industrial, Defense, and Power segments. We are positioned as a market leader across a diversified array of niche markets through engineering and technological leadership, precision manufacturing, and strong relationships with our customers. Our overall strategy is to be a balanced and diversified company, less vulnerable to cycles or downturns in any one market, with a focus on establishing and expanding strong technological breadth, market positions, and financial performance.

Impacts of inflation, pricing, and volume

We have not historically been and do not expect to be significantly impacted by inflation. Increases in payroll costs and any increases in raw material costs that we have encountered are generally offset through lean manufacturing activities or price increases, if our terms and conditions provide for such increases. We have consistently made annual investments in capital that deliver efficiencies and cost savings. The benefits of these efforts generally offset the margin impact of competitive pricing conditions in all of the markets we serve.

Analytical Definitions

Throughout MD&A, the terms “incremental” and “organic” are used to explain changes from period to period. The term “incremental” is used to highlight the impact that acquisitions and divestitures had on the current year results. The results of operations for acquisitions are incremental for the first twelve months from the date of acquisition. Additionally, the results of operations of divested businesses are removed from the comparable prior year period for purposes of calculating “organic” and “incremental” results. The definition of “organic” excludes the effects of total restructuring charges and foreign currency translation.

Market Analysis and Economic Factors

Economic Factors Impacting Our Markets

Curtiss-Wright Corporation is a global, diversified manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the aerospace, defense, general industrial, and power generation markets. Many of Curtiss-Wright’s industrial businesses are driven in large part by global economic growth, primarily led by operations in the U.S., Canada, Europe, and China. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, which resulted in significant travel restrictions and disruption of the financial markets, as well as negatively impacted our supply chains and production levels. The pandemic has caused demand in the commercial aerospace and general industrial end markets to be negatively impacted for the foreseeable future, the extent of which is contingent upon future developments. These future developments, which are highly uncertain and unpredictable, include new information concerning the severity and duration of the outbreak as well as impacts to our supply chain, transportation networks, and customers.

In the last decade, the U.S. economy, as measured by real gross domestic product (GDP), has slowly improved, aided by decreased levels of unemployment, improvements in the housing market, and a low interest rate environment. Initial expectations for 2020 implied a slight contraction from 2019’s U.S. GDP growth rate of 2.2%, primarily due to the impact of U.S./China trade tensions and ongoing concerns about global recessionary conditions. However, due to the impact of the COVID-19 pandemic, 2020 U.S. GDP is

now expected to show a decline of 3.5%. Looking ahead to 2021, economists expect growth in the broader U.S. economy to rebound, with current estimates for U.S. GDP ranging from 4% to more than 6% growth.

Meanwhile, the global environment, which is typically influenced by international trade, economic conditions, and geopolitical uncertainty, has been greatly impacted by the pandemic. According to the International Monetary Fund's World Economic Outlook - 2020, global GDP in world economies, which was originally forecasted to grow approximately 3%, is now expected to decline 4.4% in 2020, but rebound and grow 5.2% in 2021. Looking ahead to the next few years, we remain cautiously optimistic that our economically-sensitive commercial and industrial markets will improve based upon a return to normalized global growth conditions.

Defense

We have a well-diversified portfolio of products and services that supply all branches of the U.S. military, with content on critical high-performance programs and platforms, as well as a growing international defense business. A significant portion of our defense business operations is attributed to the United States market, and characterized by long-term programs and contracts driven primarily by the Department of Defense (DoD) budgets and funding levels.

The U.S. Defense budget serves as a leading indicator of our growth in the defense market. Following across-the-board sequestration mandated by the BCA, defense spending and related supplemental budgets bottomed in 2015. However, growth has stabilized in recent years. In early 2018, Congress signed a bill to provide relief against the spending caps associated with the BCA. In addition, the Fiscal Year 2019 Defense Appropriations Bill, signed in September 2018, was the first to be signed into law in over a decade. More recently, the two-year, Bipartisan Budget Act signed in August 2019 brought an improved sense of security to federal agencies, essentially cancelling the prior two years of the BCA and its sequestration caps, while setting solid topline spending figures for 2020 and 2021 in excess of \$700 billion. In early 2021, the Fiscal Year 2021 budget was authorized at \$696 billion, slightly ahead of the Fiscal Year 2020 budget. Looking ahead, in conjunction with the President's budget request, the DoD submitted its plan, which is referred to as the Future Years Defense Program (FYDP). The FYDP reflects the DoD's expectations about its programs and costs over the next five years, which presently indicates that total budget funding would be relatively flat.

We derive revenue from the naval defense, aerospace defense, and ground defense markets. In the naval defense market, we expect continued solid funding for U.S. shipbuilding programs, particularly as it relates to production on the Ford class aircraft carrier, as well as Columbia class and Virginia class submarines. We have a long legacy of providing products that support nuclear propulsion systems on naval vessels. In addition, through our service centers, we are a critical provider of ship repair and maintenance for the U.S. Navy's Atlantic and Pacific fleets. In the aerospace defense market, we expect to benefit from increased funding levels on Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), electronic warfare, unmanned systems, and communications programs. As a leading supplier of COTS and COTS+ solutions, we continue to demonstrate that electronics technology will enhance our ability to design and develop future generations of advanced systems and products for high performance applications, while also meeting the military's Size, Weight, and Power considerations. We are also a leading designer and manufacturer of high-technology data acquisition and comprehensive flight test instrumentation systems. In the ground defense market, we are a leading supplier of advanced tactical communications solutions for battlefield network management, including commercial off-the-shelf (COTS)-based rugged, small form factor communications systems, and integrated network communications management software. The modernization of the existing U.S. ground vehicle fleet is expected to recover slowly, while international demand should remain solid, particularly for our electronics stabilization systems.

While we monitor the budget process as it relates to programs in which we participate, we cannot predict the ultimate impact of future DoD budgets, which tend to fluctuate year-by-year and program-by-program.

Commercial Aerospace

Curtiss-Wright derives revenue from the global commercial aerospace market, principally to the commercial jet market, and to a lesser extent the regional jet and commercial helicopter markets. Our primary focus in

this market is OEM products and services for commercial jets, which is highly dependent on new aircraft production from our primary customers, Boeing and Airbus. We provide a combination of flight control and utility actuation systems, sensors, and other sophisticated electronics, as well as shot and laser peening services utilized on highly stressed components of turbine engine fan blades, landing gear, and aircraft structures.

Passenger travel and freight logistics, along with the demand for and delivery of new aircraft, are the key drivers in the commercial aerospace market. Over the past decade, there was an extended production up-cycle for the commercial aerospace market, which was driven by increases in production by Boeing and Airbus on both legacy and new aircraft, particularly narrow-body aircraft. Additionally, sustained low oil prices contributed to increased passenger growth, as declining fuel prices led to cheaper airfares for consumers. In 2020, the onset of the COVID-19 pandemic abruptly halted the industry's growth as fewer and fewer passengers traveled, and business operations were disrupted globally, stunting the production of new aircraft as well as the maintenance of existing aircraft. Current travel restrictions, as well as changes in the propensity for the general public to travel by air as a result of the COVID-19 pandemic, will likely be driven by the availability and implementation of vaccines.

According to the International Air Transport Association, air travel demand based on passenger growth fell sharply in 2020, well below typical growth rates, but is expected to recover in 2021 and 2022, assuming vaccinations proceed at current projections. Longer term, the IATA projects an average annual growth rate of passenger travel of 3.7% over the next 20 years.

While we closely monitor these industry metrics, our success and future growth in the commercial aerospace market is primarily tied to the growth in aircraft production rates, the timing of our order placement, and continued partnering with aerospace original equipment manufacturers. In 2020, we enacted certain restructuring actions by exiting the build-to-print actuation product line supporting the Boeing 737 MAX program to ensure our long-term positioning and profitability as it applies to the Company's commercial aerospace exposure.

Power Generation

We derive revenue 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, enterprise resource planning, plant process controls, and coating services. We provide equipment and services to both the aftermarket and new build markets and have content on every reactor operating in the U.S. today.

According to the Nuclear Regulatory Commission (NRC), nuclear power comprises approximately 20% of all electric power produced in the United States, with 94 reactors operating across 56 nuclear power plants in 28 states. Our growth opportunities for aftermarket products and services are driven by plant aging, plant closures, requirements for planned outages, plant life extensions (from the end of their original 40-year operating lives to 60-year and now 80-year lives), the levying of regulatory requirements, suppliers abandoning the commercial nuclear market, and plants seeking technology and innovation advances, such as digitalization, that further enable plant modernization.

One of the industry's most significant challenges is electricity market competitiveness, primarily driven by sustained low natural gas prices. As a result, the industry has been tasked with reassessing operating practices, improving efficiency, and reducing costs to help keep nuclear power competitive in a changing electricity market, which are collectively referred to as "Delivering the Nuclear Promise." Additionally, U.S. reactor operators were faced with increased security and post-Fukushima regulatory requirements over most of the past decade. All of these factors contributed to plant operators diverting and deferring their typical plant capital expenditure budgets significantly away from planned maintenance. However, in late 2017, as those necessary requirements abated and plant operators resumed a more normalized maintenance schedule, the industry began to turn the corner. As a result, we expect increased opportunities for our vast portfolio of advanced nuclear technologies moving forward.

Longer term, there are several factors driving global commercial nuclear power demand, especially in developing countries with growing populations but limited power supply such as China and India, which 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 greater appreciation 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.

We also play an important role in the new build market for the Generation III+ Westinghouse AP1000 reactor design, for which we are a supplier of RCPs and also expect to supply a variety of ancillary plant products and services. Domestically, two new build reactors remain under construction in Georgia utilizing the AP1000 design. On a global basis, nuclear plant construction is active. Currently, there are approximately 53 new reactors under construction across 19 countries, with approximately 98 planned and 326 proposed over the next several decades according to the World Nuclear Organization. In particular, China intends to expand its nuclear power capabilities significantly through the construction of new nuclear power plants over the next few decades, led by the successful start-up and operation of the first two AP1000 plants (four reactors) in late 2018 and early 2019, which are the first Generation III+ reactors in operation worldwide. We continue to expect to play a role in new build nuclear plant construction with our largest opportunities for large scale reactors in China and India, and worldwide through future construction of advanced and small modular reactors.

Our future success in this industry will be led by new order activity for our vast array of nuclear technologies 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.

General Industrial

Revenue derived from our widely diversified offering to the general industrial market consists of electronic sensors and control systems, critical-function valves and valve systems, and surface treatment services. We supply our products and services to OEMs and aftermarket industrial customers, including the transportation, commercial trucking, off-road equipment, agriculture, construction, automotive, chemical, and oil and gas industries. Our performance in these markets is typically sensitive to the performance of the U.S. and global economies, with changes in global GDP rates and industrial production driving our sales, particularly for our surface treatment services.

One of the key drivers within our general industrial market is our electronic sensors and controls systems products serving the on-and-off highway, medical mobility, and specialty vehicles markets. Notable products include electronic throttle controls, shift controls, joysticks, power management systems, and traction control systems. Increased industry demand for electronic control systems and sensors has been driven by the need for improved operational efficiency, safety, repeatability, reduced emissions, enhanced functionality, and greater fuel efficiencies to customers worldwide. Key to our future growth is expanding the human-machine interface (HMI) technology portfolio and providing a complete system solution to our customers. Existing and emerging trends in commercial vehicle safety, emissions control, and improved driver efficiency, as well as electrification and the industrial Internet of Things, are propelling commercial vehicle OEMs toward higher performance subsystems. These trends are accelerating the evolution from discrete HMI components towards a more integrated vehicle interface architecture. Meanwhile, our surface treatment services, which include shot and laser peening, engineered coatings, and analytical testing services, are used to increase the safety, reliability, and longevity of components operating in harsh environments. Sales are primarily driven by global demand from general industrial customers.

We also service the oil and gas, chemical, and petrochemical industries through numerous industrial valve products, in which nearly all of our industrial valve sales are to the downstream markets. We maintain a global maintenance, repair, and overhaul (MRO) business for our pressure-relief valve technologies as refineries opportunistically service or upgrade equipment that has been operating at or near full capacity. We also produce severe service, operation-critical valves for the power and process industries. Sales in these industries are driven by global supply and demand, crude oil prices, industry regulations, and the natural gas market. Over the long run, we believe improved economic conditions and continued global expansion will be key drivers for future growth of our severe service and operation-critical valves serving the process industry.

RESULTS OF OPERATIONS

The following MD&A is intended to help the reader understand the results of operations and financial condition of the Corporation for the year ended December 31, 2020, as compared to the year ended December 31, 2019. Discussion and analysis of our financial condition and results of operations for the year ended December 31, 2019, as compared to the year ended December 31, 2018, is contained in our 2019 Annual Report on Form 10-K, filed with the SEC on February 27, 2020.

	Year Ended December 31,		Percent
	2020	2019	change 2020 vs. 2019
<i>(In thousands, except percentages)</i>			
Sales:			
Commercial/Industrial	\$ 949,762	\$1,137,818	(17)%
Defense	733,856	625,940	17%
Power	707,718	724,203	(2)%
Total sales	\$2,391,336	\$2,487,961	(4)%
Operating income:			
Commercial/Industrial	\$ 81,581	\$ 179,637	(55)%
Defense	140,406	137,286	2%
Power	104,626	122,139	(14)%
Corporate and eliminations	(37,765)	(35,109)	(8)%
Total operating income	\$ 288,848	\$ 403,953	(28)%
Interest expense	35,545	31,347	13%
Other income, net	9,748	23,856	(59)%
Earnings before income taxes	263,051	396,462	(34)%
Provision for income taxes	(61,659)	(88,879)	(31)%
Net earnings	\$ 201,392	\$ 307,583	(35)%
Impairment of assets held for sale	\$ 33,043	\$ —	NM
Total restructuring charges	\$ 42,725	\$ —	NM
New orders	\$2,321,481	\$2,579,617	(10)%
Backlog	\$2,163,750	\$2,166,764	—%

NM - Not meaningful

Components of sales and operating income growth (decrease):

	2020 vs. 2019	
	Sales	Operating Income
Organic	(8)%	(10)%
Acquisitions	4%	(1)%
Impairment of assets held for sale	—%	(8)%
Restructuring	—%	(9)%
Foreign currency	—%	—%
Total	(4)%	(28)%

Sales for the year decreased \$97 million, or 4%, to \$2,391 million, compared with the prior year period. On a segment basis, sales from the Commercial/Industrial and Power segments decreased \$188 million and \$17 million, respectively, with sales from the Defense segment increasing \$108 million. Changes in sales by segment are discussed in further detail in the “Results by Business Segment” section below.

Operating income for the year decreased \$115 million, or 28%, to \$289 million, and operating margin decreased 410 basis points compared with 2019. The decreases in operating income and operating margin were primarily due to unfavorable overhead absorption on lower sales in the Commercial/Industrial segment, an impairment loss of \$33 million in the Commercial/Industrial segment due to our industrial valve

business in Germany being classified as held for sale during the current period, as well as restructuring costs of \$41 million recognized across all segments.

Non-segment operating expense for the year increased \$3 million, or 8%, to \$38 million, primarily due to higher post-retirement costs and foreign exchange losses.

Interest expense for the year increased \$4 million, or 13%, to \$36 million, primarily due to the issuance of \$300 million Senior Notes in August 2020 as well as the impact of borrowings under our revolving credit facility.

Other income, net for the year decreased \$14 million, or 59%, to \$10 million, primarily due to the recognition of accumulated foreign currency translation losses of \$10 million related to the substantial liquidation of our Norwegian subsidiary.

The effective tax rate of 23.4% for the year ended December 31, 2020, increased as compared to an effective tax rate of 22.4% in the prior year period. This increase was primarily driven by the recognition of accumulated foreign currency translation losses related to the substantial liquidation of our Norwegian subsidiary, which are not deductible for tax purposes, as well as additional tax expense associated with the impairment of goodwill and establishment of a valuation allowance against certain deferred tax assets related to foreign assets that were classified as held for sale during the current period.

New orders decreased \$258 million, or 10%, from the prior year period to \$2,321 million, primarily due to a pandemic-driven decline in new orders for sensors and controls equipment, industrial vehicle and industrial valve products, and surface treatment services in the Commercial/Industrial segment. In the Power segment, new orders were negatively impacted by lower commercial orders in the power generation market. These decreases were partially offset by the timing of aerospace defense and naval defense orders in the Defense segment. Changes in new orders by segment are discussed in further detail in the “Results by Business Segment” section below.

Comprehensive income (loss)

Pension and postretirement adjustments within comprehensive income during the year ended December 31, 2020 were a \$27 million loss, compared to a \$29 million loss for the prior year period. The losses in both periods were primarily due to increases in the discount rate, partially offset by higher asset returns.

Foreign currency translation adjustments during the year ended December 31, 2020 resulted in a comprehensive gain of \$41 million, compared to a comprehensive gain of \$18 million in the comparable prior period. The comprehensive gain during the current period was primarily attributed to increases in the Euro and British Pound, with the prior period comprehensive gain primarily attributed to increases in the British Pound and Canadian dollar.

RESULTS BY BUSINESS SEGMENT

Commercial/Industrial

Sales in the Commercial/Industrial segment are primarily generated from the general industrial and commercial aerospace markets and, to a lesser extent, the defense and power generation markets.

The following tables summarize sales, operating income and margin, total restructuring charges, and new orders within the Commercial/Industrial segment.

	Year Ended December 31,		Percent
	2020	2019	Change
<i>(In thousands, except percentages)</i>			
Sales	\$949,762	\$1,137,818	(17)%
Operating income	81,581	179,637	(55)%
Operating margin	8.6%	15.8%	(720 bps)
Total restructuring charges ⁽¹⁾	\$ 22,286	\$ —	NM
New orders	\$794,314	\$1,165,381	(32)%
Backlog	\$318,554	\$ 466,279	(32)%

⁽¹⁾ For the year ended December 31, 2020, such amount includes approximately \$1.8 million of non-operating restructuring charges, which have been recorded within other income, net in our Consolidated Statement of Earnings.

Components of sales and operating income growth (decrease):

	2020 vs. 2019	
	Sales	Operating Income
Organic	(18)%	(25)%
Acquisitions	1%	(1)%
Impairment of assets held for sale	—%	(18)%
Restructuring	—%	(11)%
Foreign currency	—%	—%
Total	(17)%	(55)%

Sales decreased \$188 million, or 17%, to \$950 million, from the comparable prior year period, primarily due to the ongoing impact of the COVID-19 pandemic on the commercial aerospace and general industrial markets. In the commercial aerospace market, sales decreased \$96 million, primarily due to lower sales of actuation and sensors equipment as well as surface treatment services. Sales in the general industrial market decreased \$109 million, primarily due to lower demand for industrial vehicle and industrial valve products, as well as surface treatment services. These decreases were partially offset by higher sales of \$14 million in the aerospace defense market, primarily due to higher demand for actuation systems on the F-35 fighter jet program.

Operating income decreased \$98 million, or 55%, to \$82 million, and operating margin decreased 720 basis points to 8.6%. The decreases in operating income and operating margin were primarily due to unfavorable overhead absorption on lower sales in the general industrial and commercial aerospace markets, an impairment loss of \$33 million due to our industrial valve business in Germany being classified as held for sale during the current period, as well as costs associated with our restructuring activities.

New orders decreased \$371 million as compared to the prior year, primarily due to a pandemic-driven decline in new orders for sensors and controls equipment, industrial vehicle and industrial valve products, and surface treatment services.

Defense

Sales in the Defense segment are primarily to the defense markets and, to a lesser extent, the commercial aerospace and the general industrial markets.

The following tables summarize sales, operating income and margin, total restructuring charges, and new orders, within the Defense segment.

	Year Ended December 31,		Percent Change
	2020	2019	2020 vs. 2019
<i>(In thousands, except percentages)</i>			
Sales	\$733,856	\$625,940	17%
Operating income	140,406	137,286	2%
Operating margin	19.1%	21.9%	(280 bps)
Total restructuring charges	\$ 3,190	\$ —	NM
New orders	\$861,506	\$682,648	26%
Backlog	\$883,921	\$699,788	26%

Components of sales and operating income growth (decrease):

	2020 vs. 2019	
	Sales	Operating Income
Organic	5%	6%
Acquisitions	12%	(2)%
Restructuring	—%	(3)%
Foreign currency	—%	1%
Total	17%	2%

Sales increased \$108 million, or 17%, to \$734 million, from the comparable prior year period, primarily due to higher sales in the naval defense and aerospace defense markets. Sales in the naval defense market increased \$87 million, primarily due to the incremental impact of our 901D acquisition, which contributed sales of \$46 million. Excluding the impact of 901D, the naval defense market benefited from higher demand for valves and embedded computing equipment on the Virginia-class submarine platform, which resulted in higher sales of \$32 million. In the aerospace defense market, sales increased \$33 million, primarily due to higher demand for embedded computing equipment on various fighter jet and UAV platforms as well as higher foreign military sales. Additionally, sales in the ground defense market increased \$12 million, primarily due to the incremental impact of our PacStar acquisition. These increases were partially offset by lower sales of \$11 million in the commercial aerospace market, primarily due to lower demand for flight test instrumentation equipment.

Operating income increased \$3 million, or 2%, to \$140 million compared with the same period in 2019, while operating margin decreased 280 basis points to 19.1%. Favorable overhead absorption on higher sales as well as the benefits of our ongoing margin improvement initiatives were partially offset by costs associated with our restructuring activities as well as first year purchase accounting costs from our acquisitions of 901D and PacStar.

New orders increased \$179 million as compared to the prior year, primarily due to the timing of aerospace defense and naval defense orders.

Power

Sales in the Power segment are primarily to the naval defense and power generation markets.

The following tables summarize sales, operating income and margin, total restructuring charges, and new orders, within the Power segment.

	Year Ended December 31,		Percent Change
	2020	2019	2020 vs. 2019
<i>(In thousands, except percentages)</i>			
Sales	\$707,718	\$ 724,203	(2)%
Operating income	104,626	122,139	(14)%
Operating margin	14.8%	16.9%	(210 bps)
Total restructuring charges	\$ 17,249	\$ —	NM
New orders	\$665,661	\$ 731,588	(9)%
Backlog	\$961,275	\$1,000,697	(4)%

Components of sales and operating income growth (decrease):

	2020 vs. 2019	
	Sales	Operating Income
Organic	(2)%	—%
Acquisitions	—%	—%
Restructuring	—%	(14)%
Foreign currency	—%	—%
Total	(2)%	(14)%

Sales decreased \$17 million, or 2%, to \$708 million, from the comparable prior year period. In the power generation market, sales decreased \$46 million, primarily due to COVID-related impacts on domestic and international aftermarket sales, as well as lower AP1000 program revenues. This decrease was partially offset by higher sales of \$32 million in the naval defense market, primarily due to the timing of production on the Columbia class submarine and CVN-81 aircraft carrier programs.

Operating income decreased \$18 million, or 14%, to \$105 million and operating margin decreased 210 basis points to 14.8%. The decreases in operating income and operating margin were primarily due to lower sales volume as well as costs associated with our restructuring activities.

New orders decreased \$66 million as compared to the prior year, primarily due to lower commercial orders in the power generation market.

SUPPLEMENTARY INFORMATION

The table below depicts sales by end market and customer type, as it helps provide an enhanced understanding of our businesses and the markets in which we operate. The table has been included to supplement the discussion of our consolidated operating results.

Net Sales by End Market and Customer Type

<i>(In thousands, except percentages)</i>	Year Ended December 31,		Percent
	2020	2019	change
Defense markets:			
Aerospace	\$ 463,835	\$ 416,841	11%
Ground	107,287	93,432	15%
Naval	692,168	568,776	22%
Total Defense	\$1,263,290	\$1,079,049	17%
Commercial markets:			
Aerospace	\$ 325,518	\$ 433,038	(25)%
Power Generation	331,983	392,173	(15)%
General Industrial	470,545	583,701	(19)%
Total Commercial	\$1,128,046	\$1,408,912	(20)%
Total Curtiss-Wright	\$2,391,336	\$2,487,961	(4)%

Defense sales increased \$184 million, or 17%, to \$1,263 million, as compared to the prior year period, primarily due to higher sales in the naval defense and aerospace defense markets. The naval defense market benefited from higher sales of \$56 million on the Virginia-class and Columbia-class submarine programs, as well as the impact of our 901D acquisition, which contributed incremental sales of \$46 million. Sales in the aerospace defense market increased primarily due to higher foreign military sales of \$14 million as well as higher sales of \$14 million on the F-35 fighter jet program.

Commercial sales decreased \$281 million, or 20%, to \$1,128 million, primarily due to the ongoing impact from the COVID-19 pandemic, which resulted in lower sales across all markets. In the commercial aerospace market, we experienced lower demand for actuation and sensors equipment as well as surface treatment services, which resulted in sales decreases of \$67 million and \$29 million, respectively. Sales in the power generation market decreased primarily due to lower domestic and international aftermarket sales of \$37 million. Lower demand in the general industrial market for industrial vehicle, industrial valve, and industrial control products resulted in sales decreases of \$41 million, \$36 million, and \$16 million, respectively. Sales in the general industrial market were also negatively impacted by lower demand for surface treatment services, which resulted in a sales decrease of \$17 million.

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. 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.

Consolidated Statement of Cash Flows

<i>(In thousands)</i>	Year ended December 31,	
	2020	2019
Net cash provided by (used in):		
Operating activities	\$ 261,180	\$421,404
Investing activities	(532,530)	(240,040)
Financing activities	82,081	(68,145)
Effect of exchange rates	(3,516)	1,748
Net increase (decrease) in cash and cash equivalents	\$(192,785)	\$ 114,967

Operating Activities

Cash provided by operating activities decreased \$160 million to \$261 million from the comparable prior year period, primarily due to a voluntary pension contribution of \$150 million as well as the timing of advanced cash receipts in the current period. These decreases were partially offset by a reduction in receivables during the current period.

Investing Activities

Capital Expenditures

Our capital expenditures were \$47 million and \$70 million for 2020 and 2019, respectively. The decrease in capital expenditures was primarily due to lower capital spending during the current period as well as lower current period investment related to the new DRG facility. For 2021, we anticipate capital expenditures of approximately \$50 million to \$60 million.

Divestitures

No material divestitures took place during 2020 or 2019.

Acquisitions

In 2020, we acquired three businesses for a total purchase price of \$496 million, inclusive of \$488 million cash paid plus a holdback of \$8 million for potential indemnification claims against the seller. In 2019, we acquired two businesses for a total purchase price of \$185 million.

Future 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 the 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 August 13, 2020, the Corporation issued \$300 million of Senior Notes (the "2020 Notes"), consisting of \$150 million of 3.10% Senior Notes that mature on August 13, 2030 and \$150 million of 3.20% Senior Notes that mature on August 13, 2032. There were no debt issuances in 2019.

Revolving Credit Agreement

As of December 31, 2020, the Corporation had no borrowings outstanding under the Revolving Credit Agreement (the Credit Agreement or credit facility) and \$21 million in letters of credit supported by the credit facility. The unused credit available under the Credit Agreement as of December 31, 2020 was \$479 million, which could be borrowed in full without violating any of our debt covenants.

Repurchase of Common Stock

During 2020, the Company repurchased approximately 2.0 million shares of its common stock for \$200 million. In 2019, the Company repurchased approximately 0.4 million shares of its common stock for \$51 million.

Dividends

The Company made dividend payments of approximately \$28 million during both 2020 and 2019.

Capital Resources

Cash in Foreign Jurisdictions

<i>(In thousands)</i>	As of December 31,	
	2020	2019
United States of America	\$ 55,391	\$220,782
United Kingdom	49,258	50,761
European Union	21,156	41,779
Canada	34,795	34,026
China	20,692	26,278
Other foreign countries	16,956	17,407
Total cash and cash equivalents	\$198,248	\$391,033

Cash and cash equivalents as of December 31, 2020 and December 31, 2019 were \$198 million and \$391 million, respectively. The decrease in cash held by U.S. subsidiaries during 2020 as compared to 2019 was primarily due to current year acquisitions, higher current period share repurchase activity, and pay down of outstanding borrowings on our credit facility, partially offset by higher foreign cash repatriation during the current period. The decrease in cash held by foreign subsidiaries during 2020 as compared to 2019 was primarily due to higher cash repatriation to the U.S. during the current period, partially offset by net cash receipts. There are no legal or economic restrictions on the ability of any of our subsidiaries to transfer funds, absent certain regulatory approvals in China, where approximately \$21 million of our foreign cash resides. Refer to Note 13 to the Consolidated Financial Statements for impacts on our foreign undistributed earnings due to the Tax Act.

Cash Utilization

Management continually evaluates cash utilization alternatives, including share repurchases, acquisitions, and increased dividends to determine the most beneficial use of available capital resources. We believe that our cash and cash equivalents, cash flow from operations, available borrowings under the credit facility, and ability to raise additional capital through the credit markets are sufficient to meet both the short-term and long-term capital needs of the organization, including the return of capital to shareholders through dividends and share repurchases and growing our business through acquisitions.

Debt Compliance

As of December 31, 2020, we were in compliance with all debt agreements and credit facility covenants, including our most restrictive covenant, which is our debt to capitalization ratio limit of 60%. As of December 31, 2020, we had the ability to incur total additional indebtedness of \$1.5 billion without violating our debt to capitalization covenant.

Future Commitments

Cash generated from operations should be adequate to meet our planned capital expenditures of approximately \$50 million to \$60 million and expected dividend payments of approximately \$28 million in 2021. There can be no assurance, however, that we will continue to generate cash from operations at the current level, or that these projections will remain constant throughout 2021. If cash generated from operations is not sufficient to support these operating requirements and investing activities, we may be required to reduce capital expenditures, borrow from our existing credit line, refinance a portion of our existing debt, or obtain additional financing. While all companies are subject to economic risk, we believe that our cash and cash equivalents, cash flow from operations, and available borrowings are sufficient to meet both the short-term and long-term capital needs of the organization.

In January 2020, the Corporation made a discretionary pension contribution of \$150 million to the Curtiss-Wright Pension Plan. For more information on our pension and other postretirement benefits plans, see Note 17 to the Consolidated Financial Statements.

The following table quantifies our significant future contractual obligations and commercial commitments as of December 31, 2020:

<i>(In thousands)</i>	Total	2021	2022	2023	2024	2025	Thereafter
Debt Principal							
Repayments	\$1,050,000	\$100,000	\$ —	\$202,500	\$ —	\$ 90,000	\$657,500
Operating Leases	190,578	33,630	27,451	24,532	21,515	15,075	68,375
Interest Payments on Fixed Rate Debt	239,536	38,915	35,320	32,698	27,828	26,615	78,160
Total	\$1,480,114	\$172,545	\$62,771	\$259,730	\$49,343	\$131,690	\$804,035

We do not have material purchase obligations. Most of our raw material purchase commitments are made directly pursuant to specific contract requirements.

We enter into standby letters of credit agreements and guarantees with financial institutions and customers primarily relating to future performance on certain contracts to provide products and services and to secure advance payments we have received from certain international customers. As of December 31, 2020, we had contingent liabilities on outstanding letters of credit due as follows:

<i>(In thousands)</i>	Total	2021	2022	2023	2024	2025	Thereafter
Letters of Credit ⁽¹⁾	\$21,113	\$13,355	\$2,899	\$3,223	\$1,636	\$—	\$—

⁽¹⁾ Amounts exclude bank guarantees of approximately \$5.6 million.

Critical Accounting Estimates and Policies

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparing consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates and assumptions are affected by the application of our accounting policies. Critical accounting policies are those that require application of management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. We believe that the following are some of the more critical judgment areas in the application of our accounting policies that affect our financial condition and results of operations:

Revenue Recognition

We account for revenues in accordance with ASC 606, *Revenue from Contracts with Customers*, which was adopted as of January 1, 2018 on a modified retrospective basis. Under ASC 606, revenue is recognized when control of a promised good and/or service is transferred to a customer at a transaction price that reflects the consideration that we expect to be entitled to in exchange for that good and/or service. The unit of account is a performance obligation whereby a contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the respective performance obligation is satisfied. In certain instances, the transaction price may include estimated amounts of variable consideration including but not limited to incentives, awards, price escalations, liquidated damages, and penalties, only to the extent that it is probable that a significant reversal of cumulative revenue recognized to date around such variable consideration will not occur. We estimate variable consideration to be included in the transaction price using either the expected value method or most likely amount method, contingent upon the facts and circumstances of the specific arrangement. Variable consideration associated with our respective arrangements is not typically constrained.

Performance obligations are satisfied either at a point-in-time or on an over-time basis. Contracts that qualify for over-time revenue recognition are generally associated with the design, development, and manufacture of highly engineered industrial products used in commercial and defense applications and

generally span between 2-5 years in duration. Revenue recognized on an over-time basis for the year ended December 31, 2020 accounted for approximately 52% of total net sales. Typically, over-time revenue recognition is based on the utilization of an input measure used to measure progress, such as costs incurred to date relative to total estimated costs. Application of an over-time revenue recognition method requires the use of reasonable and dependable estimates of future material, labor, and overhead costs that will be incurred as well as a disciplined cost estimating system in which all functions of the business are integrally involved. These estimates are determined based on industry knowledge and experience of our engineers, project managers, and financial staff. Changes in total estimated costs are recognized using the cumulative catch-up method of accounting which recognizes the cumulative effect of the changes on current and prior periods in the current period. During the years ended December 31, 2020, 2019, and 2018, there were no significant changes in estimated contract costs.

If a performance obligation does not qualify for over-time revenue recognition, revenue is then recognized at the point-in-time in which control of the distinct good or service is transferred to the customer, typically based upon the terms of delivery. Revenue recognized at a point-in-time for the year ended December 31, 2020 accounted for approximately 48% of total net sales.

Timing of revenue recognition and cash collection may result in billed receivables, unbilled receivables (contract assets), and deferred revenue (contract liabilities) on the Consolidated Balance Sheet. Contract assets primarily relate to our right to consideration for work completed but not billed as of the reporting date. Contract assets are transferred to billed receivables when the rights to consideration become unconditional. Contract liabilities primarily consist of customer advances received prior to revenue being earned. Contract assets and contract liabilities are reported in the "Receivables, net" and "Deferred revenue" lines, respectively, within the Consolidated Balance Sheet.

Inventory

Inventory costs include materials, direct labor, purchasing, and manufacturing overhead costs, which are stated at the lower of cost or net realizable value. We estimate the net realizable value of our inventories and establish reserves to reduce the carrying amount of these inventories to net realizable value, as necessary. We continually evaluate the adequacy of the inventory reserves by reviewing historical scrap rates, on-hand quantities as compared with historical and projected usage levels, and other anticipated contractual requirements. We generally hold reserved inventory for extended periods before scrapping and disposing of the reserved inventory, which contributes to a higher level of reserved inventory relative to the level of annual inventory write-offs.

We purchase materials for the manufacture of components for sale. The decision to purchase a set quantity of a particular item is influenced by several factors including: current and projected price, future estimated availability, existing and projected contracts to produce certain items, and the estimated needs for our businesses.

Pension and Other Postretirement Benefits

In consultation with our actuaries, we determine the appropriate assumptions for use in determining the liability for future pension and other postretirement benefits. The most significant of these assumptions include the discount rates used to determine plan obligations, the expected return on plan assets, and the number of employees who will receive benefits, their tenure, their salary levels, and their projected mortality. Changes in these assumptions, if significant in future years, may have an effect on our pension and postretirement expense, associated pension and postretirement assets and liabilities, and our annual cash requirements to fund these plans.

The discount rate used to determine the plan benefit obligations as of December 31, 2020, and the annual periodic costs for 2021, was decreased from 3.22% to 2.53% for the Curtiss-Wright Pension Plan, and from 3.10% to 2.30% for the nonqualified benefit plan, to reflect current economic conditions. The rates reflect the hypothetical rates at which the projected benefit obligations could be effectively settled or paid out to participants on that date. We determine our discount rates for past service liabilities and service cost by utilizing a select bond yield curve developed by our actuaries, which is based on the rates of return on high-quality, fixed-income corporate bonds available at the measurement date with maturities that match the plan's expected cash outflows for benefit payments. Interest cost is determined by applying the spot rate

from the full yield curve to each anticipated benefit payment. The discount rate changes contributed to an increase in the benefit obligation of \$78 million in the CW plans.

The rate of compensation increase for base pay in the pension plans was unchanged at a weighted average of 3.5% based upon a graded scale of 4.9% to 2.9% that decrements as pay increases, which reflects the experience over past years and the Company's expectation of future salary increases. We also retained our mortality assumptions from prior year utilizing the Pri-2012 tables published by the Society of Actuaries in October 2019, and the projected mortality scale to MP-2019, which reflects a slower rate of future mortality improvements than the previous MP-2018 table utilized.

The overall expected return on assets assumption is based primarily on the expectations of future performance. Expected future performance is determined by weighting the expected returns for each asset class by the plan's asset allocation. The expected returns are based on long-term capital market assumptions provided by our investment consultants. Based on a review of market trends, actual returns on plan assets, and other factors, the Company's expected long-term rate of return on plan assets was reduced to 6.5% as of December 31, 2020, which will be utilized for determining 2021 pension cost. An expected long-term rate of return of 7.5% was used for determining 2020 expense, with 8.0% used for 2019 and 2018 pension expense.

The timing and amount of future pension income or expense to be recognized each year is dependent on the demographics and expected compensation of the plan participants, the expected interest rates in effect in future years, inflation, and the actual and expected investment returns of the assets in the pension trust.

The funded status of the Curtiss-Wright Pension Plan increased by \$131 million in 2020, primarily driven by \$150 million cash contribution to the plan and favorable asset experience due to strong market performance in 2020. This was partially offset by a decrease in market interest rates as of December 31, 2020.

The following table reflects the impact of changes in selected assumptions used to determine the funded status of the Company's U.S. qualified and nonqualified pension plans as of December 31, 2020 (in thousands, except for percentage point change):

Assumption	Percentage Point Change	Increase in Benefit Obligation	Increase in Expense
Discount rate	(0.25)%	\$28,100	\$2,800
Rate of compensation increase	0.25%	\$ 2,700	\$ 600
Expected return on assets	(0.25)%	—	\$2,200

See Note 17 to the Consolidated Financial Statements for further information on our pension and postretirement plans.

Goodwill

We have \$1.5 billion in goodwill as of December 31, 2020. Generally, the largest separately identifiable asset from the businesses that we acquire is the value of their assembled workforces, which includes the additional benefit received from management, administrative, marketing, business development, engineering, and technical employees of the acquired businesses. The success of our acquisitions, including the ability to retain existing business and to successfully compete for and win new business, is based on the additional benefit received from management, administrative, marketing, and business development, scientific, engineering, and technical skills and knowledge of our employees rather than on productive capital (plant and equipment, technology, and intellectual property). Therefore, since intangible assets for assembled workforces are part of goodwill, the substantial majority of the intangible assets for our acquired business acquisitions are recognized as goodwill.

We test for goodwill impairment annually, at the reporting unit level, in the fourth quarter, which coincides with the preparation of our strategic operating plan. Additionally, goodwill is tested for impairment when an event occurs or if circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount.

We perform either a quantitative or qualitative assessment to assess if the fair value of the respective reporting unit exceeds its carrying value. The qualitative goodwill impairment assessment requires evaluating factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. As part of our goodwill qualitative assessment process for each reporting unit, when utilized, we evaluate various factors that are specific to the reporting unit as well as industry and macroeconomic factors in order to determine whether it is reasonably likely to have a material impact on the fair value of our reporting units. Examples of the factors that are considered include the results of the most recent impairment test, current and long-range forecasts, and changes in the strategic outlook or organizational structure of the reporting units. The long-range financial forecasts of the reporting units are compared to the forecasts used in the prior year analysis to determine if management expectations for the business have changed.

Actual results may differ from those estimates. When performing the quantitative assessment to calculate the fair value of a reporting unit, we consider both comparative market multiples as well as estimated discounted cash flows for the reporting unit. The significant estimates and assumptions include, but are not limited to, revenue growth rates, operating margins, and future economic and market conditions. The discount rates are based upon the reporting unit's weighted average cost of capital. As a supplement, we conduct additional sensitivity analysis to assess the risk for potential impairment based upon changes in the key assumptions such as the discount rate, expected long-term growth rate, and cash flow projections. Based upon the completion of our annual test as of October 31, 2020, we determined that there was no impairment of goodwill and that all reporting units' estimated fair values were substantially in excess of their carrying amounts.

Other Intangible Assets

Other intangible assets are generally the result of acquisitions and consist primarily of purchased technology, customer related intangibles, and trademarks. Intangible assets are recorded at their fair values as determined through purchase accounting, based on estimates and judgments regarding expectations for the estimated future after-tax earnings and cash flows arising from follow-on sales. Definite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives, which generally range from 1 to 20 years. Customer-related intangibles primarily consist of customer relationships, which reflect the value of the benefit derived from the incremental revenue and related cash flows as a direct result of the customer relationship. We review the recoverability of all intangible assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. We would record any impairment in the reporting period in which it has been identified.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to certain market risks from changes in interest rates and foreign currency exchange rates as a result of our global operating and financing activities. We seek to minimize any material risks from foreign currency exchange rate fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We used forward foreign currency contracts to manage our currency rate exposures during the year ended December 31, 2020, and, in order to manage our interest rate risk, we may, from time to time, enter into interest rate swaps to balance the ratio of fixed to floating rate debt. We do not use such instruments for trading or other speculative purposes. Information regarding our accounting policy on financial instruments is contained in Note 1 to the Consolidated Financial Statements.

Interest Rates

The market risk for a change in interest rates relates primarily to our debt obligations. Our fixed rate interest exposure was 100% as of December 31, 2020 and December 31, 2019. As of December 31, 2020, a change in interest rates of 1% would not have a material impact on consolidated interest expense. Information regarding our Senior Notes and Revolving Credit Agreement is contained in Note 14 to the Consolidated Financial Statements.

Foreign Currency Exchange Rates

Although the majority of our business is transacted in U.S. dollars, we do have market risk exposure to changes in foreign currency exchange rates, primarily as it relates to the value of the U.S. dollar versus the British Pound, Canadian dollar, and Euro. Any significant change against the U.S. dollar in the value of the currencies of those countries in which we do business could have an effect on our business, financial condition, and results of operations. If foreign exchange rates were to collectively weaken or strengthen against the U.S. dollar by 10%, net earnings would have decreased or increased, respectively, by approximately \$8 million as it relates exclusively to foreign currency exchange rate exposures.

Financial instruments expose us to counter-party credit risk for non-performance and to market risk for changes in interest and foreign currency rates. We manage exposure to counter-party credit risk through specific minimum credit standards, diversification of counter-parties, and procedures to monitor concentrations of credit risk. We monitor the impact of market risk on the fair value and cash flows of our investments by investing primarily in investment grade interest-bearing securities, which have short-term maturities. We attempt to minimize possible changes in interest and currency exchange rates to amounts that are not material to our consolidated results of operations and cash flows.

Item 8. Financial Statements and Supplementary Data.

CONSOLIDATED STATEMENTS OF EARNINGS

	For the years ended December 31,		
<i>(In thousands, except per share data)</i>	2020	2019	2018
Net sales			
Product sales	\$2,041,086	\$2,073,530	\$1,993,249
Service sales	350,250	414,431	418,586
Total net sales	2,391,336	2,487,961	2,411,835
Cost of sales			
Cost of product sales	1,319,562	1,329,761	1,272,599
Cost of service sales	230,547	259,455	267,975
Total cost of sales	1,550,109	1,589,216	1,540,574
Gross profit	841,227	898,745	871,261
Research and development expenses	74,816	72,520	64,525
Selling expenses	109,537	120,861	126,641
General and administrative expenses	303,288	301,411	306,469
Impairment of assets held for sale	33,043	—	—
Restructuring expenses	31,695	—	—
Operating income	288,848	403,953	373,626
Interest expense	35,545	31,347	33,983
Other income, net	9,748	23,856	16,596
Earnings before income taxes	263,051	396,462	356,239
Provision for income taxes	(61,659)	(88,879)	(80,490)
Net earnings	\$ 201,392	\$ 307,583	\$ 275,749
Basic earnings per share	\$ 4.83	\$ 7.20	\$ 6.28
Diluted earnings per share:	\$ 4.80	\$ 7.15	\$ 6.22
Dividends per share	\$ 0.68	\$ 0.66	\$ 0.60
Weighted average shares outstanding:			
Basic	41,738	42,739	43,892
Diluted	41,999	43,016	44,316

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(In thousands)</i>	For the years ended December 31,		
	2020	2019	2018
Net earnings	\$201,392	\$307,583	\$275,749
Other comprehensive income			
Foreign currency translation, net of tax ⁽¹⁾	41,282	18,447	(52,440)
Pension and postretirement adjustments, net of tax ⁽²⁾	(26,864)	(29,017)	(19,167)
Other comprehensive income (loss), net of tax	14,418	(10,570)	(71,607)
Comprehensive income	\$215,810	\$297,013	\$204,142

⁽¹⁾ The tax benefit (expense) included in other comprehensive income for foreign currency translation adjustments for 2020, 2019, and 2018 was immaterial.

⁽²⁾ The tax benefit included in other comprehensive income for pension and postretirement adjustments for 2020, 2019, and 2018 was \$8.3 million, \$8.5 million, and \$7.0 million, respectively.

See notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share data)</i>	As of December 31,	
	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 198,248	\$ 391,033
Receivables, net	588,718	632,194
Inventories, net	428,879	424,835
Assets held for sale	27,584	—
Other current assets	57,395	81,729
Total current assets	1,300,824	1,529,791
Property, plant, and equipment, net	378,200	385,593
Goodwill	1,455,137	1,166,680
Other intangible assets, net	609,630	479,907
Operating lease right-of-use assets, net	150,898	165,490
Prepaid pension asset	92,531	—
Other assets	34,114	36,800
Total assets	\$4,021,334	\$3,764,261
LIABILITIES		
Current liabilities:		
Current portion of long-term and short-term debt	\$ 100,000	\$ —
Accounts payable	201,237	222,000
Accrued expenses	140,200	164,744
Income taxes payable	6,633	7,670
Deferred revenue	253,411	276,115
Liabilities held for sale	10,141	—
Other current liabilities	98,755	74,202
Total current liabilities	810,377	744,731
Long-term debt	958,292	760,639
Deferred tax liabilities	115,007	80,159
Accrued pension and other postretirement benefit costs	98,345	138,635
Long-term operating lease liability	133,069	145,124
Long-term portion of environmental reserves	15,422	15,026
Other liabilities	103,248	105,575
Total liabilities	2,233,760	1,989,889
Contingencies and Commitments (Notes 10, 14, and 19)		
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, 100,000,000 shares authorized as of December 31, 2020 and December 31, 2019; 49,187,378 shares issued as of December 31, 2020 and December 31, 2019; outstanding shares were 40,916,429 as of December 31, 2020 and 42,680,215 as of December 31, 2019	49,187	49,187
Additional paid in capital	122,535	116,070
Retained earnings	2,670,328	2,497,111
Accumulated other comprehensive loss	(310,856)	(325,274)
Common treasury stock, at cost (8,270,949 shares as of December 31, 2020 and 6,507,163 shares as of December 31, 2019)	(743,620)	(562,722)
Total stockholders' equity	1,787,574	1,774,372
Total liabilities and stockholders' equity	\$4,021,334	\$3,764,261

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands)</i>	For the years ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net earnings	\$201,392	\$307,583	\$275,749
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	115,903	102,412	102,949
(Gain) loss on sale of businesses	—	—	(1,735)
(Gain) loss on sale/disposal of long-lived assets	—	(11,054)	(1,120)
Deferred income taxes	(7,048)	40,787	8,562
Share-based compensation	14,437	13,669	14,094
Impairment of assets held for sale	33,043	—	—
Foreign exchange loss on substantial liquidation of subsidiary	9,351	—	—
Non-cash restructuring charges	15,628	—	—
Changes in operating assets and liabilities, net of businesses acquired and disposed of:			
Receivables, net	71,147	(12,613)	(57,492)
Inventories, net	15,535	(3,485)	(41,197)
Progress payments	(7,689)	(4,834)	(11,121)
Accounts payable and accrued expenses	(55,513)	(18,629)	48,930
Deferred revenue	(33,179)	36,134	23,082
Income taxes	15,171	(15,625)	(8,847)
Pension and postretirement, net	(153,375)	(1,310)	(43,759)
Other	26,377	(11,631)	28,178
Net cash provided by operating activities	261,180	421,404	336,273
Cash flows from investing activities:			
Proceeds from sales and disposals of long-lived assets	2,930	15,093	9,117
Additions to property, plant, and equipment	(47,499)	(69,752)	(53,417)
Acquisition of businesses, net of cash acquired	(487,944)	(185,209)	(210,167)
Other	(17)	(172)	(1,049)
Net cash used for investing activities	(532,530)	(240,040)	(255,516)
Cash flows from financing activities:			
Borrowings under revolving credit facilities	570,675	37,692	372,980
Payment of revolving credit facilities	(570,675)	(37,934)	(372,887)
Borrowings of debt	300,000	—	—
Principal payments on debt	—	—	(50,000)
Repurchases of company stock	(200,018)	(50,661)	(198,592)
Proceeds from share-based compensation plans	11,148	11,770	11,940
Dividends paid	(28,175)	(28,200)	(26,328)
Other	(874)	(812)	(752)
Net cash provided by (used for) financing activities	82,081	(68,145)	(263,639)
Effect of exchange-rate changes on cash	(3,516)	1,748	(16,172)
Net increase (decrease) in cash and cash equivalents	(192,785)	114,967	(199,054)
Cash and cash equivalents at beginning of year	391,033	276,066	475,120
Cash and cash equivalents at end of year	\$198,248	\$391,033	\$276,066

See notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
January 1, 2018	\$49,187	\$120,609	\$1,944,324	\$(216,840)	\$(369,480)
Cumulative effect from adoption of ASC 606	—	—	(2,274)	—	—
Net earnings	—	—	275,749	—	—
Other comprehensive loss, net of tax	—	—	—	(71,607)	—
Dividends paid	—	—	(26,328)	—	—
Restricted stock	—	(13,134)	—	—	13,134
Stock options exercised	—	(2,355)	—	—	14,294
Other	—	(752)	—	—	752
Share-based compensation	—	13,866	—	—	228
Repurchase of common stock ⁽¹⁾	—	—	—	—	(198,592)
December 31, 2018	\$49,187	\$118,234	\$2,191,471	\$(288,447)	\$(539,664)
Cumulative effect from adoption of ASU 2018-02	—	—	26,257	(26,257)	—
Net earnings	—	—	307,583	—	—
Other comprehensive loss, net of tax	—	—	—	(10,570)	—
Dividends paid	—	—	(28,200)	—	—
Restricted stock	—	(10,483)	—	—	10,483
Stock options exercised	—	(4,226)	—	—	15,996
Other	—	(719)	—	—	719
Share-based compensation	—	13,264	—	—	405
Repurchase of common stock ⁽¹⁾	—	—	—	—	(50,661)
December 31, 2019	\$49,187	\$116,070	\$2,497,111	\$(325,274)	\$(562,722)
Net earnings	—	—	201,392	—	—
Other comprehensive income, net of tax	—	—	—	14,418	—
Dividends paid	—	—	(28,175)	—	—
Restricted stock	—	(4,115)	—	—	4,115
Stock options exercised	—	(3,286)	—	—	14,434
Other	—	(517)	—	—	517
Share-based compensation	—	14,383	—	—	54
Repurchase of common stock ⁽¹⁾	—	—	—	—	(200,018)
December 31, 2020	\$49,187	\$122,535	\$2,670,328	\$(310,856)	\$(743,620)

⁽¹⁾ For the years ended December 31, 2020, 2019, and 2018, the Corporation repurchased approximately 2.0 million, 0.4 million, and 1.7 million shares of its common stock, respectively.

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Curtiss-Wright Corporation and its subsidiaries (the Corporation or the Company) is a global, diversified manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the aerospace, defense, general industrial, and power generation markets.

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its majority-owned subsidiaries. All intercompany transactions and accounts have been eliminated.

Use of Estimates

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenue, and expenses and disclosure of contingent assets and liabilities in the accompanying financial statements. The most significant of these estimates includes the estimate of costs to complete on certain contracts using the over-time revenue recognition accounting method, cash flow estimates used for testing the recoverability of assets, pension plan and postretirement obligation assumptions, estimates for inventory obsolescence, fair value estimates around assets and assumed liabilities from acquisitions, estimates for the valuation and useful lives of intangible assets, legal reserves, and the estimate of future environmental costs. Actual results may differ from these estimates.

Cash and Cash Equivalents

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

Inventory

Inventories are stated at lower of cost or net realizable value. Production costs are comprised of direct material and labor and applicable manufacturing overhead.

Progress Payments

Certain long-term contracts provide for interim billings as costs are incurred on the respective contracts. Pursuant to contract provisions, agencies of the U.S. Government and other customers obtain control of promised goods or services to the extent that progress payments are received. Accordingly, these receipts have been reported as a reduction of unbilled receivables as presented in Note 5 to the Consolidated Financial Statements. In the event that progress payments received exceed revenue recognized to date on a specific contract, a contract liability has been established with such amount reported in the "Deferred revenue" line within the Consolidated Balance Sheet.

The Corporation also receives progress payments on development contracts related to certain aerospace and defense programs. Progress payments received on partially funded development contracts have been reported as a reduction of inventories, as presented in Note 6 to the Consolidated Financial Statements.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost less accumulated depreciation. Major renewals and betterments are capitalized, while maintenance and repairs that do not improve or extend the life of the asset are expensed in the period that they are incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Average useful lives for property, plant, and equipment are as follows:

Buildings and improvements	5 to 40 years
Machinery, equipment, and other	3 to 15 years

See Note 7 to the Consolidated Financial Statements for further information on property, plant, and equipment.

Intangible Assets

Intangible assets are generally the result of acquisitions and consist primarily of purchased technology, customer related intangibles, trademarks, and technology licenses. Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 1 to 20 years. See Note 9 to the Consolidated Financial Statements for further information on other intangible assets.

Impairment of Long-Lived Assets

The Corporation reviews the recoverability of all long-lived assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. If required, the Corporation compares the estimated fair value determined by either the undiscounted future net cash flows or appraised value to the related asset's carrying value to determine whether there has been an impairment. If an asset is considered impaired, the asset is written down to fair value in the period in which the impairment becomes known. The Corporation recognized no significant impairment charges on assets held in use during the years ended December 31, 2020, 2019, and 2018.

Goodwill

Goodwill results from business acquisitions. The Corporation accounts for business acquisitions by allocating the purchase price to the tangible and intangible assets acquired and liabilities assumed. Assets acquired and liabilities assumed are recorded at their fair values, and the excess of the purchase price over the amounts allocated is recorded as goodwill. The recoverability of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The impairment test is based on the estimated fair value of the underlying businesses. The Corporation's goodwill impairment test is performed annually in the fourth quarter of each year. See Note 8 to the Consolidated Financial Statements for further information on goodwill.

Fair Value of Financial Instruments

Accounting guidance requires certain disclosures regarding the fair value of financial instruments. Due to the short maturities of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, the net book value of these financial instruments is deemed to approximate fair value. See Notes 11 and 14 to the Consolidated Financial Statements for further information on the Corporation's financial instruments.

Research and Development

The Corporation funds research and development programs for commercial products and independent research and development and bid and proposal work related to government contracts. Development costs include engineering for new customer requirements. Corporation-sponsored research and development costs are expensed as incurred.

Research and development costs associated with customer-sponsored programs are capitalized to inventory and are recorded in cost of sales when products are delivered or services performed. 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.

Accounting for Share-Based Payments

The Corporation follows the fair value based method of accounting for share-based employee compensation, which requires the Corporation to expense all share-based employee compensation. Share-based employee

compensation is a non-cash expense since the Corporation settles these obligations by issuing the shares of Curtiss-Wright Corporation instead of settling such obligations with cash payments.

Compensation expense for non-qualified share options, performance shares, and time-based restricted stock is recognized over the requisite service period for the entire award based on the grant date fair value.

Income Taxes

The Corporation accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the results of operations in the period the new laws are enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

The Corporation records amounts related to uncertain income tax positions by 1) prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements and 2) the measurement of the income tax benefits recognized from such positions. The Corporation's accounting policy is to classify uncertain income tax positions that are not expected to be resolved in one year as a non-current income tax liability and to classify interest and penalties as a component of interest expense and general and administrative expenses, respectively. See Note 13 to the Consolidated Financial Statements for further information.

Foreign Currency

For operations outside the United States of America that prepare financial statements in currencies other than the U.S. dollar, the Corporation translates assets and liabilities at period-end exchange rates and income statement amounts using weighted-average exchange rates for the period. The cumulative effect of translation adjustments is presented as a component of accumulated other comprehensive income (loss) within stockholders' equity. This balance is primarily affected by foreign currency exchange rate fluctuations. (Gains) and losses from foreign currency transactions are included in General and administrative expenses in the Consolidated Statement of Earnings, which amounted to \$3.9 million, \$7.2 million, and (\$4.5) million for the years ended December 31, 2020, 2019, and 2018, respectively.

Derivatives

Forward Foreign Exchange and Currency Option Contracts

The Corporation uses financial instruments, such as forward exchange and currency option contracts, to hedge a portion of existing and anticipated foreign currency denominated transactions. The purpose of the Corporation's foreign currency risk management program is to reduce volatility in earnings caused by exchange rate fluctuations. All derivative financial instruments are recorded at fair value based upon quoted market prices for comparable instruments, with the gain or loss on these transactions recorded into earnings in the period in which they occur. These (gains) and losses are classified as General and administrative expenses in the Consolidated Statement of Earnings and amounted to \$2.3 million, (\$2.1) million, and \$6.6 million for the years ended December 31, 2020, 2019, and 2018, respectively. The Corporation does not use derivative financial instruments for trading or speculative purposes.

Interest Rate Risks and Related Strategies

The Corporation's primary interest rate exposure results from changes in U.S. dollar interest rates. The Corporation's policy is to manage interest cost using a mix of fixed and variable rate debt. The Corporation periodically uses interest rate swaps to manage such exposures. Under these interest rate swaps, the Corporation exchanges, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount.

For interest rate swaps designated as fair value hedges (i.e., hedges against the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk),

changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt due to changes in market interest rates.

Recently Issued Accounting Standards

Recent accounting standards adopted

ASU 2016-13- Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. On January 1, 2020, the Company adopted ASU 2016-13 -Financial Instruments—Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. This ASU added a current expected credit loss impairment model to U.S. GAAP based on expected losses rather than incurred losses. As the Corporation is not subject to material trade credit risk given that a significant portion of its sales are generated from contracts with agencies of or prime contractors to the U.S. Government, the adoption of this standard did not have a material impact on the Corporation's consolidated financial statements as of January 1, 2020. As a result of adoption, the Corporation utilizes current and historical collection data as well as assesses current economic conditions in order to determine expected trade credit losses on a prospective basis.

2. REVENUE

The Corporation accounts for revenues in accordance with ASC 606, *Revenue from Contracts with Customers*, which was adopted as of January 1, 2018 on a modified retrospective basis. Under ASC 606, revenue is recognized when control of a promised good and/or service is transferred to a customer at a transaction price that reflects the consideration that the Corporation expects to be entitled to in exchange for that good and/or service.

Performance Obligations

The Corporation identifies a performance obligation for each promise in a contract to transfer a distinct good or service to the customer. As part of its assessment, the Corporation considers all goods and/or services promised in the contract, regardless of whether they are explicitly stated or implied by customary business practices. The Corporation's contracts may contain either a single performance obligation, including the promise to transfer individual goods or services that are not separately distinct within the context of the respective contracts, or multiple performance obligations. For contracts with multiple performance obligations, the Corporation allocates the overall transaction price to each performance obligation using standalone selling prices, where available, or utilizes estimates for each distinct good or service in the contract where standalone prices are not available. In certain instances, the transaction price may include estimated amounts of variable consideration including but not limited to incentives, awards, price escalations, liquidated damages, and penalties, only to the extent that it is probable that a significant reversal of cumulative revenue recognized to date around such variable consideration will not occur. The Corporation estimates variable consideration to be included in the transaction price using either the expected value method or most likely amount method, contingent upon the facts and circumstances of the specific arrangement. Variable consideration associated with the Corporation's respective arrangements is not typically constrained.

The Corporation's performance obligations are satisfied either at a point-in-time or on an over-time basis. Typically, over-time revenue recognition is based on the utilization of an input measure used to measure progress, such as costs incurred to date relative to total estimated costs. Changes in total estimated costs are recognized using the cumulative catch-up method of accounting which recognizes the cumulative effect of the changes on current and prior periods in the current period. Accordingly, the effect of the changes on future periods of contract performance is recognized as if the revised estimate had been the original estimate. A significant change in an estimate on one or more contracts could have a material effect on the Corporation's consolidated financial position, results or operations, or cash flows. There were no significant changes in estimated contract costs during 2020, 2019, or 2018. If a performance obligation does not qualify for over-time revenue recognition, revenue is then recognized at the point-in-time in which control of the distinct good or service is transferred to the customer, typically based upon the terms of delivery.

The following table illustrates the approximate percentage of revenue recognized for performance obligations satisfied over-time versus at a point-in-time for the years ended December 31, 2020, 2019, and 2018:

	Year Ended		
	December 31,		
	2020	2019	2018
Over-time	52%	49%	46%
Point-in-time	48%	51%	54%

Contract backlog represents the remaining performance obligations that have not yet been recognized as revenue. Backlog includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. Total backlog was approximately \$2.2 billion as of December 31, 2020, of which the Corporation expects to recognize approximately 85% as net sales over the next 36 months. The remainder will be recognized thereafter.

Disaggregation of Revenue

The following table presents the Corporation's total net sales disaggregated by end market and customer type:

Total Net Sales by End Market and Customer Type <i>(In thousands)</i>	Year Ended December 31,		
	2020	2019	2018
Defense			
Aerospace	\$ 463,835	\$ 416,841	\$ 376,951
Ground	107,287	93,432	97,131
Naval	692,168	568,776	486,476
Total Defense Customers	\$1,263,290	\$1,079,049	\$ 960,558
Commercial			
Aerospace	\$ 325,518	\$ 433,038	\$ 414,422
Power Generation	331,983	392,173	431,793
General Industrial	470,545	583,701	605,062
Total Commercial Customers	\$1,128,046	\$1,408,912	\$1,451,277
Total	\$2,391,336	\$2,487,961	\$2,411,835

Contract Balances

Timing of revenue recognition and cash collection may result in billed receivables, unbilled receivables (contract assets), and deferred revenue (contract liabilities) on the Consolidated Balance Sheet. The Corporation's contract assets primarily relate to its rights to consideration for work completed but not billed as of the reporting date. Contract assets are transferred to billed receivables when the rights to consideration become unconditional. This is typical in situations where amounts are billed as work progresses in accordance with agreed-upon contractual terms or upon achievement of contractual milestones. The Corporation's contract liabilities primarily consist of customer advances received prior to revenue being earned. Revenues recognized for the years ended December 31, 2020, 2019, and 2018 included in the contract liabilities balance at the beginning of the respective years were approximately \$224 million, \$198 million, and \$164 million, respectively. Changes in contract assets and contract liabilities as of December 31, 2020 were not materially impacted by any other factors. Contract assets and contract liabilities are reported in the "Receivables, net" and "Deferred revenue" lines, respectively, within the Consolidated Balance Sheet.

3. ACQUISITIONS

The Corporation continually evaluates potential acquisitions that either strategically fit within the Corporation's existing portfolio or expand the Corporation's portfolio into new product lines or adjacent markets. The Corporation has completed numerous acquisitions that have been accounted for as business combinations and have resulted in the recognition of goodwill in the Corporation's financial statements. This goodwill arises because the purchase prices for these businesses reflect the future earnings and cash flow potential in excess of the earnings and cash flows attributable to the current

product and customer set at the time of acquisition. Thus, goodwill inherently includes the know-how of the assembled workforce, the ability of the workforce to further improve the technology and product offerings, and the expected cash flows resulting from these efforts. Goodwill may also include expected synergies resulting from the complementary strategic fit these businesses bring to existing operations.

The Corporation allocates the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. Only items identified as of the acquisition date are considered for subsequent adjustment. The Corporation will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

For the year ended December 31, 2020, the Corporation acquired three businesses for an aggregate purchase price of \$496 million, net of cash acquired. For the year ended December 31, 2019, the Corporation acquired two businesses for an aggregate purchase price of \$185 million, net of cash acquired. These acquisitions are described in more detail below.

The Corporation's current period acquisitions contributed \$40 million of total net sales and \$5 million of net losses for the year ended December 31, 2020, which are included in the Consolidated Statement of Earnings. The Corporation's prior period acquisitions contributed \$11 million of total net sales and immaterial net earnings for the year ended December 31, 2019.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions consummated during 2020 and 2019:

<i>(In thousands)</i>	2020	2019
Accounts receivable	\$ 25,488	\$ 16,551
Inventory	37,840	7,608
Property, plant, and equipment	5,280	1,117
Intangible assets	204,384	94,400
Operating lease right-of-use assets, net	5,562	4,605
Other current and non-current assets	7,050	888
Current and non-current liabilities	(75,257)	(11,604)
Net tangible and intangible assets	210,347	113,565
Goodwill	285,200	71,644
Total Purchase price	\$495,547	\$185,209
Cash paid to date, net of cash acquired	\$487,944	\$185,209
Due to seller	7,603	—
Total purchase price	\$495,547	\$185,209
Goodwill deductible for tax purposes	\$ 37,234	\$ 72,777

2020 Acquisitions

Pacific Star Communications, Inc. (PacStar)

On November 2, 2020, the Corporation acquired 100% of the issued and outstanding stock of PacStar for \$406 million. The Purchase Agreement contains a purchase price adjustment mechanism and representations and warranties customary for a transaction of this type, including a portion of the purchase price deposited in escrow as security for potential indemnification claims against the seller. PacStar is a provider of tactical communications solutions for battlefield network management. The acquired business operates within the Defense segment. The acquisition is subject to post-closing adjustments with the purchase price allocation not yet complete.

Integrated Air Defense System (IADS)

On April 20, 2020, the Corporation acquired the IADS product line for approximately \$29 million. The Asset Purchase Agreement contains representations and warranties customary for a transaction of this type, including a portion of the purchase price deposited in escrow as security for potential indemnification claims against the seller. IADS is a real-time display and post-test analysis product for flight tests. The acquired product line operates within the Defense segment. The acquisition is subject to post-closing adjustments with the purchase price allocation not yet complete.

Dyna-Flo Control Valve Services Ltd. (Dyna-Flo)

On February 28, 2020, the Corporation acquired 100% of the issued and outstanding share capital of Dyna-Flo for approximately \$60 million, net of cash acquired. The Purchase Agreement contains representations and warranties customary for a transaction of this type, including a portion of the purchase price held back as security for potential indemnification claims against the seller. Dyna-Flo specializes in control valves, actuators, and control systems for the chemical, petrochemical, and oil and gas markets. The acquired business operates within the Commercial/Industrial segment. The acquisition is subject to post-closing adjustments with the purchase price allocation not yet complete.

2019 Acquisitions

901D Holdings, LLC (901D)

On December 31, 2019, the Corporation acquired 100% of the membership interests of 901D for \$135 million, net of cash acquired. The Purchase Agreement contains a purchase price adjustment mechanism and representations and warranties customary for a transaction of this type, including a portion of the purchase price deposited in escrow as security for potential indemnification claims against the seller. 901D, a designer and manufacturer of mission-critical integrated electronic systems, subsystems, and ruggedized shipboard enclosure solutions supporting every major U.S. Navy shipbuilding program, operates within the Defense segment.

Tactical Communications Group (TCG)

On March 15, 2019, the Corporation acquired 100% of the membership interests of TCG for \$50 million, net of cash acquired. TCG, a designer and manufacturer of tactical data link software solutions for critical military communications systems, operates within the Defense segment.

4. ASSETS HELD FOR SALE

During the fourth quarter of 2020, the Corporation committed to a plan to sell its industrial valve business in Germany, which is reported within its Commercial/Industrial segment. The business met the criteria to be classified as held for sale in the fourth quarter of 2020. Accordingly, the assets and liabilities of the business are presented as held for sale in the Corporation's Consolidated Balance Sheet as of December 31, 2020. The aforementioned assets and liabilities classified as held for sale have been measured at the lower of carrying value or fair value less costs to sell, which resulted in an impairment loss of \$33.0 million for the year ended December 31, 2020. Such amount has been reported in the "Impairment of assets held for sale" caption within the Corporation's Consolidated Statement of Earnings.

The aggregate components of assets and liabilities classified as held for sale are as follows:

<i>(In thousands)</i>	As of December 31, 2020
Assets held for sale:	
Receivables, net	\$ 9,902
Inventories, net	16,401
Other current assets	1,798
Property, plant, and equipment, net	4,821
Reserve for assets held for sale	(5,338)
Total assets held for sale, current	\$ 27,584
Liabilities held for sale:	
Accounts payable	\$ (2,654)
Accrued expenses	(1,375)
Other current liabilities	(748)
Accrued pension and other postretirement benefit costs	(5,364)
Total liabilities held for sale, current	\$(10,141)

5. RECEIVABLES

Receivables include current notes, amounts billed to customers, claims, other receivables, and unbilled revenue on long-term contracts, which consists of amounts recognized as sales but not billed. Substantially all amounts of unbilled receivables are expected to be billed and collected in the subsequent year. An immaterial amount of unbilled receivables are subject to retainage provisions. The amount of claims and unapproved change orders within our receivables balances are immaterial.

The Corporation is either a prime contractor or subcontractor to various agencies of the U.S. Government. Revenues derived directly and indirectly from government sources (primarily the U.S. Government) were 53% and 43% of total net sales in 2020 and 2019, respectively. Total receivables due from government sources (primarily the U.S. Government) were \$352.7 million and \$343.5 million as of December 31, 2020 and 2019, respectively. Government (primarily the U.S. Government) unbilled receivables, net of progress payments, were \$198.6 million and \$195.7 million as of December 31, 2020 and 2019, respectively.

The composition of receivables as of December 31 is as follows:

<i>(In thousands)</i>	2020	2019
Billed receivables:		
Trade and other receivables	\$361,460	\$418,968
Unbilled receivables:		
Recoverable costs and estimated earnings not billed	238,309	231,067
Less: Progress payments applied	(3,291)	(9,108)
Net unbilled receivables	235,018	221,959
Less: Allowance for doubtful accounts	(7,760)	(8,733)
Receivables, net	\$588,718	\$632,194

6. INVENTORIES

Inventoried costs contain amounts relating to long-term contracts and programs with long production cycles, a portion of which will not be realized within one year. The caption "Inventoried costs related to U.S. Government and other long-term contracts" includes an immaterial amount of claims or other similar items subject to uncertainty concerning their determination or realization. Inventories are valued at the lower of cost or net realizable value.

The composition of inventories as of December 31 is as follows:

<i>(In thousands)</i>	2020	2019
Raw materials	\$177,828	\$153,876
Work-in-process	80,729	100,359
Finished goods	120,767	108,329
Inventoried costs related to U.S. Government and other long-term contracts ⁽¹⁾	56,599	70,414
Inventories, net of reserves	435,923	432,978
Less: Progress payments applied	(7,044)	(8,143)
Inventories, net	\$428,879	\$424,835

⁽¹⁾ As of December 31, 2020 and 2019, this caption also includes capitalized development costs of \$29.7 million and \$39.1 million, respectively, related to certain aerospace and defense programs. These capitalized costs will be liquidated as units are produced and sold under contract. As of December 31, 2020 and 2019, capitalized development costs of \$13.0 million and \$23.7 million, respectively, are not currently supported by existing firm orders.

7. PROPERTY, PLANT, AND EQUIPMENT

The composition of property, plant, and equipment as of December 31 is as follows:

<i>(In thousands)</i>	2020	2019
Land	\$ 17,660	\$ 18,632
Buildings and improvements	236,355	234,112
Machinery, equipment, and other	881,110	849,527
Property, plant, and equipment, at cost	1,135,125	1,102,271
Less: Accumulated depreciation	(756,925)	(716,678)
Property, plant, and equipment, net	\$ 378,200	\$ 385,593

Depreciation expense for the years ended December 31, 2020, 2019, and 2018 was \$55.3 million, \$57.4 million, and \$59.4 million, respectively.

8. GOODWILL

The changes in the carrying amount of goodwill for 2020 and 2019 are as follows:

<i>(In thousands)</i>	Commercial/ Industrial	Defense	Power	Consolidated
December 31, 2018	\$428,983	\$451,115	\$207,934	\$1,088,032
Acquisitions	—	71,644	—	71,644
Adjustments	—	(208)	—	(208)
Foreign currency translation adjustment	2,099	4,404	709	7,212
December 31, 2019	\$431,082	\$526,955	\$208,643	\$1,166,680
Acquisitions	28,467	256,733	—	285,200
Impairment on assets held for sale	(9,598)	—	—	(9,598)
Adjustments	—	(1,385)	—	(1,385)
Foreign currency translation adjustment	6,701	7,275	264	14,240
December 31, 2020	\$456,652	\$789,578	\$208,907	\$1,455,137

The purchase price allocations relating to the businesses acquired are initially based on estimates. The Corporation adjusts these estimates based upon final analysis, including input from third party appraisals when deemed appropriate. The determination of fair value is finalized no later than twelve months from acquisition. Goodwill adjustments represent subsequent adjustments to the purchase price allocation for acquisitions.

The Corporation completed its annual goodwill impairment testing as of October 31, 2020, 2019, and 2018 and concluded that there was no impairment of goodwill. In connection with classifying its German industrial valves business as held for sale in December 2020, the Corporation recognized a goodwill impairment loss of \$9.6 million associated with the disposal group for the year ended December 31, 2020.

9. OTHER INTANGIBLE ASSETS, NET

Intangible assets are generally the result of acquisitions and consist primarily of purchased technology, customer related intangibles, and trademarks. Intangible assets are amortized over useful lives that generally range between 1 and 20 years.

The following tables present the cumulative composition of the Corporation's intangible assets as of December 31, 2020 and December 31, 2019, respectively.

<i>(In thousands)</i>	2020			2019		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Technology ⁽²⁾	\$ 280,595	\$(148,064)	\$132,531	\$257,676	\$(140,390)	\$117,286
Customer related intangibles ⁽²⁾	573,722	(239,798)	333,924	434,492	(215,855)	218,637
Programs ⁽¹⁾	144,000	(19,800)	124,200	144,000	(12,600)	131,400
Other intangible assets	51,493	(32,518)	18,975	43,729	(31,145)	12,584
Total	\$1,049,810	\$(440,180)	\$609,630	\$879,897	\$(399,990)	\$479,907

⁽¹⁾ Programs include values assigned to major programs of acquired businesses and represent the aggregate value associated with the customer relationships, contracts, technology, and trademarks underlying the associated program.

⁽²⁾ During the year ended December 31, 2020, the Corporation recognized an impairment loss of \$18.3 million pertaining to technology and customer-related intangibles of its industrial valve business in Germany, which was classified as held for sale during the fourth quarter of 2020.

During the year ended December 31, 2020, the Corporation acquired intangible assets of \$204.4 million, which included Customer-related intangibles of \$159.9 million, Technology of \$34.6 million, and Other intangible assets of \$9.9 million. The weighted average amortization periods for these aforementioned intangible assets are 16.4 years, 8.9 years, and 7.1 years, respectively.

Amortization expense for the years ended December 31, 2020, 2019, and 2018 was \$60.6 million, \$45.0 million, and \$43.6 million, respectively. The estimated future amortization expense of intangible assets over the next five years is as follows:

<i>(In millions)</i>	
2021	\$61.6
2022	\$56.7
2023	\$53.0
2024	\$49.5
2025	\$46.9

10. LEASES

The Corporation conducts a portion of its operations from leased facilities, which include manufacturing and service facilities, administrative offices, and warehouses. In addition, the Corporation leases vehicles, machinery, and office equipment under operating leases. Our leases have remaining lease terms ranging from approximately 1 year to 15 years, some of which include options for renewals, escalations, or terminations. Rental expenses for all operating leases amounted to \$41.0 million, \$37.2 million, and \$38.4 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Generally, the Corporation's lease contracts do not provide a readily determinable interest rate. Accordingly, the Corporation determines the incremental borrowing rate as of the lease commencement date in order to calculate the present value of its lease payments. The incremental borrowing rate is determined based on information available at the lease commencement date, including the lease term, market rates for the Corporation's outstanding debt, as well as market rates for debt of companies with similar credit ratings.

The components of lease expense were as follows:

<i>(In thousands)</i>	Year Ended	
	December 31, 2020	December 31, 2019
Operating lease cost	\$40,961	\$37,229
Finance lease cost:		
Depreciation of finance leases	\$ 1,037	\$ 812
Interest on lease liabilities	468	498
Total finance lease cost	\$ 1,505	\$ 1,310

Supplemental cash flow information related to leases was as follows:

<i>(In thousands)</i>	Year Ended	
	December 31, 2020	December 31, 2019
Cash used for operating activities:		
Operating cash flows used for operating leases	\$(33,842)	\$(30,665)
Operating cash flows used for finance leases	(468)	(498)
Non-cash activity:		
Right-of-use assets obtained in exchange for operating lease obligations	\$ 8,714	\$ 36,033

Supplemental balance sheet information related to leases was as follows:

<i>(In thousands, except lease term and discount rate)</i>	As of December 31,	
	2020	2019
Operating Leases		
Operating lease right-of-use assets, net	\$150,898	\$165,490
Other current liabilities	\$ 27,263	\$ 26,773
Long-term operating lease liability	133,069	145,124
Total operating lease liabilities	\$160,332	\$171,897
Finance Leases		
Property, plant, and equipment	\$ 15,561	\$ 15,561
Accumulated depreciation	(6,570)	(5,533)
Property, plant, and equipment, net	\$ 8,991	\$ 10,028
Other current liabilities	\$ 945	\$807
Other liabilities	10,041	10,982
Total finance lease liabilities	\$ 10,986	\$ 11,789
Weighted average remaining lease term		
Operating leases	8.6 years	9.2 years
Finance leases	8.7 years	9.7 years
Weighted average discount rate		
Operating leases	3.67%	3.75%
Finance leases	4.05%	4.05%

Maturities of lease liabilities were as follows:

<i>(In thousands)</i>	As of December 31, 2020	
	Operating Leases	Finance Leases
2021	\$ 33,630	\$ 1,375
2022	27,451	1,410
2023	24,532	1,445
2024	21,515	1,481
2025	15,075	1,518
Thereafter	68,375	5,893
Total lease payments	190,578	13,122
Less: imputed interest	(30,246)	(2,136)
Total	\$160,332	\$10,986

11. FAIR VALUE OF FINANCIAL INSTRUMENTS

Forward Foreign Exchange and Currency Option Contracts

The Corporation has foreign currency exposure, primarily in the United Kingdom, Canada, and Europe. The Corporation uses financial instruments, such as forward and option contracts, to hedge a portion of existing and anticipated foreign currency denominated transactions. The purpose of the Corporation's foreign currency risk management program is to reduce volatility in earnings caused by exchange rate fluctuations. Guidance on accounting for derivative instruments and hedging activities requires companies to recognize all of the derivative financial instruments as either assets or liabilities at fair value in the Consolidated Balance Sheets.

Interest Rate Risks and Related Strategies

The Corporation's primary interest rate exposure results from changes in U.S. dollar interest rates. The Corporation's policy is to manage interest cost using a mix of fixed and variable rate debt. The Corporation periodically uses interest rate swaps to manage such exposures. Under these interest rate swaps, the Corporation exchanges, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. The Corporation's foreign exchange contracts and interest rate swaps are considered Level 2 instruments which are based on market based inputs or unobservable inputs and corroborated by market data such as quoted prices, interest rates, or yield curves.

For interest rate swaps designated as fair value hedges (i.e., hedges against the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt due to changes in market interest rates.

As of December 31, 2020 and December 31, 2019, the Corporation did not have any active interest rate swaps.

Effects on Consolidated Balance Sheet

As of December 31, 2020 and December 31, 2019, the fair values of the asset and liability derivative instruments were immaterial.

Effects on Consolidated Statement of Earnings

Undesignated hedges

The location and amount of (gains) and losses recognized in income on forward exchange derivative contracts not designated for hedge accounting for the years ended December 31, were as follows:

<i>(In thousands)</i>	2020	2019	2018
Forward exchange contracts:			
General and administrative expenses	\$2,312	\$(2,072)	\$6,643

Debt

The estimated fair value amounts were determined by the Corporation using available market information, which is primarily based on quoted market prices for the same or similar issues as of December 31, 2020. The fair values of our debt instruments are characterized as Level 2 measurements which are based on market-based inputs or unobservable inputs and corroborated by market data such as quoted prices, interest rates, or yield curves. The estimated fair values of the Corporation's fixed rate debt instruments as of December 31, 2020, net of debt issuance costs, totaled \$1,122 million compared to a carrying value, net of debt issuance costs, of \$1,049 million. The estimated fair values of the Corporation's fixed rate debt instruments as of December 31, 2019, net of debt issuance costs, totaled \$783 million compared to a carrying value, net of debt issuance costs, of \$749 million.

The fair values described above may not be indicative of net realizable value or reflective of future fair values. Furthermore, the use of different methodologies to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses consist of the following as of December 31:

<i>(In thousands)</i>	2020	2019
Accrued compensation	\$ 96,228	\$ 119,293
Accrued commissions	6,050	6,678
Accrued interest	13,327	8,982
Accrued insurance	7,215	7,550
Other	17,380	22,241
Total accrued expenses	\$140,200	\$164,744

Other current liabilities consist of the following as of December 31:

<i>(In thousands)</i>	2020	2019
Short-term lease liabilities	\$ 27,263	\$ 26,773
Warranty reserves	\$ 25,091	\$ 17,512
Restructuring liability	6,944	—
Pension and other postretirement liabilities	7,715	6,690
Other	31,742	23,227
Total other current liabilities	\$ 98,755	\$ 74,202

13. INCOME TAXES

2017 Tax Cuts and Jobs Act

On December 22, 2017, the 2017 Tax Cuts and Jobs Act (the Tax Act) was enacted into law. The new legislation contained several key tax provisions, including a one-time mandatory transition tax on accumulated foreign earnings and a reduction of the U.S. corporate income tax rate to 21%. The Corporation will also generally be eligible for a 100% dividends received exemption on its foreign earnings. The Tax Act subjects a U.S. shareholder to tax on global intangible low-taxed income (“GILTI”) earned by certain foreign subsidiaries. The Corporation has applied an accounting policy election to provide for the tax expense related to GILTI in the year in which the tax is incurred.

The Corporation recorded provisional income tax expense of \$18.2 million for the year ended December 31, 2017 related to the one-time transition tax on certain foreign earnings. The finalized transition tax of \$23.6 million was to be paid over 8 years pursuant to the Tax Act, with \$1.9 million paid in 2018. An additional \$12.7 million carryforward from the 2017 income tax return further reduced the transition tax liability to \$9.0 million as of December 31, 2018. The liability of \$9.0 million, which is expected to be paid in 2024 and 2025, remained unchanged as of December 31, 2020.

Given that foreign undistributed earnings are no longer considered permanently reinvested, the Corporation has recorded a liability for withholding taxes that would arise upon distribution of the Corporation’s foreign undistributed earnings.

During the fourth quarter of 2020, the Corporation committed to a plan to sell its industrial valve business in Germany. As a result, the tax consequences from those temporary differences resulting from the held for sale designation are no longer considered to be permanently reinvested. However, the Corporation has not recorded any provision, as it expects under tax law to recover the outside basis difference in a tax-free manner. The Corporation will record tax expense related to GILTI in the period in which the future sale is completed.

Except as noted above, the Corporation remains permanently reinvested to the extent of any outside basis differences in its foreign subsidiaries in excess of the amount of undistributed earnings.

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

<i>(In thousands)</i>	2020	2019	2018
Domestic	\$212,613	\$273,036	\$217,374
Foreign ⁽¹⁾	50,438	123,426	138,865
	\$263,051	\$396,462	\$356,239

⁽¹⁾ During the year ended December 31, 2020, the Corporation recognized a pre-tax impairment loss of \$33.0 million pertaining to its industrial valve business in Germany, which was classified as held for sale during the fourth quarter of 2020.

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

<i>(In thousands)</i>	2020	2019	2018
Current:			
Federal	\$ 36,793	\$ 14,195	\$37,648
State	11,882	3,766	9,228
Foreign	21,841	24,816	25,285
Total current	70,516	42,777	72,161
Deferred:			
Federal	1,043	38,647	8,518
State	(527)	6,632	(1,047)
Foreign	(9,373)	823	858
Total deferred	(8,857)	46,102	8,329
Provision for income taxes	\$ 61,659	\$ 88,879	\$80,490

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

	2020	2019	2018
U.S. federal statutory tax rate	21.0%	21.0%	21.0%
Add (deduct):			
State and local taxes, net of federal benefit	3.7	2.4	2.2
Impairment of goodwill (held-for-sale)	1.2	—	—
Valuation allowance for foreign assets held for sale	1.3	—	—
R&D tax credits	(0.9)	(1.2)	(1.0)
Foreign earnings ⁽¹⁾	(0.9)	1.4	0.9
Impacts related to the Tax Act	—	—	1.8
Foreign-derived intangible income	(2.8)	(1.3)	(0.8)
All other, net	0.8	0.1	(1.5)
Effective tax rate	23.4%	22.4%	22.6%

⁽¹⁾ Foreign earnings primarily include the net impact of differences between local statutory rates and the U.S. Federal statutory rate, the cost of repatriating foreign earnings, and the impact of changes to foreign valuation allowances, excluding items related to foreign assets classified as held for sale.

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

<i>(In thousands)</i>	2020	2019
Deferred tax assets:		
Operating lease liabilities	\$ 33,371	\$ 35,299
Inventories, net	16,734	15,220
Net operating loss	5,518	8,328
Environmental reserves	8,698	8,239
Incentive compensation	8,102	8,130
Pension and other postretirement liabilities	13,533	5,029
Capital loss carryover	—	955
Other	33,401	33,002
Total deferred tax assets	119,357	114,202
Deferred tax liabilities:		
Goodwill amortization	90,112	77,620
Operating lease right-of-use assets, net	31,292	33,915
Other intangible amortization	65,549	30,954
Depreciation	22,780	25,562
Withholding taxes	12,549	13,097
Other	8,757	7,524
Total deferred tax liabilities	231,039	188,672
Valuation allowance	1,240	3,386
Net deferred tax liabilities	\$112,922	\$ 77,856

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

<i>(In thousands)</i>	2020	2019
Net noncurrent deferred tax assets	2,085	2,303
Net noncurrent deferred tax liabilities	115,007	80,159
Net deferred tax liabilities	\$112,922	\$77,856

The Corporation has income tax net operating loss carryforwards related to international operations of \$3.7 million, of which \$0.3 million have an indefinite life and \$3.4 million which expire through 2026. The Corporation has federal and state income tax net loss carryforwards of \$77.3 million, all of which are net operating losses that expire through 2039. The Corporation has recorded a deferred tax asset of \$5.5 million, reflecting the benefit of the loss carryforwards.

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2020 in certain of the Corporation's foreign locations. Such objective evidence limits the ability to consider other subjective evidence, such as projections for future growth. As of December 31, 2020, the Corporation decreased its valuation allowance by \$2.2 million to \$1.2 million, in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as projections for growth.

As of December 31, 2020, the Corporation recorded a deferred tax asset of \$3.8 million on net operating losses of \$12.6 million related to the held for sale industrial valve business. A provision of \$3.3 million was recorded during the year ended December 31, 2020, resulting in a full valuation allowance against the deferred tax asset, as it is more likely than not that the losses will be forfeited.

Income tax payments, net of refunds, of \$54.0 million, \$63.9 million, and \$79.1 million were made in 2020, 2019, and 2018, respectively.

The Corporation has recorded a liability in Other liabilities for interest of \$3.8 million and penalties of \$1.7 million as of December 31, 2020.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<i>(In thousands)</i>	2020	2019	2018
Balance as of January 1,	\$12,676	\$13,563	\$13,174
Additions for tax positions of prior periods	1,497	581	88
Reductions for tax positions of prior periods	(615)	(2,184)	(290)
Additions for tax positions related to the current year	2,041	936	1,036
Settlements	(14)	(220)	(445)
Balance as of December 31,	\$15,585	\$12,676	\$13,563

In many cases, the Corporation's uncertain tax positions are related to tax years that remain subject to examination by tax authorities.

The following describes the open tax years, by major tax jurisdiction, as of December 31, 2020:

United States (Federal)	2017 - present
United States (Various states)	2009 - present
United Kingdom	2019 - present
Canada	2017 - present

The Corporation does not expect any significant changes to the estimated amount of liability associated with its uncertain tax positions through the next twelve months. Included in total unrecognized tax benefits as of December 31, 2020, 2019, and 2018 is \$13.0 million, \$10.2 million, and \$11.0 million, respectively, which if recognized, would favorably impact the effective income tax rate.

14. DEBT

Debt consists of the following as of December 31:

<i>(In thousands)</i>	2020	2020	2019	2019
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
3.84% Senior notes due 2021	100,000	102,173	100,000	102,079
3.70% Senior notes due 2023	202,500	211,790	202,500	207,882
3.85% Senior notes due 2025	90,000	97,429	90,000	93,838
4.24% Senior notes due 2026	200,000	224,390	200,000	213,126
4.05% Senior notes due 2028	67,500	75,440	67,500	71,260
4.11% Senior notes due 2028	90,000	101,047	90,000	95,607
3.10% Senior notes due 2030	150,000	155,805	—	—
3.20% Senior notes due 2032	150,000	155,048	—	—
Total debt	1,050,000	1,123,122	750,000	783,792
Debt issuance costs, net	(1,147)	(1,147)	(594)	(594)
Unamortized interest rate swap proceeds ⁽¹⁾	9,439	9,439	11,233	11,233
Total debt, net	1,058,292	1,131,414	760,639	794,431
Less: current portion of long-term debt	100,000	100,000	—	—
Total long-term debt	\$ 958,292	\$1,031,414	\$760,639	\$794,431

⁽¹⁾ Represents the gain from termination of the Corporation's interest rate swap agreements on its 3.85% and 4.24% Senior Notes in February 2016, which will be amortized into interest expense over the remaining terms of the respective notes.

The weighted-average interest rate of the Corporation's Revolving Credit Agreement in 2020 and 2019 was 1.4% and 3.3%, respectively.

The Corporation's total debt outstanding had a weighted-average interest rate of 3.4% and 3.7% in 2020 and 2019, respectively.

Aggregate maturities of debt are as follows:

<i>(In thousands)</i>	
2021	\$ 100,000
2022	—
2023	202,500
2024	—
2025	90,000
Thereafter	657,500
Total	\$1,050,000

Interest payments of \$31 million, \$30 million, and \$32 million were made in 2020, 2019, and 2018, respectively.

Revolving Credit Agreement

In October 2018, the Corporation amended the terms of its existing Credit Agreement (Credit Agreement) with a syndicate of financial institutions, led by Bank of America N.A., Wells Fargo, N.A., and JP Morgan Chase Bank, N.A.. The amended agreement, which provides the Corporation with a borrowing capacity of \$500 million, extended the maturity date from November 2019 to October 2023 and expanded the accordion feature from \$100 million to \$200 million. The proceeds available under the Credit Agreement are to be used for working capital, internal growth initiatives, funding of future acquisitions, and general corporate purposes. As of December 31, 2020, the Corporation had \$21 million in letters of credit supported by the credit facility and no borrowings outstanding under the credit facility. The unused credit available under the credit facility as of December 31, 2020 was \$479 million, which the Corporation had the ability to borrow in full without violating its debt to capitalization covenant.

The Credit Agreement contains covenants that the Corporation considers usual and customary for an agreement of this type for comparable commercial borrowers, including a maximum consolidated debt to capitalization ratio of 60%. The Credit Agreement has customary events of default, such as non-payment of principal when due; nonpayment of interest, fees, or other amounts; cross-payment default and cross-acceleration.

Borrowings under the credit agreement accrue interest based on (i) Libor or (ii) a base rate of the highest of (a) the federal funds rate plus 0.5%, (b) BofA's announced prime rate, or (c) the Eurocurrency rate plus 1%, plus a margin. The interest rate and level of facility fees are dependent on certain financial ratios, as defined in the Credit Agreement. The Credit Agreement also provides customary fees, including administrative agent and commitment fees. In connection with the Credit Agreement, the Corporation paid customary transaction fees that have been deferred and are being amortized over the term of the Credit Agreement.

Senior Notes

On August 13, 2020, the Corporation issued \$300 million of Senior Notes (the "2020 Notes"), consisting of \$150 million of 3.10% Senior Notes that mature on August 13, 2030 and \$150 million of 3.20% Senior Notes that mature on August 13, 2032. The 2020 Notes are senior unsecured obligations, equal in right of payment to the Corporation's existing senior indebtedness. The Corporation, at its option, can prepay at any time all or any part of the 2020 Notes, subject to a make-whole payment in accordance with the terms of the Note Purchase Agreement. In connection with the issuance of the 2020 Notes, the Corporation paid customary fees that have been deferred and are being amortized over the term of the 2020 Notes. Under the terms of the Note Purchase Agreements, the Corporation is required to maintain certain financial ratios, the most restrictive of which are a debt to capitalization limit of 60% and an interest coverage ratio of less than 3 to 1. The debt to capitalization ratio (as defined per the Notes Purchase Agreement and Credit Agreement) is calculated using the same formula for all of the Corporation's debt agreements and is a measure of the Corporation's indebtedness to capitalization, where capitalization equals debt plus equity. The 2020 Notes also contain a cross default provision with respect to the Corporation's other senior indebtedness.

On February 26, 2013, the Corporation issued \$500 million of Senior Notes (the “2013 Notes”). The 2013 Notes consisted of \$225 million of 3.70% Senior Notes that mature on February 26, 2023, \$100 million of 3.85% Senior Notes that mature on February 26, 2025, and \$75 million of 4.05% Senior Notes that mature on February 26, 2028. \$100 million of additional 4.11% Senior Notes were deferred and subsequently issued on September 26, 2013 that mature on September 26, 2028. On October 15, 2018, the Corporation made a discretionary \$50 million prepayment on the \$500 million 2013 Notes. The 2013 Notes are senior unsecured obligations, equal in right of payment to the Corporation’s existing senior indebtedness. The Corporation, at its option, can prepay at any time all or any part of the 2013 Notes, subject to a make-whole payment in accordance with the terms of the Note Purchase Agreement. In connection with the issuance of the 2013 Notes, the Corporation paid customary fees that have been deferred and are being amortized over the term of the 2013 Notes. The 2013 Notes also contain a cross default provision with respect to the Corporation’s other senior indebtedness.

On December 8, 2011, the Corporation issued \$300 million of Senior Notes (the “2011 Notes”). The 2011 Notes consist of \$100 million of 3.84% Senior Notes that mature on December 1, 2021 and \$200 million of 4.24% Senior Series Notes that mature on December 1, 2026. The 2011 Notes are senior unsecured obligations, equal in right of payment to our existing senior indebtedness. The Corporation, at its option, can prepay at any time all or any part of our 2011 Notes, subject to a make-whole payment in accordance with the terms of the Note Purchase Agreement. In connection with the 2011 Notes, the Corporation paid customary fees that have been deferred and are being amortized over the term of the 2011 Notes. Under the Note Purchase Agreement, the Corporation is required to maintain certain financial ratios, the most restrictive of which is a debt to capitalization limit of 60%. The 2011 Notes also contain a cross default provision with our other senior indebtedness.

As of December 31, 2020, the Corporation had the ability to borrow additional debt of \$1.5 billion without violating our debt to capitalization covenant.

15. EARNINGS PER SHARE

The Corporation is required to report both basic earnings per share (EPS), based on the weighted-average number of common shares outstanding, and diluted earnings per share, based on the basic EPS adjusted for all potentially dilutive shares issuable.

As of December 31, 2020, 2019, and 2018, there were no options outstanding that were considered anti-dilutive.

Earnings per share calculations for the years ended December 31, 2020, 2019, and 2018, were as follows:

<i>(In thousands, except per share data)</i>	Net Earnings	Weighted-Average Shares Outstanding	Earnings per Share
2020			
Basic earnings per share	\$201,392	41,738	\$4.83
Dilutive effect of stock options and deferred stock compensation		261	
Diluted earnings per share	\$201,392	41,999	\$4.80
2019			
Basic earnings per share	\$307,583	42,739	\$7.20
Dilutive effect of stock options and deferred stock compensation		277	
Diluted earnings per share	\$307,583	43,016	\$7.15
2018			
Basic earnings per share	\$275,749	43,892	\$6.28
Dilutive effect of stock options and deferred stock compensation		424	
Diluted earnings per share	\$275,749	44,316	\$6.22

16. SHARE-BASED COMPENSATION PLANS

In May 2014, the Corporation adopted the Curtiss-Wright 2014 Omnibus Incentive Plan (the “2014 Omnibus Plan”). The plan replaced the Corporation’s existing 2005 Long Term Incentive Plan and the 2005 Stock Plan for Non-Employee Directors (collectively the “2005 Stock Plans”). Beginning in May 2014, all awards were granted under the 2014 Omnibus Plan. The maximum aggregate number of shares of common stock that may be issued under the 2014 Omnibus Plan are 2,400,000 less one share of common stock for every one share of common stock granted under any prior plan after December 31, 2013 and prior to the effective date of the 2014 Omnibus Plan. In addition, any awards that were previously granted under any prior plan that terminate without issuance of shares shall be eligible for issuance under the 2014 Omnibus Plan. Awards under the 2014 Omnibus Plan may be in the form of stock options, stock appreciation rights, restricted stock, restricted stock units (RSU), other stock-based awards, performance share units (PSU), or cash-based performance units (PU).

During 2020, the Corporation granted share-based awards in the form of RSUs, PSUs, and restricted stock. Previous grants under the 2005 Stock Plans included non-qualified stock options. Under our employee benefit program, the Corporation also provides an Employee Stock Purchase Plan (ESPP) to most active employees. Certain awards provide for accelerated vesting if there is a change in control.

The compensation cost for employee and non-employee director share-based compensation programs during 2020, 2019, and 2018 is as follows:

<i>(In thousands)</i>	2020	2019	2018
Employee Stock Purchase Plan	1,625	1,585	1,435
Performance Share Units	4,909	4,853	4,746
Restricted Share Units	6,978	6,061	7,026
Other share-based payments	925	1,170	887
Total share-based compensation expense before income taxes	\$14,437	\$13,669	\$14,094

Other share-based grants include service-based restricted stock awards to non-employee directors, who are treated as employees as prescribed by the accounting guidance on share-based payments. The compensation cost recognized follows the cost of the employee, which is primarily reflected as general and administrative expense in the Consolidated Statement of Earnings. No share-based compensation costs were capitalized during 2020, 2019, or 2018.

The following table summarizes the cash received from share-based awards on share-based compensation:

<i>(In thousands)</i>	2020	2019	2018
Cash received from share-based awards	\$11,148	\$11,770	\$11,940

Stock Options

As of December 31, 2020, the Corporation’s did not have any stock options outstanding. For the year ended December 31, 2020, approximately 66,000 stock options were exercised, with a weighted average exercise price of \$29.89. The total intrinsic value of stock options exercised during 2020, 2019, and 2018 was \$5.2 million, \$8.7 million, and \$10.1 million, respectively.

Performance Share Units

The Corporation has granted performance share units to certain employees, whose three year cliff vesting is contingent upon the Corporation’s total shareholder return over the three-year term beginning at the start of the fiscal year following the date of grant. Performance is measured by determining the percentile rank of the total shareholder return of the Corporation’s common stock in relation to the total shareholder return of the S&P Midcap 400 Index (for award granted in 2020) or compared to a self-constructed peer group (for awards granted in 2018 through 2019). The non-vested shares are subject to forfeiture if established performance goals are not met or employment is terminated other than due to death, disability, or retirement. Share plans are denominated in share-based units based on the fair market value of the Corporation’s common stock on the date of grant. The performance share unit’s compensation cost is amortized to expense on a straight-line basis over the three-year requisite service period.

Restricted Share Units

Restricted share units cliff vest at the end of the awards' vesting period. The restricted share units are service-based and thus compensation cost is amortized to expense on a straight-line basis over the requisite service period, which is typically three years. The non-vested restricted units are subject to forfeiture if employment is terminated other than due to death, disability, or retirement.

A summary of the Corporation's 2020 activity related to performance share units and restricted share units are as follows:

	Performance Share Units (PSUs)		Restricted Share Units (RSUs)	
	Shares/Units (000's)	Weighted- Average Fair Value	Shares/Units (000's)	Weighted- Average Fair Value
Nonvested as of December 31, 2019	97	\$149.99	149	\$105.42
Granted	59	108.15	84	83.36
Vested	(49)	124.83	(1)	98.34
Forfeited	—	—	(5)	107.40
Nonvested as of December 31, 2020	107	\$138.37	227	\$ 97.24
Expected to vest as of December 31, 2020	107	\$138.37	227	\$ 97.24

Nonvested PSUs had an intrinsic value of \$12.5 million and unrecognized compensation costs of \$4.8 million as of December 31, 2020. Nonvested RSUs had an intrinsic value of \$26.4 million and unrecognized compensation costs of \$8.8 million as of December 31, 2020. Unrecognized compensation costs related to PSUs and RSUs are expected to be recognized over 1.7 years and 2.0 years, respectively.

Employee Stock Purchase Plan

The Corporation's ESPP enables eligible employees to purchase the Corporation's common stock at a price per share equal to 85% of the fair market value at the end of each offering period. Each offering period of the ESPP lasts six months, commencing on January 1st and July 1st of each year. Compensation cost is recognized on a straight-line basis over the six-month vesting period during which employees perform related services.

17. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Corporation maintains ten separate and distinct pension and other post-retirement defined benefit plans, consisting of three domestic plans and seven separate foreign pension plans. The domestic plans include a qualified pension plan, a non-qualified pension plan, and a postretirement health-benefits plan. The foreign plans consist of one defined benefit pension plan each in the United Kingdom, Canada, and Switzerland, two in Germany, and two in Mexico.

Domestic Plans

Qualified Pension Plan

The Corporation maintains a defined benefit pension plan (the "CW Pension Plan") covering certain employee populations under six benefit formulas: a non-contributory non-union and union formula for certain Curtiss-Wright (CW) employees, a contributory union and non-union benefit formula for employees at the EMD business unit, and two benefit formulas providing annuity benefits for participants in the former Williams Controls salaried and union plans.

CW non-union employees hired prior to February 1, 2010 receive a "traditional" benefit based on years of credited service, using the five highest consecutive years' compensation during the last ten years of service. These employees became participants under the CW Pension Plan after one year of service and were vested after three years of service. CW non-union employees hired on or after the effective date were eligible for a cash balance benefit through December 31, 2013, and were transitioned to the new defined contribution plan, further described below. CW union employees who have negotiated a benefit under the CW Pension Plan are entitled to a benefit based on years of service multiplied by a monthly pension rate.

The formula for EMD employees covers both union and non-union employees and is designed to satisfy the requirements of relevant collective bargaining agreements. Employee contributions are withheld each pay period and are equal to 1.5% of salary. The benefits for the EMD employees are based on years of service and compensation. On December 31, 2012, the Corporation amended the CW Pension Plan to close the benefit to EMD employees hired after January 1, 2014.

Participants of the former Williams Controls Retirement Income Plan for salaried employees are either deferred vested participants or currently receiving benefits, as benefit accruals under the plan were frozen to future accruals effective January 1, 2003. Benefits in the salaried plan are based on average compensation and years of service.

Participants of the former Williams Controls UAW Local 492 Plan for union employees are entitled to a benefit based on years of service multiplied by a monthly pension rate, and may be eligible for supplemental benefits based upon attainment of certain age and service requirements.

Effective January 1, 2014, all active non-union employees participating in the final and career average pay formulas in the defined benefit plan will cease accruals 15 years from the effective date of the amendment. In addition to the sunset provision, cash balance benefit accruals for non-union participants ceased as of January 1, 2014. Non-union employees who were not currently receiving final or career average pay benefits became eligible to participate in a new defined contribution plan which provides both employer match and non-elective contribution components. Subsequent to the original amendment, the Corporation successfully negotiated the sunset provision into the bargaining agreements for all represented employees that received benefits through this plan.

As of December 31, 2020, and 2019, the Corporation had a noncurrent pension asset of \$80.8 million and a noncurrent pension liability of \$50.2 million, respectively. The change in balance was primarily due to a voluntary contribution of \$150 million to the plan on January 8, 2020 as well as favorable asset experience due to strong market returns during 2020, partially offset by a decrease in the discount rate as of December 31, 2020.

Nonqualified Pension Plan

The Corporation also maintains a non-qualified restoration plan (the "CW Restoration Plan") covering those employees of CW and EMD whose compensation or benefits exceed the IRS limitation for pension benefits. Benefits under the CW Restoration Plan are not funded, and, as such, the Corporation had an accrued pension liability of \$71.8 million and \$59.6 million as of December 31, 2020 and 2019, respectively. The Corporation's contributions to the CW Restoration Plan are expected to be \$6.1 million in 2021.

Other Post-Employment Benefits (OPEB) Plan

The Corporation provides post-employment benefits consisting of retiree health and life insurance to three distinct groups of employees/retirees: the CW Grandfathered plan, and plans assumed in the acquisitions of EMD and Williams Controls.

The Corporation also provides retiree health and life insurance benefits for substantially all Curtiss-Wright EMD employees. The plan provides basic health and welfare coverage for pre-65 participants based on years of service and are subject to certain caps. Effective January 1, 2011, the Corporation modified the benefit design for post-65 retirees by introducing Retiree Reimbursement Accounts (RRAs) to participants in lieu of the traditional benefit delivery. Participant accounts are funded a set amount annually that can be used to purchase supplemental coverage on the open market, effectively capping the benefit.

The plan also provides retiree health and life insurance benefits for certain retirees of the Williams Controls salaried and union pension plans. Effective August 31, 2013, the Corporation modified the benefit design for post-65 retirees by introducing RRAs to align with the EMD delivery model.

The Corporation had an accrued postretirement benefit liability as of December 31, 2020 and 2019 of \$25.7 million and \$23.6 million, respectively. The Corporation expects to contribute \$1.6 million to the plan during 2021.

Foreign Plans

As of December 31, 2020 and 2019, the total projected benefit obligation related to all foreign plans was \$115.5 million and \$102.7 million, respectively. As of December 31, 2020 and 2019, the Corporation had a net pension liability of \$2.6 million and \$0.2 million, respectively. The Corporation's contributions to the foreign plans are expected to be \$1.5 million in 2021.

Components of net periodic benefit expense

The net pension and net postretirement benefit costs consisted of the following:

<i>(In thousands)</i>	Pension Benefits			Postretirement Benefits		
	2020	2019	2018	2020	2019	2018
Service cost	\$ 26,013	\$ 23,664	\$ 27,116	\$ 506	\$ 432	\$ 490
Interest cost	23,847	29,019	26,149	609	796	719
Expected return on plan assets	(67,217)	(59,153)	(58,641)	—	—	—
Amortization of prior service cost	(269)	(283)	(252)	(657)	(656)	(656)
Recognized net actuarial loss/(gain)	23,062	9,310	16,867	(5)	(198)	(131)
Cost of settlements/curtailments	2,395	—	337	—	—	—
Net periodic benefit cost	\$ 7,831	\$ 2,557	\$ 11,576	\$ 453	\$ 374	\$ 422

The cost of settlements/curtailments indicated above represents events that are accounted for under guidance on employers' accounting for settlements and curtailments of defined benefit pension plans. In 2020, settlement charges were incurred in Mexico and Switzerland. In addition, a curtailment was recognized in Mexico as a result of the Corporation's restructuring initiatives. In 2018, a settlement charge was incurred in connection with restructuring in Switzerland.

The following table outlines the Corporation's consolidated disclosure of the pension benefits and postretirement benefits information described previously. The Corporation had no foreign postretirement plans. All plans were valued using a December 31, 2020 measurement date.

<i>(In thousands)</i>	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Change in benefit obligation:				
Beginning of year	\$ 945,187	\$ 814,894	\$ 23,566	\$ 22,060
Service cost	26,013	23,664	506	432
Interest cost	23,847	29,019	609	796
Plan participants' contributions	1,366	1,276	331	346
Actuarial (gain) loss	92,596	118,893	3,048	2,124
Benefits paid	(46,607)	(43,736)	(2,390)	(2,192)
Actual expenses	(1,526)	(1,846)	—	—
Curtailments	1,636	—	—	—
Settlements	(3,867)	—	—	—
Currency translation adjustments	5,390	3,023	—	—
End of year	\$1,044,035	\$ 945,187	\$ 25,670	\$ 23,566
Change in plan assets:				
Beginning of year	\$ 835,139	\$ 738,296	\$ —	\$ —
Actual return on plan assets	105,810	133,896	—	—
Employer contribution	155,359	3,867	2,059	1,846
Plan participants' contributions	1,366	1,276	331	346
Benefits paid	(46,607)	(43,736)	(2,390)	(2,192)
Actual expenses	(1,526)	(1,846)	—	—
Settlements	(3,867)	—	—	—
Currency translation adjustments	4,835	3,386	—	—
End of year	\$1,050,509	\$ 835,139	\$ —	\$ —
Funded status	\$6,474	\$(110,048)	\$(25,670)	\$(23,566)

<i>(In thousands)</i>	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Amounts recognized on the balance sheet				
Noncurrent assets	\$ 92,554	\$ 11,711	\$ —	\$ —
Current liabilities	(6,444)	(5,143)	(1,596)	(1,547)
Noncurrent liabilities	(79,636)	(116,616)	(24,074)	(22,019)
Total	\$ 6,474	\$(110,048)	\$(25,670)	\$(23,566)
Amounts recognized in accumulated other comprehensive income (AOCI)				
Net actuarial loss (gain)	\$ 294,545	\$ 263,660	\$ 624	\$ (2,429)
Prior service cost	(321)	(934)	(747)	(1,404)
Total	\$ 294,224	\$ 262,726	\$ (123)	\$ (3,833)
Information for pension plans with an accumulated benefit obligation in excess of plan assets:				
Projected benefit obligation	\$ 114,297	\$ 881,731	N/A	N/A
Accumulated benefit obligation	111,807	848,309	N/A	N/A
Fair value of plan assets	28,217	759,972	N/A	N/A

Plan Assumptions

	Pension Benefits		Postretirement Benefits	
	2020	2019	2020	2019
Weighted-average assumptions in determination of benefit obligation:				
Discount rate	2.36%	3.05%	2.43%	3.15%
Rate of compensation increase	3.41%	3.46%	N/A	N/A
Health care cost trends:				
Rate assumed for subsequent year	N/A	N/A	7.25%	7.50%
Ultimate rate reached in 2026	N/A	N/A	4.50%	4.50%
Weighted-average assumptions in determination of net periodic benefit cost:				
Discount rate	3.05%	4.09%	3.15%	4.20%
Expected return on plan assets	7.11%	7.59%	N/A	N/A
Rate of compensation increase	3.46%	3.50%	N/A	N/A
Health care cost trends:				
Rate assumed for subsequent year	N/A	N/A	7.50%	7.85%
Ultimate rate reached in 2026	N/A	N/A	4.50%	4.50%

The Corporation applies the spot rate, or full yield curve, approach for developing discount rates. The discount rate for each plan's past service liabilities and service cost is determined by discounting the plan's expected future benefit payments using a yield curve developed from high quality bonds that are rated Aa or better by Moody's as of the measurement date. The yield curve calculation matches the notional cash inflows of the hypothetical bond portfolio with the expected benefit payments to arrive at one effective rate for these components. Interest cost is determined by applying the spot rate from the full yield curve to each anticipated benefit payment, based on the anticipated optional form elections.

The overall expected return on assets assumption is based on a combination of historical performance of the pension fund and expectations of future performance. Expected future performance is determined by weighting the expected returns for each asset class by the plan's asset allocation. The expected returns are based on long-term capital market assumptions utilizing a ten-year time horizon through consultation with investment advisors. While consideration is given to recent performance and historical returns, the assumption represents a long-term prospective return.

Pension Plan Assets

The overall objective for plan assets is to earn a rate of return over time to meet anticipated benefit payments in accordance with plan provisions. The long-term investment objective of the domestic retirement plans is to achieve a total rate of return, net of fees, which exceeds the actuarial overall expected return on asset assumptions used for funding purposes and which provides an appropriate premium over inflation. The intermediate-term objective of the domestic retirement plans, defined as three to five years, is to outperform each of the capital markets in which assets are invested, net of fees. During periods of extreme market volatility, preservation of capital takes a higher precedence than outperforming the capital markets.

The Finance Committee of the Corporation's Board of Directors is responsible for formulating investment policies, developing investment manager guidelines and objectives, and approving and managing qualified advisors and investment managers. The guidelines established define permitted investments within each asset class and apply certain restrictions such as limits on concentrated holdings, and prohibits selling securities short, buying on margin, and the purchase of any securities issued by the Corporation.

The Corporation maintains the funds of the CW Pension Plan under a trust that is diversified across investment classes and among investment managers to achieve an optimal balance between risk and return. As a part of its diversification strategy, the Corporation has established target allocations for each of the following assets classes: domestic equity securities, international equity securities, and debt securities. Below are the Corporation's actual and established target allocations for the CW Pension Plan, representing 88% of consolidated assets:

Asset class	As of December 31,		Target Exposure	Expected Range
	2020	2019		
Domestic equities	54%	51%	50%	40%-60%
International equities	15%	15%	15%	10%-20%
Total equity	69%	66%	65%	55%-75%
Fixed income	31%	34%	35%	25%-45%

As of December 31, 2020 and 2019, cash funds in the CW Pension Plan represented approximately 2% and 3% of portfolio assets, respectively.

Foreign plan assets represent 11% of consolidated plan assets, with most of the assets supporting the U.K. plan. Generally, the foreign plans follow a similar asset allocation strategy and are more heavily weighted in fixed income resulting in a weighted expected return on assets assumption of 3.5% for all foreign plans.

The Corporation may from time to time require the reallocation of assets in order to bring the retirement plans into conformity with these ranges. The Corporation may also authorize alterations or deviations from these ranges where appropriate for achieving the objectives of the retirement plans.

Fair Value Measurements

The following table presents consolidated plan assets (in thousands) using the fair value hierarchy as of December 31, 2020.

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Category				
Cash and cash equivalents	\$ 22,457	\$ 2,010	\$ 20,447	\$ —
Equity securities- Mutual funds ⁽¹⁾	534,479	427,391	107,088	—
Bond funds ⁽²⁾	273,979	211,372	62,607	—
Other ⁽³⁾	4,224	—	—	4,224
December 31, 2019	\$ 835,139	\$640,773	\$190,142	\$4,224
Cash and cash equivalents	\$ 16,710	\$ 1,376	\$ 15,334	\$ —
Equity securities- Mutual funds ⁽¹⁾	688,257	570,293	117,964	—
Bond funds ⁽²⁾	341,140	242,627	98,513	—
Other ⁽³⁾	4,402	—	—	4,402
December 31, 2020	\$1,050,509	\$814,296	\$231,811	\$4,402

⁽¹⁾ This category consists of domestic and international equity securities. It is comprised of U.S. securities benchmarked against the S&P 500 index and Russell 2000 index, international mutual funds benchmarked against the MSCI EAFE index, global equity index mutual funds associated with our U.K. based pension plans and balanced funds associated with the U.K. and Canadian based pension plans.

⁽²⁾ This category consists of domestic and international bonds. The domestic fixed income securities are benchmarked against the Bloomberg Barclays Capital Aggregate Bond index, actively-managed bond mutual funds comprised of domestic investment grade debt, fixed income derivatives, and below investment-grade issues, U.S. mortgage backed securities, asset backed securities, municipal bonds, and convertible debt. International bonds consist of bond mutual funds for institutional investors associated with the CW Pension Plan, Switzerland, and U.K. based pension plans.

⁽³⁾ This category consists primarily of real estate investment trusts in Switzerland.

Valuation

Equity securities and exchange-traded equity and bond mutual funds are valued using a market approach based on the quoted market prices of identical instruments. Pooled institutional funds are valued at their net asset values and are calculated by the sponsor of the fund.

Fixed income securities are primarily valued using a market approach utilizing various underlying pricing sources and methodologies. Real estate investment trusts are priced at net asset value based on valuations of the underlying real estate holdings using inputs such as discounted cash flows, independent appraisals, and market-based comparable data.

Cash balances in the United States are held in a pooled fund and classified as a Level 2 asset. Non-U.S. cash is valued using a market approach based on quoted market prices of identical instruments.

The following table presents a reconciliation of Level 3 assets held during the years ended December 31, 2020 and 2019:

<i>(In thousands)</i>	Insurance Contracts	Other	Total
December 31, 2018	\$ 8,408	\$2,313	\$10,721
Actual return on plan assets:			
Relating to assets still held at the reporting date	—	115	115
Purchases, sales, and settlements	(8,408)	1,715	(6,693)
Foreign currency translation adjustment	—	81	81
December 31, 2019	\$ —	\$4,224	\$ 4,224
Actual return on plan assets:			
Relating to assets still held at the reporting date	5	(20)	(15)
Relating to assets sold during the period	—	(58)	(58)
Purchases, sales, and settlements	523	(680)	(157)
Foreign currency translation adjustment	49	359	408
December 31, 2020	\$ 577	\$3,825	\$ 4,402

Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the plans:

<i>(In thousands)</i>	Pension Plans	Postretirement Plans	Total
2021	\$ 55,668	\$1,596	\$ 57,264
2022	55,872	1,592	57,464
2023	56,721	1,595	58,316
2024	61,772	1,569	63,341
2025	58,203	1,548	59,751
2026–2030	295,165	7,099	302,264

Defined Contribution Retirement Plans

The Corporation offers all of its full-time domestic employees the opportunity to participate in a defined contribution plan. Costs incurred by the Corporation in the administration and record keeping of the defined contribution plan are paid for by the Corporation and are not considered material.

Effective January 1, 2014, all non-union employees who were not currently receiving final or career average pay benefits became eligible to receive employer contributions in the Corporation's sponsored 401(k) plan. The employer contributions include both employer match and non-elective contribution components, up to a maximum employer contribution of 7% of eligible compensation. During the year ended December 31, 2020, the expense relating to the plan was \$19.3 million, consisting of \$10.0 million in matching contributions to the plan in 2020, and \$9.3 million in non-elective contributions, primarily paid in January 2021. Cumulative contributions of approximately \$104 million are expected to be made from 2021 through 2025.

In addition, the Corporation had foreign pension costs under various defined contribution plans of \$5.3 million in each of 2020, 2019, and 2018, respectively.

18. SEGMENT INFORMATION

The Corporation's segments are composed of similar product groupings that serve the same or similar end markets. Based on this approach, the Corporation has three reportable segments: Commercial/Industrial, Defense, and Power, as described below in further detail.

The Commercial/Industrial reportable segment is comprised of businesses that provide a diversified offering of highly engineered products and services supporting critical applications primarily across the commercial aerospace and general industrial markets. The products offered include electronic throttle control devices and transmission shifters, electro-mechanical actuation control components, valves, and surface technology services such as shot peening, laser peening, coatings, and advanced testing.

The Defense reportable segment is comprised of businesses that primarily provide products to the defense markets and to a lesser extent the commercial aerospace market. The products offered include commercial off-the-shelf (COTS) embedded computing board level modules, integrated subsystems, turret aiming and stabilization products, weapons handling systems, avionics and electronics, flight test equipment, and aircraft data management solutions.

The Power reportable segment is comprised of businesses that primarily provide products to the power generation markets and to a lesser extent the naval defense market. The products offered include main coolant pumps, power-dense compact motors, generators, secondary propulsion systems, pumps, pump seals, control rod drive mechanisms, fastening systems, specialized containment doors, airlock hatches, spent fuel management products, and fluid sealing products.

The Corporation's measure of segment profit or loss is operating income. Interest expense and income taxes are not reported on an operating segment basis as they are not considered in the segments' performance evaluation by the Corporation's chief operating decision-maker, its Chief Executive Officer.

On January 1, 2020, the Corporation implemented an organizational change to align its reportable segments more closely with its current business structure. This change resulted in the transfer of two business units, one from the Commercial/Industrial segment to the Defense segment and the other from the Defense segment to the Power segment. While this organizational change resulted in the recasting of previously reported amounts across all reportable segments, it did not impact the Corporation's previously reported consolidated financial statements.

Net sales and operating income by reportable segment are as follows:

	Year Ended December 31,		
<i>(In thousands)</i>	2020	2019	2018
Net sales			
Commercial/Industrial	\$ 951,292	\$1,138,740	\$1,113,138
Defense	734,041	626,282	603,794
Power	708,865	726,237	697,491
Less: Intersegment Revenues	(2,862)	(3,298)	(2,588)
Total Consolidated	\$2,391,336	\$2,487,961	\$2,411,835
Operating income (expense)			
Commercial/Industrial	\$ 81,581	\$ 179,637	\$ 167,647
Defense	140,406	137,286	140,680
Power	104,626	122,139	101,646
Corporate and Eliminations ⁽¹⁾	(37,765)	(35,109)	(36,347)
Total Consolidated	\$ 288,848	\$ 403,953	\$ 373,626
Depreciation and amortization expense			
Commercial/Industrial	\$ 44,921	\$45,895	\$ 48,174
Defense	38,507	22,204	21,537
Power	28,344	30,213	29,294
Corporate	4,131	4,100	3,944
Total Consolidated	\$ 115,903	\$ 102,412	\$ 102,949

	Year Ended December 31,		
<i>(In thousands)</i>	2020	2019	2018
Segment assets			
Commercial/Industrial	\$1,315,361	\$1,363,592	\$1,312,823
Defense	1,655,564	1,209,706	975,047
Power	847,380	885,727	792,102
Corporate	175,445	305,236	175,413
Assets held for sale	27,584	—	—
Total Consolidated	\$4,021,334	\$3,764,261	\$3,255,385
Capital expenditures			
Commercial/Industrial	\$ 21,643	\$ 28,983	\$ 26,510
Defense	4,326	8,479	9,100
Power	18,656	28,700	11,944
Corporate	2,874	3,590	5,863
Total Consolidated	\$ 47,499	\$ 69,752	\$ 53,417

⁽¹⁾ Corporate and Eliminations includes pension expense, environmental remediation and administrative expenses, legal, foreign currency transactional gains and losses, and other expenses.

Reconciliations

	Year Ended December 31,		
<i>(In thousands)</i>	2020	2019	2018
Earnings before taxes:			
Total segment operating income	\$ 326,613	\$ 439,062	\$ 409,973
Corporate and Eliminations	(37,765)	(35,109)	(36,347)
Interest expense	35,545	31,347	33,983
Other income, net	9,748	23,856	16,596
Total consolidated earnings before tax	\$ 263,051	\$ 396,462	\$ 356,239

	As of December 31,		
<i>(In thousands)</i>	2020	2019	2018
Assets:			
Total assets for reportable segments	\$3,818,305	\$3,459,025	\$3,079,972
Assets held for sale	27,584	—	—
Non-segment cash	49,157	235,260	138,053
Other assets	126,288	69,976	37,360
Total consolidated assets	\$4,021,334	\$3,764,261	\$3,255,385

Geographic Information

	Year Ended December 31,		
<i>(In thousands)</i>	2020	2019	2018
Revenues			
United States of America	\$1,758,424	\$1,710,371	\$1,623,511
United Kingdom	90,628	120,297	126,439
Other foreign countries	542,284	657,293	661,885
Consolidated total	\$2,391,336	\$2,487,961	\$2,411,835

	As of December 31,		
<i>(In thousands)</i>	2020	2019	2018
Long-Lived Assets - Property, plant, and equipment, net			
United States of America	\$ 271,299	\$ 271,609	\$ 258,504
United Kingdom	34,221	34,228	34,649
Other foreign countries	72,680	79,756	81,507
Consolidated total	\$ 378,200	\$ 385,593	\$ 374,660

Net sales by product line

	Year Ended December 31,		
(In thousands)	2020	2019	2018
Net sales			
Flow Control	\$1,037,155	\$1,051,821	\$1,008,262
Motion Control	1,098,184	1,130,593	1,090,703
Surface Technologies	255,997	305,547	312,870
Consolidated total	\$2,391,336	\$2,487,961	\$2,411,835

The Flow Control products include valves, pumps, motors, generators, and instrumentation that manage the flow of liquids and gases, generate power, and monitor or provide critical functions. Motion Control's products include turret aiming and stabilization products, embedded computing board level modules, electronic throttle control devices, transmission shifters, and electro-mechanical actuation control components. Surface Technologies include shot peening, laser peening, and coatings services that enhance the durability, extend the life, and prevent premature fatigue and failure on customer-supplied metal components.

19. CONTINGENCIES AND COMMITMENTS

In the ordinary course of business, the Corporation and its subsidiaries are subject to various pending claims, lawsuits, and contingent liabilities. The Corporation does not believe that the disposition of any of these matters, individually or in the aggregate, will have a material adverse effect on its consolidated financial condition, results of operations, and cash flows.

Legal Proceedings

The Corporation has been named in a number of lawsuits that allege injury from exposure to asbestos. To date, the Corporation has not been found liable for or paid any material sum of money in settlement in any asbestos-related case. The Corporation believes its minimal use of asbestos in its past operations and the relatively non-friable condition of asbestos in its products make it unlikely that it will face material liability in any asbestos litigation, whether individually or in the aggregate. The Corporation maintains insurance coverage for these potential liabilities and believes adequate coverage exists to cover any unanticipated asbestos liability. The Corporation is party to a number of other legal actions and claims, none of which individually or in the aggregate, in the opinion of management, are expected to have a material effect on the Corporation's results of operations or financial position.

Letters of Credit and Other Arrangements

The Corporation enters into standby letters of credit agreements and guarantees with financial institutions and customers primarily relating to guarantees of repayment, future performance on certain contracts to provide products and services, and to secure advance payments from certain international customers. As of December 31, 2020 and 2019, there were \$21.1 million and \$32.6 million of stand-by letters of credit outstanding, respectively, and \$5.6 million and \$10.8 million of bank guarantees outstanding, respectively.

The Corporation, through its Electro-Mechanical Division (EMD) business unit, has three Pennsylvania Department of Environmental Protection (PADEP) radioactive materials licenses that are utilized in the continued operation of the EMD business. In connection with these licenses, the Corporation has known conditional asset retirement obligations related to asset decommissioning activities to be performed in the future, when the Corporation terminates these licenses. For two of the three licenses, the Corporation has recorded an asset retirement obligation of approximately \$7.8 million. For its third license, the Corporation has not recorded an asset retirement obligation as it is not reasonably estimable due to insufficient information about the timing and method of settlement of the obligation. Accordingly, this obligation has not been recorded in the Consolidated Financial Statements. A liability for this obligation will be recorded in the period when sufficient information regarding timing and method of settlement becomes available to make a reasonable estimate of the liability's fair value. The Corporation is required to provide the Nuclear Regulatory Commission financial assurance demonstrating its ability to cover the cost of decommissioning

its Cheswick, Pennsylvania facility upon closure, though the Corporation does not intend to close this facility. The Corporation has provided this financial assurance in the form of a \$45.6 million surety bond.

AP1000 Program

Within the Corporation's Power segment, EMD is the RCP supplier for the WEC AP1000 nuclear power plants in China and the United States. The terms of the AP1000 China and U.S. contracts include liquidated damage provisions for failure to meet contractual delivery dates if the Corporation caused the delay and the delay was not excusable. The Corporation would be liable for liquidated damages if the Corporation was deemed responsible for not meeting the delivery dates. On October 10, 2013, the Corporation received a letter from WEC stating entitlements to the maximum amount of liquidated damages allowable under the AP1000 China contract from WEC of approximately \$25 million. As of December 31, 2020, the Corporation has not met certain contractual delivery dates under its AP1000 U.S. and China contracts; however, there are significant counterclaims and uncertainties as to which parties are responsible for the delays. In January 2021, the Corporation and WEC agreed to participate in formal non-binding mediation. The Corporation believes that the ultimate resolution of the matter will not have a material impact on its consolidated financial statements. As of December 31, 2020, the range of possible loss for these two matters is \$0 to \$55.5 million.

20. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The total cumulative balance of each component of accumulated other comprehensive income (loss), net of tax, is as follows:

<i>(In thousands)</i>	Foreign currency translation adjustments, net	Total pension and postretirement adjustments, net	Accumulated other comprehensive income (loss)
December 31, 2018	\$(147,148)	\$(141,299)	\$(288,447)
Other comprehensive loss before reclassifications ⁽¹⁾	18,447	(35,212)	(16,765)
Amounts reclassified from accumulated other comprehensive income ⁽¹⁾	—	6,195	6,195
Net current period other comprehensive income (loss)	18,447	(29,017)	(10,570)
Cumulative effect from adoption of ASU 2018-02	\$ (1,318)	\$ (24,939)	\$ (26,257)
December 31, 2019	\$(130,019)	\$(195,255)	\$(325,274)
Other comprehensive loss before reclassifications ⁽¹⁾	41,282	(44,513)	(3,231)
Amounts reclassified from accumulated other comprehensive income ⁽¹⁾	—	17,649	17,649
Net current period other comprehensive income (loss)	41,282	(26,864)	14,418
December 31, 2020	\$(88,737)	\$(222,119)	\$(310,856)

⁽¹⁾ All amounts are after tax.

Details of amounts reclassified from accumulated other comprehensive income (loss) are below:

<i>(In thousands)</i>	Amount reclassified from Accumulated other comprehensive income (loss)		Affected line item in the statement where net earnings is presented
	2020	2019	
Defined benefit pension and postretirement plans			
Amortization of prior service costs	926	939	Other income, net
Amortization of net actuarial losses	(23,057)	(9,112)	Other income, net
Settlements	(1,086)	—	Other income, net
	(23,217)	(8,173)	Earnings before income taxes
	5,568	1,978	Provision for income taxes
Total reclassifications	\$(17,649)	\$(6,195)	Net earnings

21. RESTRUCTURING COSTS

During the year ended December 31, 2020, the Corporation executed restructuring activities across all of its segments to support its ongoing effort of improving capacity utilization and operating efficiency. These restructuring activities, which include workforce reductions and consolidation of facilities, resulted in \$43 million of pre-tax charges for the year ended December 31, 2020. The Company anticipates that these actions, which have been substantially completed as of December 31, 2020, will result in total cost savings of approximately \$40 million annually.

The following tables summarize the respective balances related to these restructuring activities:

<i>In thousands</i>	Restructuring Liability as of December 31, 2019	Provision	Cash Payments	Restructuring Liability as of December 31, 2020
Commercial/Industrial				
Severance	\$—	\$12,075	\$ (9,796)	\$2,279
Facility closure and other exit costs	—	4,534	(4,057)	477
Total Commercial/Industrial	\$—	\$16,609	\$(13,853)	\$2,756
Defense				
Severance	\$—	\$ 3,150	\$ (2,937)	\$ 213
Facility closure and other exit costs	—	40	(40)	—
Total Defense	\$—	\$ 3,190	\$ (2,977)	\$ 213
Power				
Severance	\$—	\$ 5,972	\$ (2,131)	\$3,841
Facility closure and other exit costs	—	1,357	(1,223)	134
Total Power	\$—	\$ 7,329	\$ (3,354)	\$3,975
Consolidated				
Severance	\$—	\$21,197	\$(14,864)	\$6,333
Facility closure and other exit costs	—	5,931	(5,320)	611
Total consolidated	\$—	\$27,128	\$(20,184)	\$6,944

A reconciliation of total pre-tax restructuring charges is as follows:

<i>(In thousands)</i>	Affected line item in the Consolidated Statement of Earnings	Year ended December 31, 2020
Inventory write-downs	Cost of product sales	\$ 9,184
Severance, facility closure, and other exit costs	Restructuring expenses	27,128
Property, plant, and equipment & operating lease right-of-use asset impairments	Restructuring expenses	4,567
		\$31,695
Pension-related charges	Other income, net	\$ 1,846
Total restructuring charges	Earnings before income taxes	\$42,725

There were no such comparable charges for the year ended December 31, 2019.

22. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following tables set forth selected unaudited quarterly Consolidated Statements of Earnings information for the fiscal years ended December 31, 2020 and 2019.

<i>(In thousands, except per share data)</i>	First	Second	Third	Fourth
2020				
Net sales	\$601,231	\$550,047	\$571,614	\$668,444
Gross profit	200,579	186,026	212,821	241,801
Net earnings	51,761	31,018	64,620	53,993
Net earnings per share				
Basic earnings per share	\$ 1.22	\$ 0.75	\$ 1.56	\$ 1.31
Diluted earnings per share	\$ 1.21	\$ 0.74	\$ 1.55	\$ 1.30
2019				
Net sales	\$578,314	\$638,996	\$614,880	\$655,771
Gross profit	196,873	230,044	226,076	245,752
Net earnings	55,593	80,072	82,510	89,408
Net earnings per share				
Basic earnings per share	\$ 1.30	\$ 1.87	\$ 1.93	\$ 2.09
Diluted earnings per share	\$ 1.29	\$ 1.86	\$ 1.92	\$ 2.08

Note: Certain amounts may not add due to rounding.

23. SUBSEQUENT EVENTS

Beginning in the first quarter of 2021, the Corporation implemented organizational changes to better align its reportable segments and end markets. These changes resulted in the transfer of the Corporation's valve division from the Commercial/Industrial segment to the Power segment as well as the transfer of one of the Corporation's naval valves businesses from the Defense segment to the Power segment. In conjunction with these changes, the Commercial/Industrial, Defense, and Power segments will now be referred to as Aerospace & Industrial, Defense Electronics, and Naval & Power, respectively. The aforementioned changes will be reflected in the Corporation's condensed consolidated financial statements for the quarterly period ended March 31, 2021.

Report of the Corporation

The Consolidated Financial Statements appearing in Item 8 of this Annual Report on Form 10-K have been prepared by the Corporation in conformity with accounting principles generally accepted in the United States of America. The financial statements necessarily include some amounts that are based on the best estimates and judgments of the Corporation. Other financial information in this Annual Report on Form 10-K is consistent with that in the Consolidated Financial Statements.

The Corporation maintains accounting systems, procedures, and internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with the appropriate corporate authorization and are properly recorded. The accounting systems and internal accounting controls are augmented by written policies and procedures, organizational structure providing for a division of responsibilities, selection and training of qualified personnel, and an internal audit program. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. Management of the Corporation has completed an assessment of the Corporation's internal controls over financial reporting and has included "Management's Annual Report on Internal Control Over Financial Reporting" in Item 9A of this Annual Report on Form 10-K.

Deloitte & Touche LLP, our independent registered public accounting firm, performed an integrated audit of the Corporation's Consolidated Financial Statements that also included forming an opinion on the internal controls over financial reporting of the Corporation for the year ended December 31, 2020. An audit includes examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The objective of their audit is the expression of an opinion on the Corporation's Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America, in all material respects, and on the internal controls over financial reporting as of December 31, 2020.

The Audit Committee of the Board of Directors, composed entirely of directors who are independent of the Corporation, appoints the independent registered public accounting firm for ratification by stockholders and, among other things, considers the scope of the independent registered public accounting firm's examination, the audit results, and the adequacy of internal accounting controls of the Corporation. The independent registered public accounting firm and the internal auditor have direct access to the Audit Committee, and they meet with the committee from time to time, with and without management present, to discuss accounting, auditing, non-audit consulting services, internal control, and financial reporting matters.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Curtiss-Wright Corporation and subsidiaries (the “Company”) as of December 31, 2020 and 2019, the related consolidated statements of earnings, comprehensive income, cash flows, and stockholders’ equity, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2021, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue – Over-Time Basis – Refer to Note 2 to the financial statements

Critical Audit Matter Description

The Company recognizes revenue when control of a promised good and/or service is transferred to a customer. The Company identifies a performance obligation for each promise in a contract to transfer a distinct good or service to the customer. Contracts that qualify for over-time revenue recognition are generally associated with the design, development, and manufacture of highly engineered industrial products used in commercial and defense applications and generally span between 2-5 years in duration. The Company uses over-time revenue recognition based on the utilization of an input measure used to measure progress of performance obligations, such as costs incurred to date relative to total estimated costs.

Application of an over-time revenue recognition method requires the use of reasonable and dependable estimates of costs that will be incurred to complete production of goods or provision of services. As of December 31, 2020, revenue was \$2.391 billion, of which 52% relates to over-time revenue.

Certain of the Company's contracts have limited amount of historical data available requiring the Company to make judgments to estimate future costs that will be incurred for these contracts. Related to these contracts, auditing these estimates required both extensive audit effort due to a high degree of auditor judgment, especially given the limited historical data for certain contracts, when performing audit procedures and evaluating the results of those procedures.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of total costs that will be incurred for certain of the contracts (as discussed above) included the following:

- We tested the effectiveness of controls over the long-term contract revenue, including those over the estimates of total costs for the performance obligation.
- We performed the following:
 - Evaluated the appropriateness and consistency of the methods and assumptions used by management to develop the estimates of future costs that will be incurred for contracts with limited historical experience.
 - Evaluated management's ability to achieve the estimates of costs that will be incurred by performing corroborating inquiries with the Company's project managers and engineers, and comparing the estimates to management's work plans, engineering specifications, and supplier contracts.
 - Tested the accuracy and completeness of the costs incurred to date.
 - Compared the actual costs incurred to date to management's estimated costs to be incurred to date.
 - Due to the limited historical data available for certain contracts, we tested changes in management's total cost estimates.
 - Tested the mathematical accuracy of management's estimates of future costs to be incurred.
 - Tested the mathematical accuracy of management's calculation of revenue for the contract.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 25, 2021

We have served as the Company's auditor since 2003.

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Curtiss-Wright Corporation and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated February 25, 2021, expressed an unqualified opinion on those financial statements.

As described in Management's Annual Report on Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Dyna-Flo Control Valve Services Ltd, Integrated Air Defense System product line, and Pacific Star Communications, Inc., which were acquired on February 26, 2020, April 20, 2020, and October 30, 2020 respectively, and whose financial statements constitute 2% of total net sales and 2% of total assets of the consolidated financial statement amounts (excluding acquired intangible assets and goodwill) as of and for year ended December 31, 2020. Accordingly, our audit did not include the internal control over financial reporting at Dyna-Flo Control Valve Services Ltd, Integrated Air Defense System product line, and Pacific Star Communications, Inc..

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Parsippany, New Jersey
February 25, 2021

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

As of December 31, 2020, the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the Corporation's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective as of December 31, 2020 insofar as they are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and they include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report On Internal Control Over Financial Reporting

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of the future effectiveness of controls currently deemed effective are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the policies or procedures.

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2020. In making this assessment, the Corporation's management used the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. However, under guidelines established by the SEC, companies are allowed to exclude acquired businesses from management's report on internal control over financial reporting for the first year subsequent to acquisition. Accordingly, in making its assessment of internal control over financial reporting as of December 31, 2020, management excluded the internal control activities of the Corporation's current period acquisitions: Dyna-Flo Control Valve Services Ltd, Integrated Air Defense System product line, and Pacific Star Communications, Inc.. The aforementioned acquisitions constituted approximately 2% of total net sales and 2% of total assets (excluding acquired intangible assets and goodwill) as of and for the year ended December 31, 2020.

Based on management's assessment, management believes that as of December 31, 2020, the Corporation's internal control over financial reporting is effective based on the established criteria.

The Corporation's internal controls over financial reporting as of December 31, 2020 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and their report thereon is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

The information required by Items 10, 11, 12, 13, and 14 of Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the annual meeting of stockholders to be held on May 6, 2021 which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates. Information required by Item 401(b) of Regulation S-K is included in Part I of this report under the caption "Executive Officers" and information required by Item 201(d) of Regulation S-K is included in Part II of this report under the caption "Securities Authorized For Issuance Under Equity Compensation Plans."

PART IV

Item 15. Exhibits, Financial Statement Schedule.

		Page
(a)	Financial Statements and Footnotes	
	1. The following are documents filed as part of this report in Part II, Item 8:	
	Consolidated Statements of Earnings	38
	Consolidated Statements of Comprehensive Income	39
	Consolidated Balance Sheets	40
	Consolidated Statements of Cash Flows	41
	Consolidated Statements of Stockholders' Equity	42
	Notes to Consolidated Financial Statements	43
	2. Financial Statement Schedule	
	Schedule II-Valuation and Qualifying Accounts	87
	All other financial statement schedules have been omitted because they are either not required, not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.	

(b) Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date	
2.1	Agreement and Plan of Merger and Recapitalization, dated as of February 1, 2005, by and between the Registrant and CW Merger Sub, Inc.	8-K	February 3, 2005	
3.1	Amended and Restated Certificate of Incorporation	8-A12B/A	May 24, 2005	
3.2	Amended and Restated By-Laws	8-K	May 18, 2015	
4.1	Form of stock certificate for Common Stock	8-A12B/A	May 24, 2005	
4.2	Description of Registrant's Securities	DEF 14A	May 24, 2005	
	Curtiss-Wright Corporation 2005 Omnibus Long-Term Incentive Plan, amended and restated effective January 1, 2010*	14A	March 19, 2010	
10.1	Form of Long Term Incentive Award Agreement, between the Registrant and the executive officers of the Registrant*	10-K	March 7, 2006	
10.2	Revised Standard Employment Severance Agreement with Senior Management of the Registrant*			
10.3	Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009.*	10-K	February 25, 2011	X
10.4	Instrument of Amendment No. 1 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 24, 2012	
10.5	Instrument of Amendment No. 2 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 19, 2015	
10.6	Instrument of Amendment No. 3 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 19, 2015	
10.7	Instrument of Amendment No. 4 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 25, 2016	
10.8	Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 25, 2016	
10.9				

Exhibit No.	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date	
10.10	Instrument of Amendment No. 1 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 21, 2017	
10.11	Instrument of Amendment No. 2 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 21, 2017	
10.12	Instrument of Amendment No. 3 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 22, 2018	
10.13	Instrument of Amendment No. 4 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 22, 2018	
10.14	Instrument of Amendment No. 5 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 27, 2019	
10.15	Instrument of Amendment No. 6 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 27, 2019	
10.16	Instrument of Amendment No. 7 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 27, 2020	
10.17	Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective as of January 1, 2015*	10-K	February 25, 2016	
10.18	Instrument of Amendment No. 1 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 25, 2016	
10.19	Instrument of Amendment No. 2 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 21, 2017	
10.20	Instrument of Amendment No. 3 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 21, 2017	
10.21	Instrument of Amendment No. 4 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 21, 2017	
10.22	Instrument of Amendment No. 5 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 22, 2018	
10.23	Instrument of Amendment No. 6 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 22, 2018	
10.24	Instrument of Amendment No. 7 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 27, 2019	
10.25	Instrument of Amendment No. 8 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 27, 2019	

Exhibit No.	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date	
10.26	Instrument of Amendment No. 9 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 27, 2019	
10.27	Instrument of Amendment No. 10 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-Q	August 1, 2019	
10.28	Instrument of Amendment No. 11 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-Q	August 1, 2019	
10.29	Instrument of Amendment No. 12 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 27, 2020	
10.30	Instrument of Amendment No. 13 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*			X
10.31	Curtiss-Wright Corporation 2014 Omnibus Incentive Plan*	14A	March 21, 2014	
10.32	Curtiss-Wright Corporation Retirement Savings Restoration Plan*	10-K	February 19, 2015	
10.33	Instrument of Amendment No. 1 to the Curtiss-Wright Corporation Retirement Savings Restoration Plan*	10-K	February 25, 2016	
10.34	Form of indemnification Agreement entered into by the Registrant with each of its directors	10-Q	May 7, 2012	
10.35	Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 25, 2011	
10.36	Instrument of Amendment No.1 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 24, 2012	
10.37	Instrument of Amendment No. 2 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 21, 2013	
10.38	Instrument of Amendment No.3 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 21, 2013	
10.39	Instrument of Amendment No.4 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 21, 2014	
10.40	Curtiss-Wright Corporation 2005 Stock Plan for Non-Employee Directors*	14A	April 5, 2005	
10.41	Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended November 2006*	10-K	February 27, 2007	
10.42	Instrument of Amendment No. 1 to the Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended August 29, 2008*	10-K	February 24, 2012	
10.43	Instrument of Amendment No. 2 to the Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended August 29, 2008*	10-K	February 19, 2015	

Exhibit No.	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date	
10.44	Instrument of Amendment No. 3 to the Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended August 29, 2008*	10-K	February 25, 2016	
10.45	Standard Change In Control Severance Protection Agreement, dated February 16, 2021, between the Registrant and Key Executives of the Registrant*			X
10.46	Curtiss-Wright Corporation Employee Stock Purchase Plan, as amended May 10, 2018*	14A	March 23, 2018	
10.47	Incentive Compensation Plan, as amended November 15, 2010 *	14A	March 24, 2011	
10.48	Restricted Stock Unit Agreement, dated April 1, 2013, by and between the Registrant and Thomas Quinly *	10-Q	May 2, 2013	
10.49	Restricted Stock Unit Agreement, dated February 6, 2019, by and between the Registrant and Lynn M. Bamford*			X
10.50	Trust Agreement, dated January 20, 1998, between the Registrant and PNC Bank, National Association	10-Q	May 13, 1998	
10.51	Note Purchase Agreement between the Registrant and certain Institutional Investors, dated December 8, 2011	8-K	December 13, 2011	
10.52	Restrictive Legends on Notes subject to Note Purchase Agreement between the Registrant and certain Institutional Investors, dated December 8, 2011	8-K	December 13, 2011	
10.53	Note Purchase Agreement between the Registrant and certain Institutional Investors, dated February 26, 2013	8-K	February 27, 2013	
10.54	Restrictive Legends on Notes subject to Note Purchase Agreement between the Registrant and certain Institutional Investors, dated February 26, 2013	8-K	February 27, 2013	
10.55	Fourth Amended and Restated Credit Agreement dated as of October 17, 2018 among the Company and Certain Subsidiaries as Borrowers; the Lenders party thereto; Bank of America N.A., as Administrative Agent, Swingline Lender, and L/C Issuer; Merrill Lynch, Pierce, Fenner & Smith Incorporated, JPMorgan Chase Bank, N.A., and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners; JPMorgan Chase Bank, N.A., and Wells Fargo, N.A., as Syndication Agents; and Citizens Bank, N.A., as Documentation Agents	8-K	October 17, 2018	
10.56	Note Purchase Agreement between the Registrant and certain Institutional Investors, dated August 13, 2020	8-K	August 19, 2020	
10.57	Restrictive Legends on Notes subject to Note Purchase Agreement between the Registrant and certain Institutional Investors, dated August 13, 2020	8-K	August 19, 2020	
21.00	Subsidiaries of the Registrant			X

Exhibit No.	Exhibit Description	Incorporated by Reference		Filed Herewith
		Form	Filing Date	
23.00	Consent of Independent Registered Public Accounting Firm			X
31.10	Certification of Lynn M. Bamford, President and CEO, Pursuant to Rule 13a - 14(a)			X
31.20	Certification of K. Christopher Farkas, Chief Financial Officer, Pursuant to Rule 13a - 14(a)			X
32.00	Certification of Lynn M. Bamford, President and CEO, and K. Christopher Farkas, Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350			X

* Indicates contract or compensatory plan or arrangement

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
SCHEDULE II – VALUATION and QUALIFYING ACCOUNTS
for the years ended December 31, 2020, 2019, and 2018

(In thousands)

Description	Additions			Deductions	Balance at End of Period
	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts		
Deducted from assets to which they apply:					
December 31, 2020					
Tax valuation allowance	3,386	3,439	50 ⁽¹⁾	5,635 ⁽²⁾	1,240
Total	\$ 3,386	\$3,439	\$ 50	\$5,635	\$ 1,240
December 31, 2019					
Tax valuation allowance	11,646	1,305	(22) ⁽¹⁾	9,543 ⁽³⁾	3,386
Total	\$ 11,646	\$1,305	\$(22)	\$9,543	\$ 3,386
December 31, 2018					
Tax valuation allowance	12,322	108	17 ⁽¹⁾	801	11,646
Total	\$ 12,322	\$ 108	\$ 17	\$ 801	\$11,646

⁽¹⁾ Primarily foreign currency translation adjustments.

⁽²⁾ \$3.8 million relates to net operating losses reclassified as held-to-sale.

⁽³⁾ \$5.7 million relates to the capital loss carryforward expiration from the sale of the Downstream oil and gas business.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CURTISS-WRIGHT CORPORATION

(Registrant)

Date: February 25, 2021 By: /s/ Lynn M. Bamford
Lynn M. Bamford
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 25, 2021 By: /s/ K. Christopher Farkas
K. Christopher Farkas
Vice President and Chief Financial Officer

Date: February 25, 2021 By: /s/ Gary A. Ogilby
Gary A. Ogilby
Vice President and Corporate Controller

Date: February 25, 2021 By: /s/ David C. Adams
David C. Adams
Executive Chairman

Date: February 25, 2021 By: /s/ Dean M. Flatt
Dean M. Flatt
Director

Date: February 25, 2021 By: /s/ S. Marce Fuller
S. Marce Fuller
Director

Date: February 25, 2021 By: /s/ Bruce D. Hoechner
Bruce D. Hoechner
Director

Date: February 25, 2021 By: /s/ Glenda J. Minor
Glenda J. Minor
Director

Date: February 25, 2021 By: /s/ John B. Nathman
John B. Nathman
Director

Date: February 25, 2021 By: /s/ Robert J. Rivet
Robert J. Rivet
Director

Date: February 25, 2021 By: /s/ Albert E. Smith
Albert E. Smith
Director

Date: February 25, 2021 By: /s/ Peter C. Wallace
Peter C. Wallace
Director

2020 Reconciliations
Year ended December 31
(Dollars in millions, except percentages; unaudited)

	2020 Reported (GAAP)	2020 Adjustments ⁽¹⁾ (Non-GAAP)	2020 Adjusted (Non-GAAP)
Sales			
Commercial/Industrial	\$ 949.8	\$ —	\$ 949.8
Defense	733.9	1.9	735.7
Power	707.7	—	707.7
Total sales	\$ 2,391.3	\$ 1.9	\$ 2,393.2
Operating income (expense)			
Commercial/Industrial	\$ 81.6	\$ 56.3	\$ 137.9
Defense	140.4	26.0	166.4
Power	104.6	20.1	124.7
Total segments	\$ 326.6	\$ 102.4	\$ 429.0
Corporate and other	(37.8)	—	(37.8)
Total operating income	\$ 288.8	\$ 102.4	\$ 391.3
Interest expense	(35.5)	—	(35.5)
Other income, net	9.7	12.0	21.7
Earnings before income taxes	\$ 263.1	\$ 114.4	\$ 377.5
Provision for income taxes	(61.7)	(26.8)	(88.5)
Net earnings	\$ 201.4	\$ 87.6	\$ 289.0
Diluted earnings per share	\$ 4.80	\$ 2.07	\$ 6.87
Diluted shares outstanding	42.0	—	42.0
Effective tax rate	23.4%	—	23.4%
Operating Margins			
Commercial/Industrial	8.6%	+ 590 bps	14.5%
Defense	19.1%	+ 350 bps	22.6%
Power	14.8%	+ 280 bps	17.6%
Segment Operating Margin	13.7%	+ 420 bps	17.9%
Total Operating Margins	12.1%	+ 420 bps	16.3%

Note: Amounts may not add to the total due to rounding.

⁽¹⁾ Adjusted financials are defined as Reported Sales, Operating Margin and Diluted EPS under GAAP excluding a) 2020 restructuring costs, b) the impact of first year purchase accounting costs associated with acquisitions, specifically one-time inventory step-up, backlog amortization and transaction costs, c) a non-cash impairment of capitalized development costs in 2020 related to a commercial aerospace program, d) one-time transition and IT security costs related to the relocation of the DRG business, and e) a \$10 million non-cash currency translation loss in 2020 related to the liquidation of a foreign entity, which is classified within non-operating income. 2020 adjusted financial results also exclude an impairment loss of \$33 million for our industrial valve business in Germany, which was classified as held for sale in the fourth quarter of 2020.

2020 Reconciliations
Year ended December 31
(Dollars in millions, except percentages; unaudited)

	2020 Reported	2020 Adjustments	2020 Adjusted
Net cash provided by operating activities	\$ 261.2	\$ 170.3	\$ 431.4
Capital expenditures	\$ (47.5)	\$ 10.3	\$ (37.2)
Free cash flow⁽¹⁾	\$ 213.7	\$ 180.5	\$ 394.2
Free cash flow conversion⁽²⁾	106%	—	137%

⁽¹⁾ Adjusted free cash flow (FCF) is defined as net cash provided by operating activities less capital expenditures, and excludes a contribution of \$150 million to the Company's corporate defined benefit pension plan. Also excludes the 2020 cash impact from restructuring, as well as capital investments in the Power segment related to the new, state-of-the-art naval facility principally for DRG.

⁽²⁾ Adjusted free cash flow conversion is defined as adjusted free cash flow divided by adjusted net earnings.

CORPORATE HEADQUARTERS

130 Harbour Place Drive, Suite 300
Davidson, NC 28036
www.curtisswright.com
Tel: (704) 869-4600

ANNUAL MEETING

The 2021 annual meeting of stockholders will be held on Thursday, May 6, 2021, at the Homewood Suites by Hilton, 125 Harbour Place Drive, Davidson, NC, 28036, commencing at 1:00 p.m. local time.

STOCK EXCHANGE LISTING

The Corporation's common stock is listed and traded on the New York Stock Exchange (NYSE) under the symbol CW.

COMMON SHAREHOLDERS

As of December 31, 2020, the number of registered holders of record of common stock, par value of \$1.00 per share of the Corporation, was approximately 3,000.

FORWARD-LOOKING STATEMENTS

This brochure contains not only historical information, but also forward-looking statements regarding expectations of future performance of the Corporation. Forward-looking statements involve risk and uncertainty. Please refer to the Corporation's 2020 Annual Report on Form 10-K for a discussion relating to forward-looking statements contained in this brochure and risk factors that could cause future results to differ from current expectations.

STOCK TRANSFER AGENT AND REGISTRAR

For services such as changes of address, replacement of lost certificates or dividend checks, and changes in registered ownership, or for inquiries as to account status, write to: Broadridge Corporate Issuer Solutions, Inc., P.O. Box 1342, Brentwood, NY 11717 or overnight to 1155 Long Island Avenue, Brentwood, NY 11717. Please include your name, address and telephone number with all correspondence. Telephone inquiries may be made toll-free to (855) 449-0995, or to (720) 864-4772 internationally. Internet inquiries should be directed to <http://shareholder.broadridge.com/curtisswright> and by email to shareholder@broadridge.com. Hearing-impaired shareholders are invited to log on to the website and select the Live Chat option.

DIRECT STOCK PURCHASE PLAN/DIVIDEND REINVESTMENT PLAN

A plan is available to purchase or sell shares of Curtiss-Wright common stock. The plan provides a low-cost alternative to the traditional methods of buying, holding and selling stock. The plan also provides for the automatic reinvestment of Curtiss-Wright dividends. For more information, contact our transfer agent, Broadridge Corporate Issuer Solutions, Inc., P.O. Box 1342, Brentwood, NY 11717, toll-free at (855) 449-0995.

INVESTOR INFORMATION

Investors, stockbrokers, security analysts and others seeking information about Curtiss-Wright Corporation should contact James M. Ryan, Senior Director of Investor Relations, at (704) 869-4600 or investor@curtisswright.com.

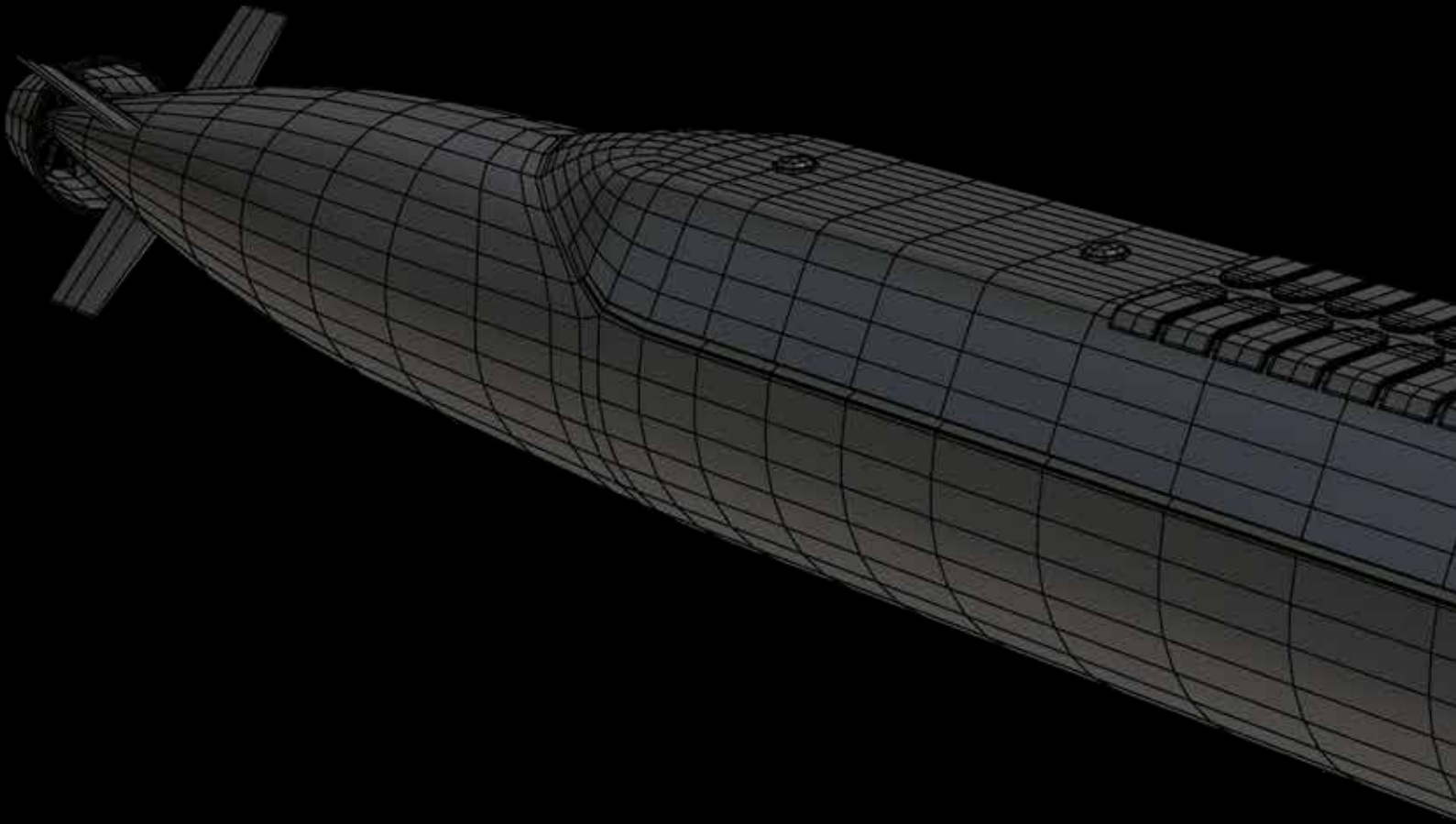
SHAREHOLDER COMMUNICATIONS

Any stockholder wishing to communicate directly with our Board of Directors should write to S. Marce Fuller, c/o Curtiss-Wright Corporation, 130 Harbour Place Drive, Suite 300, Davidson, NC 28036.

FINANCIAL REPORTS

This brochure includes some of the periodic financial information required to be on file with the Securities and Exchange Commission. The Corporation also files an Annual Report on Form 10-K, a copy of which may be obtained free of charge from the Corporation, or may be downloaded from the SEC's or the Corporation's websites. These reports, as well as additional financial documents such as quarterly shareholder reports, proxy statements, and quarterly reports on Form 10-Q, may be obtained by written request to James M. Ryan, Senior Director of Investor Relations, at the Corporate Headquarters or through the Investor Relations section of the Corporation's website: www.curtisswright.com.

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Curtiss-Wright Corporation
130 Harbour Place Drive, Suite 300
Davidson, N.C. 28036

CURTISSWRIGHT.COM

Cover image: Rendering of the future Columbia-class submarine, which will be the largest submarine ever built by the United States.