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GROWTH ACROSS DIVERSE MARKETS

CURTISS-WRIGHT CORPORATION ANNUAL REPORT 2005

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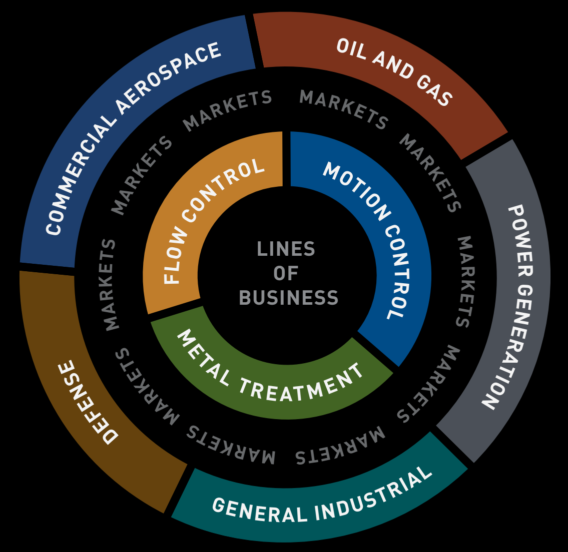


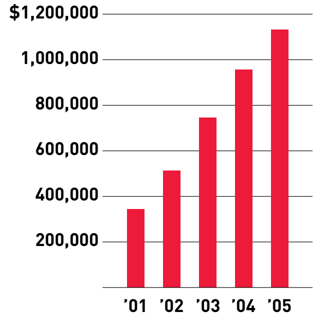
GROWTH ACROSS DIVERSE MARKETS

Curtiss-Wright is committed to providing highly engineered solutions for demanding applications. In the defense market, we have balanced exposure on naval, aerospace and ground platforms, both on development programs and in support of current forces in the field. In the commercial markets, our roots remain firmly planted in the aerospace market. We have also built significant footholds in power generation and oil and gas markets through the application of complementary technologies and our knowledge of critical performance requirements. Our focus on technical innovation provides access to diverse markets where customers demand innovative, reliable and safe solutions.

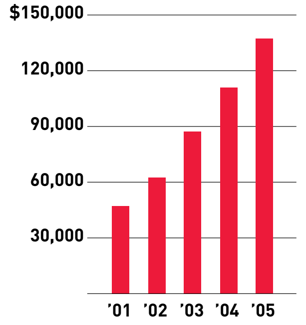
OUR DISCIPLINED APPROACH IS REFLECTED IN OUR OPERATING RESULTS

CONSOLIDATED HISTORICAL PERFORMANCE

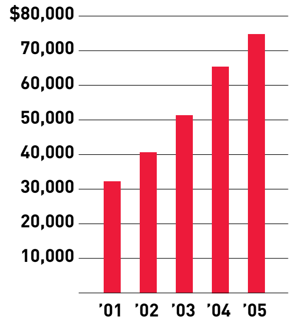
Net Sales (000s)



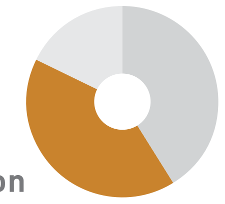
Operating Income* (000s)



Net Earnings* (000s)



*Normalized to exclude the effect of gains and losses on real estate sales and CW Pension Plan income/expense.



$466 million

FLOW CONTROL

Specialized severe service valves, pumps, controls and electronics for critical national defense programs and commercial markets such as nuclear power generation, oil and gas processing and general industry.

Naval Defense
- **Nuclear propulsion system components**
  - Valves (butterfly, globe, gate, control, safety, relief, solenoid)
  - Pumps
  - Motors and generators
  - Instrumentation and controls
- **Non-nuclear products**
  - Smart leakless valves
  - Ball valves
  - Steam generator control equipment
  - Air-driven fluid pumps
  - Engineering, inspection and testing services
- **Aircraft carrier launch and retrieval equipment**
  - Advanced electromechanical systems
- **Instrumentation and control systems**

Ground Defense
- **Electromechanical gun pulsed power supply system**

Oil and Gas Processing
- **Valves**
  - DeltaGuard® coker valve
  - Pressure relief valves
  - Safety valves
  - Triple offset butterfly valve
  - Boltless slide valve
  - Fluid catalytic cracking devices
  - Solenoid, gate and globe valves
- **Web-enabled process control software**

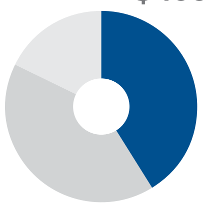
Nuclear Power Generation
- **Reactor coolant pumps**
- **Motors**
- **Control rod drive mechanisms**
- **Valves**
  - Solenoid, gate and globe valves
- **Containment air lock doors**
- **Fasteners**
- **Diamond wire cutting**
- **Engineering inspection, testing and qualification**
- **Inventory management systems**

General Industrial
- **Directional control valves**
- **Pneumatic valves**

KEY TO LINES OF BUSINESS LISTINGS

Major Markets
- **Category**
  - Products and services

$465 million



MOTION CONTROL

Innovative, highly engineered flight controls, drive and sensor components and integrated subsystems for aerospace, defense and industrial applications worldwide.

Commercial Aerospace
- **Commercial jets**
  - Secondary flight control actuation systems and electromechanical trim actuators
  - Aircraft cargo door and utility actuation systems
  - Fire detection and suppression control systems
  - Automated passenger bridge systems
  - Position sensors
- **Business/regional jets**
  - Throttle quadrants
- **Helicopters**
  - Rotor ice protection systems
- **Repair and overhaul services**
  - Component overhaul and logistics support services

Military Aerospace
- **Transport and fighter aircraft**
  - Weapons bay door actuation systems
  - Electromechanical actuators
- **Helicopters**
  - Radar warning systems
  - Acoustic processing systems
  - Flight data recorders
- **Unmanned aerial vehicles**
  - Integrated mission management and flight control computers

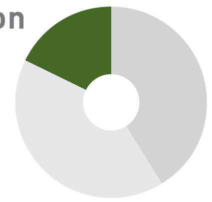
Ground Defense
- **Tanks and light armored vehicles**
  - Digital electromechanical aiming and stabilization systems
  - Fire control, sight head and environmental control processors
  - Single board computers for target acquisition systems
  - Hydropneumatic suspension systems
  - Ammunition handling systems

Naval Defense
- **Shipboard helicopter landing systems**
  - Aircraft ship integrated secure and traverse (ASIST) systems
  - Recover, assist, secure and traverse (RAST) systems
- **Marine propulsion**
  - Marine engine diesel valve injection systems

Other Military & Government
- **High performance data communication products**
  - Power conversion products
- **Space programs**
  - Control electronics
- **Security systems**
  - Perimeter intrusion detection equipment
- **FAA**
  - Airport surface detection equipment radar video processng

General Industrial Markets
- **Automated industrial equipment**
  - Air, sea and ground simulation
  - Fractional horse power (HP) specialty motors
  - Force transducers
  - Joystick controllers
  - Sensors
  - Faders
- **High speed trains**
  - Electromechanical tilting systems for high-speed trains

$199 million



METAL TREATMENT

Precision metal finishing services, including shot peening, shot peen forming, laser peening, heat treating and specialty coatings for critical components in commercial aerospace, automotive, energy and processing industries.

Commercial Aerospace
- **Shot peen forming**
  - Wing skins
- **Shot peening**
  - Aircraft structural components
  - Landing gear components
  - Turbine engine rotating components
- **Laser peening**
  - Turbine engine rotating components
- **Coatings**
  - Fasteners
  - Sliding components
- **Heat Treating**
  - Aluminum structural components

Automotive
- **Shot Peening**
  - Engine and transmission components
- **Heat Treating**
  - Miscellaneous engine, transmission and structural components
- **Coatings**
  - Fasteners
  - Sliding components

General Industrial
- **Shot Peening**
  - Highly stressed metal components susceptible to fatigue
  - Welded components subject to distortion
  - Architectural structures
- **Heat Treating**
  - Miscellaneous aluminum and steel components
- **Coatings**
  - Fasteners
  - Components subject to sliding wear

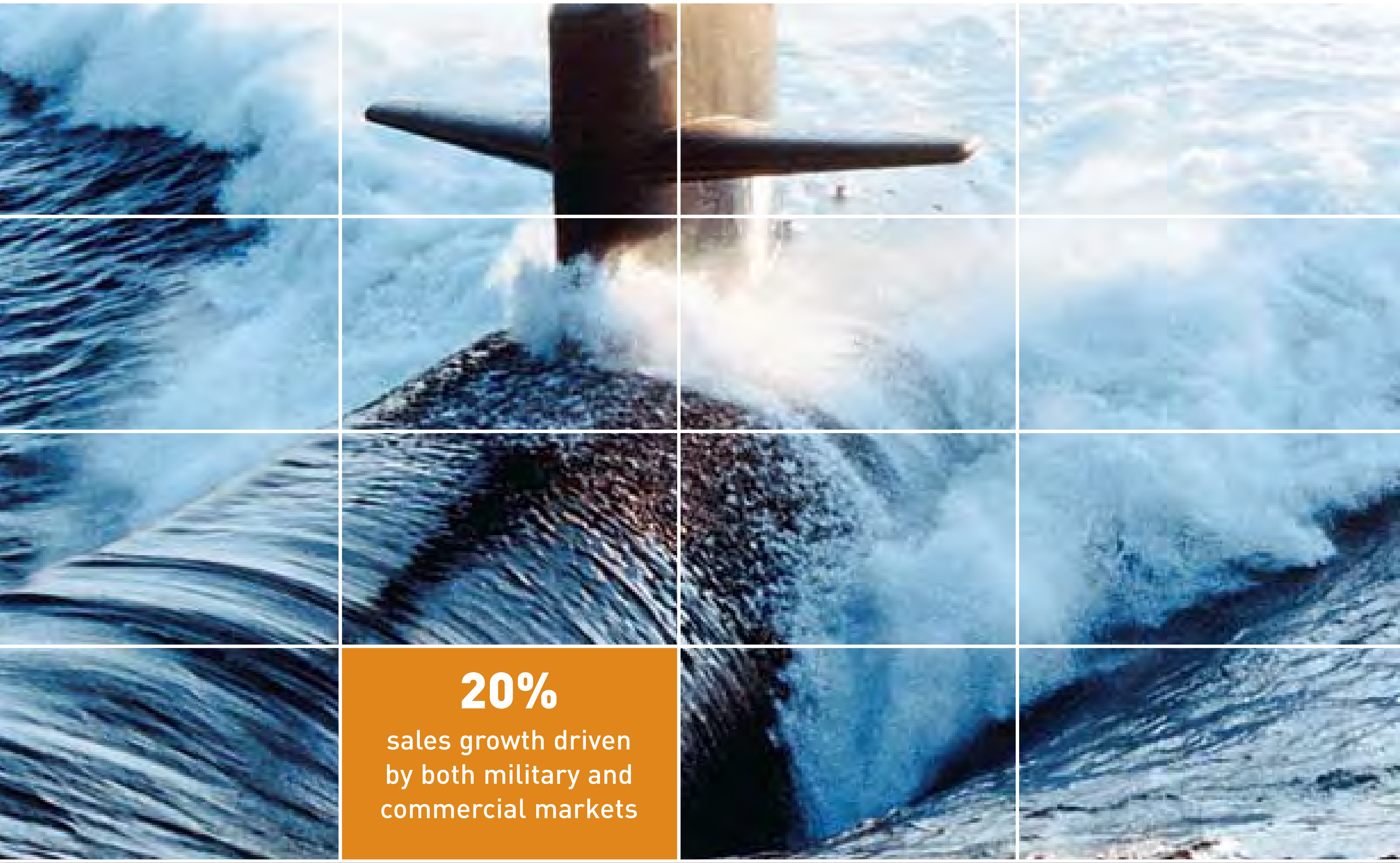
Design: Russell Design, NYC

HISTORICAL FINANCIAL PERFORMANCE

(In thousands, except per share data; unaudited)	**2005**	2004	2003
PERFORMANCE:			
Net sales	**$ 1,130,928**	$ 955,039	$ 746,071
Earnings before interest, taxes, depreciation, amortization and pension	**188,132**	152,026	119,435
Net earnings	**75,280**	65,066	52,268
Cash flow from operations	**105,178**	105,347	83,524
Diluted earnings per share[1]	**3.44**	3.02	2.50
Return on sales	**7%**	7%	7%
Return on capital	**8%**	8%	8%
New orders	**1,261,193**	998,936	743,115
Backlog at year-end	**805,631**	627,679	505,519
YEAR-END FINANCIAL POSITION			
Working capital	**$ 268,963**	$ 212,159	$ 238,640
Current ratio	**2.2 to 1**	2.1 to 1	2.8 to 1
Total assets	**1,400,285**	1,278,440	973,665
Stockholders' equity	**638,220**	575,614	478,881
Stockholders' equity per share[1]	**29.35**	26.85	23.04
OTHER YEAR-END DATA			
Depreciation and amortization	**$ 47,851**	$ 40,742	$ 31,327
Capital expenditures	**42,444**	32,452	33,329
Shares of stock outstanding at December 31,[1]	**21,746,362**	21,438,158	20,785,856
Number of registered stockholders	**7,069**	7,460	7,768
Number of employees	**5,892**	5,599	4,655
DIVIDENDS PER SHARE	**$ 0.39**	$ 0.36	$ 0.32

[1] Share and per share data for all years have been adjusted to reflect the 2-for-1 stock split on December 17, 2003.

FLOW CONTROL:
HIGHLY ENGINEERED SOLUTIONS FOR DEMANDING MARKETS



20%
sales growth driven by both military and commercial markets

Curtiss-Wright's Flow Control segment plays a critical role in the safe and reliable operation of our military, nuclear power plants, and oil and gas processing facilities around the world. We specialize in the design, manufacture and distribution of highly engineered valves, pumps, sophisticated electronics and related products that regulate the flow of liquid, gases and vapors in severe service environments.

Our innovative, high-performance products can be found aboard every nuclear submarine and aircraft carrier commissioned by the U.S. Navy. Within the processing industry, Flow Control's products help ensure worker safety by eliminating potentially deadly hazards, while greatly improving the operational efficiency of oil and gas refineries globally. For the commercial power industry, Flow Control's products and advanced technologies assist in the safe, reliable and efficient operation of nuclear power plants throughout the world.

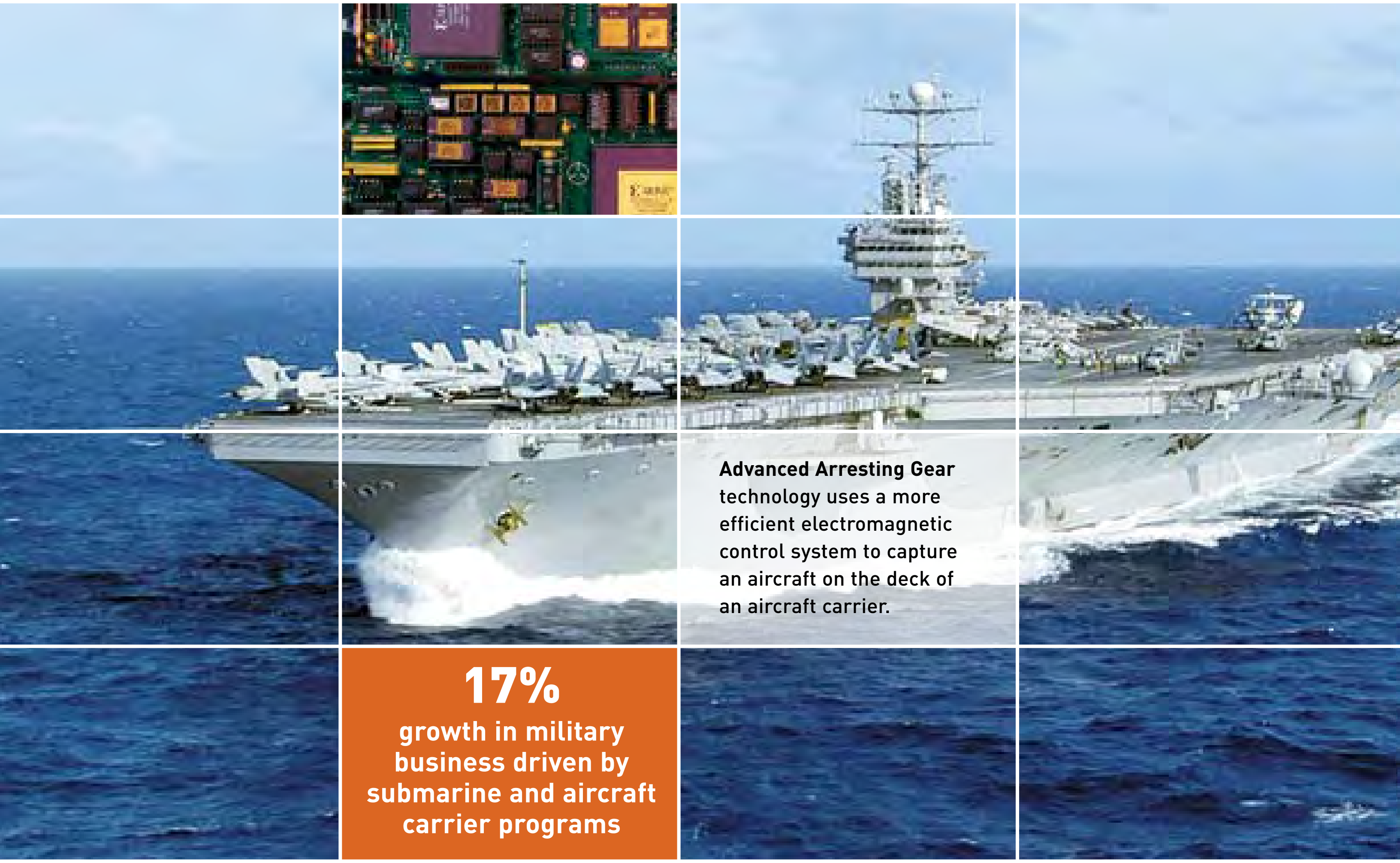
Smart, leakless valves designed for the processing industry provide a cost-effective solution for jet-fuel pumping on aircraft carriers.

50%
balance between military and commercial markets

DeltaValve's revolutionary valve has achieved a 20% worldwide market share.

Flow Control supplies a diverse set of products and services to the oil and gas processing market, including safety relief valves, specialized pumps, process safety management software and accessory and field repair services. The level of maintenance capital spending is a key driver of this market, as well as the need for technology improvements for plant flexibility, reliability, production and compliance with environmental regulations. In addition, global demand for fuel is requiring increased processing capacity.

DELIVERING MISSION-CRITICAL SOLUTIONS



Advanced Arresting Gear technology uses a more efficient electromagnetic control system to capture an aircraft on the deck of an aircraft carrier.

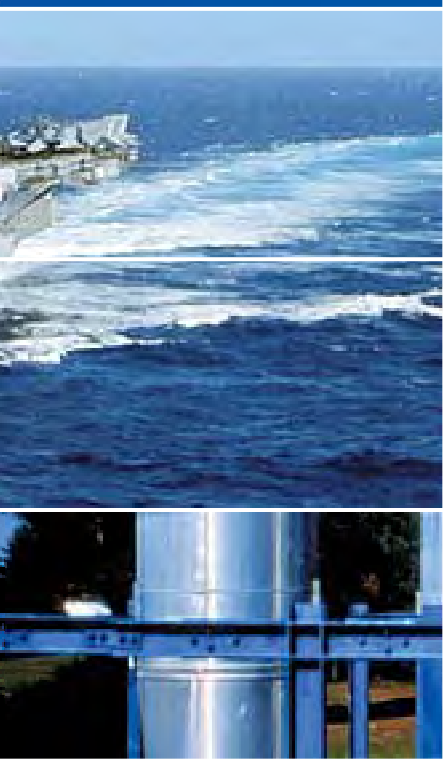
17%

growth in military business driven by submarine and aircraft carrier programs

Nearly 50% of Flow Control's business is defense, related to the U.S. Navy's submarine and aircraft carrier programs. Our Electro-Mechanical Systems division is a world leader in the design and manufacture of the most advanced critical function pumps, turbine motors and generators for nuclear propulsion systems. Our Control Systems division provides electronic instrumentation and control systems. And our Valve division provides critical function valves that are innovative, safe and absolutely reliable.

Many of our technologies ultimately have commercial market appeal. Bridging the chasm between stringent and unique government requirements and the cost limitations of the commercial market is no small task, but we have successfully paired our innovative technologies with competitive commercial marketing strategies to develop significant niche positions in the energy and industrial markets.

HydraNut® offers superior integrity and reduced maintenance time on all critical high-temperature bolting applications.

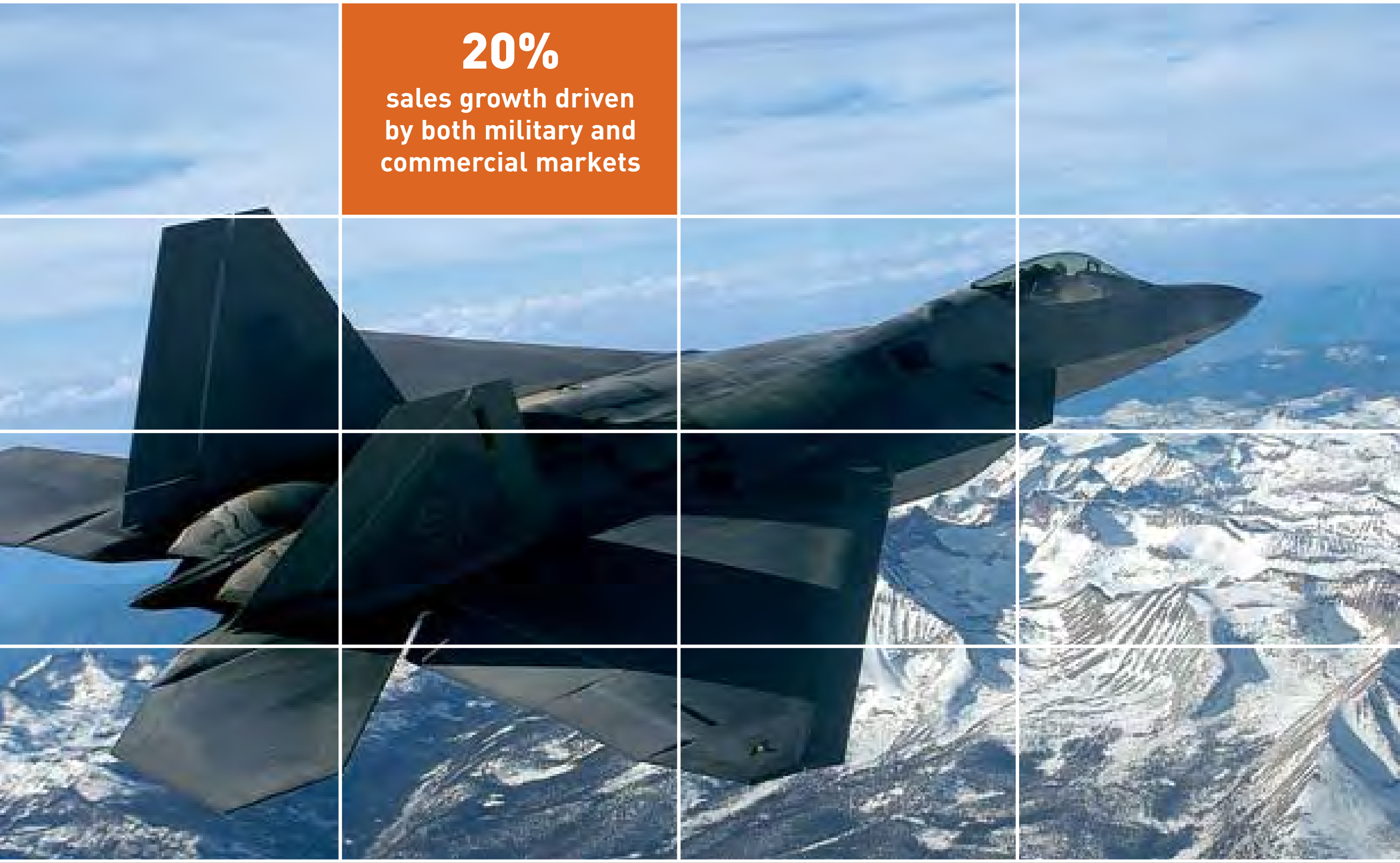


23%
sales growth in commercial technologies

Flow Control has achieved significant growth in the commercial nuclear power market. As demand for energy continues to increase, more emphasis on advanced technologies will continue to fuel this market. In the United States, growth will come from plant life extensions and facility upgrades to the 103 nuclear power plants. Longer term, the nuclear power market has significant growth potential due to the anticipated construction of new power plants both domestically and internationally.

In the commercial power market, our Electro-Mechanical Systems and Valve divisions are able to provide critical function pumps, turbine motors, generators and valves. Additionally, we continually focus on new product innovations, such as the Technofast HydraNut,® which can improve operational integrity and reduce overall maintenance time, resulting in a considerable cost saving to the customer.

MOTION CONTROL:
EXPANDING INTO COMPLEMENTARY MARKETS



20%
sales growth driven by both military and commercial markets

From an F-22 to a commercial jet, Curtiss-Wright's Motion Control segment provides technology solutions that enable the most advanced aircraft around the world today. On the ground, our electronic controls and actuation products increase the capabilities and extend the life of military armored vehicles. And on the high seas, our shipboard recovery systems assure safe and reliable helicopter landings and maneuvering under the most adverse weather conditions.

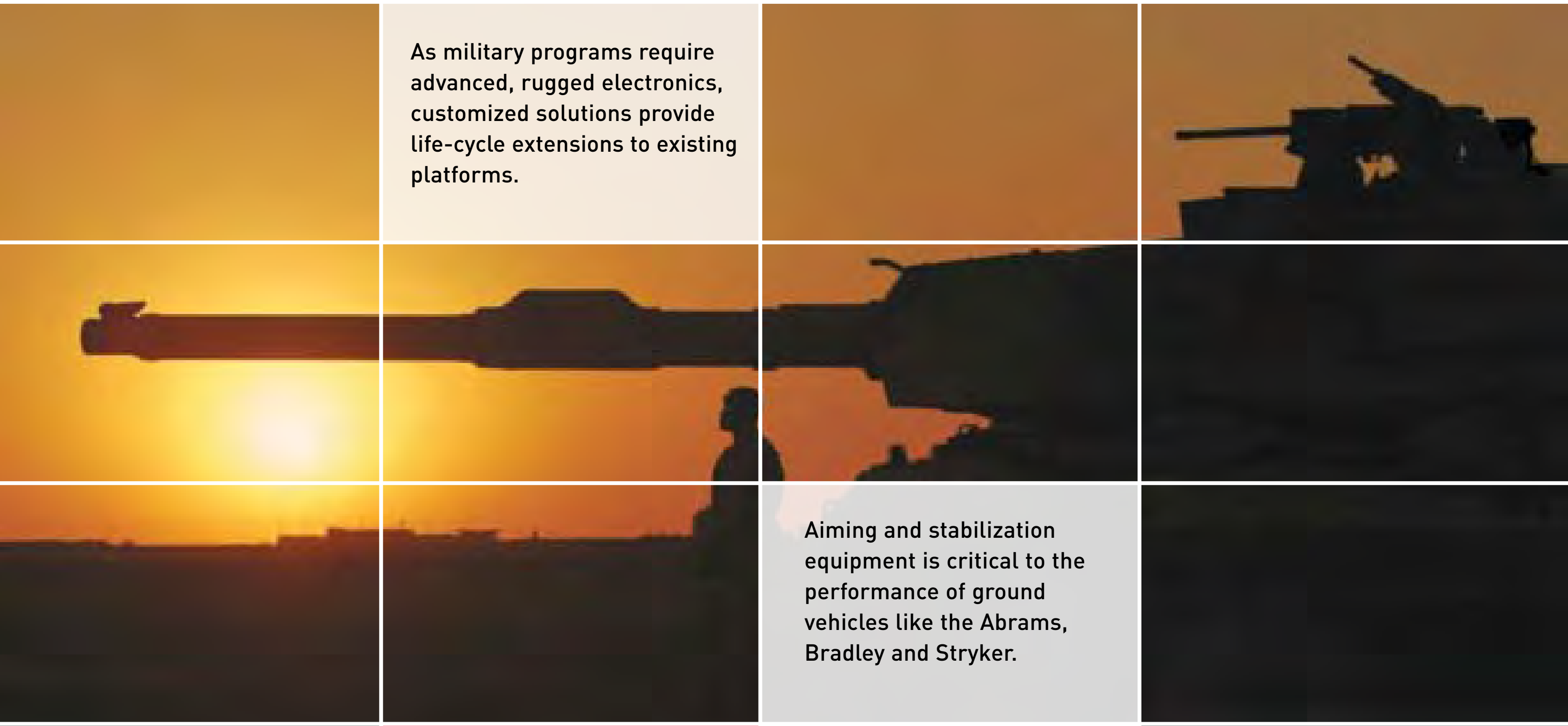
Through three divisions, Engineered Systems, Embedded Computing and Integrated Sensing, we provide motion control components and integrated subsystem solutions for aerospace, defense and industrial applications worldwide. Our products integrate complex elements for maximum performance and efficiency, setting industry standards in the areas of flight control, utility actuation, sensors and electronic computing systems. Technical innovation, superior product quality and customer satisfaction remain our core strengths as we meet the challenges of the future.

Navies around the world rely on our helicopter recovery systems that fully integrate all of the functions required to safely operate and stow large shipborne helicopters.

Engineered Systems specializes in high-end electromechanical and hydromechanical components and systems for the aerospace, defense and industrial markets. Our global capabilities in flight controls, utility actuation, repair and overhaul services, drive technology and naval aviation handling systems can be customized as individual components or fully integrated systems to meet high-volume demands or niche requirements.

In 2005, we expanded our market share on new platforms such as the Boeing 787, extended existing customer relationships, and penetrated new markets in regional/business jets, helicopters and ground defense. Additionally, our acquisition of Indal Technologies provides us with state-of-the-art shipboard helicopter landing systems. These technologies are highly complementary and provide strategic access to worldwide naval customers.

SOPHISTICATED OPERATIONS: LAND, SEA AND AIR

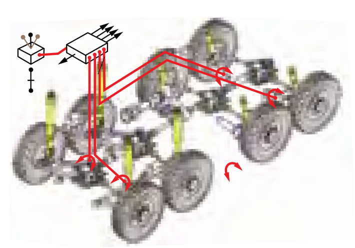


As military programs require advanced, rugged electronics, customized solutions provide life-cycle extensions to existing platforms.

Aiming and stabilization equipment is critical to the performance of ground vehicles like the Abrams, Bradley and Stryker.

45%

sales are for fielded platforms



Embedded Computing supplies major systems integrators with open architecture, commercial and rugged grade computing solutions that span board level products to integrated subsystems. Advanced technologies include high-speed I/O, high density computing, specialized chassis design, custom and component engineering services, graphic solutions and full life-cycle support. With over 300 customers and more than 500 programs, we have a diversified market base in military aerospace, land and naval platforms.

We are at the forefront of state-of-the-art platforms, such as unmanned aerial vehicles like the Global Hawk for which we provide the mission management computers. On current forces, modernization through integration of advanced electronics remains robust. Providing proprietary retrofit and upgrade embedded computing solutions, our products are enabling advanced electronics for communication, ordnance and munitions deployment.

From tractors and forklifts to structural monitoring of buildings and bridges, joystick controllers and position sensors are used extensively in the industrial markets.

13%

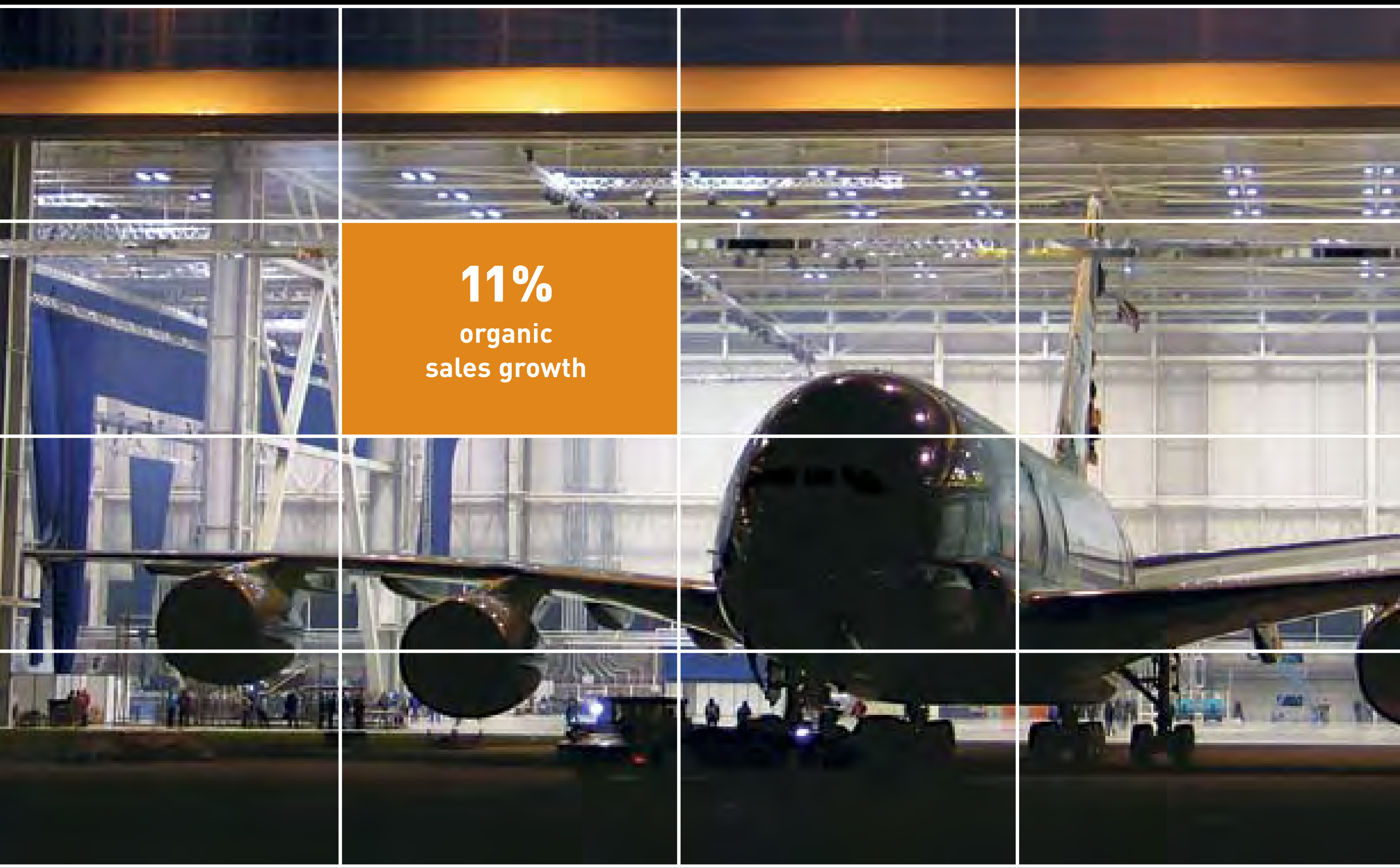
sales in industrial equipment

Integrated Sensing

Systems integrators and platform manufacturers turn to us for solutions that are as cost effective as they are cutting edge. Today's marketplace demands fewer suppliers and higher levels of integration. The ability to offer a "product suite" has uniquely positioned Curtiss-Wright to meet this challenge. Our products and subsystems are designed for unsurpassed functionality and reliability, and manufactured with precision.

Our advanced technologies are concentrated on flight controls in the military and commercial aerospace markets, and augmented by niche industrial markets. Rotary and linear position sensors support automotive assembly, vehicle performance and testing. Joysticks and position sensors control leisure rides and virtual reality simulators. Our faders and controllers are the premier choice for sound and vision console manufacturers. Where quality, precision and reliability are critical, Curtiss-Wright's success is evident.

METAL TREATMENT:
ENHANCING PERFORMANCE IN CRITICAL APPLICATIONS



The advanced technologies of Curtiss-Wright's Metal Treatment segment enhance the performance and extend the life of critical components by helping to prevent fatigue and corrosion failures. This enables component designs to achieve their maximum potential. Metal Treatment is a world leader in providing these precision metal surface treatments for aerospace, automotive, defense, energy and general industrial markets.

Through a network of 58 facilities in North America and Europe, Metal Treatment provides four primary technologies: shot peening, laser peening, specialty coatings and heat treating.

Primary shot peening of aerospace applications include turbine engines and highly stressed structural components for commercial and military aircraft.

The new mobile laser enables field application of the laser peening technology.

38%

sales in commercial aerospace market

Laser peening is a state-of-the-art metal surface treatment developed internally and in conjunction with Lawrence Livermore National Laboratory. During this process, a laser beam is fired to generate ultra-high pressure pulses on the surface of a metal part. These pulses create shock waves that travel into the metal and compress it at the molecular level. Multiple strikes by the laser in a pattern impart a layer of residual compressive stress on the surface of the part that is four times deeper than that attainable from conventional peening treatments. These deeper levels of compressive stress provide greater protection from fatigue and corrosion failures, extending the useful life of the component.

ACHIEVING GROWTH IN COMMERCIAL MARKETS

Shot peening and specialty coatings are utilized to protect highly stressed engine and transmission components in ground transportation applications, including passenger automotive vehicles as well as over-the-road trucks, construction and agriculture vehicles. Heat treating is a precision thermal treatment process that can control the ultimate strength and hardness of a metal and also relieve any internal stresses in fabricated metal parts.

21%
growth in commercial aerospace market

Precision-formed wing skins are critical to ensuring ease of wing assembly and achieving optimum aerodynamic performance.

We shot peen form the wing skins of all Airbus A320, A330, A340 and A380 aircraft. Small, round metal "shot" is selectively directed at appropriate areas of the aluminum wing skin to impart compressive stresses that bend, stretch and shape the wing skins. Besides having the proper shape to fit onto the wing assembly, the finished wing skin will have beneficial compressive stresses over its entire surface that will inhibit fatigue and stress corrosion cracking of the wing.

SHAREHOLDER LETTER

For nearly a century, Curtiss-Wright has set the standard for disciplined corporate management, even as we have made strategic investments to foster innovation and support the company's long-term growth and prosperity.

That tradition continued in 2005, as we reported another year of strong sales and profitability. It was a landmark year for the company. We exceeded $1 billion in revenue while maintaining our focus on achieving growth across diverse markets. This impressive performance is due in large measure to the dedication and commitment of our 6,000 employees, as well as the solid relationships we have forged with our customers by setting a benchmark for excellence unmatched within the industries we serve.

HEALTHY FINANCIAL RESULTS

By every measure, we enjoyed excellent financial results in 2005, enabling us to strengthen our balance sheet, return higher dividends to shareholders and still make the necessary investments in our future to continue offering leading-edge products and services. In a year with relatively few acquisitions, we achieved sales of $1.13 billion, an increase of 18% over 2004, as operating income increased 25% to $138 million. Our net earnings of $75 million, or $3.44 per diluted share, rose 16% over 2004. We also received new orders of $1.26 billion in 2005, an increase of 26% from the previous year, and our year-end backlog increased 28% to a new record high of $806 million, providing solid momentum going into 2006.

Martin R. Benante
Chairman and
Chief Executive Officer

THE CURTISS-WRIGHT COMMITMENT

- To remain at the forefront of highly engineered, technological innovations
- To continue to meet the demands of the defense, commercial aerospace and energy markets by delivering the highest quality products and most reliable solutions
- To provide the greatest possible value to our shareholders
- To attract the best and brightest employees and maintain a culture of excellence and growth
- To uphold the legacy of Curtiss-Wright and its founders by maintaining world-class performance across all business segments

This performance reflects overall organic sales growth of 8%, supported by strong showings from each of our segments, as well as the contribution from acquisitions made in 2004 and 2005. Operating income was driven by overall organic growth of 21%, which included double-digit organic growth in each segment. Continued strength in the U.S. economy and the global commercial aerospace industry were key drivers of the positive results demonstrated within our commercial businesses. In addition, U.S. military spending remained steady as we successfully solidified our position on key programs.

SHAREHOLDER VALUE

Over the past year, we completed several initiatives designed to benefit our shareholders. In May 2005, we recapitalized our dual-class stock structure into a single class of common stock, providing a simplified capital structure and attracting new investors.

In November 2005, the quarterly dividend was increased by 33% to $0.12 per share. Most recently, in February 2006, the Board of Directors authorized a 2-for-1 stock split, doubling the number of shares outstanding and encouraging increased trading activity. These actions reflect our confidence in the company's ability to deliver consistently positive growth in revenue, profitability and cash flow in the years ahead.

OUR DIVERSE MARKETPLACE

Our business is focused on providing advanced technological solutions across diverse markets, and much of our success is influenced by broader economic issues including demand within the commercial aerospace industry, defense spending and worldwide energy consumption.

Growth in commercial aviation was driven by a surging demand in Asia and the Middle East and a rise in low-cost air carriers worldwide. Curtiss-Wright's market position strengthened in alignment with our role as a valued supplier to both Boeing and Airbus and we believe production will continue to increase for both companies in 2006, even as the spares, repair and overhaul markets remain extremely healthy.

In the defense sector, the growth in military spending is expected to slow somewhat in the coming year. Fortunately, our portfolio spans a wide array of critical naval, aerospace and ground defense programs, and our Flow Control and Motion Control segments remain extremely well-positioned across a range of platforms, including the CVN-21 next-generation aircraft carrier, the Virginia Class submarine program, the DD(X) Destroyer, the F-22, the V-22, the Black Hawk Helicopter program, the Bradley Fighting Vehicle, the Abrams Tank and the Stryker Mobile Gun System. We also continue to participate in development projects such as the F-35 Joint Strike Fighter, the P-8A Multi-mission Maritime Aircraft and Unmanned Aerial Vehicle programs.

To better support our efforts in the defense sector, we have established new corporate offices in Washington, D.C., increasing our visibility of future defense projects and government-funded research and development. Additionally, we are looking to expand our own R&D efforts to coordinate programs with university research centers and private companies.

In the oil and gas processing markets, we continue to expect robust growth, as refiners increase capital spending for upgrades and maintenance projects while also continuing to install new technologies designed to improve plant efficiency, safety, and profitability. Increased demand for oil and natural gas both domestically and internationally, coupled with a rise in the need for aftermarket services, may also have a positive impact on this sector.

Demand for our proprietary DeltaGuard® coker valve technology has grown at record levels, with our DeltaValve business unit receiving orders totaling more than $53 million in 2005 and continuing at a strong pace in the first part of 2006. Today, we hold a 20% share of the global market for coker valves and a 42% share in North America.

With nuclear power increasingly viewed as an environmentally friendly fuel source, we expect to see significant growth within this sector. At year-end 2005, 39 of our nation's 103 existing nuclear power plants had received 20-year life extensions with similar applications from additional plants pending.

Curtiss-Wright is well-positioned with products and services that will enable it to take advantage of this enormous market potential. For example, both Duke Energy and Progress Energy announced in 2005 that they would seek approvals to build and operate new nuclear power plants in the U.S., selecting the Westinghouse AP1000 design. Curtiss-Wright, through our Flow Control segment, is the supplier of a significant number of components on these reactors. We expect that these developments domestically, combined with new projects in Asia and around the world, will continue to drive considerable expansion and growth for us beginning as early as 2010.

DISCIPLINED ACQUISITIONS

In March 2005, we announced the acquisition of Indal Technologies which operates as a business unit of our Motion Control segment. Indal's superior technologies and long-term customer relationships with navies worldwide will provide a substantial platform for expansion into the international defense market.

Although we continually evaluate acquisition opportunities, we will only acquire companies that meet a series of strict criteria and that will closely complement our existing businesses, enabling us to meet our long-term strategic objectives.

PASSING THE TORCH

We announced in June the retirement of our long-time colleague and good friend, George Yohrling, as president of our Motion Control segment. During his tenure, George transformed Motion Control into a premier global supplier of electronics and engineering systems, while continuously growing the company's revenues and profits.

A long-time veteran of Curtiss-Wright, George began his career with the company as a manufacturing manager in Fairfield, N.J., and after serving in a variety of management positions was named general manager of our Motion Control facility in Shelby, N.C., in 1985. Under his stewardship, the business grew to serve a wide range of markets within commercial and military aerospace, ground defense and general industry. We will all greatly miss George and wish him the best in his next endeavor. Curtiss-Wright will continue to reap the benefits of his compassion, vision and leadership for many years to come.

STAYING THE COURSE

In December 2005, we successfully completed a $150 million follow-on Senior Note offering that expands our long-term capital base, enabling us to continue pursuing our corporate growth strategies. In 2005, free cash flow was $62 million, representing cash conversion of 83%. Our current liquidity provides us with the flexibility to continue our acquisition program of strategic, niche businesses that broaden our technological capabilities, product offerings and market penetration.

LOOKING AHEAD

As I look ahead to 2006, I see a company strongly positioned across nearly every segment of our business—in both defense and commercial markets. The key to our ongoing success will be our ability to remain strongly focused on the fundamentals that have brought us to where we are today—strategic growth, operational excellence and market leadership—while we continue to invest in the people, the technologies and the innovations that will successfully take us into the future.

On behalf of myself and our Board of Directors, I would like to express my appreciation to our employees for their loyalty, dedication and hard work; to our customers for their trust and commitment to being true business partners; and to our shareholders for their continuing confidence in our business model and management team.

From where I sit, I see nothing but good things ahead for this organization, and I could not ask for a better team to help bring us to the next level of greatness.

Martin R. Benante
Chairman and Chief Executive Officer

DIRECTORS AND OFFICERS

DIRECTORS

Martin R. Benante
Chairman of the Board of Directors

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

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

David Lasky
Former Chairman and Chief Executive Officer of Curtiss-Wright Corporation

Carl G. Miller
Former Chief Financial Officer of TRW, Inc.

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

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

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

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

OFFICERS

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Chairman and Chief Executive Officer

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Vice President

Edward Bloom
Vice President

David J. Linton
Vice President

Glenn E. Tynan
Vice President — Finance and
Chief Financial Officer

Michael J. Denton
Vice President — Corporate Secretary and
General Counsel

Harry Jakubowitz
Treasurer

Kevin M. McClurg
Corporate Controller

FINANCIAL STATEMENTS

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

(In thousands, except per share data)	First	Second	Third	Fourth
2005				
Net sales	**$258,487**	**$283,193**	**$271,355**	**$317,893**
Gross profit	**85,769**	**100,299**	**93,515**	**110,929**
Net earnings	**14,523**	**17,934**	**17,519**	**25,304**
Earnings per share:				
Basic earnings per share	**$ 0.68**	**$ 0.83**	**$ 0.81**	**$ 1.16**
Diluted earnings per share	**$ 0.67**	**$ 0.82**	**$ 0.80**	**$ 1.15**
Dividends per share	**$ 0.09**	**$ 0.09**	**$ 0.09**	**$ 0.12**
2004				
Net sales	$214,933	$222,428	$236,574	$281,104
Gross profit	71,595	76,022	81,849	101,037
Net earnings	15,609	14,324	14,720	20,413
Earnings per share:				
Basic earnings per share	$ 0.75	$ 0.68	$ 0.69	$ 0.95
Diluted earnings per share	$ 0.74	$ 0.67	$ 0.68	$ 0.94
Dividends per share	$ 0.09	$ 0.09	$ 0.09	$ 0.09

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

CONSOLIDATED SELECTED FINANCIAL DATA

(In thousands, except per share data)	2005	2004	2003	2002	2001
Net sales	**$1,130,928**	$ 955,039	$746,071	$513,278	$343,167
Net earnings	**75,280**	65,066	52,268	45,136	62,880
Total assets	**1,400,285**	1,278,440	973,665	810,102	500,428
Long-term debt	**364,017**	340,860	224,151	119,041	21,361
Basic earnings per share	**$ 3.48**	$ 3.07	$ 2.53	$ 2.21	$ 3.12
Diluted earnings per share	**$ 3.44**	$ 3.02	$ 2.50	$ 2.16	$ 3.07
Cash dividends per share	**$ 0.39**	$ 0.36	$ 0.32	$ 0.30	$ 0.27

All per share amounts have been adjusted to reflect our 2-for-1 stock split on December 17, 2003.
See notes to the consolidated financial statements for additional financial information.

FORWARD-LOOKING STATEMENTS

This Annual Report contains not only historical information but also forward-looking statements regarding expectations for future performance of the Corporation. Forward-looking statements involve risk and uncertainty. Please refer to the Corporation's 2005 Annual Report on Form 10-K for a discussion relating to forward-looking statements contained in this Annual Report and risk factors that could cause future results to differ from current expectations.

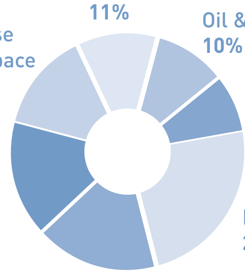
Company Organization

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

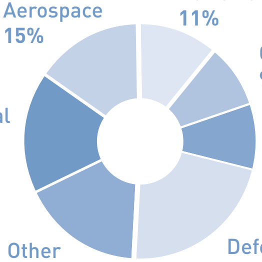
Curtiss-Wright Corporation is a diversified, multinational provider of highly engineered, technologically advanced, value-added products and services to a broad range of industries in the motion control, flow control, and metal treatment markets. We are positioned as a market leader across a diversified array of niche markets through engineering and technological leadership, precision manufacturing, and strong relationships with our customers. We provide products and services to a number of global markets, such as defense, commercial aerospace, commercial power, oil and gas, automotive, and general industrial. We have achieved balanced growth through the successful application of our core competencies in engineering and precision manufacturing, adapting these competencies to new markets through internal product development and a disciplined program of strategic acquisitions. Our overall strategy is to be a balanced and diversified company, less vulnerable to cycles or downturns in any one business sector, and to establish strong positions in profitable niche markets. Approximately 50% of our revenues are generated from defense-related markets.

We manage and evaluate our operations based on the products and services we offer and the different industries and markets we serve. Based on this approach, we have three reportable segments: Flow Control, Motion Control, and Metal Treatment. For further information on our products and services and the major markets served by our three segments, please refer to the inside cover of this Annual Report. The following charts represent our sales by market for 2005 and 2004:

2005 Sales by Market



2004 Sales by Market



ECONOMIC AND INDUSTRY-WIDE FACTORS

Overall, 2005 was a good year for Curtiss-Wright. Many of the key drivers of our business, such as the U.S. economy and the global commercial aerospace industry, improved. In addition, U.S. military spending levels remained steady and our commercial markets strengthened. Looking forward, however, many factors could impact our future performance, including future defense spending in the U.S., changes in global gross domestic product, volatility of the geopolitical landscape, and the pace of global economic activity.

GENERAL ECONOMY

Many of our industrial businesses are driven in large part by growth of the U.S. Gross Domestic Product ("GDP"). Based upon certain economic reports, the U.S. economy's output (real GDP) is expected to grow at a modest rate of approximately 3.3% in 2006, lower than the 4% experienced in 2005. GDP is expected to grow at 3.5% in the first half and 3.1% in the second half of 2006. This forecast is predicated on the assumption that oil prices stabilize in 2006. On the positive side, inflation is expected to moderate in 2006. The consumer price index (a broad indicator of inflation) is expected to be approximately 2.3% in 2006, down from 3.5% in 2005. If these conditions were to occur, it may prompt the U.S. Federal Reserve to curtail its current program of raising interest rates in 2006. According to some economic reports, interest rates are expected to rise slightly in the beginning of 2006 and then stabilize. Stabilized interest rates should lead to increased spending and investment in the business sector. Unemployment is expected to drop slightly and remain below 5% in 2006, as the business sector expands after a period of underinvestment in both human and industrial capital. Also, global GDP growth is expected to slow down in 2006, decreasing from 4.4% in 2005 to approximately 4% in 2006, primarily due to higher energy prices and tighter monetary polices. Higher energy costs in 2005 affected all of our operating segments, but they were more significant within our Metal Treatment segment.

Approximately 25% of our business is outside the U.S. and subject to currency fluctuations in both transactions in foreign currencies as well as translation from local country currencies to the U.S. dollar. Although we seek to mitigate these fluctuations through hedging programs, there is no guarantee that our hedging efforts will offset the possible adverse impacts of the currency fluctuations.

It appears that, at least in the U.S., 2006 is expected to mark the fifth consecutive year of economic expansion, fueled primarily by strong spending in the business sector; however, we remain cautiously optimistic that this expansion will continue in the near term. To the extent that it does, our businesses that are largely economic driven, and serve the commercial aerospace, oil and gas, and general industrial markets, particularly our Metal Treatment segment, are well positioned to benefit from increased economic strength.

DEFENSE

Approximately 50% of our business is in the military sector, predominantly in the U.S., characterized by long-term programs and contracts driven primarily by the U.S. Department of Defense ("DoD") budget. We also participate in several non-U.S. military programs which, although not as significant as our domestic military business, are subject to the uncertainty resulting from the changing geopolitical climate around the world.

The DoD budget reflects growing cost pressure to support the global war on terrorism, including supporting the current military operations in both Iraq and Afghanistan, and initiatives aimed at transforming and modernizing its current military platforms and capabilities. The war effort has benefited us again in 2005 with higher spares sales to the U.S. Army. The fiscal 2006 DoD procurement budget reflects a 4.8% overall increase over fiscal 2005. The 2006 budget includes continued investment funding for key programs supportive of transformation initiatives, but it is balanced with increased spending for modernization and upgrading of existing equipment in support of current global operations and requirements. We anticipate future DoD spending to produce increased investment specifically for unmanned vehicles, to provide stability to the shipbuilding industry while transforming the U.S. Navy fleet, and for electronics for military hardware necessary to upgrade existing platforms and facilitate "network centric warfare" systems, all as part of the military's transformation plans. Military transformation initiatives are providing funding for advanced technologies to support new and enhanced military platforms. We are involved in several major developmental contracts for our advanced technologies, which support potential future military programs.

Our Flow Control and Motion Control segments are well positioned on many high performance defense platforms, including the CVN-21 next-generation aircraft carrier, the Virginia Class nuclear submarine program, the DD(X) Destroyer, the F-22, the V-22, the JSF and Unmanned Aerial Vehicle programs, such as the Global Hawk. Based on our reputation and past performance, we are involved in many of the future military systems that are currently in development. However, continued cost concerns could lead to extensive review of critical defense programs, which may have an impact on DoD budget levels going forward, as could many other factors such as overall budget deficit levels and geopolitical uncertainty.

There is the possibility that defense spending may decrease in the future, which could adversely affect our operations and financial condition. While DoD funding fluctuates year-by-year and program-by-program, the primary risk facing us would be the termination of a major program. Other than the possible reduction in the F-22 program, which is not considered material to us as a whole, we are not aware of any potential material program termination for which we have content. If a material program were to be terminated, the termination process takes several years to wind down, which may provide us ample time to react before any potential impact occurs. Although we monitor the budget process as it relates to programs in which we participate, we can not predict the ultimate impact of future DoD budgets on us. In addition, there are other risks associated with our defense businesses, such as failure of a prime contractor customer to perform on a contract, pricing and/or design specifications that may not always be finalized at the time the contract is bid, and the failure and/or inability of certain sole source suppliers to provide us product, any of which could have an adverse impact on our financial performance. While alternatives could be identified to replace a sole source supplier, a transition could result in increased costs and manufacturing delays.

Our outlook for our defense business remains positive for the near to intermediate term.

COMMERCIAL AEROSPACE

Approximately 17% of our business serves the global commercial aerospace industry. Global airline traffic is one of the primary drivers for long-term growth in the commercial aerospace industry, and economic growth is one of the primary drivers of global airline traffic demand. Based on industry reports, global passenger traffic grew approximately 7% in 2005 and is expected to grow less than 5% in 2006. High fuel costs, security concerns, and stiff competition, especially from low-cost airlines, have continued to place profitability pressure on airlines, which continues to slow procurement of new aircraft and extend maintenance schedules. Fuel prices are expected to stabilize in 2006, which, combined with continued global economic growth, should stimulate procurement of new aircraft, a key driver of our commercial aerospace business. In fact, the two major global aircraft manufacturers experienced record order and backlog levels in 2005 and are projecting a healthy 20% increase in deliveries in 2006. The impact to our commercial aerospace business is determined by production levels which, based upon the above and other market data, should be healthy in 2006. Our Motion Control segment is a provider of OEM aerospace components and systems, and repair and overhaul services, while our Metal Treatment segment provides services to aircraft manufacturers. Both segments experienced solid sales growth in 2005 to this market. While the emergence of low cost carriers and improved economic conditions have contributed to this industry's recovery, concerns still exist regarding the financial weakness of many airlines, continued high fuel prices, and the threat of another major terrorist attack, any of which could have an adverse impact on this industry and our operating results and financial position.

We anticipate continued improvement in the commercial aerospace market in 2006. We are well positioned on a number of commercial aerospace platforms and should benefit from improvement in this industry, which is expected to occur over the next couple of years.

POWER GENERATION

There are several factors that might precipitate an expansion in commercial nuclear power, including increasing attention to environmental issues, a pro-nuclear U.S. political leadership, and continued growth in global demand for power. Nuclear power has minimal impact on the environment, is one of the most economical forms of generating electricity, and decreases dependence on oil and gas imports. The U.S. depends on foreign sources for about half of its total energy needs. Because of increased demand for and limited supply of energy in the U.S., we anticipate that the nuclear power industry will continue to expand in the coming years.

The U.S. nuclear power industry is expected to grow primarily because most of the 103 existing nuclear power plants have applied for or will be applying for plant life extensions, as required by current regulations. As of December 31, 2005, approximately 39 plants have received 20 year life extensions, applications from 10 additional plants have been submitted and are pending approval, and letters of intent to apply have been received from 27 more plants. In addition, Duke Energy and Progress Energy each announced in 2005 that they intend to apply to the Nuclear Regulatory Commission for a combined construction and operating license (COL) for new nuclear power generation in the U.S. Both companies have selected the Westinghouse AP1000 reactor design for their new power plant construction. Curtiss-Wright, through its Flow Control segment, has significant content on the AP1000 reactor. If approved, construction could begin as early as 2010. Internationally, China intends to expand its nuclear power capabilities significantly through the construction of new nuclear power plants over the next several years. It is currently in the process of selecting a reactor design, which has been narrowed down to the Westinghouse AP1000 and Areva EPR designs. A decision is expected in 2006. These developments, combined with new plant construction in other parts of Asia and rest of the world, are expected to drive expansion in this industry.

Our Flow Control segment is well positioned to take advantage of this expansion. The recent history of plant life extension approvals in the U.S. and continued strong build programs in Asia are encouraging. However, there is no guarantee that the nuclear alternative will continue to be fully endorsed in the U.S. and other parts of the world, or that the Nuclear Regulatory Commission will authorize the construction of new facilities in the U.S. In addition, the geopolitical climate is volatile and could impact future nuclear plant construction levels around the world.

OIL AND GAS

The most prevalent drivers that impact this market include capital spending for new construction and upgrades to comply with environmental regulations and maintenance spending to retrofit existing facilities with improved equipment and technologies to increase plant flexibility, reliability, production, safety, and profitability. Additionally, increased demand for oil and natural gas, both domestically and internationally from emerging economies, and increased demand for aftermarket services may also positively impact this market going forward. We experienced strong sales growth to this market, driven mainly by record orders for our coker valve product.

The current outlook for the petroleum markets is tempered. According to market data, the recent steady increase in crude oil and petroleum product prices is expected to slow and possibly decline slightly. Many of the same factors that drove world oil markets in 2005, such as low production capacity and rapid demand growth, are expected to continue to affect markets in 2006. Other factors, such as the frequency and intensity of hurricanes, other extreme weather, and geopolitical instability may also continue to affect this market. Global demand is expected to increase in 2006, primarily due to an increase in the U.S. from a net decline in 2005 as well as economic growth in developing Asian countries. Global production capacity is expected to increase in 2006 and 2007, which should moderate the global oil price increases experienced over the past two years. U.S. production in 2005 was down due to the impact of the severe hurricane season. Refining margins have remained relatively high despite higher crude oil prices, which combined with increased global petrochemical production and continued global economic growth, should lead to increased investment and capital spending by the refineries in 2006 and beyond.

Based upon market data, capital expenditures in the processing industries are expected to increase over the next few years. Long-term global forecasts project a solid increase in sales of flow control products (valves, pumps, motors) to the processing industries. As the world continues to depend on natural resources, oil exploration deepens, and transport requirements widen, we anticipate additional opportunities to provide our flow control products to meet these challenges. The proposed and enacted environmental regulations in the U.S. and other developed countries could drive increased demand for flow control products by as much as 8 to 10% over the next few years. However, we cannot predict whether certain economic recoveries can be sustained, whether anticipated future environmental regulatory changes will be enacted, or how such regulatory changes may impact this industry.

Results of Operations

ANALYTICAL DEFINITIONS

Throughout management's discussion and analysis of financial condition and results of operations, the terms "incremental" and "base" are used to explain changes from period to period. For full year reporting purposes, acquisitions remain segregated for two calendar years. The remaining businesses are referred to as the "base" businesses, and growth in these base businesses is referred to as "organic." An acquisition is considered base when the reporting year includes fully comparable current and prior-year data. Therefore, for the year ended December 31, 2005, our organic growth of the base businesses excludes all acquisitions since January 1, 2004. The term "incremental" is used to highlight the impact acquisitions had on the current year results, for which there was no comparable prior-year period.

YEAR ENDED DECEMBER 31, 2005 COMPARED WITH YEAR ENDED DECEMBER 31, 2004

For the year ended December 31, 2005, we recorded consolidated net sales of $1,130.9 million and net earnings of $75.3 million, or $3.44 per diluted share. Sales for 2005 increased 18% over 2004 sales of $955.0 million. Net earnings for 2005 increased 16% from 2004 net earnings of $65.1 million, or $3.02 per diluted share.

The increase in revenues was mainly driven by a complete year of revenues generated from our 2004 acquisitions, primarily Dy 4 Systems, Primagraphics, Nova Machine, Trentec, Groquip, Synergy, and EPD, and the 2005 acquisition of Indal. See Note 2 to the Consolidated Financial Statements for further information regarding acquisitions. These acquisitions contributed $100.5 million in incremental sales in 2005 (or 57% of the total sales increase from 2004). Our base businesses experienced organic sales growth of 8% in 2005, led by the Metal Treatment segment, which grew organically by 11%. Our Flow Control and Motion Control segments experienced solid organic sales growth of 8% and 7%, respectively.

In our base businesses, our coker valve products continue to gain customer acceptance, which has driven the Flow Control organic sales increase of $22.6 million to the oil and gas market. The Motion Control segment experienced higher sales of our OEM and spares products and repair and overhaul services to the commercial aerospace market of $16.1 million, mainly due to the increased production requirements and the continued improvement in the commercial aerospace market. Metal treatment sales of our global shot peening services increased $13.5 million, primarily in the commercial aerospace and automotive markets, due mainly to the continuing recovery of the global economy and customer production requirements. In addition, we experienced organic growth in our defense markets in both our Motion Control and

Flow Control segments, which increased 2005 sales by $7.4 million and $3.6 million, respectively, over 2004. Foreign currency translation had a favorable impact on sales of $1.2 million in 2005 as compared to 2004.

Operating income for 2005 totaled $138.0 million, an increase of 25% from operating income of $110.3 million in 2004. The increase is primarily attributed to higher sales volume, favorable mix, and previously implemented cost reduction initiatives. Operating income in 2005 experienced organic growth of 21% and was driven by our Metal Treatment and Motion Control segments, which experienced organic growth of 21% and 14%, respectively, from the prior year. Metal Treatment's organic operating income growth was mainly the result of higher volume while Motion Control's organic growth was due to higher volume, favorable sales mix from commercial aerospace spares and aftermarket services, and implemented cost control initiatives. Organic operating income growth in our Flow Control segment was 10% in 2005, due to higher volume. The contributions of the 2004 and 2005 acquisitions amounted to $0.6 million in incremental operating income in 2005 compared to 2004, keeping the overall operating segment margin flat in 2005 compared to 2004. The operating margin of our segments have been somewhat lower than historical levels in recent years, principally related to the large number of acquisitions made since 2002. Although the new acquisitions continue to have a positive effect on operating income, the operating margin of the overall Corporation is lower since the margin level of the newly acquired companies are below those of our base businesses. We consider this to be a temporary issue that should be more than offset by the benefits of diversification, the implementation of cost control measures, and increased future profitability. The integration of our acquisitions continues to progress as planned. In addition to having improved operating margins for almost all of our recent acquisitions, we have initiated programs to cross-market products and share technologies across our businesses. Foreign currency translation had a favorable impact on operating income of $0.2 million for 2005 as compared to 2004.

In addition to the strong organic growth of the segments, we experienced favorable results in 2005 compared to 2004 from lower environmental remediation costs, which declined $4.5 million, a gain on the sale of property for $2.8 million, and lower costs associated with Sarbanes-Oxley Section 404 compliance of $1.2 million. These favorable impacts were offset by higher research and development, selling, general, and administrative expenses, mainly due to the 2004 and 2005 acquisitions. In addition, we incurred additional infrastructure costs to support our business growth and higher pension expense.

We incurred higher interest expense due to higher interest rates, which accounted for approximately 54% of the increase, and higher debt levels associated with the funding of our acquisition program. Net earnings in 2004 included certain one-time tax benefits of $3.4 million, which primarily resulted from the change in legal structure of one of our subsidiaries and a favorable IRS Appeals settlement.

Backlog at December 31, 2005 was $805.6 million compared with $627.7 million at December 31, 2004 and $505.5 million at December 31, 2003. Acquisitions made during 2005 represented $51.9 million of the backlog at December 31, 2005. New orders received in 2005 totaled $1,261.2 million, which represents a 26% increase over 2004 new orders of $998.9 million and a 70% increase over new orders received in 2003. Acquisitions made during 2004 and 2005 contributed $115.0 million in incremental new orders received in 2005. Record orders for our flow control coker valve and strong orders for our motion control electronic and mechanical products drove the new order improvement. Our metal treatment services, repair and overhaul services, and after-market sales, which represent approximately 25% of our total sales for 2005, are sold with very modest lead times. Accordingly, the backlog for these businesses is less of an indication of future sales than the backlog of the majority of the products and services of our Motion Control and Flow Control segments, in which a significant portion of sales is derived from long-term contracts.

YEAR ENDED DECEMBER 31, 2004 COMPARED WITH YEAR ENDED DECEMBER 31, 2003

We recorded consolidated net sales of $955.0 million and net earnings of $65.1 million, or $3.02 per diluted share, for the year ended December 31, 2004. Sales for 2004 increased 28% over 2003 sales of $746.1 million. Net earnings for 2004 increased 24% from 2003 net earnings of $52.3 million, or $2.50 per diluted share.

The increase in revenues was mainly driven by a complete year of revenues generated from our 2003 acquisitions of Systran, Novatronics/Pickering, E/M Engineered Coatings Solutions, Advanced Materials Process, and Collins Technology and contributions from our 2004 acquisitions, primarily Dy 4 Systems, Primagraphics, Nova Machine, Trentec, Groquip, Synergy, and EPD. See Note 2 to the Consolidated Financial Statements for further information regarding acquisitions. These acquisitions made in 2004 and 2003 contributed $154.2 million in incremental sales in 2004 (or 74% of the total sales increase from 2003). Our remaining base business units experienced organic sales growth of 7% in 2004, led by the Metal Treatment segment, which grew organically by 21%. The Flow Control and Motion Control segments experienced solid organic sales growth of 5% and 4%, respectively. The organic growth in the Flow Control segment was achieved in 2004 despite a decrease in overall revenue from the U.S. Navy of approximately $9 million.

In our base businesses, higher Metal Treatment sales of our global shot peening, laser peening, and heat treating services of $21.8 million, higher sales of certain Flow Control products to the power generation market of $15.0 million, the oil and gas industry of $6.4 million, and the defense electronics markets of $5.7 million, and higher sales of our Motion Control products to the military aerospace market of $14.7 million and commercial aerospace aftermarket services of $5.9 million all contributed to the organic sales growth for 2004 compared to 2003. These increases in our base businesses were partially offset by lower sales of certain Flow Control products to the U.S. Navy due to timing of contractual revenues, a decrease of $14.5 million, and lower sales of motion control electronic products of $10.6 million for use in global ground defense markets because of the wind down on certain production projects. Favorable foreign currency translation had a favorable impact on sales of $15.8 million for 2004 compared to 2003.

Operating income for 2004 totaled $110.3 million, an increase of 24% from operating income of $89.0 million in 2003. The increase is primarily attributed to higher sales volume, favorable mix, and previously implemented cost reduction initiatives. The contributions of our 2003 and 2004 acquisitions amounted to $11.0 million in incremental operating income in 2004 compared to 2003. In addition to the contribution of these acquisitions, 2004 operating income benefited from organic growth in our remaining base businesses, which improved 13% overall and was driven by strong organic growth in our Metal Treatment and Motion Control segments of 55% and 22%, respectively, from 2003. The improvement in Metal Treatment's base businesses' operating income was the result of higher volume and favorable sales mix due to the higher laser peening sales. The improvement in Motion Control's base businesses' operating income came from higher volume, reductions in certain reserve requirements, favorable sales mix from commercial aerospace aftermarket services and spares, and implemented cost control initiatives. Operating income from the base businesses within our Flow Control segment increased 9% in 2004 over 2003, due to higher volume, contract cost overruns and inventory write-offs in 2003 that did not reoccur in 2004, and a stronger sales mix for our power generation products. The increase was partially offset by the lower overall volume to the U.S. Navy, driven by the profit impact related to the two large higher margin contracts in 2003 that did not reoccur in 2004. Additionally, we increased our reserves for environmental remediation during 2004, resulting in a $3.9 million increase in environmental remediation and administrative expenses over 2003. Foreign currency translation had a favorable impact on operating income of $2.9 million for 2004 as compared to 2003.

Overall consolidated operating margins were down slightly in 2004 compared to 2003. Strong margins within our business segments were achieved despite the absorption of $5.3 million of environmental costs, $2.5 million in costs associated with Sarbanes-Oxley Section 404 compliance, and lower pension income of $2.1 million in 2004, due to additional costs resulting from the acquisitions and slightly lower investment returns.

The increase in net earnings for 2004 compared to 2003 is mainly due to higher segment operating income. The improvement in operating income in 2004 was partially offset by higher interest expense caused by higher debt levels associated with the funding of our acquisition program, which accounted for approximately 60% of the increase, and higher interest rates. Net earnings for 2004 included certain one-time tax benefits of $3.4 million. The tax benefits primarily resulted from the change in legal structure of one of our subsidiaries and a favorable IRS appeals settlement relating to the 1993 tax year.

Segment Performance

We operate in three principal operating segments on the basis of products and services offered and markets served: Flow Control, Motion Control, and Metal Treatment. See Note 16 to the Consolidated Financial Statements for further segment financial information. The following table sets forth revenues, operating income, operating margin, and the percentage changes on those items, for 2005 as compared with the prior year periods, by operating segment:

	Year Ended December 31,			Percent Changes	
(In thousands, except percentages)	**2005**	2004	2003	**2005 vs. 2004**	2004 vs. 2003
SALES:					
Flow Control	**$ 466,546**	$388,139	$341,271	**20.2%**	13.7%
Motion Control	**465,451**	388,576	265,905	**19.8%**	46.1%
Metal Treatment	**198,931**	178,324	138,895	**11.6%**	28.4%
Total Curtiss-Wright	**$1,130,928**	$955,039	$746,071	**18.4%**	28.0%
OPERATING INCOME:					
Flow Control	**$ 54,509**	$ 44,451	$ 39,980	**22.6%**	11.2%
Motion Control	**50,485**	44,893	30,321	**12.5%**	48.1%
Metal Treatment	**34,470**	28,111	18,742	**22.6%**	50.0%
Total Segments	**139,464**	117,455	89,043	**18.7%**	31.9%
Corporate & Other	**(1,482)**	(7,114)	(72)	**–79.2%**	N/A
Total Curtiss-Wright	**$ 137,982**	$110,341	$ 88,971	**25.1%**	24.0%
OPERATING MARGINS:					
Flow Control	**11.7%**	11.5%	11.7%		
Motion Control	**10.8%**	11.6%	11.4%		
Metal Treatment	**17.3%**	15.8%	13.5%		
Total Segments	**12.3%**	12.3%	11.9%		
Total Curtiss-Wright	**12.2%**	11.6%	11.9%		

FLOW CONTROL

Our Flow Control segment reported sales of $466.5 million for 2005, a 20% increase over 2004 sales of $388.1 million. The sales increase was achieved through organic sales growth of 8% and full year sales contribution of our 2004 acquisitions of Nova Machine, Trentec, Groquip, and EPD, which contributed $49.0 million in incremental revenue. The organic growth in sales was driven by higher sales to the oil and gas industry of $22.6 million and higher product sales and development work to the defense market of $3.6 million. Coker valve products accounted for approximately 80% of the increased oil and gas market sales due to greater customer acceptance and increased installations, while our other oil and gas valve and field service revenues were higher because of increased maintenance expenditures by refineries worldwide. Higher valve sales to the U.S. Navy of $8.3 million were driven by strong demand for our JP-5 jet fuel transfer valves and ball valves used on Nimitz-class aircraft carriers and Virginia-class submarines, respectively. Electronic instrumentation and digital signal processing card sales on naval platforms increased $7.4 million as compared to the prior year. These increased sales to the U.S. Navy were partially offset by anticipated lower revenues from electromechanical products because of timing of major programs. Revenues from pump production decreased $26.3 million compared to the prior year due to completion of Los Angeles and Virginia-class submarine production pump contracts and development prototype programs, such as for the CVN-21 aircraft carrier, and were partially offset by sales for development work on the U.S. Army's electromagnetic gun, which increased $10.7 million, and sales of generators which increased $4.8 million. In addition, foreign currency translation favorably impacted this segment's sales by $1.2 million in 2005 compared to 2004.

Operating income for 2005 was $54.5 million, an increase of 23% over 2004 operating income of $44.5 million. The base business operating income grew 10% organically for the full year ended December 31, 2005, while the 2004 acquisitions contributed an additional $3.4 million of incremental operating income in 2005. The improvement in operating income of base businesses was driven primarily by higher sales volume. Factors impacting the comparison of the base businesses to the prior year include increased sales and margins from our oil and gas products, notably record orders for our coker valves and the higher margin field service and repairs business. In addition, the operating income benefit from the higher overall volume to the U.S. Navy was partially offset by unfavorable mix within our electronic products and lower margin development work performed in anticipation of follow-on production orders with the U.S. Army. Higher raw material costs, such as the cost of steel, and higher administrative infrastructure costs have adversely impacted our operating margins. In addition, foreign currency translation favorably impacted operating income by $0.2 million in 2005 as compared to 2004.

Backlog at December 31, 2005 is $429.3 million compared with $396.3 million at December 31, 2004 and $317.8 million at December 31, 2003. New orders received in 2005 totaled $500.1 million, which represents a 15% increase over 2004 new orders of $436.7 million and a 41% increase over new orders received in 2003. The increase is mainly due to our new acquisitions, which accounted for $64.0 million in incremental new orders during 2005. Record new orders for our coker valve products to the oil and gas industry were offset by lower funding received from the U.S. Navy for our electromechanical products in 2005 compared to 2004.

Our Flow Control segment reported sales of $388.1 million for 2004, a 14% increase over 2003 sales of $341.3 million. The higher sales were primarily due to the contributions of our 2004 acquisitions of Nova Machine, Trentec, Groquip, and EPD. The 2004 incremental sales from these acquisitions amounted to $30.7 million. The remaining business units of this segment produced organic sales growth of 5%. The solid organic growth was lead by stronger sales of valves, pumps, other electro-mechanical products, and field services to the power generation market, which increased $15.0 million due to additional orders, new teaming arrangements, and expedited plant outage service requirements. Increased demand helped drive record new orders of our coker valves for the oil and gas industry, which positively impacted sales by $9.2 million, and higher sales of our electronic products to the U.S. Navy, which increased $5.7 million and also contributed to the organic growth. This increase was partially offset by lower sales of flow control products to the U.S. Navy of $14.5 million due to the timing of contractual revenues. In 2003, the Flow Control segment completed the shipment of two large projects to the U.S. Navy, which generated approximately $25 million in sales. We were able to partially offset the impact of these completed naval projects with higher sales of pumps and other generators for aircraft carriers and submarines and increased demand for the non-nuclear ball valves to the U.S. Navy. Sales of the remaining valve product lines to the oil and gas industry were down in 2004 compared to the prior year. In addition, foreign currency translation favorably impacted sales by $2.3 million in 2004 compared to 2003.

Operating income in 2004 increased by 11% over 2003. The increase was mainly due to solid organic growth of 9% and the contributions from the 2004 acquisitions, which generated operating income of $1.0 million in 2004. The increase in organic operating income was mainly due to contract cost overruns on a safety relief valve project and inventory write-offs of approximately $2.9 million in 2003 that did not reoccur in 2004, higher volume and a stronger sales mix within our power generation products, and higher overall volumes for our valve products to the oil and gas industry and electronic products to the U.S. Navy. The increase was partially offset by the lower volume to the U.S. Navy, driven by the profit impact related to the two large higher margin contracts in 2003 that did not reoccur in 2004. These projects contributed approximately $9.7 million in operating income in 2003. Foreign currency translation had a $0.2 million positive impact on 2004 operating income compared to 2003.

MOTION CONTROL

Our Motion Control segment reported sales of $465.5 million for 2005, a 20% increase over 2004 sales of $388.6 million. The higher sales largely reflect the contributions of our 2005 acquisition of Indal, and the full year contributions of our 2004 acquisitions of Dy 4, Synergy, and Primagraphics. The 2005 incremental sales associated with these acquisitions amounted to $49.9 million. Organic sales increased 7%. Sales in the base business were driven by several factors, including a $7.4 million increase in commercial aerospace OEM market sales. Commercial aerospace OEM sales were driven largely by increased demand for our actuation systems content on the Boeing 737 platform and increased sales of sensors and components. Commercial aerospace aftermarket sales increased $8.8 million during the period, with $4.3 million of that increase in our repair and overhaul business, driven by improving conditions in the commercial airline industry, while spares sales contributed an additional $4.0 million. The remaining change in our commercial markets was highlighted by $3.4 million of higher controller product sales for use in general industrial applications, which was partially offset by the expiration of a tilting train drive systems project in Europe, which contributed $3.7 million in sales in 2004. We also experienced a $3.2 million sales increase in the defense aerospace market, driven by production work on the new AN-APR39 radar warning system for use on various helicopter programs, along with strong sales increases in ruggedized embedded computing. Remaining sales to the military aerospace market were essentially flat as increased ship set production of our actuation systems on the F-22 aircraft were offset by lower sales of F-16 spares. Sales to the ground defense market were up $1.6 million, as higher turret drive stabilization systems and mobile gun systems sales were largely offset by lower spares sales for the Bradley Fighting Vehicle. In addition, foreign currency translation negatively impacted sales by $0.1 million in 2005 as compared to 2004.

Operating income for 2005 increased $5.6 million, or 12% over 2004. Operating income in our base businesses increased 14% driven primarily by higher sales volume and related improvements in gross margin. The operating margins in 2005 decreased 80 basis points to 10.8%. Factors impacting the comparison of the base businesses to the prior year include increased sales and margins from commercial aerospace programs, notably the Boeing 737 and 747 programs, and favorable industry trends in the markets for commercial aftermarket services and spares leading to higher sales and margins, and cost reduction initiatives. Offsetting these increases are the completion of a tilting train drive systems project in Europe and lower F-16 spares orders, both high margin products that contributed favorably in the prior year, continuing integration efforts in the embedded computing business, and lower margins associated with development work performed in anticipation of follow-on production orders, the bulk of which related to cost overruns on a fixed price contract for the 767 tanker refueling program.

The 2005 operating margin associated with businesses acquired in 2004 and 2005 was 6.1%, significantly lower than the base businesses; however, we expect our integration efforts will improve these margins in the future. In the current year, our newly acquired businesses' operating income was impacted by the delay of orders for our naval systems products, which was anticipated to be realized in 2005, the ongoing integration efforts in the embedded computing business, and margin erosion from changes in foreign exchange rates on certain foreign currency denominated contracts for similar products.

Backlog at December 31, 2005 was $374.5 million compared with $229.6 million at December 31, 2004 and $186.3 million at December 31, 2003. Acquisitions made during 2005 represent $51.9 million of the backlog at December 31, 2005. New orders received in 2005 totaled $562.2 million, which represents a 47% increase over 2004 new orders of $383.5 million and a 125% increase over new orders received in 2003. The increase is mainly due to strong orders for our mechanical actuator and embedded computing products. The segment's 2005 and 2004 acquisitions accounted for $49.4 million in incremental new orders in 2005 versus 2004.

Motion Control segment sales in 2004 were $388.6 million, a 46% increase over 2003 sales of $265.9 million. The higher sales largely reflect the contributions of our 2004 acquisitions of Dy 4, Primagraphics, and Synergy, and the full year contributions of our December 2003 acquisitions of Systran, Novatronics, and Pickering. The 2004 incremental sales associated with these acquisitions amounted to $110.8 million. Sales from the remaining base businesses grew 4% organically. Improvement in commercial aerospace aftermarket sales contributed $5.9 million to the growth, $2.8 million of which came from our repair and overhaul business, with the remainder attributable mainly to increased sensors and controls sales. Drive system sales to the European ground defense market declined by $2.9 million as expedited customer delivery requirements shifted production from the beginning of 2004 into 2003. Domestic electro-mechanical systems production experienced a slight increase in domestic military aerospace sales, with F-22 production and spares revenue replacing F-16 spares sales, which had ramped up at the end of 2003. The base embedded computing businesses were essentially flat, with increased sales to the domestic military aerospace market of $10.1 million driven by new contract wins including the start of full scale production of radar warning systems for the U.S. Army's helicopter programs and the design, development, and integration of the actuators for the 767 refueling program. These wins were offset by declines to the domestic ground defense market of $10.6 million, mainly from scheduled production declines on the Abrams tank and the Bradley Fighting Vehicle, while Bradley spares revenue remained strong through 2004 due to the support of the Iraqi war effort. Additionally, foreign currency translation favorably impacted sales in 2004 by $7.7 million compared to 2003.

Operating income for this segment in 2004 increased 48% over 2003. Acquisitions made in 2003 and 2004 generated incremental operating income of $8.9 million, while the base businesses increased 22%. The improvement was driven by the higher sales volume, favorable sales mix from commercial aerospace aftermarket services and spares, and implemented cost control initiatives, offset by lower margin development work performed in anticipation of follow on production orders. The segment benefited from reductions in reserve requirements at its European sensors business totaling $1.7 million during 2004, resulting in a $2.5 million variance in a year over year comparison, since the majority of the reserves were recorded in 2003. Foreign currency translation had a $1.2 million positive impact on 2004 operating income compared to 2003.

METAL TREATMENT

Our Metal Treatment segment reported sales of $198.9 million in 2005, an increase of 12% over 2004 sales of $178.3 million. Organic sales growth of 11% contributed $18.2 million to the increase. The organic growth was due to solid performance in our global shot peening services, which contributed $13.5 million of additional sales mainly in the European commercial aerospace and global automotive markets. Increases in shot peen forming services, primarily on wing components on the Airbus family of aircraft including the A380, and shot peening services on aircraft engines were both driven by customer production requirements. Sales of shot peening services for the automotive industry increased in both Europe and North America by $2.7 million and $1.1 million, respectively, due to favorable overlap of existing and new programs in the first half of the year, partially offset by decreased volumes from General Motors and Ford in the second half of the year. Sale of our heat treating and coatings divisions were up

$2.1 million and $1.9 million, respectively, over the prior year period. The increases were derived primarily from the commercial aerospace market, as customer demand for these services on aircraft component parts increased with the continuing recovery of the aerospace market. In 2005, laser peening sales were essentially flat compared to 2004, as we continue to develop applications for this new technology to be used on highly stressed critical components in the turbine engine, aircraft structures, medical implant, and oil and gas markets. The remaining sales increase was due to contributions from our 2004 acquisitions, which contributed $1.7 million of incremental sales during 2005. Foreign currency translation had a nominal positive impact on sales in 2005 compared to 2004.

Operating income for 2005 increased 23% to $34.5 million from $28.1 million during 2004, mainly due to higher sales volume. Gross margins improved slightly on the higher sales volume, partially offset by higher energy costs of $2.3 million, primarily in our heat treating division. However, the impact of the greater sales volume was felt most significantly on operating income, which had margins of 17.3% in 2005 compared to 15.8% in 2004. Selling, general, and administrative costs, which are generally fixed in nature, increased only 4% over the prior year period, contributing to the higher operating income margin percentage. Foreign currency translation had a nominal negative impact on operating income in 2005 compared to 2004.

Backlog at December 31, 2005 and 2004 was $1.9 million compared with $1.4 million at December 31, 2003. New orders received in 2005 totaled $199.0 million, which represents an 11% increase from 2004 new orders of $178.7 million and a 43% increase over new orders received in 2003. The increase is mainly due to the improvement in the global economy, which positively impacted the core shot peening business and the segment's recent acquisitions.

Metal Treatment sales were $178.3 million in 2004, an increase of 28% over 2003 sales of $138.9 million. Organic sales growth of 21% contributed $24.7 million to the increase. The organic growth was due to strong sales growth from our new laser peening technology, which contributed $4.8 million in incremental sales, as well as solid growth in our global shot peening services, which contributed $14.2 million of incremental sales mainly in the German automotive, European commercial aerospace, and North American commercial and military aerospace markets. Sales from our heat treating division were up $2.8 million over the prior year period mainly due to overflow from a competitor and to the segment's new aluminum treatment capabilities for the aerospace industry. The remaining sales increase came from our 2003 and 2004 acquisitions, which contributed $12.7 million of incremental sales during 2004. The main contributor to this increase was our E/M Engineered Coatings Solutions businesses, which were acquired in April 2003. In addition, foreign currency translation favorably impacted sales by $5.8 million compared to 2003.

Operating income for 2004 increased 50% to $28.1 million from $18.7 million during 2003. Margin improvement was due to higher sales volume, favorable sales mix due to higher laser peening sales, and implemented cost reduction initiatives. Offsetting our margin improvements were increased medical costs and higher energy costs as compared to the prior year period. Foreign currency translation had a $1.5 million positive impact on 2004 operating income as compared to 2003.

CORPORATE AND OTHER EXPENSES

Non-segment operating costs consist mainly of environmental remediation and administrative expenses, pension expense/income associated with the Curtiss-Wright pension plan, and other income and expense not directly associated with the ongoing performance of the segments. We had non-segment operating costs of $1.5 million, $7.1 million and $0.1 million in 2005, 2004, and 2003, respectively. Environmental remediation and administration costs represented $0.8 million, $5.3 million, and $1.4 million in 2005, 2004, and 2003, respectively. The increase in 2004 was due to a $4.4 million increase in remediation reserve requirements related to the Caldwell Trucking landfill superfund site. Pension expense associated with the Curtiss-Wright Pension Plan was $2.0 million and $0.5 million in 2005 and 2004, respectively, while 2003 experienced income of $1.6 million. The increase in pension expense is due to increased service costs and lower returns on plan assets. We also realized a gain of $2.8 million during 2005 on the sale of a former operating property located in Fairfield, New Jersey. Higher consulting fees associated with Sarbanes-Oxley Section 404 compliance in 2005 and 2004 accounted for the remaining difference as compared to 2003.

INTEREST EXPENSE

Interest expense increased $8.0 million in 2005 compared to 2004. Higher interest rates accounted for approximately 54% of the increase, and the remaining increase was due to higher debt levels associated with the funding of our acquisitions. Interest expense in 2004 increased $6.4 million from 2003, with higher debt levels associated with the funding of our acquisitions accounting for 60% of the increase. The remaining increase in 2004 versus 2003 was caused by higher interest rates.

PROVISION FOR INCOME TAXES

Our effective tax rates for 2005, 2004, and 2003 are 36.4%, 34.1%, and 37.8%, respectively. Our 2005 effective tax rate included a charge of $0.3 million from the repatriation of foreign earnings under the American Jobs Creation Act of 2004. Our 2004 effective tax rate included nonrecurring benefits totaling $3.4 million resulting primarily from the change in legal structure of one of our subsidiaries and a favorable IRS appeals settlement. Our 2003 effective tax rate included the benefit of the restructuring of some of our European operations.

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

OPERATING ACTIVITIES

Our working capital was $269.0 million at December 31, 2005, an increase of $56.8 million from the working capital at December 31, 2004 of $212.2 million. Our ratio of current assets to current liabilities was 2.2 to 1 at December 31, 2005, compared with a ratio of 2.1 to 1 at December 31, 2004. Cash and cash equivalents totaled $59.0 million in the aggregate at December 31, 2005, up from $41.0 million at December 31, 2004. The increase is primarily due to an increase in cash and cash equivalents following the 2005 Senior Note offering and subsequent pay down of our outstanding debt under our revolving credit facilities. Excluding the impact on cash, working capital increased $38.8 million partially due to our Indal acquisition made in the first quarter of 2005. The remainder of the increase was driven mainly by increases in inventory of $26.9 million and accounts receivables of $21.6 million. Inventory balances rose primarily as a result of build up for expected increases in sales in 2006 and strategic initiatives to lower turn-around time for deliveries. Accounts receivable increased due to the timing of contractual billings and industry cycles, partially offset by collection of receivables from certain large projects outstanding at December 31, 2004. Unbilled receivables increased substantially due to funding and other operational delays by certain customers as well as increased contracts for which progress billings do not apply. Partially offsetting these increases in working capital requirements was an increase in accounts payable and accrued expenses associated with the build up of inventories and higher accrued compensation.

Our short-term debt was $0.9 million at December 31, 2005 and $1.6 million at December 31, 2004. Our long-term debt was $364.0 million at December 31, 2005, an increase of $23.2 million from the balance at December 31, 2004. The increase in long-term debt is primarily due to funds borrowed to purchase Indal offset by cash generation during 2005. Days sales outstanding at December 31, 2005 decreased to 43 days from 47 days at December 31, 2004 while inventory turnover decreased to 5.6 turns at December 31, 2005 as compared to 5.8 turns at December 31, 2004.

Our balance of cash and cash equivalents totaled $41.0 million at December 31, 2004, down from $98.7 million at December 31, 2003. The decrease was primarily due to the use of available cash to fund our acquisition of Dy 4 Systems, Inc. on January 31, 2004. Excluding the impact on cash, working capital increased $33.1 million due to our acquiring eleven businesses in 2004. In addition to the impact of these acquisitions, working capital changes were highlighted by an increase in receivables of $39.9 million and an increase in accounts payable and accrued expenses of $19.8 million. Unbilled receivables increased substantially due to funding and other operational delays by certain customers as well as increased contracts for which progress billings do not apply. The increase in accounts payable and accrued expenses is due to the timing of year-end payments and higher accrued compensation. Our short-term debt was $1.6 million at December 31, 2004 and $1.0 million at December 31, 2003. Our long-term debt was $340.9 million at December 31, 2004, an increase of $116.7 million from the balance at December 31, 2003. The increase in long-term debt was the result of additional funds borrowed to acquire eleven businesses in 2004. Days sales outstanding at December 31, 2004 decreased to 47 days from 56 days at December 31, 2003 while inventory turnover increased to 5.8 turns at December 31, 2004 as compared to 5.5 turns at December 31, 2003.

INVESTING ACTIVITIES

We have acquired twenty-five businesses since 2001 and expect to continue to seek acquisitions that are consistent with our long-term growth strategy. A combination of cash resources, funds available under our credit agreement, and proceeds from our Senior Notes were utilized to fund our acquisitions, which totaled $73.1 million and $247.4 million in 2005 and 2004, respectively. As indicated in Note 2 to the Consolidated Financial Statements, some of our acquisition agreements contain purchase price adjustments, such as potential earn-out payments and working capital adjustments. During 2005, we made approximately $8.6 million in such payments relative to prior period acquisitions. Additional acquisitions will depend, in part, on the availability of financial resources at a cost of capital that meets 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.

Our capital expenditures were $42.4 million in 2005, $32.5 million in 2004, and $33.3 million in 2003. In 2005 and 2004, principal capital expenditures included a move to a new flow control facility, new and replacement machinery and equipment within the business segments and for the expansion of new product lines and facilities. Our capital expenditures in 2003 included building expansions, a new laser peening facility and associated laser machinery, and various other machinery and equipment.

FINANCING ACTIVITIES

On December 1, 2005, we issued $150.0 million of 5.51% Senior Series Notes (the "2005 Notes"). Our 2005 Notes mature on December 1, 2017 and are senior unsecured obligations, equal in right of payment to our existing senior indebtedness. We, at our option, can prepay at any time all or any part of our 2005 Notes, subject to a make-whole payment in accordance with the terms of the Note Purchase Agreement. In connection with our 2005 Notes, we paid customary fees that have been deferred and will be amortized over the term of our 2005 Notes. We are required under the Note Purchase Agreement to maintain certain financial ratios, the most restrictive of which is a debt to capitalization limit of 60%, and a cross default provision with our other senior indebtedness. As of December 31, 2005, we were in compliance with all covenants.

In November 2005, we unwound our interest rate swap agreements with notional amounts of $20 million and $60 million which were originally put in place to convert a portion of our fixed interest on the $75 million 5.13% Senior Notes and $125 million 5.74% Senior Notes, respectively, to variable rates based on specified spreads over six-month LIBOR. The unwinding of these swap agreements resulted in a net loss of $0.2 million, which has been deferred and is being amortized over the remaining term of the underlying debt.

At December 31, 2005, we had a $400 million revolving credit agreement (the "Agreement") with a group of ten banks. The agreement expires in 2009. Borrowings under the Agreement bear interest at a floating rate based on market conditions. In addition, our interest rate and level of facility fees are dependent on certain financial ratio levels, as defined in the Agreement. We are subject to annual facility fees on the commitments under the Agreement. In connection with the Agreement, we paid customary transaction fees that have been deferred and are being amortized over the term of the Agreement. We are required under the Agreement to maintain certain financial ratios and meet certain financial tests, the most restrictive of which is a debt to capitalization limit of 55% and a cross default provision with our other senior indebtedness.

The Agreement does not contain any subjective acceleration clauses. As of December 31, 2005, we were in compliance with all covenants and had the flexibility to issue additional debt of approximately $400 million without exceeding the covenant limit defined in the Agreement. We would consider other financing alternatives to maintain capital structure balance and ensure compliance with all debt covenants. We did not have any cash borrowings outstanding (excluding letters of credit) under the Agreement at December 31, 2005 compared to $124.5 million of cash borrowings outstanding at December 31, 2004. The unused credit available under the agreement at December 31, 2005 was $367.9 million.

On September 25, 2003 we issued $200.0 million of Senior Notes (the "2003 Notes"). The 2003 Notes consist of $75.0 million of 5.13% Senior Notes that mature on September 25, 2010 and $125.0 million of 5.74% Senior Notes that mature on September 25, 2013. Our 2003 Notes are senior unsecured obligations and are equal in right of payment to our existing senior indebtedness. We, at our option, can prepay at any time all or any part of our 2003 Notes, subject to a make-whole payment in accordance with the terms of the Note Purchase Agreement. In connection with our 2003 Notes, we paid customary fees that have been deferred and will be amortized over the terms of the 2003 Notes. We are required under the Note Purchase Agreement to maintain certain financial ratios, the most restrictive of which is a debt to capitalization limit of 60% and a cross default provision with our other senior indebtedness. As of December 31, 2005, we were in compliance with all covenants.

Our industrial revenue bonds, which are collateralized by real estate, were $14.2 million at December 31, 2005 and $14.3 million at December 31, 2004. The loans outstanding under the 2003 and 2005 Notes, Interest Rate Swaps, Revolving Credit Agreement, and Industrial Revenue Bonds had variable interest rates averaging 4.67% for 2005 and 3.65% for 2004.

FUTURE COMMITMENTS

Cash generated from operations is considered adequate to meet our operating cash requirements for the upcoming year, including planned capital expenditures of approximately $50 million, interest payments of approximately $20 million to $22 million, estimated income tax payments of approximately $40 million to $50 million, dividends of approximately $11 million, pension funding of approximately $7 million, and additional working capital requirements. We have approximately $3 million in short-term environmental liabilities, which is management's estimation of cash requirements for 2006. Additionally, we are committed to potential earn-out payments on seven of our acquisitions dating back to 2001, which are estimated to be between approximately $9 million to $11 million in 2006. There can be no assurance, however, that we will continue to generate cash flow at the current level. If cash generated from operations is not sufficient to support these requirements and investing activities, we may be required to reduce capital expenditures, refinance a portion of our existing debt, or obtain additional financing.

In 2006, our capital expenditures are expected to be approximately $50 million due to the construction of new facilities, expansion of facilities to accommodate new product lines, and new machinery and equipment, such as additional investment in our laser peening technology.

The following table quantifies our significant future contractual obligations and commercial commitments as of December 31, 2005:

(In thousands)	Debt Principal Repayments[1]	Interest Payments on Fixed Rate Debt	Operating Leases	Total
2006	$ 885	$ 19,288	$15,471	$ 35,644
2007	5,060	19,288	13,600	37,948
2008	62	19,288	11,423	30,773
2009	64	19,288	8,679	28,031
20010	125,066	18,254	5,763	149,083
Thereafter	233,928	76,752	16,402	327,082
Total	$365,065	$172,158	$71,338	$608,561

(1) Amounts exclude a $0.2 million adjustment to the fair value of long-term debt relating to the Corporation's interest rate swap agreements that were settled in cash during 2005.

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 with financial institutions and customers primarily relating to guarantees of repayment on our Industrial Revenue Bonds, future performance on certain contracts to provide products and services, and to secure advance payments we have received from certain international customers. At December 31, 2005, we had contingent liabilities on outstanding letters of credit due as follows:

(In thousands)	Letters of Credit
2006	$ 7,568
2007	7,256
2008	16,052
2009	24
2010	—
Thereafter	1,387
Total	$32,287

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles 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

The realization of revenue refers to the timing of its recognition in our accounts and is generally considered realized or realizable and earned when the earnings process is substantially complete and all of the following criteria are met: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred or services have been rendered; 3) our price to our customer is fixed or determinable; and 4) collectibility is reasonably assured.

We record sales and related profits on production and service type contracts as units are shipped and title and risk of loss have transferred or as services are rendered. This method is used in our Metal Treatment segment and in some of the business units within the Motion Control and Flow Control segments that serve non-military markets.

For certain contracts in our Flow Control and Motion Control segments that require performance over an extended period before deliveries begin, sales and estimated profits are recorded by applying the percentage-of-completion method of accounting. The percentage-of-completion method of accounting is used primarily for our defense contracts and certain long-term commercial contracts. This method recognizes revenue and profit as the contracts progress towards completion. For certain contracts that contain a significant number of performance milestones, as defined by the customer, sales are recorded based upon achievement of these performance milestones. The performance milestone method is an output measure of progress towards completion made in terms of results achieved. For certain fixed price contracts, where none or a limited number of milestones exist, the cost-to-cost method is used, which is an input measure of progress toward completion. Under the cost-to-cost input method, sales and profits are recorded based on the ratio of costs incurred to an estimate of costs at completion. Under our percentage-of-completion methods of accounting, a single estimated total profit margin is used to recognize profit for each contract over its entire period of performance.

Application of percentage-of-completion methods of revenue recognition requires the use of reasonable and dependable estimates of the future material, labor, and overhead costs that will be incurred and a disciplined cost estimating system in which all functions of the business are integrally involved. These estimates are determined based upon industry knowledge and experience of our engineers, project managers, and financial staff. These estimates are significant and reflect changes in cost and operating performance throughout the contract and could have a significant impact on our operating performance. Adjustments to original estimates for contract revenue, estimated costs at completion, and the estimated total profit are often required as work progresses throughout the contract and as experience and more information is obtained, even though the scope of work under the contract may not change. These changes are recorded on a cumulative basis in the period they are determined to be necessary.

Under the percentage-of-completion method of accounting, provisions for estimated losses on uncompleted contracts are recognized in the period in which the likelihood of such losses are determined. Amounts representing contract change orders are included in revenue only when they can be estimated reliably and their realization is reasonably assured. Certain contracts contain provisions for the redetermination of price and, as such, management defers a portion of the revenue from those contracts until such time as the price has been finalized.

Some of our customers withhold certain amounts from the billings they receive. These retainages are generally not due until the project has been completed and accepted by the customer.

INVENTORY

Inventory costs include materials, direct labor, and manufacturing overhead costs, which are stated at the lower of cost or market, where market is limited to the 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. The stated inventory costs are also reflective of the estimates used in applying the percentage-of-completion revenue recognition method.

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.

For certain of our long-term contracts, we utilize progress billings, which represent amounts billed to customers prior to the delivery of goods and services and are recorded as a reduction to inventory and receivables. Progress billings are generally based on costs incurred, including direct costs, overhead, and general and administrative costs.

PENSION AND OTHER POSTRETIREMENT BENEFITS

We, in consultation with our actuaries, 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 number of employees who will receive benefits along with the tenure and salary level of those employees, the expected return on plan assets, the discount rates used to determine plan obligations, and the trends in the costs of medical and other health care benefits in the case of the postretirement benefit obligations. 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 benefit obligations of the plans as of December 31, 2005 and the annual periodic costs for 2006 was lowered in 2005 to 5.75% for both the EMD and Curtiss-Wright Pension Plans and the EMD Postretirement Benefit Plan to better reflect current economic conditions. The rate was based on current and future economic indicators. The reduction in the discount rate increased the benefit obligation of the plans. A quarter of one percentage point decrease in the discount rate would have the effect of increasing the annual pension expense by $0.5 million and the pension benefit obligation by $8.1 million. We also updated the mortality tables for the pension and postretirement benefit plans to the RP 2000 Mortality Table to better reflect the general improvements in mortality experienced over the past years. This change caused an additional increase to the benefit obligation.

The overall expected return on assets assumption is based on a combination of historical performance of the pension fund and expectations of future performance. The historical returns are determined using the market–related value of assets, which is the same value used in the calculation of annual net periodic benefit cost. The market-related value of assets includes the recognition of realized and unrealized gains and losses over a five-year period, which effectively averages the volatility associated with the actual performance of the plan's assets from year to year. Although over the last ten years the market related value of assets had an average annual yield of 10.6%, the actual returns averaged 11.3% during the same period. We have consistently used the 8.5% rate as a long-term overall average return. Given the uncertainties of the current economic and geopolitical landscapes, we consider the 8.5% rate to be a reasonable assumption of the future long-term investment returns. A quarter of one percentage point decrease in the expected return on assets would have the effect of increasing our annual pension expense by $0.7 million.

The long-term medical trend assumptions start with a current rate that is in line with expectations for the near future, and then grades the rates down over time until it reaches an ultimate rate that is close to expectations for growth in GDP. The reasoning is that medical trends cannot continue to be higher than the rate of GDP growth in the long term. Any change in the expectation of these rates to return to a normal level should have an impact on the amount of expense we recognize.

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

See Note 14 for further information on our pension and postretirement plans, including an estimate of future cash contributions.

ENVIRONMENTAL RESERVES

We provide for environmental reserves on a site by site basis when, in conjunction with internal and external legal counsel, it is determined that a liability is both probable and estimable. In many cases, the liability is not fixed or capped when we first record a liability for a particular site. If only a range of potential liability can be estimated and no amount within the range is more probable than another, a reserve will be established at the low end of that range. At sites involving multiple parties, we accrue environmental liabilities based upon our expected share of the liability, taking into account the financial viability of our other jointly liable partners. Judgment is required when we make assumptions and estimate costs expected to be incurred for environmental remediation activities due to, among other factors, difficulties in assessing the extent and type of environmental remediation to be performed, the impact of complex environmental regulations and remediation technologies, and agreements between potentially responsible parties to share in the cost of remediation. In estimating the future liability and continually evaluating the sufficiency of such liabilities, we weigh certain factors including our participation percentage due to a settlement by or bankruptcy of other potentially responsible parties, a change in the environmental laws requiring more stringent requirements, an increase or decrease in the estimated time required to remediate, a change in the estimate of future costs that will be incurred to remediate the site, and changes in technology related to environmental remediation. We do not believe that continued compliance with environmental laws applicable to our operations will have a material adverse effect on our financial condition or results of operation. However, given the level of judgment and estimation used in the recording of environmental reserves, it is reasonably possible that materially different amounts could be recorded if different assumptions were used or if circumstances were to change, such as environmental regulations or remediation solution remedies.

As of December 31, 2005, our environmental reserves totaled $25.3 million, the majority of which is long-term. Approximately 80% of the environmental reserves represent the current value of our anticipated remediation costs and are not discounted primarily due to the uncertainty of timing of expenditures. The remaining environmental reserves are discounted to reflect the time value of money since the amount and timing of cash payments for the liability are reasonably determinable. We use a discount rate of 4%, which approximates an amount at which the environmental liability could be settled in an arm's length transaction with a third party. All environmental reserves exclude any potential recovery from insurance carriers or third-party legal actions.

PURCHASE ACCOUNTING

We apply the purchase method of accounting to our acquisitions. Under this method, the purchase price, including any capitalized acquisition costs, is allocated to the underlying tangible and intangible assets acquired and liabilities assumed based on their respective fair market values, with any excess recorded as goodwill. We determine the fair values of such assets and liabilities, generally in consultation with third-party valuation advisors. The fair value of assets acquired (net of cash) and liabilities assumed of our one 2005 acquisition were estimated to be $88.4 million and $23.9 million, respectively. The initial fair value assigned to this acquisition is preliminary and may be revised prior to finalization, which is to be completed within a reasonable period, generally within one year of acquisition.

GOODWILL

We have $388.2 million in goodwill as of December 31, 2005. The recoverability of goodwill is subject to an annual impairment test based on the estimated fair value of the underlying businesses. 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. These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued market acceptance of the products and services offered by the businesses, the development of new products and services by the businesses and the underlying cost of development, the future cost structure of the businesses, and future technological changes. Estimates are also used for the Corporation's cost of capital in discounting the projected future cash flows. If it has been determined that impairment has occurred, we may be required to recognize an impairment of our asset, which would be limited to the difference between the book value of the asset and its fair value. Any such impairment would be recognized in full in the reporting period in which it has been identified.

OTHER INTANGIBLE ASSETS

Other intangible assets are generally the result of acquisitions and consist primarily of purchased technology, customer related intangibles, trademarks and service marks, and technology licenses. Intangible assets are recorded at their fair values as determined through purchase accounting. Definite lived intangible assets are amortized ratably to match their cash flow streams over their estimated useful lives, which range from 1 to 20 years, while indefinite lived intangible assets are not amortized. Indefinite lived intangible assets are reviewed for impairment annually based on the discounted future cash flows. Additionally, 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.

Recently Issued Accounting Standards

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB Statement No. 3" ("FAS 154"). This Statement requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the basis of the new accounting principle, unless it is impracticable to do so. FAS 154 also provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and correction of errors made in fiscal years beginning after June 1, 2005. We do not anticipate that the adoption of this statement will have a material impact on our results of operation or financial condition.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Accounting for Stock-Based Compensation" ("FAS 123(R)"). This Statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award — the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met; those conditions are much the same as the related conditions in FAS 123. This Statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. On April 14, 2005 the SEC announced a deferral of the effective date of FAS 123(R) for calendar year companies until January 1, 2006. We expect the adoption of this statement to have a pre-tax expense of approximately $5 million on operating income in 2006.

In March of 2005, the FASB issued FIN No. 47, "Accounting for Conditional Asset Retirement Obligations — an interpretation of FASB Statement No. 143" ("FAS 143"). This Interpretation clarifies that the term "conditional asset retirement obligation" as used in FAS 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred — generally upon acquisition, construction, or development and (or) through the normal operation of the asset. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. FAS 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. This Interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The adoption of this interpretation did not have a material impact on our results of operation or financial condition.

Recent Development

On February 7, 2006, the Board of Directors declared a 2-for-1 stock split in the form of a 100% stock dividend. The split, in the form of 1 share of Common stock for each share of Common stock outstanding, is payable on April 7, 2006. As the market price of the shares does not reflect the stock split as of the date of this Annual Report, all references throughout this Annual Report to number of shares, per share amounts, stock options data, and market prices of the Corporation's Common stock have not been adjusted to reflect the effect of this stock split.

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 do not use such instruments for trading or other speculative purposes. We used interest rate swaps and forward foreign currency contracts to manage our interest rate and currency rate exposures during the year ended December 31, 2005. We unwound our interest rate swaps in November 2005. Information regarding our accounting policy on financial instruments is contained in Note 1-K to the Consolidated Financial Statements.

The market risk for a change in interest rates relates primarily to our debt obligations. We shifted our interest rate exposure from 65% variable at December 31, 2004 to 96% fixed at December 31, 2005. The net proceeds of the new $150 million 2005 Notes offering principally contributed to our ability to pay down our outstanding debt under our revolving credit facility at December 31, 2005. The variable rates on the Industrial Revenue Bonds are based on market rates. A change in interest rates of 1% would have an impact on consolidated interest expense of approximately $0.1 million. Information regarding our 2005 and 2003 Notes, Revolving Credit Agreement, and Interest Rates Swaps is contained in Note 10 to the Consolidated Financial Statements.

Financial instruments expose us to counter-party credit risk for nonperformance 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.

Our acquisitions of Indal, Dy 4 and Novatronics have increased our exposure to foreign currency exchange rate fluctuations related primarily to the Canadian dollar. We currently have a hedging program in place to mitigate the Canadian dollar foreign currency risk. Although the majority of our sales, expenses, and cash flows are transacted in U.S. dollars, we do have some market risk exposure to changes in foreign currency exchange rates, primarily as it relates to the value of the U.S. dollar versus the Canadian dollar, the British pound, the euro, and the Swiss franc. Any significant change in the value of the currencies of those countries in which we do business against the U.S. dollar could have an adverse effect on our business, financial condition, and results of operations. We seek to minimize the risk from these foreign currency fluctuations principally through invoicing our customers in the same currency as the functional currency of the revenue producing entity. However, our efforts to minimize these risks may not be successful. If foreign exchange rates were to collectively weaken or strengthen against the dollar by 10%, net earnings would have been reduced or increased, respectively, by approximately $3 million as it relates exclusively to foreign currency exchange rate exposures.

REPORT OF THE CORPORATION

The consolidated financial statements appearing on pages 38 through 41 of this Annual Report 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 the Annual Report is consistent with that in the financial statements.

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

Deloitte & Touche LLP, independent auditors, performed an audit of the Corporation's financial statements that also included forming an opinion on management's assessment of internal controls over financial reporting as well as the effectiveness of such controls for the year ended December 31, 2005. An audit includes examining, on a test basis, evidence supporting 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 fairness of the presentation of the Corporation's financial statements in conformity with accounting principles generally accepted in the United States of America, in all material respects, on management's assessment of the effectiveness of internal controls over financial reporting, and on the effectiveness of internal controls over financial reporting as of December 31, 2005.

The Audit Committee of the Board of Directors, composed entirely of directors who are independent of the Corporation, appoints the independent auditors for ratification by stockholders and, among other things, considers the scope of the independent auditors' examination, the audit results and the adequacy of internal accounting controls of the Corporation. The independent auditors 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.

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.

As discussed in Note 2 to the Consolidated Financial Statements, the Corporation acquired Indal Technologies, Inc. during the year ended December 31, 2005. This acquisition with assets at December 31, 2005 and current year revenues representing 6.5% and 2.7%, respectively, of the consolidated amounts, have been excluded from management's assessment of internal control over financial reporting.

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2005. In making this assessment, the Corporation's management used the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based on management's assessment, excluding the acquired company referred to in the third paragraph, management believes that, as of December 31, 2005, the Corporation's internal control over financial reporting is effective based on the established criteria.

The Corporation's assessment of the effectiveness of internal controls over financial reporting as of December 31, 2005 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and their report thereon is included on page 37 of this Annual Report.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Curtiss-Wright Corporation Roseland, New Jersey

We have audited the accompanying consolidated balance sheets of Curtiss-Wright Corporation and subsidiaries (the "Company") as of December 31, 2005 and 2004, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2005 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), the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control —Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 3, 2006 expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Deloitte & Touche LLP
Parsippany, New Jersey
March 3, 2006

To the Board of Directors and Stockholders of Curtiss-Wright Corporation Roseland, New Jersey

We have audited management's assessment, included in the accompanying Management's Annual Report On Internal Control Over Financial Reporting, that Curtiss-Wright Corporation and subsidiaries (the "Company") maintained effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Annual Report On Internal Control Over Financial Reporting, management excluded from their assessment the internal control over financial reporting at Indal Technologies, Inc., which was acquired on March 1, 2005 and whose financial statements reflect total assets and revenues constituting 6.5 and 2.7 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2005. Accordingly, our audit did not include the internal control over financial reporting at Indal Technologies, Inc. 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. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2005 of the Company and our report dated March 3, 2006 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP
Parsippany, New Jersey
March 3, 2006

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, (In thousands, except per share data)	2005	2004	2003
Net sales	**$1,130,928**	$ 955,039	$746,071
Cost of sales	**740,416**	624,536	505,153
Gross profit	**390,512**	330,503	240,918
Research and development costs	**(39,681)**	(33,825)	(22,111)
Selling expenses	**(69,687)**	(61,648)	(38,816)
General and administrative expenses	**(144,982)**	(118,270)	(89,238)
Environmental remediation and administrative expenses	**(818)**	(5,285)	(1,423)
Gain (loss) on sale of real estate and fixed assets	**2,638**	(1,134)	(359)
Operating income	**137,982**	110,341	88,971
Interest expense	**(19,983)**	(12,031)	(5,663)
Other income, net	**299**	443	748
Earnings before income taxes	**118,298**	98,753	84,056
Provision for income taxes	**(43,018)**	(33,687)	(31,788)
Net earnings	**$ 75,280**	$ 65,066	$ 52,268
NET EARNINGS PER SHARE:			
Basic earnings per share	**$ 3.48**	$ 3.07	$ 2.53
Diluted earnings per share	**$ 3.44**	$ 3.02	$ 2.50

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31, (In thousands)	2005	2004
ASSETS:		
Current assets:		
Cash and cash equivalents	**$ 59,021**	$ 41,038
Receivables, net	**244,689**	214,084
Inventories, net	**146,297**	115,979
Deferred tax assets, net	**28,844**	25,693
Other current assets	**11,615**	12,460
Total current assets	**490,466**	409,254
Property, plant, and equipment, net	**274,821**	265,243
Prepaid pension costs	**76,002**	77,802
Goodwill	**388,158**	364,313
Other intangible assets, net	**158,267**	140,369
Other assets	**12,571**	21,459
Total assets	**$1,400,285**	$1,278,440
LIABILITIES:		
Current liabilities:		
Short-term debt	**$ 885**	$ 1,630
Accounts payable	**80,460**	65,364
Accrued expenses	**74,252**	63,413
Income taxes payable	**22,855**	13,895
Other current liabilities	**43,051**	52,793
Total current liabilities	**221,503**	197,095
Long-term debt	**364,017**	340,860
Deferred tax liabilities, net	**53,570**	40,043
Accrued pension and other postretirement benefit costs	**74,999**	80,612
Long-term portion of environmental reserves	**22,645**	23,356
Other liabilities	**25,331**	20,860
Total liabilities	**762,065**	702,826
CONTINGENCIES AND COMMITMENTS (Notes 10, 13, 15 & 17)		
STOCKHOLDERS' EQUITY:		
Preferred stock, $1 par value, 650,000 shares authorized, none issued	**—**	—
Common stock, $1 par value, 100,000,000 and 33,750,000 shares authorized at December 31, 2005 and 2004, respectively; 25,493,442 and 16,646,359 shares issued at December 31, 2005 and 2004, respectively; outstanding shares were 21,746,362 at December 31, 2005 and 12,673,912 at December 31, 2004	**25,493**	16,646
Class B common stock, $1 par value, 11,250,000 shares authorized, 8,764,800 shares issued and 8,764,246 shares outstanding at December 31, 2004	**—**	8,765
Additional paid-in capital	**59,806**	55,885
Retained earnings	**667,892**	601,070
Unearned portion of restricted stock	**(12)**	(34)
Accumulated other comprehensive income	**20,655**	36,797
	773,834	719,129
Less: Common treasury stock, at cost (3,747,080 shares at December 31, 2005 and 3,973,001 shares at December 31, 2004)	**(135,614)**	(143,515)
Total stockholders' equity	**638,220**	575,614
Total liabilities and stockholders' equity	**$1,400,285**	$1,278,440

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, (In thousands)	2005	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net earnings	**$ 75,280**	$ 65,066	$ 52,268
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	**47,851**	40,742	31,327
Net (gain) loss on sales and disposals of real estate and equipment	**(2,638)**	1,134	359
Deferred income taxes	**141**	(3,500)	6,035
Changes in operating assets and liabilities, net of businesses acquired:			
Increase in receivables	**(21,558)**	(39,875)	(5,958)
(Increase) decrease in inventories	**(26,908)**	7,578	1,893
Increase (decrease) in progress payments	**9,815**	(4,338)	1,967
Increase in accounts payable and accrued expenses	**22,976**	19,785	9,343
(Decrease) increase in deferred revenue	**(8,049)**	4,849	(10,070)
Increase in income taxes payable	**11,266**	8,403	3,240
(Decrease) increase in net pension and postretirement liabilities	**(3,813)**	5,054	(5,872)
Increase in other current and long-term assets	**(912)**	(1,830)	(963)
Increase (decrease) in other current and long-term liabilities	**1,727**	2,279	(45)
Total adjustments	**29,898**	40,281	31,256
Net cash provided by operating activities	**105,178**	105,347	83,524
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales and disposals of real estate and equipment	**11,268**	1,192	1,132
Acquisition of intangible assets	**(5,086)**	(2,100)	(1,575)
Additions to property, plant, and equipment	**(42,444)**	(32,452)	(33,329)
Acquisition of new businesses, net of cash acquired	**(73,111)**	(247,402)	(69,793)
Net cash used for investing activities	**(109,373)**	(280,762)	(103,565)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings of debt	**655,000**	624,106	384,712
Principal payments on debt	**(630,327)**	(508,025)	(314,204)
Proceeds from exercise of stock options	**8,492**	7,458	3,868
Dividends paid	**(8,458)**	(7,666)	(6,520)
Net cash provided by financing activities	**24,707**	115,873	67,856
Effect of exchange-rate changes on cash	**(2,529)**	1,908	3,140
Net increase (decrease) in cash and cash equivalents	**17,983**	(57,634)	50,955
Cash and cash equivalents at beginning of year	**41,038**	98,672	47,717
Cash and cash equivalents at end of year	**$ 59,021**	$ 41,038	$ 98,672
Supplemental disclosure of non-cash investing activities:			
Fair value of assets acquired from current year acquisitions	**$ 88,578**	$ 303,041	$ 78,231
Additional consideration on prior year acquisitions	**8,618**	3,027	3,147
Fair value of Common Stock issued as consideration for acquisitions	**—**	(14,000)	—
Liabilities assumed from current year acquisitions	**(23,863)**	(42,331)	(10,750)
Cash acquired	**(222)**	(2,335)	(835)
Acquisition of new businesses, net of cash acquired	**$ 73,111**	$ 247,402	$ 69,793

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock	Class B Common Stock	Additional Paid in Capital	Retained Earnings	Unearned Portion of Restricted Stock Awards	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income	Treasury Stock
JANUARY 1, 2003	$10,618	$4,382	$52,200	$508,298	$(60)	$ 6,482		$(170,692)
Comprehensive income:								
Net earnings	—	—	—	52,268	—	—	$ 52,268	—
Translation adjustments, net	—	—	—	—	—	16,152	16,152	—
Total comprehensive income							$ 68,420	
Dividends paid	—	—	—	(6,520)	—	—		—
Stock options exercised, net	—	—	741	—	—	—		4,812
Other	—	—	57	—	5	—		138
Two-for-one common stock split effected in the form of a 100% stock dividend	5,993	4,383	—	(10,376)	—	—		—
DECEMBER 31, 2003	16,611	8,765	52,998	543,670	(55)	22,634		(165,742)
Comprehensive income:								
Net earnings	—	—	—	65,066	—	—	$ 65,066	—
Translation adjustments, net	—	—	—	—	—	14,163	14,163	—
Total comprehensive income							$ 79,229	
Dividends paid	—	—	—	(7,666)	—	—		—
Stock options exercised, net	—	—	(1,748)	—	—	—		11,345
Stock issued under employee stock purchase plan, net	35	—	1,358	—	—	—		—
Equity issued in connection with acquisitions	—	—	3,259	—	—	—		10,741
Other	—	—	18	—	21	—		141
DECEMBER 31, 2004	$16,646	$8,765	$55,885	$601,070	$(34)	$ 36,797		$(143,515)
Comprehensive income:								
Net earnings	**—**	**—**	**—**	**75,280**	**—**	**—**	**$ 75,280**	**—**
Translation adjustments, net	**—**	**—**	**—**	**—**	**—**	**(16,142)**	**(16,142)**	**—**
Total comprehensive income							**$ 59,138**	
Dividends paid	**—**	**—**	**—**	**(8,458)**	**—**	**—**		**—**
Stock options exercised, net	**—**	**—**	**42**	**—**	**—**	**—**		**7,721**
Stock issued under employee stock purchase plan, net	**82**	**—**	**3,863**	**—**	**—**	**—**		**—**
Recapitalization	**8,765**	**(8,765)**	**—**	**—**	**—**	**—**		**—**
Other	**—**	**—**	**16**	**—**	**22**	**—**		**180**
DECEMBER 31, 2005	**$25,493**	**—**	**$59,806**	**$667,892**	**$(12)**	**$ 20,655**		**$(135,614)**

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Curtiss-Wright Corporation and its subsidiaries (the "Corporation") is a diversified multinational manufacturing and service company that designs, manufactures, and overhauls precision components and systems and provides highly engineered products and services to the aerospace, defense, automotive, shipbuilding, processing, oil, petrochemical, agricultural equipment, railroad, power generation, security, and metalworking industries. Operations are conducted through 33 manufacturing facilities, 56 metal treatment service facilities, and 2 aerospace component overhaul and repair locations.

A. Principles of Consolidation

The consolidated financial statements include the accounts of Curtiss-Wright and its majority-owned subsidiaries. All material intercompany transactions and accounts have been eliminated. Certain prior year information has been reclassified to conform to current presentation.

B. 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, 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 include the estimate of costs to complete long-term contracts under the percentage-of-completion accounting methods, the estimate of useful lives for property, plant, and equipment, cash flow estimates used for testing the recoverability of assets, pension plan and postretirement obligation assumptions, estimates for inventory obsolescence, estimates for the valuation and useful lives of intangible assets, warranty reserves, and the estimate of future environmental costs. Actual results may differ from these estimates.

C. Revenue Recognition

The realization of revenue refers to the timing of its recognition in the accounts of the Corporation and is generally considered realized or realizable and earned when the earnings process is substantially complete and all of the following criteria are met: 1) persuasive evidence of an arrangement exists; 2) delivery has occurred or services have been rendered; 3) the Corporation's price to its customer is fixed or determinable; and 4) collectibility is reasonably assured.

The Corporation records sales and related profits on production and service type contracts as units are shipped and title and risk of loss have transferred or as services are rendered, net of estimated returns and allowances. Sales and estimated profits under certain long-term contracts are recognized under the percentage-of-completion methods of accounting, whereby profits are recorded pro rata, based upon current estimates of direct and indirect costs to complete such contracts. In addition, the Corporation also records sales under certain long-term government fixed price contracts upon achievement of performance milestones as specified in the related contracts. Losses on contracts are provided for in the period in which the losses become determinable. Revisions in profit estimates are reflected on a cumulative basis in the period in which the basis for such revision becomes known. Deferred revenue represents the excess of the billings over cost and estimated earnings on long-term contracts.

D. 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.

E. Inventory

Inventories are stated at lower of production cost (principally average cost) or market. Production costs are comprised of direct material and labor and applicable manufacturing overhead.

F. Progress Payments

Certain long-term contracts provide for the interim billings as costs are incurred on the respective contracts. Pursuant to contract provisions, agencies of the U.S. government and other customers are granted title or a secured interest in the unbilled costs included in unbilled receivables and materials and work-in-process included in inventory to the extent of progress payments. Accordingly, these progress payments received have been reported as a reduction of unbilled receivables and inventories, as presented in Notes 3 and 4.

G. 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 they are incurred. Depreciation is computed using the straight-line method based upon 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

H. Intangible Assets

Intangible assets are generally the result of acquisitions and consist primarily of purchased technology, customer related intangibles, trademarks and service marks, and technology licenses. Definite lived intangible assets are amortized ratably to match their cash flow streams over their estimated useful lives, which range from 1 to 20 years, while indefinite lived intangible assets are not amortized. Indefinite lived intangible assets are reviewed for impairment annually based on the discounted future cash flows. See Note 7 for further information on other intangible assets.

I. Impairment of Long-Lived Assets

The Corporation reviews the recoverability of all long-term 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 undiscounted future net cash flows 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, which is based either on discounted cash flows or appraised values in the period the impairment becomes known. There were no such write-downs in 2005, 2004, or 2003.

J. Goodwill

Goodwill results from business acquisitions. The Corporation accounts for business acquisitions by allocating the purchase price to tangible and intangible assets and liabilities. 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. See Note 6 for further information on goodwill.

K. Fair Value of Financial Instruments

SFAS No. 107, "Disclosure About Fair Value of Financial Instruments," 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 are deemed to approximate fair value.

The estimated fair values of the Corporation's fixed rate debt instruments at December 31, 2005 aggregated $357.9 million compared to a carrying value of $349.8 million. The carrying amount of the variable interest rate debt approximates fair value because the interest rates are reset periodically to reflect current market conditions. Fair values for the Corporation's fixed rate debt were estimated by management.

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.

L. 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 and field support for new customer requirements. Corporation-sponsored research and development costs are expensed as incurred.

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

M. Environmental Costs

The Corporation establishes a reserve for a potential environmental remediation liability on a site by site basis when it concludes that a determination of legal liability is probable and the amount of the liability can be reasonably estimated based on current law and existing technologies. Such amounts, if quantifiable, reflect the Corporation's estimate of the amount of that liability. If only a range of potential liability can be estimated and no amount within the range is more probable than another, a reserve will be established at the low end of that range. At sites involving multiple parties, the Corporation accrues environmental liabilities based upon its expected share of the liability, taking into account the financial viability of other jointly liable partners. Such reserves, which are reviewed quarterly, are adjusted as assessment and remediation efforts progress or as additional information becomes available. Approximately 80% of the Corporation's environmental reserves as of December 31, 2005 represent the current value of anticipated remediation costs and are not discounted primarily due to the uncertainty of timing of expenditures. The remaining environmental reserves are discounted to reflect the time value of money since the amount and timing of cash payments for the liability are reliably determinable. All environmental reserves exclude any potential recovery from insurance carriers or third-party legal actions.

N. Accounting for Stock-Based Compensation

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), the Corporation elected to account for its stock-based compensation using the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". As such, the Corporation does not recognize compensation expense on non-qualified stock options granted to employees under the Corporation's 1995 or 2005 Long-Term Incentive Plan (the "1995 LTI Plan" or the "2005 LTI Plan" respectively), when the exercise price of the options is equal to the market price of the underlying stock on the date of the grant, or on non-qualified stock options granted under the Corporation's Employee Stock Purchase Plan ("ESPP"). In December 2004, the FASB issued FAS 123 (revised 2004)("FAS 123R"), under which, the Corporation will begin to expense stock option grants beginning in the first quarter 2006. Please see *Recently Issued Accounting Standards* for further information on this standard.

Pro forma information regarding net earnings and earnings per share is required by FAS 123 and has been determined as if the Corporation had accounted for its employee stock option grants under the fair value method prescribed by that Statement. Information with regard to the number of options granted, market price of the grants, vesting requirements, and the maximum term of the options granted appears by plan type in Note 12. The fair value of the LTI Plan options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2005	2004	2003
Risk-free interest rate	**4.52%**	3.89%	3.68%
Expected volatility	**23.21%**	31.37%	31.68%
Expected dividend yield	**0.86%**	0.64%	0.94%
Weighted-average option life	**7 years**	7 years	7 years
Weighted-average grant-date fair value of options	**$18.12**	$21.43	$13.97

The fair value of the ESPP options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	2005	2004
Risk-free interest rate	**2.86%**	1.33%
Expected volatility	**30.98%**	23.99%
Expected dividend yield	**0.33%**	0.35%
Weighted-average option life	**0.5 years**	0.5 years
Weighted-average grant-date fair value of options	**$13.35**	$11.21

The Corporation's pro forma information for the years ended December 31, 2005, 2004, and 2003 is as follows:

(In thousands, except per share data)	2005	2004	2003
NET EARNINGS: AS REPORTED	**$75,280**	$65,066	$52,268
Deduct:			
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(2,565)**	(1,862)	(1,261)
Pro forma	**$72,715**	$63,204	$51,007
NET EARNINGS PER SHARE:			
As reported:			
Basic	**$ 3.48**	$ 3.07	$ 2.53
Diluted	**$ 3.44**	$ 3.02	$ 2.50
Pro forma:			
Basic	**$ 3.36**	$ 2.98	$ 2.47
Diluted	**$ 3.32**	$ 2.93	$ 2.44

The Corporation receives tax deductions related to the exercise of non-qualified LTI Plan options and disqualifying dispositions of stock granted under the ESPP, the offset of which is recorded in equity. The tax benefit of these deductions totaled $3.2 million, $3.5 million, and $1.7 million in 2005, 2004, and 2003, respectively.

O. Capital Stock

On May 24, 2005, the Corporation completed a recapitalization that resulted in the combination of the Corporation's two classes of common stock into a single new class by converting all outstanding shares of Common stock and Class B common stock into a single new class of common stock. The recapitalization was accomplished through a merger of a wholly owned subsidiary into the Corporation, in which the outstanding shares of Common stock and Class B common stock were exchanged for shares of the single class of Common stock. The relative ownership of the Corporation's new class of Common stock was the same immediately after the merger as it was immediately prior.

In addition to the recapitalization, in May 2005, shareholders approved a proposal to increase the number shares of Common stock authorized for issuance from 45 million shares to 100 million shares.

On May 23, 2003, the stockholders approved an increase in the number of authorized shares of the Corporation's Common stock from 11,250,000 to 33,750,000. On November 18, 2003, the Board of Directors declared a 2-for-1 stock split in the form of a 100% stock dividend. The split, in the form of 1 share of Common stock for each share of Common stock outstanding and 1 share of Class B common stock for each share of Class B common stock outstanding, was payable on December 17, 2003. To effectuate the stock split, the Corporation issued 5,993,864 original shares of Common stock and 4,382,400 original shares of Class B common stock, at $1.00 par value from capital surplus, with a corresponding reduction in retained earnings of $10.4 million. Accordingly, all references throughout this Annual Report to number of shares, per share amounts, stock options data, and market prices of the Corporation's two classes of common stock have been adjusted to reflect the effect of the stock split for all periods presented, where applicable. On February 7, 2006, the Board of Directors declared a 2-for1 stock split in the form of a 100% stock dividend. Further information of the Corporation's recently announced stock split is disclosed in Note 19.

The Corporation is authorized to repurchase 900,000 shares under its existing stock repurchase program. Purchases are authorized to be made from time to time in the open market or privately negotiated transactions, depending on market and other conditions, whenever management believes that the market price of the stock does not adequately reflect the true value of the Corporation and, therefore, represented an attractive investment opportunity. The shares are held at cost and reissuance is recorded at the weighted-average cost. Through December 31, 2005, the Corporation had repurchased 210,930 shares under this program. There was no stock repurchased during 2005, 2004, and 2003.

P. Earnings Per Share

The Corporation is required to report both basic earnings per share ("EPS"), based on the weighted-average number of Common and Class B shares outstanding, and diluted earnings per share, based on the basic EPS adjusted for all potentially dilutive shares issuable. The calculation of EPS is disclosed in Note 11.

Q. Income Taxes

The Corporation applies SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS No. 109, 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.

R. Foreign Currency Translation

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 within stockholders' equity. This balance is affected by foreign currency exchange rate fluctuations and by the acquisition of foreign entities. Gains and losses from foreign currency transactions are included in results of operations.

S. Derivatives

The Corporation has used interest rate swaps and forward foreign currency contracts to manage its exposure to fluctuations in interest rates on a portion of its fixed rate debt instruments and foreign currency rates at its foreign subsidiaries. The foreign currency contracts are marked to market with changes in the fair value reported in income in the period of change. The interest rate swap agreements have been accounted for as fair value hedges. The interest rate swaps were recorded at fair value on the balance sheet within other non-current assets with changes in fair value recorded currently in earnings. Additionally, the carrying amount of the associated debt was adjusted through earnings for changes in fair value due to change in interest rates. Ineffectiveness is recognized to the extent that these two adjustments do not offset. The interest rate swap agreements were assumed to be perfectly effective under the 'short cut method' of SFAS 133. The differential to be paid or received based on changes in interest rates was recorded as an adjustment to interest expense in the statement of earnings. Additional information on these swap agreements is presented in Note 10.

T. Recently Issued Accounting Standards

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Accounting for Stock-Based Compensation." This Statement requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award — the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Employee share purchase plans will not result in recognition of compensation cost if certain conditions are met; those conditions are much the same as the related conditions in Statement 123. This Statement is effective as of the beginning of the first interim or annual reporting period that begins after June 15, 2005. The Corporation expects the adoption of this statement to have a pre-tax expense of approximately $5 million on operating income in 2006.

In June 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections — A Replacement of APB Opinion No. 20 and FASB Statement No. 3" ("FAS 154"). This Statement requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the basis of the new accounting principle, unless it is impracticable to do so. FAS 154 also provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and correction of errors made in fiscal years beginning after December 15, 2005. Early adoption of this standard is permitted for accounting changes and correction of errors made in fiscal years beginning after June 1, 2005. The Corporation does not anticipate that the adoption of this statement will have a material impact on the Corporation's results of operation or financial condition.

In March of 2005, the FASB issued FIN No. 47, "Accounting for Conditional Asset Retirement Obligations — an interpretation of FASB Statement No. 143." This Interpretation clarifies that the term "conditional asset retirement obligation" as used in FASB Statement No. 143, "Accounting for Asset Retirement Obligations," refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation should be recognized when incurred — generally upon acquisition, construction, or development and (or) through the normal operation of the asset. Uncertainty about the timing and (or) method of settlement of a conditional asset retirement obligation should be factored into the measurement of the liability when sufficient information exists. Statement 143 acknowledges that in some cases, sufficient information may not be available to reasonably estimate the fair value of an asset retirement obligation. This Interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. The adoption of this interpretation did not have a material impact on the Corporation's results of operation or financial condition.

2. Acquisitions

The Corporation acquired one business in 2005, as described below. In addition, the Corporation purchased eleven businesses in 2004 and seven businesses in 2003. The 2003 purchases, as well as nine of the 2004 purchases, are described in more detail below. The remaining two businesses acquired in 2004 had an aggregate purchase price of $1.1 million and are not considered material. All acquisitions have been accounted for as purchases with the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired recorded as goodwill. The Corporation makes preliminary estimates of the purchase price allocations, including the value of identifiable intangibles with a finite life, and records amortization based upon the estimated useful life of those intangible assets identified. The Corporation will adjust these estimates based upon analysis of third party appraisals, when deemed appropriate, and the determination of fair value, when finalized, within twelve months from acquisition.

The following unaudited pro forma financial information shows the results of operations for the years ended December 31, 2005 and 2004, as though the 2005 and 2004 acquisitions had occurred on January 1, 2004. The unaudited pro forma presentation reflects adjustments for (i) the amortization of acquired intangible assets, (ii) depreciation of fixed assets at their acquired fair values, (iii) additional interest expense on acquisition-related borrowings, (iv) the issuance of stock as consideration, and (v) the income tax effect on the pro forma adjustments, using local statutory rates. The pro forma adjustments related to certain acquisitions are based on preliminary purchase price allocations. Differences between the preliminary and final purchase price allocations could have a significant impact on the unaudited pro forma financial information presented. The unaudited pro forma financial information below is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the acquisition been completed as of the date indicated above or the results that may be obtained in the future.

Unaudited (In thousands)	2005	2004
Revenue	**$1,135,379**	$1,060,786
Net earnings	**$ 74,824**	$ 68,283
Diluted earnings per share	**$ 3.41**	$ 3.15

The results of each acquired business have been included in the consolidated financial results of the Corporation from the date of acquisition in the segment indicated as follows:

FLOW CONTROL

ENGINEERED PUMP DIVISION

On November 10, 2004, the Corporation acquired certain assets of the Government Marine Business Unit division of Flowserve Corporation, subsequently renamed the Engineered Pump Division ("EPD"). The effective date of the acquisition was November 1, 2004. The purchase price, subject to customary adjustments provided for in the Asset Purchase Agreement, was $28.1 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The excess of the purchase price over the fair value of the net assets acquired is $7.6 million at December 31, 2005. Revenues of the purchased business were $26.4 million for the year ended December 31, 2003.

EPD is a leading designer and manufacturer of highly engineered, critical function pumps for the U.S. Navy nuclear submarine and aircraft carrier programs and non-nuclear surface ships. EPD is the sole source supplier of main and auxiliary seawater, fresh water, and cooling pumps, coolant purification pumps, injection, chilled water, and other critical pumps. Approximately 85% of this business supports nuclear programs, and 15% supports non-nuclear naval surface programs. EPD has a strong and growing aftermarket business for repairs, refurbishments, and parts, which constitutes approximately 45% of total sales. EPD's operations are located in Phillipsburg, New Jersey.

GROQUIP

On July 12, 2004, the Corporation acquired the outstanding stock of Groth Equipment Corporation of Louisiana ("Groquip"). The purchase price, subject to customary adjustments provided for in the Stock Purchase Agreement, was $4.5 million payable in approximately 18,000 shares of the Corporation's restricted Common stock valued at $1.0 million and cash of $3.5 million, and the assumption of certain liabilities. The cash portion of the purchase price was funded from credit available under the Corporation's revolving credit facilities. The purchase price approximated the fair value of the net assets acquired as of December 31, 2005.

Groquip is a market leader in the hydrocarbon and chemical processing industries. Groquip provides products and services for various pressure-related processes that ensure safe operation and regulatory compliance. Groquip is a manufacturer's sales representative for rupture discs, conservation vents, fire and gas detectors, and pressure relief valves. They also provide field and in-shop service and repairs for pressure relief valves and a variety of specialty valves. Groquip is headquartered in Geismar, Louisiana and has a sales and service center located in Sulphur, Louisiana. Revenues of the acquired business were $10.1 million for the twelve months ended June 30, 2004.

NOVA

On May 24, 2004, the Corporation acquired certain assets of NOVA Machine Products Corporation ("NOVA"). The purchase price was $20.0 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. There are provisions in the agreement for additional payments upon the achievement of certain financial performance criteria through 2009 up to a maximum additional payment of $9.2 million. Through December 31, 2005, the Corporation has made no payments of additional consideration under these provisions. The excess of the purchase price over the fair value of the net assets acquired is $5.0 million at December 31, 2005.

NOVA is one of the largest suppliers of safety-related fasteners to the U.S. nuclear power industry and the Department of Energy and also provides a wide range of manufactured and distributed products and related services. NOVA is headquartered in Middleburg Heights, Ohio, with distribution centers in Glendale Heights, Illinois, and Decatur, Alabama, and five sales offices throughout the U.S. Revenues of the acquired business were $17.1 million for the year ended December 31, 2003.

On September 1, 2005, NOVA acquired the HydraNut product line and related intellectual property of Technofast International, a wholly owned subsidiary of Tech Novus Pty. Ltd of Brisbane, Australia ("Technofast"). The acquisition of this product line replaced a licensing agreement between NOVA and Technofast, which was part of the acquired assets of the Corporation's acquisition of NOVA in 2004.

The purchase price of $8.0 million included an initial cash payment of $4.5 million and will require quarterly cash payments calculated as a percentage of sales of the product line, not to exceed $3.5 million over an eight year period. Any remaining purchase price unpaid at the end of eight years will expire unpaid. The Corporation estimates this liability will be paid down within five years.

The acquisition of this technology was accounted for as an acquisition of intangible assets. As such, the Corporation has estimated the fair value of the future payments as of September 1, 2005 to be $3.0 million and has recorded a liability. The intangible asset was capitalized as developed technology in the amount of $7.5 million and will be amortized over its 20 year useful life.

The HydraNut fastener provides simple and accurate tensioning in safety risk situations and hard to access areas for customers in nuclear power generation, industrial, and other energy markets.

TRENTEC

On May 24, 2004, the Corporation acquired certain assets of Trentec, Inc. ("Trentec"). The purchase price, subject to customary adjustments provided for in the Asset Purchase Agreement, was $13.9 million, payable in approximately 280,000 shares of the Corporation's restricted Common stock valued at $13.0 million, cash of $0.9 million, and the assumption of certain liabilities. The excess of the purchase price over the fair value of the net assets acquired is $5.3 million at December 31, 2005.

In August 2005, the Corporation completed negotiations with the sellers of Trentec regarding a post-closing dispute. The settlement resulted in $0.9 million of recovery, which is included in operating income for 2005, and $0.1 million of additional consideration paid under the working capital adjustment, which increased the purchase price of the acquired business. The effect of the settlement was treated as a non-cash transaction for purposes of preparing the statement of cash flows as the net settlement of $0.8 million was effectuated through the forfeiture of the cash holdback in the same amount.

Trentec's services include specialty equipment fabrication, diamond wiresaw cutting, nuclear power plant equipment qualification, and third-party dedication and supply of nuclear components. Trentec's operations are located in Cincinnati, Ohio. Revenues of the acquired business were $13.5 million for the year ended December 31, 2003.

MOTION CONTROL

INDAL TECHNOLOGIES, INC.

On March 1, 2005, the Corporation acquired the outstanding stock of the parent corporation of Indal Technologies, Inc. ("Indal"). The purchase price was 80.3 million Canadian dollars ($64.7 million) in cash and was funded from credit available under the Corporation's revolving credit facilities.

The purchase price of the acquisition has been preliminarily allocated to the net tangible and intangible assets acquired, with the remainder recorded as goodwill, on the basis of estimated fair values as of December 31, 2005, as follows:

(In thousands)

Net working capital	$ 16,216
Property, plant, and equipment	11,324
Intangible assets	21,456
Deferred income tax liabilities	(11,315)
Net tangible and intangible assets	37,681
Purchase price, including capitalized acquisition costs	64,715
Goodwill	$ 27,034

The estimated excess of the purchase price over the fair value of the net assets acquired is $28.8 million at December 31, 2005, including foreign currency translation adjustment gains of $1.8 million. The fair value of the net assets acquired was based on current estimates. The Corporation may adjust these estimates based upon analysis of third party appraisals and the final determination of fair value.

Indal provides shipboard helicopter handling systems for naval applications with a global installed base on over 200 ships, including more than 100 systems deployed in the U.S. Navy. Indal's highly engineered, proprietary products enable helicopters to land aboard naval vessels in rough sea conditions. Indal also designs and manufactures specialized telescopic hangars that provide protection for helicopters aboard ships and cable handling systems for naval sonar applications. Indal is headquartered near Toronto, Ontario, Canada. Revenues of the acquired business were 49.4 million Canadian dollars ($38.2 million) for the year ended December 31, 2004.

SYNERGY

On August 31, 2004, the Corporation acquired the outstanding stock of Synergy Microsystems, Inc ("Synergy"). The purchase price was $49.1 million in cash and was funded from credit available under the Corporation's revolving credit facilities. Under the terms of the agreement, the Corporation deposited $2.5 million into escrow as security for potential indemnification claims against the seller. Any escrow remaining after claims for indemnification have been settled will be paid to the seller 18 months from the acquisition date by the escrow agent. The excess of the purchase price over the fair value of the net assets acquired is $31.3 million at December 31, 2005.

Synergy specializes in the design, manufacture and integration of single- and multi-processor, single-board computers for VME and CompactPCI systems to meet the needs of demanding real-time applications in military, aerospace, industrial and commercial markets. Synergy is headquartered in San Diego, California and has a facility in Tucson, Arizona. Revenues of the acquired business were $17.5 million for the year ended December 31, 2003.

PRIMAGRAPHICS

On May 28, 2004, the Corporation acquired the outstanding stock of Primagraphics Holdings Limited ("Primagraphics"). The purchase price, subject to customary adjustments provided for in the Stock Purchase Agreement, was £12.5 million ($22.4 million) in cash. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The estimated excess of the purchase price over the fair value of the net assets acquired is $13.7 million at December 31, 2005, including foreign currency translation adjustment losses of $0.6 million.

Primagraphics is a market leader in the development of radar processing and graphic display systems used throughout the world for military and commercial applications, such as ship and airborne command and control consoles, vessel tracking, air traffic control, and air defense systems. Primagraphics' products include graphics and imaging technologies, video and sensor processing hardware, and software that can be readily engineered to provide vital components for a wide variety of systems. Primagraphics is headquartered near Cambridge in the United Kingdom, with an additional facility in Charlottesville, Virginia, and a worldwide network of dealers and distributors. Revenues of the acquired business were £6.8 million ($10.9 million) for the fiscal year ended June 30, 2003.

Dy 4

On January 31, 2004, the Corporation acquired the outstanding stock of Dy 4 Systems, Inc. and Dy 4 (U.S.) Inc. (collectively "Dy 4"). The purchase price was $110.4 million in cash and the assumption of certain liabilities. Management funded the purchase price with cash on hand and from the Corporation's revolving credit facilities. The purchase price has been allocated to the net tangible and intangible assets acquired, with the remainder recorded as goodwill, on the basis of fair values as of December 31, 2005, as follows:

(In thousands)

Net working capital	$ 10,665
Property, plant, and equipment	6,238
Deferred tax liabilities	(9,840)
Intangible assets	40,549
Net tangible and intangible assets	$ 47,612
Purchase price, including capitalized acquisition costs	110,376
Goodwill	$ 62,764

Dy 4 is considered a market leader in ruggedized embedded computing solutions for the defense and aerospace industries. Using standard, commercially available computing technologies, referred to as commercial-off-the-shelf, Dy 4 customizes the products to perform reliably in rugged conditions, such as extreme temperature, terrain, and speed. The acquisition was made primarily to complement the

Corporation's existing businesses that serve the embedded computing market. Based in Ottawa, Canada, Dy 4 also has a facility in Virginia and a sales office in the United Kingdom. Revenues of the purchased business for the fiscal year ending August 29, 2003 were $72.4 million.

NOVATRONICS/PICKERING

On December 4, 2003, the Corporation acquired all of the outstanding stock of Novatronics Inc. ("Novatronics") and Pickering Controls Inc. ("Pickering"). The purchase price was $13.6 million in cash and the assumption of certain liabilities and was funded with proceeds from the Senior Notes issued in September 2003. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2005 is $6.4 million, including foreign currency translation adjustment gains of $0.3 million.

Novatronics and Pickering design and manufacture electric motors and position sensors (both linear and rotary) for the commercial aerospace, military aerospace, and industrial markets. Novatronics has operating facilities located in Stratford, Ontario, Canada, while Pickering is located in Plainview, NY. Revenues of the purchased business were $12.0 million for the year ended December 31, 2002.

SYSTRAN CORPORATION

On December 1, 2003, the Corporation acquired all of the outstanding shares of Systran Corporation ("Systran"). The purchase price was $18.3 million in cash and the assumption of certain liabilities and was funded with proceeds from the Senior Notes issued in September 2003. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2005 is $9.2 million.

Systran is a leading supplier of highly specialized, high performance data communications products for real-time systems, primarily for the aerospace and defense, industrial automation, and medical imaging markets. Key applications include simulation, process control, advanced digital signal processing, data acquisition, image processing, and test and measurement. Systran's operations are located in Dayton, Ohio. Revenues of the purchased business were $15.1 million for the year ended September 30, 2003.

PERITEK CORPORATION

On August 1, 2003, the Corporation acquired the assets and certain liabilities of Peritek Corporation ("Peritek"). The purchase price was $3.2 million in cash and the assumption of certain liabilities. The purchase price of the acquisition approximates the fair value of the net assets acquired as of December 31, 2005, which includes developed technology of approximately $2.6 million.

Peritek is a leading supplier of video and graphic display boards for the embedded computing industry and supplies a variety of industries including aviation, defense, and medical. In addition, Peritek supplies products for bomb detection, industrial automation, and medical imaging applications. Peritek's operations are located in Oakland, California. Revenues of the purchased business for the fiscal year ending March 31, 2003 were $2.7 million.

COLLINS TECHNOLOGIES

On February 28, 2003, the Corporation acquired the assets of Collins Technologies ("Collins"). The purchase price was $11.8 million in cash and the assumption of certain liabilities. Management funded the purchase price from credit available under the Corporation's Short-Term Credit Agreement. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2005 is $6.2 million.

Collins designs and manufactures linear variable displacement transducers ("LVDTs") primarily for aerospace flight and engine control applications. Industrial LVDTs are used mostly in industrial automation and test applications. Collins' operations are located in Long Beach, California. Revenues of the purchased business were $8.3 million for the year ended March 31, 2002.

METAL TREATMENT

EVERLUBE

On April 2, 2004, the Corporation purchased the assets of the Everlube Products division ("Everlube") of Morgan Advanced Ceramics, Inc. The purchase price was $6.5 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The estimated excess of the purchase price over the fair value of the net assets acquired is $3.3 million at December 31, 2005.

Everlube is a pioneer and leader in manufacturing solid film lubricant ("SFL") and other specialty engineered coatings with more than 180 formulations available. Everlube's engineered coatings improve the functional performance of metal components in lubrication, temperature, and corrosion resistance. Everlube is located in Peachtree City, Georgia. Revenues of the acquired business were $3.9 million for the year ended December 31, 2003.

EVESHAM

On February 24, 2004, the Corporation purchased the assets of the Evesham coatings business located in the United Kingdom ("Evesham") from Morgan Advanced Ceramics, Ltd. The purchase price was £3.5 million ($6.5 million) in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The excess of the purchase price over the fair value of the net assets acquired is $2.0 million at December 31, 2005, including foreign currency translation adjustment losses of $0.2 million.

Evesham manufactures and applies an extensive range of SFL coatings, which provide lubrication, corrosion resistance, and enhanced engineering performance. Revenues of the acquired business were £2.6 million ($4.2 million) for the year ended December 31, 2003.

E/M ENGINEERED COATINGS SOLUTIONS

On April 2, 2003, the Corporation purchased selected assets of E/M Engineered Coatings Solutions ("E/M Coatings"). The purchase price was $16.8 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's Short-Term Credit Agreement. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2005 is $6.4 million.

The Corporation acquired six E/M Coatings facilities operating in Chicago, Illinois; Detroit, Michigan; Minneapolis, Minnesota; Hartford, Connecticut; and North Hollywood and Chatsworth, California. Combined, these facilities are one of the leading providers of SFL coatings in the United States. The E/M Coatings facilities have the capability of applying over 1,100 different coatings to impart lubrication, corrosion resistance, and certain cosmetic and dielectric properties to selected components. Revenues of the purchased business were approximately $26 million for the year ended December 31, 2002.

ADVANCED MATERIAL PROCESS

On March 11, 2003, the Corporation acquired selected net assets of Advanced Material Process Corp. ("AMP"), a private company with operations located in Wayne, Michigan. The purchase price was $6.0 million in cash and the assumption of certain liabilities. There are provisions in the agreement for additional payments upon the achievement of certain financial performance criteria through 2008 up to a maximum additional payment of $1.0 million. As of December 31, 2005, the Corporation has paid $0.1 million in such additional consideration. Management funded the purchase from credit available under the Corporation's Short-Term Credit Agreement. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2005 is $1.4 million.

AMP is a supplier of commercial shot peening services primarily to the automotive market in the Detroit area. Revenues of the purchased business were $5.1 million for the year ended December 31, 2002.

3. Receivables

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

Credit risk is generally diversified due to the large number of entities comprising the Corporation's customer base and their geographic dispersion. The Corporation is either a prime contractor or subcontractor of various agencies of the U.S. Government. Revenues derived directly and indirectly from government sources (primarily the U.S. Government) were 48%, 47%, and 46% of consolidated revenues in 2005, 2004, and 2003, respectively. As of December 31, 2005 and 2004, accounts receivable due directly or indirectly from these government sources represented 52% and 42% of net receivables, respectively. Sales to one customer through which the Corporation is a subcontractor to the U.S. Government were 10% of consolidated revenues in 2005, 13% in 2004, and 16% in 2003. No single customer accounted for more than 10% of the Corporation's net receivables as of December 31, 2005 and 2004.

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

The composition of receivables is as follows:

(In thousands) December 31,	2005	2004
BILLED RECEIVABLES:		
Trade and other receivables	**$171,203**	$156,891
Less: Allowance for doubtful accounts	**(5,453)**	(4,011)
Net billed receivables	**165,750**	152,880
UNBILLED RECEIVABLES:		
Recoverable costs and estimated earnings not billed	**107,618**	79,156
Less: Progress payments applied	**(28,679)**	(17,952)
Net unbilled receivables	**78,939**	61,204
Receivables, net	**$244,689**	$214,084

The net receivable balance at December 31, 2005 included $18.4 million related to the Corporation's 2005 acquisition.

4. Inventories

In accordance with industry practice, 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. Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories is as follows:

(In thousands) December 31,	2005	2004
Raw material	**$ 59,336**	$ 49,616
Work-in-process	**43,099**	35,157
Finished goods and component parts	**52,825**	50,117
Inventoried costs related to U.S. Government and other long-term contracts	**27,533**	19,396
Gross inventories	**182,793**	154,286
Less: Inventory reserves	**(25,377)**	(26,276)
Progress payments applied, principally related to long-term contracts	**(11,119)**	(12,031)
Inventories, net	**$146,297**	$115,979

The net inventory balance at December 31, 2005 included $5.0 million related to the Corporation's 2005 acquisition.

5. Property, Plant, and Equipment

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

(In thousands) December 31,	2005	2004
Land	**$ 16,825**	$ 12,563
Buildings and improvements	**111,409**	101,476
Machinery, equipment, and other	**362,018**	340,363
Property, plant, and equipment, at cost	**490,252**	454,402
Less: Accumulated depreciation	**(215,431)**	(189,159)
Property, plant, and equipment, net	**$ 274,821**	$ 265,243

Depreciation expense for the years ended December 31, 2005, 2004, and 2003 was $36.0 million, $32.4 million, and $27.7 million, respectively. The net property, plant, and equipment balance at December 31, 2005 included $11.6 million related to the Corporation's 2005 acquisition.

6. Goodwill

Goodwill consists primarily of the excess purchase price of acquisitions over the fair value of the net assets acquired.

The changes in the carrying amount of goodwill for 2005 and 2004 are as follows:

(In thousands)	Flow Control	Motion Control	Metal Treatment	Consolidated
December 31, 2003	$ 93,418	$110,850	$15,790	$220,058
Goodwill from 2004 acquisitions	17,070	109,207	5,411	131,688
Change in estimate to fair value of net assets acquired in prior years	(2,260)	34	(871)	(3,097)
Additional consideration of prior years' acquisitions	5,777	4,024	20	9,821
Foreign currency translation adjustment	1,197	4,464	182	5,843
December 31, 2004	$115,202	$228,579	$20,532	$364,313
Goodwill from 2005 acquisitions	**—**	**27,034**	**—**	**27,034**
Change in estimate to fair value of net assets acquired in prior years	**1,070**	**(536)**	**—**	**534**
Additional consideration of prior years' acquisitions	**1,241**	**629**	**60**	**1,930**
Foreign currency translation adjustment	**(344)**	**(4,810)**	**(499)**	**(5,653)**
December 31, 2005	**$117,169**	**$250,896**	**$20,093**	**$388,158**

Additional consideration of prior years' acquisitions includes accruals of $0.4 million and $8.5 million for the years ended December 31, 2005 and 2004, respectively, related to earn out and other required contractual payments. These amounts are classified in other current liabilities as additional amounts due to sellers.

During 2005, the Corporation finalized the allocation of the purchase price for all businesses acquired prior to 2005. None of the goodwill on the 2005 acquisition is deductible for tax purposes, while approximately $29 million of the goodwill on acquisitions made during 2004 is deductible for tax purposes.

In accordance with SFAS No. 142, the Corporation completed its annual impairment test of goodwill in 2005 and concluded there was no impairment of goodwill.

7. Other Intangible Assets, Net

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

The following table summarizes the intangible assets acquired (including their weighted-average useful lives) by the Corporation during 2005 and 2004. Indefinite lived intangible assets of $8.0 million are excluded from the data in the 2004 table. No indefinite lived intangible assets were purchased in 2005.

(In thousands, except years data)	2005		2004	
	Amount	Years	Amount	Years
Developed technology	**$17,892**	**20.0**	$46,858	17.6
Customer related intangibles	**11,107**	**17.7**	39,961	18.7
Other intangible assets	**818**	**13.9**	1,391	8.2
Total	**$29,817**	**19.0**	$88,210	17.9

The following tables present the cumulative composition of the Corporation's acquired intangible assets as of December 31:

(In thousands) **2005**	Gross	Accumulated Amortization	Net
Developed technology	**$ 92,580**	**$(13,510)**	**$ 79,070**
Customer related intangibles	**74,063**	**(8,960)**	**65,103**
Other intangible assets	**16,697**	**(2,603)**	**14,094**
Total	**$183,340**	**$(25,073)**	**$158,267**

(In thousands) 2004	Gross	Accumulated Amortization	Net
Developed technology	$ 75,970	$ (7,436)	$ 68,534
Customer related intangibles	62,049	(4,282)	57,767
Other intangible assets	15,952	(1,884)	14,068
Total	$153,971	$(13,602)	$140,369

The following table presents the changes in the net balance of other intangibles assets during 2005:

(In thousands)	Developed Technology	Customer Related Intangibles	Other Intangible Assets	Total
December 31, 2004	**$68,534**	**$57,767**	**$14,068**	**$140,369**
Acquired during 2005	**17,892**	**11,107**	**818**	**29,817**
Amortization expense	**(6,475)**	**(4,682)**	**(726)**	**(11,883)**
Net foreign currency translation adjustment	**(881)**	**911**	**(66)**	**(36)**
Total	**$79,070**	**$65,103**	**$14,094**	**$158,267**

Included in other intangible assets at December 31, 2005 and 2004 are $9.9 million of intangible assets not subject to amortization. In accordance with SFAS No. 142, the Corporation completed its annual test of impairment of indefinite lived intangible assets, and concluded there was no impairment of value.

Amortization expense for the years ended December 31, 2004 and 2003 was $8.3 million and $3.6 million, respectively. The estimated future amortization expense of purchased intangible assets is as follows:

(In thousands)	
2006	$10,988
2007	10,988
2008	10,935
2009	9,846
2010	9,342

8. Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following:

(In thousands) December 31,	2005	2004
Accrued compensation	**$45,270**	$36,520
Accrued commissions	**5,819**	3,857
Accrued taxes other than income taxes	**4,048**	3,642
Accrued insurance	**4,053**	3,179
Accrued interest	**3,842**	3,170
Other	**11,220**	13,045
Total accrued expenses	**$74,252**	$63,413

Other current liabilities consist of the following:

(In thousands) December 31,	2005	2004
Deferred revenue	**$21,634**	$26,575
Warranty reserves	**9,850**	9,667
Additional amounts due to sellers on acquisitions	**3,274**	10,899
Current portion of environmental reserves	**2,677**	1,843
Other	**5,616**	3,809
Total other current liabilities	**$43,051**	$52,793

The accrued expenses and other current liabilities at December 31, 2005 included $2.1 million and $5.3 million, respectively, related to the Corporation's 2005 acquisition.

The Corporation provides its customers with warranties on certain commercial and governmental products. Estimated warranty costs are charged to expense in the period the related revenue is recognized based on the terms of the product warranty, the related estimated costs, and quantitative historical claims experience. These estimates are adjusted in the period in which actual results are finalized or additional information is obtained. The following table presents the changes in the Corporation's warranty reserves:

(In thousands)	2005	2004
Warranty reserves at January 1,	**$ 9,667**	$10,011
Provision for current year sales	**3,188**	3,275
Current year claims	**(2,534)**	(2,334)
Change in estimates to pre-existing warranties	**(1,700)**	(2,856)
Increase due to acquisitions	**1,618**	1,135
Foreign currency translation adjustment	**(389)**	436
Warranty reserves at December 31,	**$ 9,850**	$ 9,667

9. Income Taxes

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

(In thousands)	2005	2004	2003
Domestic	**$ 77,440**	$65,963	$67,429
Foreign	**40,858**	32,790	16,627
Total	**$118,298**	$98,753	$84,056

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

(In thousands)	2005	2004	2003
Current:			
Federal	**$25,362**	$21,158	$17,018
State	**6,028**	5,481	4,103
Foreign	**12,791**	10,548	5,050
	44,181	37,187	26,171
Deferred:			
Federal	**(674)**	(878)	5,032
State	**472**	(1,969)	426
Foreign	**(961)**	(653)	159
	(1,163)	(3,500)	5,617
Provision for income taxes	**$43,018**	$33,687	$31,788

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

	2005	2004	2003
U.S. Federal statutory tax rate	**35.0%**	35.0%	35.0%
Add (deduct):			
State and local taxes, net of federal benefit	**3.4**	1.6	3.5
All other, net	**(2.0)**	(2.5)	(0.7)
Effective tax rate	**36.4%**	34.1%	37.8%

The 2004 effective tax rate included nonrecurring benefits totaling $3.4 million, primarily resulting from the change in legal structure of one of our subsidiaries and a favorable IRS appeals settlement.

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

(In thousands)	2005	2004
Deferred tax assets:		
Environmental reserves	**$ 9,946**	$ 9,141
Inventories	**8,353**	10,730
Postretirement/postemployment benefits	**16,453**	16,204
Incentive compensation	**9,203**	7,086
Accrued vacation pay	**4,570**	4,229
Warranty reserve	**2,363**	1,950
Other	**7,607**	5,164
Total deferred tax assets	**58,495**	54,504
Deferred tax liabilities:		
Retirement plans	**10,376**	9,447
Depreciation	**21,054**	17,607
Goodwill amortization	**19,044**	20,974
Other intangible amortization	**28,332**	19,078
Other	**4,416**	1,748
Total deferred tax liabilities	**83,222**	68,854
Net deferred tax liabilities	**$(24,727)**	$(14,350)

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

(In thousands)	2005	2004
Current deferred tax assets	**$ 28,843**	$ 25,693
Noncurrent deferred tax liabilities	**(53,570)**	(40,043)
Net deferred tax liabilities	**$(24,727)**	$(14,350)

As of December 31, 2005, the Corporation had state and foreign net operating loss carryforwards of $0.5 million, after tax. The state net operating loss carryforwards expire through the year 2023. The foreign net operating loss carryforwards have no expiration date.

Income tax payments of $32.3 million were made in 2005, $28.8 million in 2004, and $22.8 million in 2003.

No provision has been made for U.S. federal or foreign taxes on that portion of certain foreign subsidiaries' undistributed earnings considered to be permanently reinvested, which at December 31, 2005 was $28.0 million. It is not practicable to estimate the amount of tax that would be payable if these amounts were repatriated to the U.S.; however, it is expected there would be minimal or no additional tax because of the availability of foreign tax credits.

On October 22, 2004 the American Jobs Creation Act of 2004 (the "ACT") was signed into law. The ACT includes a one time opportunity for a deduction of 85% of certain foreign dividends that are repatriated, as defined in the ACT. Pursuant to this provision of the ACT, the Corporation has repatriated $9.3 million in the fourth quarter of 2005 with a tax cost of $0.3 million. This tax cost was net of foreign tax credits which were not previously provided. The Corporation should be considered to have satisfied the Section 8.03 "safe harbor" contained in Notice 2005-10 since 100% of the required investments pursuant to the Section 965 dividend reinvestment plan have been made by the end of the 2005 tax year.

10. Debt

Debt consists of the following:

(In thousands) December 31,	2005	2004
Industrial Revenue Bonds, due from 2007 through 2028	**$ 14,239**	$ 14,296
Revolving Credit Agreement, due 2009	**—**	124,500
5.13% Senior Notes due 2010	**74,729**	75,329
5.74% Senior Notes due 2013	**125,108**	126,793
5.51% Senior Notes due 2017	**150,000**	—
Other debt	**826**	1,572
Total debt	**394,902**	342,490
Less: Short-term debt	**885**	1,630
Total Long-term debt	**$364,017**	$340,860

The weighted-average interest rate of the Corporation's Industrial Revenue Bonds was 2.54% and 1.39% in 2005 and 2004, respectively. The weighted-average interest rate of the Corporation's Revolving Credit Agreement was 3.97% and 2.56% in 2005 and 2004, respectively.

The carrying amount of the Industrial Revenue Bonds approximates fair value as the interest rates on variable debt are reset periodically to reflect market conditions and rates. Fair values for the Corporation's fixed rate debt totaled $357.9 million and $205.3 million at December 31, 2005 and 2004, respectively. These fair values were estimated by management. 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.

Aggregate maturities of debt are as follows[1]:

(In thousands)	
2006	$ 885
2007	5,060
2008	62
2009	64
2010	125,066
Thereafter	233,928
Total	$365,065

[1] Amounts exclude a $0.2 million adjustment to the fair value of long-term debt relating to the Corporation's interest rate swap agreements that were settled in cash during 2005.

Interest payments of $18.3 million, $12.1 million, and $2.6 million were made in 2005, 2004, and 2003, respectively.

On December 1, 2005, the Corporation issued $150.0 million of 5.51% Senior Notes (the "2005 Notes"). The 2005 Notes mature on December 1, 2017. The Notes are senior unsecured obligations and are 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 2005 Notes, subject to a make-whole amount in accordance with the terms of the Note Purchase Agreement. In connection with the 2005 Notes, the Corporation paid customary fees that have been deferred and will be amortized over the terms of the Notes. The Corporation is required under the Note Purchase Agreement to maintain certain financial ratios, the most restrictive of which is a debt to capitalization limit of 60% and a cross default provision with the Corporation's other senior indebtedness. As of December 31, 2005, the Corporation was in compliance with all covenants.

In November 2005, the Corporation unwound its interest rate swap agreements with notional amounts of $20 million and $60 million which were originally put in place to convert a portion of the fixed interest on the $75 million 5.13% Senior Notes and $125 million 5.74% Senior Notes, respectively, to variable rates based on specified spreads over six-month LIBOR. The unwind of these swap agreements resulted in a net loss of $0.2 million, which has been deferred and is being amortized over the remaining term of the underlying debt.

On July 23, 2004, the Corporation amended its existing credit facility, increasing the available line of credit from $225 million to $400 million with a group of ten banks. The Corporation plans to use the credit line for working capital purposes, internal growth initiatives, funding of future acquisitions, and other general corporate purposes. The credit agreement expires in 2009. Borrowings under the agreement bear interest at a floating rate based on market conditions. In addition, the Corporation's interest rate and level of facility fees depend on maintaining certain financial ratios defined in the agreement. The Corporation is subject to annual facility fees on the commitments under the Revolving Credit Agreement. In connection with the Revolving Credit Agreement, the Corporation paid customary transaction fees that have been deferred and are being amortized over the term of the agreement. The Corporation is required under the agreement to maintain certain financial ratios and meet certain financial tests as detailed in the agreement, of which the Corporation is in compliance at December 31, 2005. The unused credit available under the Revolving Credit Agreement at December 31, 2005 and 2004 was $367.9 million and $256.7 million, respectively.

On September 25, 2003, the Corporation issued $200.0 million of Senior Notes (the "2003 Notes"). The 2003 Notes consist of $75.0 million of 5.13% Senior Notes that mature on September 25, 2010 and $125.0 million of 5.74% Senior Notes that mature on September 25, 2013. The 2003 Notes are senior unsecured obligations and are 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 2003 Notes, subject to a make-whole amount in accordance with the Note Purchase Agreement. The Corporation paid customary fees that have been deferred and will be amortized over the terms of the 2003 Notes. The Corporation is required under the Note Purchase Agreement to maintain certain financial ratios, the most restrictive of which is a debt to capitalization limit of 60% and a cross default provision with the Corporation's other senior indebtedness. As of December 31, 2005, the Corporation was in compliance with all covenants.

At December 31, 2005, substantially all of the industrial revenue bond issues are collateralized by real estate, machinery, and equipment. Certain of these issues are supported by letters of credit, which total $13.7 million. The Corporation had various other letters of credit totaling $18.6 million. Substantially all letters of credit are included under the Revolving Credit Agreement.

11. Earnings Per Share

The Corporation is required to report both basic earnings per share ("EPS"), based on the weighted-average number of Common and Class B common shares outstanding, and diluted earnings per share, based on the basic EPS adjusted for all potentially dilutive shares issuable. Share and per share amounts presented below have been adjusted on a pro forma basis for the December 17, 2003 stock split. See Note 1-O for further information regarding the stock split.

The Corporation had no antidilutive options outstanding at December 31, 2005 or December 31, 2004. At December 31, 2003, the Corporation had stock options outstanding of 148,052 shares that were not included in the computation of diluted EPS, because to do so would have been antidilutive. Earnings per share calculations for the years ended December 31, 2005, 2004, and 2003 are as follows:

(In thousands, except per share data)	Net Income	Weighted-Average Shares Outstanding	Earnings Per Share
2005:			
Basic earnings per share	**$75,280**	**21,635**	**$3.48**
Effect of dilutive securities:			
Stock options		**250**	
Deferred stock compensation		**29**	
Diluted earnings per share	**$75,280**	**21,914**	**$3.44**
2004:			
Basic earnings per share	$65,066	21,196	$3.07
Effect of dilutive securities:			
Stock options		324	
Deferred stock compensation		27	
Diluted earnings per share	$65,066	21,547	$3.02
2003:			
Basic earnings per share	$52,268	20,640	$2.53
Effect of dilutive securities:			
Stock options		222	
Deferred stock compensation		25	
Diluted earnings per share	$52,268	20,887	$2.50

12. Stock Compensation Plans

2005 Long-Term Incentive Plan: Under the 2005 LTI Plan approved by stockholders in 2005 and effective as of May 19, 2005, an aggregate total of 2,500,000 shares of Common stock were reserved for issuance. The Common stock to be used to satisfy employee option exercises will be from the Corporation's treasury stock. The Corporation does not expect to repurchase any shares in 2006 to replenish treasury stock for issuances made to satisfy stock option exercises. No more than 200,000 shares of Common stock or 100,000 shares of restricted stock may be awarded in any year to any one participant in the 2005 LTI Plan. Awards under the 2005 LTI Plan currently consist of three components — performance units (cash), non-qualified stock options, and contingent restricted stock.

Under the 2005 LTI Plan, the Corporation awarded performance units of 8.0 million in 2005 to certain key employees. The performance units are denominated in dollars and are contingent upon the satisfaction of performance objectives keyed to achieving profitable growth over a period of three fiscal years commencing with the fiscal year following such awards. The anticipated cost of such awards is expensed over the three-year performance period, which for the 2005 awards will begin in 2006. The actual cost of the performance units may vary from the total value of the awards depending upon the degree to which the key performance objectives are met.

Under the 2005 LTI Plan, the Corporation has granted non-qualified stock options in 2005 to key employees. Grants under the 2005 LTI Plan were made in the fourth quarter. Stock options granted under the 2005 LTI Plan expire ten years after the date of the grant and are generally exercisable as follows: up to one-third of the grant after one year, up to two-thirds of the grant after two years, and in full three years from the date of grant.

Under the 2005 LTI Plan, the Corporation has granted 54,336 contingent restricted stock units in 2005 to certain of the Corporation's officers. The contingent restricted stock granted under this LTI Plan are denominated in shares based on the fair market value of the Corporation's stock on the day of the grant, and are contingent upon the satisfaction of performance objectives keyed to achieving profitable growth over a period of three fiscal years commencing with the fiscal year following such award. The anticipated cost of such award is expensed over the three-year performance period. The actual cost of the contingent restricted stock may vary from the total value of the awards depending upon the degree to which the key performance objectives are met.

The remaining allowable shares for issuance under the 2005 LTI Plan as of December 31, 2005 is 2,257,582.

1995 Long-Term Incentive Plan: Under the 1995 LTI Plan approved by stockholders in 1995 and as amended in 2002 and 2003, an aggregate total of 3,000,000 shares of Common stock were reserved for issuance. The Common stock used to satisfy employee option exercises will be from the Corporation's treasury stock. The Corporation does not expect to repurchase any shares in 2006 to replenish treasury stock for issuances made to satisfy stock option exercise. No more than 50,000 shares of Common stock may be awarded in any year to any one participant in the 1995 LTI Plan. Awards under the 1995 LTI Plan consisted of three components — performance units (cash), non-qualified stock options, and non-employee director grants.

Under the 1995 LTI Plan, the Corporation awarded performance units of 6.3 million in 2004 and 4.8 million in 2003 to certain key employees. The performance units are denominated in dollars and are contingent upon the satisfaction of performance objectives keyed to achieving profitable growth over a period of three fiscal years commencing with the fiscal year following such awards. The anticipated cost of such awards is expensed over the three-year performance period, which amounted to $5.3 million, $4.3 million, and $3.3 million in 2005, 2004, and 2003, respectively. The actual cost of the performance units may vary from the total value of the awards depending upon the degree to which the key performance objectives are met.

Under the 1995 LTI Plan, the Corporation granted non-qualified stock options in 2004 and 2003 to key employees. Grants under the 1995 LTI Plan were made in the fourth quarter of both years. Stock options granted under the 1995 LTI Plan expire ten years after the date of the grant and are generally exercisable as follows: up to one-third of the grant after one year, up to two-thirds of the grant after two years, and in full three years from the date of grant.

In May 2003, the Corporation's Board of Directors and stockholders approved an amendment to the 1995 LTI Plan to authorize non-employee directors to participate under the plan. The amendment provided that each non-employee director could receive the equivalent of $15,000 of the Corporation's Common stock per year. The Board of Directors approved and issued stock grants of 277 shares, 268 shares, and 480 shares in 2005, 2004, and 2003, respectively, of the Corporation's Common stock to each of the eight non-employee directors. The stock grants were valued at $15,000 based on the market price of the Corporation's Common stock on the grant date and were expensed at the time of issuance.

1995 LTI Plan was superseded by the 2005 LTI Plan so there are no remaining allowable shares for future awards under the 1995 LTI Plan. As of December 31, 2005 there were options representing a total of 769,936 shares outstanding under the 1995 plan.

Employee Stock Purchase Plan: In May 2003, the Corporation's Board of Directors and stockholders approved the 2003 Employee Stock Purchase Plan (the "ESPP") under which eligible employees may purchase the Corporation's Common stock at a price per share equal to 85% of the lower of the fair market value of the Common stock at the beginning or end of each offering period. Each offering period of the ESPP lasts six months, with the first offering period commencing on January 1, 2004. Participation in the offering is limited to 10% of an employee's base salary (not to exceed amounts allowed under Section 423 of the Internal Revenue Code), may be terminated at any time by the employee, and automatically ends on termination of employment with the Corporation. A total of 1,000,000 shares of Common stock have been reserved for issuance under the ESPP. The Common stock to satisfy the stock purchases under the ESPP will be newly issued shares of Common stock. During 2005, 82,283 shares were purchased under the ESPP. As of December 31, 2005, there were 882,822 shares available for future offerings, and the corporation has withheld $2.2 million from employees, the equivalent of 48,605 shares.

Stock option activity during the periods for both plans is indicated as follows:

	Shares	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
Outstanding at				
January 1, 2003	1,340,304	$21.16	837,024	$18.48
Granted	148,052	38.16		
Exercised	(233,708)	16.57		
Forfeited	(16,926)	24.39		
Outstanding at				
December 31, 2003	1,237,722	24.01	855,676	20.83
Granted	126,336	55.91		
Exercised	(315,517)	19.37		
Forfeited	(50,385)	25.68		
Outstanding at				
December 31, 2004	998,156	29.43	729,690	23.51
Granted	189,278	55.84		
Exercised	(219,696)	21.11		
Forfeited	(9,720)	42.82		
Outstanding at				
December 31, 2005	**958,018**	**$36.42**	**641,549**	**$28.08**

The following table summarizes information about stock options outstanding at December 31, 2005:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Shares	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price
Less than $20.00	100,862	3.2	$18.73	100,862	3.2	$18.73
$20.00 – $29.99	291,993	5.5	22.59	291,993	5.5	22.59
$30.00 – $40.00	253,282	7.4	35.45	207,667	7.3	34.86
Greater than $40.00	311,881	9.5	55.87	41,027	8.9	55.91
	958,018	7.1	$36.42	641,549	5.9	$28.08

2005 Stock Plan for Non-Employee Directors: The Stock Plan for Non-Employee Directors ("2005 Stock Plan"), approved by the stockholders in 2005 authorized the grant of stock awards and, at the option of the non-employee directors, the deferred payment of regular stipulated compensation and meeting fees in equivalent shares. Pursuant to the terms of the 2005 Stock Plan, the Corporation's non-employee directors each receive annual restricted stock awards valued at $50,000, which are subject to a three year restriction period commencing on the date of the grant. These restricted stock awards are subject to forfeiture if the non-employee director resigns or retires by reason of his or her decision not to stand for re-election prior to the lapsing of all restrictions, unless the restrictions are otherwise removed by the Committee on Directors and Governance. The cost of the restricted stock awards will be amortized over the three year restriction period from the date of grant. Newly elected non-employee directors receive a one-time restricted stock award valued at $25,000. The total number of shares of Common stock available for grant under the 2005 Stock Plan may not exceed 50,000 shares. During 2005, no grants of restricted stock were awarded under the 2005 Stock Plan.

1996 Stock Plan for Non-Employee Directors: The Stock Plan for Non-Employee Directors ("1996 Stock Plan"), approved by the stockholders in 1996, authorized the grant of restricted stock awards and, at the option of the non-employee directors, the deferred payment of regular stipulated compensation and meeting fees in equivalent shares. Pursuant to the terms of the 1996 Stock Plan, non-employee directors received an initial restricted stock grant of 3,612 shares in 1996, which became unrestricted in 2001. Additionally, on the fifth anniversary of the initial grant, those non-employee directors who remained a non-employee director, received an additional restricted stock grant equal to the product of increasing $13,300 at an annual rate of 2.96%, compounded monthly from the effective date of the 1996 Stock Plan. In 2001, the amount per director was calculated to be $15,419, representing a total additional grant of 1,555 restricted shares. The cost of the restricted stock awards is being amortized over the five-year restriction period from the date of grant. Prior to the effective date of the 2005 Stock Plan, newly elected non-employee directors received similar compensation under the terms of the 1996 Stock Plan upon their election to the Board.

Pursuant to election by non-employee directors to receive shares in lieu of payment for earned and deferred compensation under the 1996 Stock Plan, the Corporation had provided for an aggregate additional 29,027 shares, at an average price of $32.76 as of December 31, 2005. During 2005, the Corporation issued 2,802 shares in deferred compensation pursuant to such elections.

13. Environmental Costs

The Corporation has continued the operation of the ground water and soil remediation activities at the Wood-Ridge, New Jersey site through 2005. The cost of constructing and operating this site was provided for in 1990 when the Corporation established a reserve to remediate the property. Costs for operating and maintaining this site totaled $0.8 million in 2005, $1.5 million in 2004, and $0.6 million in 2003, all of which have been charged against the previously established reserve. The Corporation increased the remediation reserve by $0.2 million and $0.3 million in 2005 and 2004, respectively, based upon revised operating projections. The reserve balance as of December 31, 2005 was $6.5 million. Even though this property was sold in December 2001, the Corporation retained the responsibility for this remediation in accordance with the sale agreement.

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

In the first quarter of 2005, the Corporation sold its Fairfield, New Jersey property, which was formerly an operating facility for the Corporation's Motion Control segment. Under the sale agreement, the Corporation has retained the responsibility to continue the ongoing environmental remediation on the property. At the date of the sale, remediation costs associated with the Fairfield site were anticipated to be incurred over three to five years with an estimated cost of $1.5 million. As of December 31, 2005, $0.4 million of costs have been incurred.

In the fourth quarter of 2004, the Corporation increased the remediation reserve related to the Caldwell Trucking landfill superfund site by $4.4 million. The increase related to the estimated groundwater remediation for this site, which could span over 30 years. Through 2005, the majority of the costs for this site have been for the soil remediation.

In 2003, the Corporation responded to a U.S.E.P.A. Request For Information concerning the Lower Passaic River site. The Corporation subsequently joined a cooperating parties group to share costs relating to the site and in 2004 signed an agreement with the other group members providing for an EPA study of the site. As of December 31, 2005, the Corporation estimates the costs associated with this study will not have a materially adverse effect on the Corporation's results of operation or financial condition.

In October 2002 the Corporation acquired the Electro-Mechanical Division ("EMD") facility from Westinghouse Government Services LLC ("Seller"). Included in the purchase was the assumption of several Nuclear Regulatory Commission ("NRC") licenses, necessary for the continued operation of the business. In connection with these licenses, the NRC required financial assurance from the Corporation (in the form of a parent company guarantee) representing estimated environmental decommissioning and remediation costs associated with the commercial operations covered by the licenses. In addition, the Corporation has assumed obligations for additional environmental remediation costs. Remediation and investigation of the EMD facility are ongoing. As of December 31, 2005, the balance in this reserve is $11.8 million. The Corporation obtained partial environmental insurance coverage specifically for the EMD facility. The policy provides coverage for losses due to on or off-site pollution conditions, which are pre-existing and unknown.

The Corporation's aggregate environmental obligation at December 31, 2005 was $25.3 million compared to $25.2 million at December 31, 2004. Approximately 80% of the Corporation's environmental reserves as of December 31, 2005 represent the current value of anticipated remediation costs and are not discounted primarily due to the uncertainty of timing of expenditures. The remaining environmental reserves are discounted using a rate of 4% to reflect the time value of money since the amount and timing of cash payments for the liability are reliably determinable. All environmental reserves exclude any potential recovery from insurance carriers or third-party legal actions. As of December 31, 2005, the undiscounted cash flows associated with the discounted reserves were $9.3 million and are anticipated to be paid over the next 30 years.

14. Pension and Other Postretirement Benefit Plans

The Corporation maintains six separate and distinct domestic pension and other postretirement benefit plans, as described in further detail below. Prior to the acquisition of EMD in October 2002, the Corporation maintained a qualified pension plan, a non-qualified pension plan, and a postretirement health benefits plan (the "Curtiss-Wright Plans"). As a result of the acquisition, the Corporation obtained three unfunded pension and postretirement benefit plans (the "EMD Plans"), similar in nature to those listed above. The unfunded status of the acquired EMD Plans was recorded as a liability at the date of acquisition. During 2003, the funds associated with the qualified pension plans of both the Curtiss-Wright Plans and EMD Plans were placed under a master trust fund, from which the Corporation directs the investment strategy for both plans.

The Curtiss-Wright Plans

The Corporation maintains a non-contributory defined benefit pension plan covering substantially all employees other than those employees covered by the EMD Pension Plan described below. The Curtiss-Wright Retirement Plan (the "CW Pension Plan") formula for non-union employees is based on years of credited service and the five highest consecutive years' compensation during the last ten years of service and a "cash balance" benefit. Union employees who have negotiated a benefit under the CW Pension Plan are entitled to a benefit based on years of service multiplied by a monthly pension rate. Employees become participants under the CW Pension Plan after one year of service and are vested after five years of service. At December 31, 2005 and December 31, 2004, the Corporation had prepaid pension costs of $76.0 million and $77.8 million, respectively, under the CW Pension Plan. Due to the funded status, the Corporation does not expect to contribute funds to the CW Pension Plan in 2006.

The Corporation also maintains a non-qualified restoration plan (the "CW Restoration Plan") covering those employees 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 $0.7 million at December 31, 2005 and 2004. The Corporation's contributions to the CW Restoration Plan are not expected to be material in 2006.

The Corporation provides postretirement health benefits to certain employees (the "CW Retirement Plan"). In 2002, the Corporation restructured the postretirement medical benefits for certain active employees, effectively freezing the plan. The obligation associated with these active employees was transferred to the CW Pension Plan. The plan continues to be maintained for retired employees. As of December 31, 2005 and 2004, the Corporation had an accrued postretirement benefit liability of $1.0 million and $1.2 million, respectively, as benefits under the plan are not funded. The Corporation's contributions to the CW Retirement Plan are not expected to be material in 2006.

	The Curtiss-Wright Plans			
	Pension Benefits		Postretirement Benefits	
(In thousands)	**2005**	2004	**2005**	2004
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	**$124,784**	$126,523	**$ 580**	$ 628
Service cost	**10,315**	9,838	**—**	—
Interest cost	**8,097**	7,540	**35**	29
Plan participants' contributions	**—**	—	**8**	—
Amendments	**273**	303	**—**	—
Actuarial loss (gain)	**7,181**	(5,575)	**217**	19
Benefits paid	**(13,152)**	(13,845)	**(112)**	(96)
Benefit obligation at end of year	**137,498**	124,784	**728**	580
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	**211,593**	199,013	**—**	—
Actual return on plan assets	**30,527**	25,832	**—**	—
Employer contribution	**127**	593	**104**	96
Plan participants' contribution	**—**	—	**8**	—
Benefits paid	**(13,152)**	(13,845)	**(112)**	(96)
Fair value of plan assets at end of year	**229,095**	211,593	**—**	—
Funded status	**91,597**	86,809	**(728)**	(580)
Unrecognized net actuarial gain	**(18,031)**	(11,238)	**(315)**	(570)
Unrecognized transition obligation	**(3)**	(7)	**—**	—
Unrecognized prior service costs	**1,705**	1,554	**—**	—
Prepaid (accrued) benefit costs	**$ 75,268**	$ 77,118	**$(1,043)**	$(1,150)
ACCUMULATED BENEFIT OBLIGATION	**$120,888**	$110,112	**N/A**	N/A
WEIGHTED-AVERAGE ASSUMPTIONS IN DETERMINATION OF BENEFIT OBLIGATION:				
Discount rate	**5.75%**	6.00%	**5.50%**	5.00%
Rate of compensation increase	**3.50%**	3.50%	**—**	—
Health care cost trends:				
Rate assumed for subsequent year	**—**	—	**13.00%**	10.50%
Ultimate rate reached in 2011 and 2010, respectively	**—**	—	**5.50%**	5.50%
Measurement date	**September 30**	September 30	**October 31**	October 31

The following table details the components of net periodic pension expense (income) for the CW Pension Plan and CW Restoration Plan:

(In thousands)	2005	2004	2003
Service cost	**$ 10,315**	$ 9,838	$ 8,899
Interest cost	**8,169**	7,540	7,982
Expected return on plan assets	**(16,656)**	(17,276)	(18,081)
Amortization of prior service cost	**145**	112	58
Amortization of transition obligation	**(4)**	(4)	(3)
Recognized net actuarial loss (gain)	**31**	33	(587)
Cost of settlement	**—**	257	121
Net periodic benefit expense (income)	**$ 2,000**	$ 500	$ (1,611)
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**6.00%**	6.00%	6.75%
Expected return on plan assets	**8.50%**	8.50%	8.50%
Rate of compensation increase	**3.50%**	3.50%	4.25%

The following table details the components of net periodic pension income for the CW Retirement Plan:

(In thousands)	2005	2004	2003
Interest cost	**$ 35**	$ 29	$ 39
Recognized net actuarial gain	**(38)**	(73)	(73)
Net periodic benefit income	**$ (3)**	$(44)	$(34)
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**5.00%**	5.30%	6.75%
Health care cost trends:			
Current year rate	**10.50%**	9.40%	10.70%
Ultimate rate reached in 2010, 2007, and 2007, respectively	**5.50%**	5.50%	5.50%

The effect on the CW Retirement Plan of a 1% change in the health care cost trend is as follows:

(In thousands)	1% Increase	1% Decrease
Total service and interest cost components	$ 2	$ (2)
Postretirement benefit obligation	$49	$(44)

The EMD Plans

The Corporation maintains the Curtiss-Wright Electro-Mechanical Corporation Pension Plan (the "EMD Pension Plan"), a qualified contributory defined benefit pension plan that covers all Curtiss-Wright Electro-Mechanical Corporation employees. The EMD Pension Plan 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 under the EMD Pension Plan are based on years of service and compensation. At December 31, 2005 and 2004, the Corporation had an accrued pension liability of $30.5 million and $37.1 million, respectively, related to the EMD Pension Plan. The Corporation expects to contribute $6.8 million, the estimated minimum required amount, to the EMD Pension Plan in 2006.

The Corporation maintains the Curtiss-Wright Electro-Mechanical Corporation Non-Qualified Plan (the "EMD Supplemental Plan"), a non-qualified non-contributory non-funded supplemental retirement plan for eligible EMD key executives. The EMD Supplemental Plan provides for periodic payments upon retirement that are based on total compensation (including amounts in excess of qualified plan limits) and years of service and are reduced by benefits earned from certain other pension plans in which the executives participate. At December 31, 2005 and 2004, the Corporation had an accrued pension liability of $2.5 million related to the EMD Supplemental Plan. The Corporation's contributions to the EMD Supplemental Plan are not expected to be material in 2006.

The Corporation, through an administration agreement with Westinghouse, maintains the Westinghouse Government Services Group Welfare Benefits Plan (the "EMD Retirement Plan"), a retiree health and life insurance plan for substantially all of the Curtiss-Wright Electro-Mechanical Corporation employees. The EMD Retirement Plan provides basic health and welfare coverage on a non-contributory basis. Benefits are based on years of service and are subject to certain caps. The Corporation had an accrued postretirement benefit liability of $39.5 million and $39.1 million related to the EMD Retirement Plan at December 31, 2005 and 2004, respectively. Pursuant to the Asset Purchase Agreement, the Corporation has a discounted receivable from Washington Group International to reimburse the Corporation for a portion of these postretirement benefit costs. At December 31, 2005 and 2004, the discounted receivable included in other assets was $4.9 million and $5.5 million, respectively. The Corporation expects to contribute $1.9 million to the EMD Retirement Plan during 2006.

	The EMD Plans			
	Pension Benefits		Postretirement Benefits	
(In thousands)	2005	2004	2005	2004
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	**$137,623**	$128,287	**$ 37,740**	$ 41,106
Service cost	**3,899**	3,249	**570**	789
Interest cost	**8,364**	8,080	**1,781**	2,366
Plan participants' contributions	**774**	804	**181**	—
Amendments	**70**	—	**—**	—
Actuarial loss (gain)	**941**	3,503	**(8,548)**	(4,918)
Benefits paid	**(6,832)**	(6,300)	**(1,772)**	(1,603)
Benefit obligation at end of year	**144,839**	137,623	**29,952**	37,740
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	**88,436**	83,737	**—**	—
Actual return on plan assets	**12,444**	10,052	**—**	—
Employer contribution	**10,822**	143	**1,591**	1,603
Plan participants' contribution	**744**	804	**181**	—
Benefits paid	**(6,832)**	(6,300)	**(1,772)**	(1,603)
Fair value of plan assets at end of year	**105,644**	88,436	**—**	—
Funded status	**(39,195)**	(49,187)	**(29,952)**	(37,740)
Unrecognized net actuarial loss (gain)	**6,160**	9,700	**(9,514)**	(1,326)
Unrecognized prior service costs	**64**	—	**—**	—
Accrued benefit costs	**$ (32,971)**	$ (39,487)	**$(39,466)**	$(39,066)
ACCUMULATED BENEFIT OBLIGATION	**$131,505**	$124,793	**N/A**	N/A
WEIGHTED-AVERAGE ASSUMPTIONS IN DETERMINATION OF BENEFIT OBLIGATION:				
Discount rate	**5.75%**	6.00%	**5.75%**	6.00%
Rate of compensation increase	**3.50%**	3.50%	**—**	—
Health care cost trends:				
Rate assumed for subsequent year — Pre-65	**—**	—	**9.50%**	10.50%
Rate assumed for subsequent year — Post-65	**—**	—	**13.00%**	13.00%
Ultimate rate reached in 2010 — Pre-65	**—**	—	**5.50%**	5.50%
Ultimate rate reached in 2011 and 2010, respectively — Post-65	**—**	—	**5.50%**	5.50%
Measurement date	**September 30**	September 30	**October 31**	October 31

The following table details the components of net periodic pension expense for the EMD Pension Plan and EMD Supplemental Plan:

(In thousands)	2005	2004	2003
Service cost	**$ 3,899**	$3,248	$2,709
Interest cost	**8,320**	8,080	7,854
Expected return on plan assets	**(7,919)**	(7,613)	(7,618)
Recognized net actuarial loss (gain)	**7**	—	(394)
Net periodic benefit expense	**$ 4,307**	$3,715	$2,551
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**6.00%**	6.25%	7.00%
Expected return on plan assets	**8.50%**	8.50%	8.50%
Rate of compensation increase	**3.50%**	3.25%	4.00%

The following table details the components of net periodic pension expense for the EMD Retirement Plan:

(In thousands)	2005	2004	2003
Service cost	**$ 570**	$ 789	$ 705
Interest cost	**1,781**	2,366	2,388
Recognized net actuarial gain	**(360)**	—	—
Net periodic benefit expense	**$1,991**	$3,155	$3,093
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**6.00%**	6.25%	6.75%
Health care cost trends:			
Current year rate — Pre-65	**10.50%**	9.70%	11.10%
Current year rate — Post-65	**13.00%**	15.70%	18.00%
Ultimate rate reached in 2007 — Pre-65	**5.50%**	5.50%	5.50%
Ultimate rate reached in 2010, 2007, and 2007, respectively— Post-65	**5.50%**	6.50%	6.50%

The effect on the EMD Retirement Plan of a 1% change in the health care cost trend is as follows:

(In thousands)	1% Increase	1% Decrease
Total service and interest cost components	$ 370	$ (295)
Postretirement benefit obligation	$3,421	$(3,613)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") was signed into law on December 8, 2003. In accordance with FASB Staff Position FAS 106-1, the Corporation made a one-time election to defer recognition of the effects of the law in the accounting for its plan under FAS 106 and in providing disclosures related to the plan until authoritative guidance on the accounting for the federal prescription drug subsidy is issued. Final regulations regarding the implementation of the Act were issued in February 2005. During the fourth quarter of 2005, the Corporation decided to apply for the Medicare Part D subsidy under this Act. An attestation of actuarial equivalence was submitted on October 31, 2005 with the understanding that in 2006, the prescription drug plan would be enriched to a design that is actuarially equivalent. The effect of the anticipated subsidy is a $2.7 million reduction in the balance of the Accumulated Pension Benefit Obligation disclosed as of December 31, 2005. The reduction is treated as an actuarial gain in accordance with FSP FAS 106-2 and is included in the gain in the reconciliation above.

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

(In thousands)	CW Pension Plans	CW Retirement Plan	EMD Pension Plans	EMD Retirement Plan	EMD Subsidy Receipts	Total
2006	$10,480	$ 96	$ 8,586	$ 2,023	$ (83)	$ 21,102
2007	10,110	88	8,902	2,050	(94)	21,056
2008	10,277	82	9,279	2,077	(104)	21,611
2009	10,541	75	9,622	2,002	(115)	22,125
2010	13,356	66	9,989	2,077	(125)	25,363
2011 – 2015	55,329	262	55,789	10,513	(744)	121,149

Pension Plan Assets

The Corporation maintains the funds of the CW Pension Plan and the EMD Pension Plan under one master trust. The Corporation's Retirement Plans are diversified across investment classes and among investment managers in order to achieve an optimal balance between risk and return. In accordance with this policy, the Corporation has established target allocations for each asset class and ranges of expected exposure. The Corporation's retirement assets are invested within this allocation structure in three major categories: domestic equity securities, international equity securities, and debt securities. Below are the Corporation's actual and established target allocations:

Asset class	As of December 31, 2005	2004	Target Exposure	Expected Range
Domestic Equities	**54%**	54%	50%	40% – 60%
International Equities	**15%**	15%	15%	10% – 20%
Total Equity	**69%**	69%	65%	55% – 75%
Fixed Income	**31%**	31%	35%	25% – 45%
Cash	**0%**	0%	0%	0% – 10%

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. The Corporation's investment policy does not permit its investment manager to invest plan funds in the Corporation's stock.

The long-term investment objective of the Retirement Plans is to achieve a total rate of return, net of fees, which exceeds the actuarial overall expected return on assets assumption of 8.50% used for funding purposes and which provides an appropriate premium over inflation. The intermediate-term objective of the 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 out performing the capital markets.

The overall expected return on assets assumption used in the calculation of annual net periodic benefit cost is based on a combination of the historical performance of the pension fund and expectations of future performance. The historical returns are determined using the market-related value of assets, includes the recognition of realized and unrealized gains and losses over a five-year period. Although over the last ten years the market-related value of assets had an average annual yield of 10.6%, the actual returns averaged 11.3% during the same period. Given the uncertainties of the current economic and geopolitical landscape, the Corporation considers 8.5% to be a reasonable assumption of future long-term investment returns. While the Corporation takes into account historical performance, its assumptions also consider the forward-looking long-term outlook for the capital markets.

Other Pension and Postretirement Plans

The Corporation offers all of its 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.

In addition, the Corporation had foreign pension costs under various retirement plans of $3.6 million, $3.5 million, and $1.9 million in 2005, 2004, and 2003, respectively.

15. 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 automobiles, machinery, and office equipment under operating leases. The leases expire at various dates and may include renewals and escalations. Rental expenses for all operating leases amounted to $21.9 million in 2005, $18.5 million in 2004, and $10.5 million in 2003.

At December 31, 2005, the approximate future minimum rental commitments under operating leases that have initial or remaining noncancelable lease terms in excess of one year are as follows:

(In thousands)	Rental Commitment
2006	$15,471
2007	13,600
2008	11,423
2009	8,679
2010	5,763
Thereafter	16,402
Total	$71,338

16. Industry Segments

The Corporation manages and evaluates its operations based on the products and services it offers and the different markets it serves. Based on this approach, the Corporation has three reportable segments: Flow Control, Motion Control, and Metal Treatment. The Flow Control segment primarily designs, manufactures, distributes, and services a broad range of highly engineered flow control products for severe service military and commercial applications. The Motion Control segment primarily designs, develops, and manufactures mechanical systems, drive systems, and electronic controls and sensors for the aerospace and defense industries. Metal Treatment provides various metallurgical services, principally shot peening, coatings, and heat treating. The segment provides these services to a broad spectrum of customers in various industries, including aerospace, automotive, construction equipment, oil and gas, petrochemical, and metal working.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Interest expense and income taxes are not reported on an operating segment basis because they are not considered in the performance evaluation by the Corporation's chief operating decision-maker, its Chairman and CEO.

Sales to one customer of the Flow Control segment through which the Corporation is a subcontractor to the U.S. Government were 10% of consolidated revenues in 2005, 13% in 2004, and 16% in 2003. During 2005, 2004, and 2003, the Corporation had no commercial customer representing more than 10% of consolidated revenue.

Consolidated Industry Segment Information:

(In thousands)	Flow Control	Motion Control	Metal Treatment	Segment Total	Corporate & Other[1]	Consolidated Total
YEAR ENDED DECEMBER 31, 2005:						
Revenue from external customers	**$466,546**	**$465,451**	**$198,931**	**$1,130,928**	**$ —**	**$1,130,928**
Intersegment revenues	**—**	**548**	**545**	**1,093**	**(1,093)**	**—**
Operating income (expense)	**54,509**	**50,485**	**34,470**	**139,464**	**(1,482)**	**137,982**
Depreciation and amortization expense	**17,307**	**19,572**	**10,836**	**47,715**	**136**	**47,851**
Segment assets	**440,550**	**653,037**	**194,316**	**1,287,903**	**112,382**	**1,400,285**
Capital expenditures	**16,459**	**12,966**	**12,919**	**42,344**	**100**	**42,444**
YEAR ENDED DECEMBER 31, 2004:						
Revenue from external customers	$388,139	$388,576	$178,324	$ 955,039	$ —	$ 955,039
Intersegment revenues	—	144	555	699	(699)	—
Operating income (expense)	44,451	44,893	28,111	117,455	(7,114)	110,341
Depreciation and amortization expense	15,884	14,214	10,381	40,479	263	40,742
Segment assets	415,504	576,275	194,783	1,186,562	91,878	1,278,440
Capital expenditures	10,420	10,171	11,728	32,319	133	32,452
YEAR ENDED DECEMBER 31, 2003:						
Revenue from external customers	$341,271	$265,905	$138,895	$ 746,071	$ —	$ 746,071
Intersegment revenues	—	—	544	544	(544)	—
Operating income (expense)	39,980	30,321	18,742	89,043	(72)	88,971
Depreciation and amortization expense	14,458	7,983	8,685	31,126	201	31,327
Segment assets	323,689	317,631	170,547	811,867	161,798	973,665
Capital expenditures	12,417	4,791	15,727	32,935	394	33,329

[1] Operating income (expense) for Corporate and Other includes pension (expense) income, environmental remediation and administrative expenses, and other expenses.

Reconciliations:

For the years ended December 31, (In thousands)	2005	2004	2003
REVENUES:			
Total segment revenue	**$1,130,928**	$ 955,039	$746,071
Intersegment revenue	**1,093**	699	544
Elimination of intersegment revenue	**(1,093)**	(699)	(544)
Total consolidated revenues	**$1,130,928**	$ 955,039	$746,071
EARNINGS BEFORE TAXES:			
Total segment operating income	**$ 139,464**	$ 117,455	$ 89,043
Corporate and administrative	**(1,482)**	(7,114)	(72)
Other income, net	**299**	443	748
Interest expense	**(19,983)**	(12,031)	(5,663)
Total consolidated earnings before tax	**$ 118,298**	$ 98,753	$ 84,056
ASSETS:			
Total assets for reportable segments	**$1,287,903**	$1,186,562	$811,867
Pension assets	**76,002**	77,802	77,877
Non-segment cash	**24,995**	545	72,582
Other assets	**11,422**	13,608	11,384
Elimination of intersegment receivables	**(37)**	(77)	(45)
Total consolidated assets	**$1,400,285**	$1,278,440	$973,665

The following table presents geographical information of the Corporation's revenues and property, plant, and equipment based on the location of the customer and the assets, respectively:

December 31, (In thousands)	2005		2004		2003	
	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
Geographic Information:						
United States of America	**$ 864,465**	**$182,277**	$735,356	$181,708	$574,427	$176,273
United Kingdom	**109,659**	**49,796**	92,541	52,568	66,210	40,614
Canada	**38,595**	**26,286**	20,675	14,136	17,052	6,528
Other foreign countries	**118,209**	**16,462**	106,467	16,831	88,382	14,724
Consolidated total	**$1,130,928**	**$274,821**	$955,039	$265,243	$746,071	$238,139

17. Contingencies and Commitments

The Corporation, through its Flow Control segment, has several NRC licenses necessary for the continued operation of its commercial nuclear operations. In connection with these licenses, the NRC required financial assurance from the Corporation in the form of a parent company guarantee, representing estimated environmental decommissioning and remediation costs associated with the commercial operations covered by the licenses. The guarantee for the decommissioning costs of the refurbishment facility, which is estimated for 2017, is $3.1 million. See Note 13 for further information.

The Corporation enters into standby letters of credit agreements with financial institutions and customers primarily relating to guarantees of repayment on certain Industrial Revenue Bonds, future performance on certain contracts to provide products and services, and to secure advance payments the Corporation has received from certain international customers. At December 31, 2005, 2004, and 2003, the Corporation had contingent liabilities on outstanding letters of credit of $32.3 million, $19.4 million, and $19.5 million, respectively.

Consistent with other entities its size, the Corporation is party to a number of legal actions and claims, none of which individually or in the aggregate, in the opinion of management, are expected to have a material adverse effect on the Corporation's results of operations or financial position.

18. Gain on the Sale of Real Estate

On March 17, 2005, the Corporation completed the sale of its Fairfield, New Jersey property, a former operating property, for $10.5 million. The property encompasses approximately 39 acres and was formerly an operating facility for the Corporation's Motion Control segment now located in Shelby, North Carolina. As a result of the sale, the Corporation recognized a pre-tax gain of $2.8 million in the first quarter of 2005, which is recorded in operating income in the Corporation's Consolidated Statements of Earnings.

19. Subsequent Event

On February 7, 2006, the Board of Directors declared a 2-for-1 stock split in the form of a 100% stock dividend. The split, in the form of 1 share of Common stock for each share of Common stock outstanding, is payable on April 7, 2006. As the market price of the shares does not reflect the stock split as of the date of this Annual Report, all references throughout this Annual Report to number of shares, per share amounts, stock options data, and market prices of the Corporation's Common stock have not been adjusted to reflect the effect of this stock split.

Corporate Headquarters

4 Becker Farm Road, 3rd Floor
Roseland, NJ 07068
www.curtisswright.com

Annual Meeting

The 2006 annual meeting of stockholders will be held on May 5, 2006, at 2:00 pm at the Wilshire Grand Hotel, 350 Pleasant Valley Way, West Orange, NJ 07052.

Stock Exchange Listing

The Corporation's Common stock is listed and traded on the New York Stock Exchange under the symbol CW.

Common Shareholders

As of December 31, 2005, the approximate number of holders of record of Common stock, par value of $1.00 per share of the Corporation was 7,100.

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 American Stock Transfer & Trust Company at 59 Maiden Lane, New York, New York 10038.

Please include your name, address, and telephone number with all correspondence. Telephone inquiries may be made to (800) 937-5449. Foreign (212) 936-5100. Internet inquiries should be addressed to http://www.amstock.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, American Stock Transfer & Trust Company toll-free at (877) 854-0844.

Investor Information

Investors, stockbrokers, security analysts, and others seeking information about Curtiss-Wright Corporation should contact Alexandra M. Deignan, Director of Investor Relations, at the Corporate Headquarters listed above.

Stockholder Communications

Any stockholder wishing to communicate directly with our Board of Directors should write to Dr. William W. Sihler at Southeastern Consultants Group, LTD, P.O. Box 5645, Charlottesville, VA 22905.

Financial Reports

This Annual Report includes most 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. 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 Alexandra M. Deignan, Director of Investor Relations, at the Corporate Headquarters, or at the Corporation's website www.curtisswright.com.

Stock Price Range

	2005		2004	
Common	High	Low	High	Low
First Quarter	**$59.85**	**$48.81**	$48.70	$44.20
Second Quarter	**62.67**	**50.14**	56.19	45.74
Third Quarter	**67.40**	**52.35**	58.28	51.10
Fourth Quarter	**63.88**	**54.15**	60.00	52.65

	2005		2004	
Class B	High	Low	High	Low
First Quarter	**$58.65**	**$48.23**	$47.50	$43.00
Second Quarter	**62.22**	**53.41**	53.77	43.50
Third Quarter	—	—	54.99	49.29
Fourth Quarter	—	—	58.32	50.00

Note: Class B shares converted to Common shares on May 24, 2005.

Dividends

Common	2005	2004
First Quarter	**$0.09**	$0.09
Second Quarter	**0.09**	0.09
Third Quarter	**0.09**	0.09
Fourth Quarter	**0.12**	0.09

Class B	2005	2004
First Quarter	**$0.09**	$0.09
Second Quarter	**0.08**	0.09
Third Quarter	—	0.09
Fourth Quarter	—	0.09

Note: Class B shares converted to Common shares on May 24, 2005.