

CURTISS WRIGHT CORP
Form 10-K
February 21, 2017

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

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

For the fiscal year ended December 31, 2016

or

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

For the transition period from _____ to _____

Commission File Number 1-134
CURTISS-WRIGHT CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

13-0612970
(I.R.S. Employer Identification No.)

13925 Ballantyne Corporate Place, Suite 400, Charlotte, North Carolina
(Address of principal executive offices)

28277
(Zip Code)

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

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

Title of each class	Name of each exchange on which registered
Common stock, par value \$1 per share	New York Stock Exchange

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

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

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

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

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

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

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

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

1

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

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

The aggregate market value of the voting and non-voting Common stock held by non-affiliates of the Registrant as of June 30, 2016 was approximately \$3.3 billion.

The number of shares outstanding of the Registrant's Common stock as of January 31, 2017:

Class	Number of shares
-------	------------------

Common stock, par value \$1 per share	44,528,398
---------------------------------------	------------

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of the Registrant with respect to the 2017 Annual Meeting of Stockholders to be held on May 11, 2017 are incorporated by reference into Part III of this Form 10-K.

INDEX TO FORM 10-K

PART I	
Item 1.	<u>Business</u> 5
Item 1A.	<u>Risk Factors</u> 8
Item 1B.	<u>Unresolved Staff Comments</u> 16
Item 2.	<u>Properties</u> 16
Item 3.	<u>Legal Proceedings</u> 17
Item 4.	<u>Mine Safety Disclosures</u> 17
PART II	
Item 5.	<u>Market for the Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u> 18
Item 6.	<u>Selected Financial Data</u> 21
Item 7.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> 21
Item 7A.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 39
Item 8.	<u>Financial Statements and Supplementary Data</u> 41
Item 9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u> 81
Item 9A.	<u>Controls and Procedures</u> 81
Item 9B.	<u>Other Information</u> 81
PART III	
Item 10.	<u>Directors, Executive Officers and Corporate Governance</u> 81
Item 11.	<u>Executive Compensation</u> 81
Item 12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u> 81
Item 13.	<u>Certain Relationships and Related Transactions, and Director Independence</u> 81
Item 14.	<u>Principal Accounting Fees and Services</u> 81
PART IV	
Item 15.	<u>Exhibits, Financial Statement Schedules</u> 81
	<u>Schedule II – Valuation and Qualifying Accounts</u> 86
	<u>Signatures</u> 87

PART I

FORWARD-LOOKING STATEMENTS

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

Item 1. Business.

BUSINESS DESCRIPTION

Curtiss-Wright Corporation is a diversified multinational manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the aerospace, defense, power generation, and general industrial markets. We were formed in 1929 by the merger of companies founded by the Wright brothers and Glenn Curtiss, both aviation pioneers. We are incorporated under the laws of the State of Delaware and headquartered in Charlotte, North Carolina. We list our common stock on the New York Stock Exchange (NYSE) and trade under the symbol CW.

We are an integrated, global diversified industrial company and expect that the diversification of our portfolio should mitigate the impact of business cycle volatility and allow us to realize growth in new products and markets. We strive for consistent organic sales growth, operating margin expansion, and free cash flow generation, while maintaining a disciplined and balanced capital deployment strategy.

We are positioned on high-performance platforms and critical applications that require technical sophistication. Our technologies are relied upon to improve safety, operating efficiency and reliability, while meeting demanding performance requirements. Our ability to provide high-performance, advanced technologies on a cost-effective basis is fundamental to our strategy to drive increased value to our customers. We compete globally, primarily based on technology and pricing. Our business challenges include price pressure, technological and economic developments, and geopolitical events, such as diplomatic accords.

Business Segments

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

Our principal manufacturing facilities are located in the United States in New York, Ohio, and Pennsylvania, and internationally in Canada and the United Kingdom.

Commercial / Industrial

Sales in the Commercial/Industrial segment are primarily to the general industrial and commercial aerospace markets and, to a lesser extent, the defense and power generation markets. The businesses in this segment provide a diversified offering of highly engineered products and services including: industrial vehicle products such as electronic throttle control devices and transmission shifters; sensors, controls and electro-mechanical actuation components and utility systems used on commercial aircraft; valves primarily to both the industrial and naval defense markets; and surface technology services such as shot peening, laser peening, coatings and advanced testing. The businesses within our Commercial/Industrial segment are impacted primarily by general economic conditions which may include consumer consumption or commercial construction rates, as the nature of their products and customers primarily support global industrial, commercial aerospace, oil and gas industries, commercial vehicles, and transportation industries. As commercial industrial businesses, production and service processes rest primarily within material modification, machining, assembly, and testing and inspection at commercial grade specifications. The businesses distribute products through commercial sales and marketing channels and may be impacted by changes in the regulatory environment.

Defense

Sales in the Defense segment are primarily to the defense markets and, to a lesser extent, to the commercial aerospace market. The businesses in this segment provide a diversified offering of products including: Commercial Off-the-Shelf (COTS) embedded computing board level modules, integrated subsystems, flight test equipment, instrumentation and control systems, turret aiming and stabilization products, and weapons handling systems. The businesses within our Defense segment are impacted primarily by government funding and spending, driven primarily by the U.S. Government. Our products typically support government entities in the aerospace defense, ground defense and naval defense industries. Additionally, we provide avionics and electronics, flight test equipment, and aircraft data management solutions to the commercial aerospace market. Our defense businesses supporting government contractors typically utilize more advanced production and service processes than our commercial businesses and have more stringent specifications and performance requirements. The businesses in this segment typically market and distribute products through regulated government contracting channels.

Power

Sales in the Power segment are primarily to the nuclear power generation market and, to a lesser extent, to the naval defense market. The businesses in this segment provide a diversified offering of products, including a wide range of hardware, pumps, valves, fastening systems, specialized containment doors, airlock hatches, spent fuel management products, and fluid sealing technologies for nuclear power plants and nuclear equipment manufacturers. We also have been able to leverage existing technology and engineering expertise to provide Reactor Coolant Pump (RCP) technology, pump seals, and control rod drive mechanisms for commercial nuclear power plants, most notably to support the Westinghouse AP1000 reactor design. The power generation businesses within our Power segment are impacted by pricing and demand for various forms of energy (e.g. coal, natural gas, oil, and nuclear). The businesses are typically dependent upon the need for new construction, maintenance, and overhaul and repair by nuclear energy providers. The businesses are subject to changes in regulation which may impact demand, consumption, and underlying supply. The production processes are primarily material modifications, machining, assembly, and testing and inspection that are typical of commercial grade or regulated specifications. The businesses distribute products through commercial sales and marketing channels and may be impacted by changes in the regulatory environment. Additional products within our Power segment include main coolant pumps, power-dense compact motors, generators, and secondary propulsion systems, primarily to the U.S. Navy. The defense businesses in this segment are impacted by government funding and spending, primarily driven by the U.S. Government.

OTHER INFORMATION

Certain Financial Information

For information regarding sales by geographic region, see Note 17 to the Consolidated Financial Statements contained in Part II, Item 8, of this Annual Report on Form 10-K.

In 2016, 2015, and 2014, our foreign operations as a percentage of pre-tax earnings were 42%, 51%, and 51%, respectively.

Government Sales

Our sales to the U.S. Government and foreign government end use represented 38%, 36%, and 34% of consolidated sales during 2016, 2015, and 2014, respectively.

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

Generally, long-term contracts with the U.S. Government require us to invest in and carry significant levels of inventory. However, where allowable, we utilize progress payments and other interim billing practices on nearly all of these contracts, thus reducing the overall working capital requirements. It is our policy to seek customary progress payments on certain of our contracts. Where we obtain such payments under U.S. Government prime contracts or subcontracts, the U.S. Government has either title to or a secured interest in the materials and work in process allocable or chargeable to the respective contracts. (See Notes 1, 4, and 5 to the Consolidated Financial Statements, contained in Part II, Item 8, of this Annual Report on Form 10-K).

Customers

We have hundreds of customers in the various industries we serve. No commercial customer accounted for more than 10% of our total sales during 2016, 2015, or 2014.

Approximately 32% of our total sales for 2016, 30% for 2015, and 28% for 2014 were derived from contracts with agencies of, and prime contractors to, the U.S. Government. Information on the Company's sales to the U.S. Government, including direct sales as a prime contractor and indirect sales as a subcontractor, is as follows:

6

(In thousands)	Year Ended December 31,		
	2016	2015	2014
Commercial/Industrial	\$187,498	\$177,827	\$150,388
Defense	305,459	300,462	290,413
Power	181,851	176,737	179,399
Total Government sales	\$674,808	\$655,026	\$620,200

Patents

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

Research and Development

We primarily conduct our own research and development activities. Company-sponsored research and development costs are charged to expense when incurred. Total research and development expenses amounted to \$59 million, \$61 million, and \$68 million in 2016, 2015, and 2014, respectively.

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

Executive Officers

Name	Current Position	Business Experience	Age	Executive Officer Since
David C. Adams	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Corporation since January 2015. Prior to this, he served as President and Chief Executive Officer of the Corporation from August 2013. He also served as President and Chief Operating Officer of the Corporation from October 2012 and as Co-Chief Operating Officer of the Corporation from November 2008. He has been a Director of the Corporation since August 2013.	63	2005
Thomas P. Quinly	Vice President and Chief Operating Officer	Vice President of the Corporation since November 2010 and Chief Operating Officer of the Corporation since October 2013. He also served as President of Curtiss-Wright Controls, Inc. from November 2008.	58	2010
Glenn E. Tynan	Vice President of Finance and Chief Financial Officer	Vice President of Finance and Chief Financial Officer of the Corporation since June 2002.	58	2000
Paul J. Ferdenzi	Vice President, General Counsel, and Corporate Secretary	Vice President, General Counsel, and Corporate Secretary of the Corporation since March 2014. Prior to this, he served as Vice President-Human Resources of the Corporation from November 2011 and also served as Associate General Counsel and Assistant Secretary of the Corporation from June 1999 and May 2001, respectively.	49	2011
K. Christopher Farkas	Vice President and Corporate Controller	Vice President and Corporate Controller of the Corporation since September 2014. Prior to this, he served as Assistant Corporate Controller of the Corporation from May 2009.	48	2014
Harry S. Jakubowitz	Vice President and Treasurer	Vice President of the Corporation since May 2007 and Treasurer of the Corporation since September 2005.	64	2007

At the end of 2016, we had approximately 8,000 employees, 8% of which are represented by labor unions and covered by collective bargaining agreements.

Available information

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

Item 1A. Risk Factors.

8

We have summarized below the significant, known material risks to our business. Our business, financial condition, and results of operations and cash flows could be materially and adversely impacted if any of these risks materialize. Additional risk factors not currently known to us or that we believe are immaterial may also impair our business, financial condition, and results of operations. The risk factors below should be considered together with information included elsewhere in this Annual Report on Form 10-K as well as other required filings by us to the Securities Exchange Commission, such as our Form 10-Q's, Form 8-K's, proxy statements for our annual shareholder meetings, and subsequent amendments, if any.

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

In 2016, approximately 32% of our domestic sales were derived from or related to defense programs. U.S. defense spending has historically been cyclical, and defense budgets tend to rise when perceived threats to national security increase the level of concern over the country's safety. At other times, spending by the military can decrease. Competing demands for federal funds can put pressure on all areas of discretionary spending, which could ultimately impact the defense budget. A decrease in U.S. Government defense spending or changes in spending allocation could result in one or more of our programs being reduced, delayed, or terminated. Reductions in defense industry spending may or may not have an adverse effect on programs for which we provide products and services. In the event expenditures are reduced for products we manufacture or services we provide and are not offset by revenues from foreign sales, new programs, or products or services that we currently manufacture or provide, we may experience a reduction in our revenues and earnings and a material adverse effect on our business, financial condition, and results of operations.

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

In general, our contracts may be terminated for our failure to satisfy our contractual obligations. In addition, some of our contracts contain substantial liquidated damages provisions and financial penalties related to our failure to satisfy our contractual obligations. For example, the terms of the Electro-Mechanical Division's AP1000 China and AP1000 United States contracts with Westinghouse include liquidated damage penalty provisions for failure to meet contractual delivery dates if we caused the delay and the delay was not excusable. On October 10, 2013, we received a letter from Westinghouse stating entitlements to the maximum amount of liquidated damages allowable under the AP1000 China contract of approximately \$25 million. To date, we have not met certain contractual delivery dates under the AP 1000 China and domestic contracts; however there are significant uncertainties as to which parties are responsible for the delays, and we believe we have adequate legal defenses. Consequently, as a result of the above matters, we may incur significant costs or liabilities, including penalties, which could have a material adverse effect on our financial position, results of operations, or cash flows. As of December 31, 2016, the range of possible loss for liquidated damages on the Westinghouse domestic and China contracts is \$0 to \$55.5 million.

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

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

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

A termination arising out of our default could expose us to liability and have a material adverse effect on our ability to compete for future contracts and orders. In addition, on those contracts for which we are teamed with others and are not the prime

contractor, the U.S. Government could terminate a prime contract under which we are a subcontractor, irrespective of the quality of our services as a subcontractor.

In addition, our U.S. Government contracts typically span one or more base years and multiple option years. The U.S. Government generally has the right to not exercise option periods and may not exercise an option period if the agency is not satisfied with our performance on the contract or does not receive funding to continue the program. U.S. Government procurement may adversely affect our cash flow or program profitability.

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

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

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

- the frequent need to bid on programs prior to completing the necessary design, which may result in unforeseen technological difficulties and/or cost overruns;
- the difficulty in forecasting long-term costs and schedules and the potential obsolescence of products related to long-term, fixed price contracts;
- contracts with varying fixed terms that may not be renewed or followed by follow-on contracts upon expiration;
- cancellation of the follow-on production phase of contracts if program requirements are not met in the development phase;
- the failure of a prime contractor customer to perform on a contract;
- the fact that government contract wins can be contested by other contractors; and
- the inadvertent failure to comply with any the U.S. Government rules, laws, and regulations, including the False Claims Act or the Arms Export Control Act.

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

Long-term contract accounting requires judgment relative to assessing risks, estimating contract revenues and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables. For example, assumptions have to be made regarding the length of time to complete the contract as costs also include expected increases in wages and prices for materials. Similarly, assumptions have to be made regarding the future impact of efficiency initiatives and cost reduction efforts. Incentives, awards, price escalations, liquidated damages, or penalties related to performance on contracts are considered in estimating revenue and profit rates and are recorded when there is sufficient information to assess anticipated performance. It is possible that materially different amounts could be obtained, because of the significance of the judgments and estimation processes described above, if different assumptions were used or if the underlying circumstances were to change. Changes in underlying assumptions, circumstances, or estimates may have a material adverse effect upon future period financial reporting and performance. See “Critical Accounting Estimates and Policies” in Part II, Item 7 of this Form 10-K.

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

Backlog represents products or services that our customers have committed by contract to purchase from us. Total backlog includes both funded (unfilled orders for which funding is authorized, appropriated, and contractually obligated by the customer) and unfunded backlog (firm orders for which funding has not been appropriated and/or contractually obligated by the customer). The Corporation is a subcontractor to prime contractors for the vast majority of our government business; as such, substantially all amounts in backlog are funded. Backlog excludes unexercised contract options and potential orders under ordering type contracts (e.g. Indefinite Delivery / Indefinite Quantity). Backlog is adjusted for changes in foreign exchange rates and is reduced for contract cancellations and terminations in the period in which they occur. Backlog as of December 31, 2016 was \$2.0 billion. Backlog is subject to fluctuations and is not necessarily indicative of future sales. The U.S. government may unilaterally modify or cancel its contracts. In addition, under certain of our commercial contracts, our customers may unilaterally modify or terminate their orders at any time for their convenience. Accordingly, certain portions of our backlog can

be cancelled or reduced at the option of the U.S. Government and commercial customers. Our failure to replace cancelled or reduced backlog could negatively impact our revenues and results of operations.

We operate in highly competitive markets.

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

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

The aerospace industry is cyclical in nature and can be adversely affected by periodic downturns by a number of factors, including a recession, increasing fuel and labor costs, intense price competition, outbreak of infectious disease, and terrorist attacks, as well as economic cycles, all of which can be unpredictable and are outside our control. Any decrease in demand resulting from a downturn in the aerospace market could adversely affect our business, financial condition, and results of operations.

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

Our success is dependent upon the efforts of our senior management personnel and our ability to attract and retain other highly qualified management and technical personnel. We face competition for management and qualified technical personnel from other companies and organizations. Therefore, we may not be able to retain our existing management and technical personnel or fill new management or technical positions or vacancies created by expansion or turnover at our existing compensation levels. Although we have entered into change of control agreements with some members of senior management, we do not have employment contracts with our key executives. We have made a concerted effort to reduce the effect of the loss of our senior management personnel through management succession planning. The loss of members of our senior management and qualified technical personnel could have a material and adverse effect on our business.

Our international operations are subject to risks and volatility.

During 2016, approximately 30% of our consolidated revenue was from customers outside of the United States, and we have operating facilities in foreign countries. Doing business in foreign countries is subject to numerous risks, including without limitation: political and economic instability; the uncertainty of the ability of non-U.S. customers to finance purchases; restrictive trade policies; changes in the local labor-relations climate; economic conditions in local markets; health concerns; and complying with foreign regulatory and tax requirements that are subject to change. While these factors or the impact of these factors are difficult to predict, any one or more of these factors could adversely affect our operations. To the extent that foreign sales are transacted in foreign currencies and we do not enter into currency hedge transactions, we are exposed to risk of losses due to fluctuations in foreign currency exchange rates, particularly for the Canadian dollar, the Euro, Swiss franc, and the British Pound. Significant fluctuations in the value of the currencies of the countries in which we do business could have an adverse effect on our results of operations.

Intrusion on our systems could damage our business.

We store sensitive data, including intellectual property, proprietary business information, and confidential employee information on our servers and databases. Despite our implementation of firewalls, switchgear, and other network security measures, our servers, databases, and other systems may be vulnerable to computer hackers, physical or electronic break-ins, sabotage, computer viruses, worms, and similar disruptions from unauthorized tampering with our computer systems. We continue to review and enhance our computer systems to try to prevent unauthorized and unlawful intrusions, but in the future it is possible that we may not be able to prevent all intrusions. Such intrusions could result in our network security or computer systems being compromised and possibly result in the misappropriation or corruption of sensitive information or cause disruptions in our services. We might be required to expend significant capital and resources to protect against, remediate, or

alleviate problems caused by such intrusions. Any such intrusion could cause us to be non-compliant with applicable laws or regulations, subject us to legal claims or proceedings, disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services, any of which could have a material adverse effect on our business, financial condition, and results of operations.

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

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

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

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

At December 31, 2016, we had goodwill and other intangible assets, net of accumulated amortization, of approximately \$1,223 million, which represented approximately 40% of our total assets. Our goodwill is subject to an impairment test on an annual basis and is also tested whenever events and circumstances indicate that goodwill may be impaired. Any excess goodwill resulting from the impairment test must be written off in the period of determination. Intangible assets (other than goodwill) are generally amortized over the useful life of such assets. In addition, from time to time, we may acquire or make an investment in a business that will require us to record goodwill based on the purchase price and the value of the acquired assets. We may subsequently experience unforeseen issues with such business that adversely affect the anticipated returns of the business or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets for such business. Future determinations of significant write-offs of goodwill or intangible assets as a result of an impairment test or any accelerated amortization of other intangible assets could have a material adverse impact on our results of operations and financial condition.

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

We have contracts and operations in many parts of the world subject to United States and foreign laws and regulations, including the False Claims Act, regulations relating to import-export control (including the International Traffic in Arms Regulation promulgated under the Arms Export Control Act), technology transfer restrictions, repatriation of earnings, exchange controls, the Foreign Corrupt Practices Act, the U.K. Anti-Bribery Act, and the anti-boycott provisions of the U.S. Export Administration Act. Although we have implemented policies and procedures and provided training that we believe are sufficient to address these risks, we cannot guarantee that our operations will always comply with these laws and regulations. Failure by us, our sales representatives, or consultants to comply with these laws and regulations could result in administrative, civil, or criminal liabilities and could, in the extreme case, result in suspension or debarment from government contracts or suspension of our export privileges, which could have a material adverse effect on our business.

We are subject to liability under environmental laws.

Our business and facilities are subject to numerous federal, state, local, and foreign laws and regulations relating to the use, manufacture, storage, handling, and disposal of hazardous materials and other waste products. Environmental laws generally

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

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

Our business operates in many locations under government jurisdictions that impose income taxes. Changes in domestic or foreign income tax laws and regulations, or their interpretation, could result in higher or lower income tax rates assessed or changes in the taxability of certain revenues or the deductibility of certain expenses, thereby affecting our income tax expense and profitability. Corporate tax reform continues to be a priority in the U.S. and other jurisdictions. Changes to the tax system in the U.S. could have significant effects, positive or negative, on our effective tax rate and on our deferred tax assets and liabilities. In addition, audits by income tax authorities could result in unanticipated increases in our income tax expense.

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

A significant portion of our business activities are conducted in foreign countries, including Mexico and China. Our business benefits from free trade agreements such as the North American Free Trade Agreement (NAFTA) and we also rely on various U.S. corporate tax provisions related to international commerce as we build, market and sell our products globally. President Trump has made comments suggesting that he is not supportive of certain existing international trade agreements, including NAFTA, and made comments suggesting that he supports significantly increasing tariffs on goods imported into the United States from certain countries such as China and Mexico. At this time, it remains unclear what actions, if any, President Trump will take with respect to NAFTA, other international trade agreements, U.S. tax provisions related to international commerce, and tariffs on goods imported into the United States. If the United States were to withdraw from or materially modify NAFTA, or other international trade agreements to which it is a party, or change corporate tax policy related to international commerce, or if tariffs were raised on the foreign-sourced goods that we sell, such goods may no longer be available at a commercially attractive price or at all, which in turn could have a material adverse effect on our business, financial condition and results of operations.

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

As of December 31, 2016, we had \$951 million of debt outstanding, of which \$816 million is long-term debt. Our level of debt could have significant consequences for our business including: requiring us to use our cash flow to pay the principal and interest on our debt, reducing funds available for acquisitions and other investments in our business; making us vulnerable to economic downturns and increases in interest rates; limiting us from obtaining additional debt; and impacting our ability to pay dividends.

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

Approximately 8% of our workforce is employed under collective bargaining agreements, which from time to time are subject to renewal and negotiation. We cannot ensure that we will be successful in negotiating new collective bargaining agreements, that such negotiations will not result in significant increases in the cost of labor, or that a breakdown in such negotiations will not result in the disruption of our operations. Although we have generally enjoyed good relations with both our unionized and non-unionized employees, if we are subject to labor actions, we may experience an adverse impact on our operating results.

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

Our businesses depend on suppliers and subcontractors for raw materials and components. At times subcontractors perform services that we provide to our customers. We depend on these subcontractors and vendors to meet their contractual obligations in full compliance with customer requirements. Generally, raw materials and purchased components are available from a number of different suppliers, though several suppliers are our sole source of certain components. If a sole-source supplier should cease or otherwise be unable to deliver such components, our operating results could be adversely impacted. In addition,

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

Our business involves risks associated with complex manufacturing processes.

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

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

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

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

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

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

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

We manufacture highly engineered products, which may result in product liability claims against us. For example, in December 2013, we, along with other unaffiliated parties, received a claim from Canadian Natural Resources Limited (CNRL) pertaining to a fire and explosion at a delayed coker unit at CNRL's Fort McMurray refinery which resulted in the injury of five CNRL employees, damage to property and equipment, and various forms of consequential loss such as loss of profit, lost opportunities, and business interruption. The fire and explosion occurred when a CNRL employee bypassed certain safety controls and opened an operating coker unit. The total quantum of alleged damages arising from the incident has not been finalized, but is estimated to meet or exceed \$1 billion. We currently maintain what we believe to be suitable and adequate commercial, property and casualty, product liability, and other forms of insurance to cover this matter and other potential claims. The Corporation is currently unable to estimate an amount, or range of potential losses, if any, from this matter. The Corporation believes it has adequate legal defenses and intends to defend this matter vigorously. There can be no assurance, however, that we will be able to maintain our insurance on acceptable terms or that such insurance will provide adequate protection against these potential liabilities. In the event of a judgment against us on this matter or other claims against us, a lack of sufficient insurance coverage could have a material adverse effect on our business, financial condition, and results of operations. Moreover, even if we maintain adequate insurance, any successful claim could have a material adverse effect on our business, financial condition, results of operations, or cash flows, and on the ability to obtain suitable or adequate insurance.

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

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

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

Our earnings may be positively or negatively impacted by the amount of income or expense we record for our pension and other postretirement benefit plans. U.S. GAAP requires that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions relating to financial markets and other economic conditions. Changes in key economic indicators can change the assumptions. The most significant year-end assumptions used to estimate pension or other postretirement benefit expense for the following year are the discount rate, the expected long-term rate of return on plan assets, expected future medical cost inflation, and expected compensation increases. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity through a reduction or increase to other comprehensive income. For a discussion regarding how our financial statements can be affected by pension and other postretirement benefit plans accounting policies, see “Management’s Discussion and Analysis—Critical Accounting Estimates and Policies—Pension and Other Postretirement Benefits” in Part II, Item 7 of this Form 10-K. Although U.S. GAAP expense and pension or other postretirement contributions are not directly related, the key economic factors that affect U.S. GAAP expense would also likely affect the amount of cash the company would contribute to the pension or other postretirement plans. Potential pension contributions include both mandatory amounts required under federal law, Employee Retirement Income Security Act, and discretionary contributions to improve the plans’ funded status. An obligation to make contributions to pension plans could reduce the cash available for working capital and other corporate uses.

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

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

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

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

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

In addition, there are potential risks associated with growing our business through acquisitions, including the failure to successfully integrate and realize the expected benefits of an acquisition. For example, with any past or future acquisition, there is the possibility that:

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

Failure to successfully implement our acquisition strategy, including successfully integrating acquired businesses, could have a material adverse effect on our business, financial condition and results of operations.

War, natural disasters, or other events beyond our control could adversely impact our businesses.

Despite our concerted effort to minimize risk to our production capabilities and corporate information systems and to reduce the effect of unforeseen interruptions to us through business continuity planning and disaster recovery plans, war, natural disasters, such as hurricanes, floods, tornadoes, pandemic diseases, or other events, such as strikes by a significant customer's or supplier's workforce, could adversely impact demand for or supply of our products and could also cause disruption to our facilities or systems, which could also interrupt operational processes and adversely impact our ability to manufacture our products and provide services and support to our customers. We operate facilities in areas of the world that are exposed to natural disasters, such as but not limited to hurricanes, floods, tornados, and pandemic diseases. Financial difficulties of our customers, delays by our customers in production of their products, high fuel prices, the concern of another major terrorist attack, and the overall decreased demand for our products could adversely affect our operating results and financial position.

A resurgence of terrorist activity around the world could cause economic conditions to deteriorate and adversely impact our businesses.

In the past, terrorist attacks have negatively impacted general economic, market, and political conditions. In particular, the 2001 terrorist attacks, compounded with changes in the national economy, resulted in reduced revenues in the aerospace and general industrial markets in 2002 and 2003. Although economic conditions have improved considerably, additional terrorist acts such as the 2015 Paris terrorist attacks could cause damage or disruption to our business, our facilities, or our employees, which could significantly impact our business, financial condition, or results of operations. The potential for additional future terrorist attacks and the national and international responses to terrorist attacks, have created many economic and political uncertainties, which could adversely affect our business and results of operations in ways that cannot presently be predicted. In addition, with manufacturing facilities located worldwide, including facilities located in the United States, Western Europe, and the People's Republic of China, we may be impacted by terrorist actions not only against the United States but in other parts of the world as well. In some cases, we are not insured for losses and interruptions caused by terrorist acts.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters is located at a leased facility in Charlotte, North Carolina. As of December 31, 2016, we had 173 facilities worldwide, including four corporate and shared-services facilities. Approximately 87% of our facilities operate as manufacturing and engineering, metal treatment, or aerospace overhaul plants, while the

remaining 13% operate as selling and administrative office facilities. The number and type of facilities utilized by each of our reportable segments are summarized below:

16

Owned Facilities Location	Commercial/ Industrial	Defense	Power	Total
North America	16	1	3	20
Europe	14	1	—	15
Total	30	2	3	35
Leased Facilities Location	Commercial/ Industrial	Defense	Power	Total
North America	52	11	23	86
Europe	28	4	—	32
Asia	16	—	—	16
Total	96	15	23	134

The buildings on the properties referred to in this Item are well maintained, in good condition, and are suitable and adequate for the uses presently being made of them. Management believes the productive capacity of our properties is adequate to meet our anticipated volume for the foreseeable future.

Item 3. Legal Proceedings.

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

In December 2013, the Corporation, along with other unaffiliated parties, received a claim from Canadian Natural Resources Limited (CNRL) filed in the Court of Queen's Bench of Alberta, Judicial District of Calgary. The claim pertains to a January 2011 fire and explosion at a delayed coker unit at its Fort McMurray refinery that resulted in the injury of five CNRL employees, damage to property and equipment, and various forms of consequential loss such as loss of profit, lost opportunities, and business interruption. The fire and explosion occurred when a CNRL employee bypassed certain safety controls and opened an operating coker unit. The total quantum of alleged damages arising from the incident has not been finalized, but is estimated to meet or exceed \$1 billion. Although the parties tentatively agreed to mediate the claim, no progress has been made to further pursue the claim. The Corporation maintains various forms of commercial, property and casualty, product liability, and other forms of insurance; however, such insurance may not be adequate to cover the costs associated with a judgment against us. The Corporation is currently unable to estimate an amount or range of potential losses, if any, from this matter. The Corporation believes it has adequate legal defenses and intends to defend this matter vigorously. The Corporation's financial condition, results of operations, and cash flows could be materially affected during a future fiscal quarter or fiscal year by unfavorable developments or outcome regarding this claim.

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

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

MARKET INFORMATION

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

Stock Price Range	2016		2015	
	High	Low	High	Low
Common Stock				
First Quarter	\$75.93	\$62.57	\$74.63	\$64.40
Second Quarter	87.76	73.95	77.57	70.13
Third Quarter	91.65	81.52	73.90	61.59
Fourth Quarter	107.61	83.48	71.86	60.73

As of January 1, 2017, we had approximately 3,770 registered shareholders of our common stock, \$1.00 par value.

DIVIDENDS

During 2016 and 2015, the Company paid quarterly dividends of thirteen cents (\$0.13) a share.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information regarding our equity compensation plans as of December 31, 2016, the end of our most recently completed fiscal year:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted average exercise price of outstanding options, warrants, and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column)
Equity compensation plans approved by security holders	968,891	(a) \$52.95	2,474,816 (b)
Equity compensation plans not approved by security holders	None	Not applicable	Not applicable

Consists of 922,306 shares issuable upon exercise of outstanding options and vesting of performance share units, (a) restricted shares, restricted stock units, and shares to non-employee directors under the 2005 and 2014 Omnibus Incentive Plan, 46,585 shares issuable under the Employee Stock Purchase Plans.

(b) Consists of 2,076,115 shares available for future option grants under the 2014 Omnibus Incentive Plan, 398,701 shares remaining available for issuance under the Employee Stock Purchase Plan.

Issuer Purchases of Equity Securities

The following table provides information about our repurchases of equity securities that are registered by us pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, during the quarter ended December 31, 2016.

	Total Number of shares purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar amount of shares that may yet be Purchased Under the Program
October 1 – October 31	95,100	\$87.70	1,129,747	\$111,364,432
November 1 – November 30	89,100	93.41	1,218,847	103,041,289
December 1 – December 31	80,700	102.73	1,299,547	94,751,213
For the quarter ended December 31	264,900	\$94.20	1,299,547	\$94,751,213

On December 9, 2015, the Corporation announced the authorization of a \$200 million share repurchase program. The Company initiated the program in January 2016 and repurchased over \$100 million of shares in 2016. On December 7, 2016, the Corporation authorized an additional \$100 million for future share repurchases. The Company plans to repurchase at least \$50 million in shares in 2017. Under the current program, shares may be purchased on the open market, in privately negotiated transactions, and under plans complying with Rules 10b5-1 and 10b-18 under the Securities Exchange Act of 1934, as amended.

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

PERFORMANCE GRAPH

On January 29, 2016, S&P Dow Jones Indices added Curtiss-Wright to the S&P MidCap 400 Index. The Company was previously a member of the S&P SmallCap 600 Index. The following graph compares the annual change in the cumulative total return on our Company's Common Stock during the last five fiscal years with the annual change in the cumulative total return of the Russell 2000 Index, the S&P MidCap 400 Index, and our self-constructed proxy peer group. The proxy peer group companies are as follows:

AAR Corp	Moog Inc.
Crane Co.	Orbital ATK, Inc.
Cubic Corp	Rockwell Collins Inc.
EnPro Industries Inc.	Spirit Aerosystems Holdings Inc.
Esterline Technologies Corp	Teledyne Technologies Inc.
Hexcel Corp	TransDigm Group Inc.
IDEX Corporation	Triumph Group Inc.
Kaman Corp	Woodward Inc.
ITT Corp	

The graph assumes an investment of \$100 on December 31, 2011 and the reinvestment of all dividends paid during the following five fiscal years.

Company / Index	2011	2012	2013	2014	2015	2016
Curtiss-Wright Corp	100	93.93	179.74	205.49	200.89	290.19
S&P MidCap 400 Index	100	117.88	157.37	172.74	168.98	204.03
Russell 2000	100	116.35	161.52	169.43	161.95	196.45
Peer group	100	113.68	164.65	181.73	187.70	215.75

Item 6. Selected Financial Data.

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

Five-Year Financial Highlights

(In thousands, except per share data)	CONSOLIDATED SELECTED FINANCIAL DATA				
	2016	2015	2014	2013	2012
Net sales	\$2,108,931	\$2,205,683	\$2,243,126	\$2,118,081	\$1,823,307
Net earnings from continuing operations	189,382	192,248	169,949	139,404	104,081
Total assets	3,037,781	2,989,611	3,382,448	3,458,274	3,114,588
Total debt, net	966,298	953,205	954,348	959,938	880,215
Earnings per share from continuing operations:					
Basic	\$4.27	\$4.12	\$3.54	\$2.97	\$2.23
Diluted	\$4.20	\$4.04	\$3.46	\$2.91	\$2.20
Cash dividends per share	\$0.52	\$0.52	\$0.52	\$0.39	\$0.35

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

COMPANY ORGANIZATION

Curtiss-Wright Corporation and its subsidiaries is a global, diversified, industrial provider of highly engineered, technologically advanced, products and services to a broad range of industries which are reported through our Commercial/Industrial, Defense, and Power segments. We are positioned as a market leader across a diversified array of niche markets through engineering and technological leadership, precision manufacturing, and strong relationships with our customers. We provide products and services to a number of global markets, including the commercial aerospace, defense, power generation, and industrial markets. Our overall strategy is to be a balanced and diversified company, less vulnerable to cycles or downturns in any one market, and to establish strong positions in profitable niche markets. Approximately 37% of our 2017 revenues are expected to be generated from defense-related markets.

As discussed in Note 2 to the Corporation's Consolidated Financial Statements, we have completed our 2014 divestiture activities. The results of operations of the divested businesses are reported as discontinued operations within our Consolidated Statements of Earnings.

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 continuing operations, and finally a more detailed discussion of those results within each of our reportable operating segments.

Impacts of inflation, pricing, and volume

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

Analytical Definitions

Throughout management's discussion and analysis of financial condition and results of operations, the terms "incremental" and "organic" are used to explain changes from period to period. The term "incremental" is used to highlight the impact acquisitions had on the current year results for which there was no comparable prior-year period. Therefore, the results of

21

operations for acquisitions are incremental for the first twelve months from the date of acquisition. The remaining businesses are referred to as the “organic”. The definition of “organic” excludes the effect of foreign currency translation.

Market Analysis and Economic Factors

Economic Factors Impacting Our Markets

Curtiss-Wright Corporation is a diversified multinational manufacturing and service company that designs, manufactures, and overhauls precision components and provides highly engineered products and services to the aerospace, defense, power generation, and general industrial markets. Many of Curtiss-Wright’s industrial businesses are driven in large part by global economic growth. U.S. and world economies continue to recover from the 2008-2009 financial crisis and global recession, with most measures of economic growth only recently reaching the comparable levels achieved in 2008.

The U.S. economy, as measured by real gross domestic product (GDP), has slowly improved since 2009, aided by decreased levels of unemployment, improvements in the housing market and a low interest rate environment.

In 2016, U.S. GDP showed modest growth of 1.6%, according to the most recent estimate, despite a slight acceleration in the second half of the year, while U.S. GDP grew 2.6% in 2015 and 2.4% in 2014.

The U.S. Federal Reserve’s decision to increase interest rates in late 2015 and again in 2016 was aimed at keeping ahead of inflationary pressures, marking the end to the near-zero borrowing costs that had prevailed since the global financial crisis.

Looking ahead to 2017, economists have mixed views on the broader U.S. economy, with current estimates for U.S. real GDP growth indicating a rate of growth of approximately 2%, despite the new administration’s goal to raise the pace of expansion to 4% per year through increased fiscal stimulus.

Meanwhile, the global environment contains pockets of economic instability, particularly in China, which continues to be faced with lower relative levels of economic activity, while uncertainty surrounds the U.K. following its June 2016 vote in favor of leaving the European Union. Furthermore, world economies continue to experience volatility due to the slower than expected rebound in economic activity, a worsening of geopolitical tensions, the continued low oil price environment and excess crude oil supply, declining commodity prices, and the potential for further increases in U.S. interest rates.

As a result, overall, 2017 GDP growth in world economies is expected to grow by approximately 3.4%, up from 3.1% in 2016, according to the International Monetary Fund. This growth is expected to be aided by slight improvements in U.S and European economies as well as an improved outlook for emerging market and developing economies. Looking ahead to the next few years, we remain cautiously optimistic that our economically-sensitive commercial and industrial markets will improve when we return to normalized global conditions.

Defense

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

The U.S. Defense budget serves as a leading indicator of our growth in the defense market. Over the past decade, we experienced a period of significant growth in defense spending and related supplemental budgets, followed by across-the-board sequester cuts (“sequestration”) mandated by the 2011 Budget Control Act. However, defense budget spending has stabilized and is expected to demonstrate moderate annual growth of at least 3% through 2021.

The FY2017 Defense budget request, which began in October 2016, was \$524 billion (base) or \$583 billion (including base plus overseas contingency operations (OCO)), showing modest growth of 1% compared to the prior year period. However, Congress elected not to approve the 2017 President's Budget until after the November presidential election, and hence the DoD began the year under a Continuing Resolution (CR), essentially maintaining funding at the previous year's levels.

The proposed FY2018 Defense budget, which begins in October 2017, is expected to be in excess of \$600 billion (base), a positive for the industry as it would provide the DoD additional stability and flexibility to enter into multi-year contracts, without the impact of sequestration.

Curtiss-Wright derives revenue from the naval defense, aerospace defense and ground defense markets. In the naval defense market, we expect continued solid funding for the U.S. shipbuilding program, particularly as it relates to production on the Ford class aircraft carrier, as well as the Ohio Replacement Program (ORP) and Virginia class submarine programs. The Company has a long legacy providing products that support nuclear propulsion systems on naval vessels. In the aerospace defense market, we expect to benefit from increased funding levels on Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), electronic warfare, unmanned systems, and communications programs. As a leading supplier of COTS and COTS+ solutions, we continue to demonstrate that electronics technology will enhance our ability to design and develop future generations of advanced systems and products for high performance applications, while also meeting the military's Size, Weight and Power (SWaP) considerations. We are also a leading designer and manufacturer of high-technology data acquisition and comprehensive flight test instrumentation systems. In the ground defense market, the modernization of the existing fleet is expected to recover slowly, while international demand should remain solid, particularly for our turret drive stabilization systems (TDSS).

While we monitor the budget process as it relates to programs in which we participate, we cannot predict the ultimate impact of future DoD budgets, which tend to fluctuate year-by-year and program-by-program. As a result, there may be budget reductions and program cancellations that would negatively impact programs in which we participate.

Commercial Aerospace

Curtiss-Wright derives revenue from the global commercial aerospace market, principally to the commercial jet market, and to a lesser extent the regional jet and commercial helicopter markets. Our primary focus in this market is OEM products and services for commercial jets, which is highly dependent on new aircraft production. We provide a combination of flight control and utility actuation systems, sensors, and other sophisticated electronics, as well as shot and laser peening services, to our primary customers, Boeing and Airbus. Shot and laser peening are also utilized on highly stressed components of turbine engine fan blades, landing gear, and aircraft structures.

Fiscal 2011 marked the first year in a multi-year production up-cycle for the commercial aerospace market, and industry data supports a steady increase in commercial aircraft deliveries over the next few years. In the current cycle, OEM-oriented companies are expected to perform well, due to planned increases in production by Boeing and Airbus on both legacy and new aircraft, along with strong backlogs.

Steady growth in airline travel and the delivery of new aircraft to replace an aging fleet continue to be key drivers in the commercial aerospace market. According to the International Air Transport Association (IATA), air travel continues to be strong and is likely to display growth of approximately 5.0% in 2017, which is essentially in-line with the 20-year trend. The steady decline in oil prices during the past few years has been a key contributor to the increased passenger growth, as the fall in the price of fuel has led to cheaper airfares for consumers. Industry experts also expect a modest long-term growth outlook for both regional and business jets. While we closely monitor these industry metrics, our success and future growth in the commercial aerospace market is primarily tied to the growth in aircraft production rates, the timing of our order placement, and continued partnering with aerospace original equipment manufacturers.

Power Generation

Curtiss-Wright derives revenue from the commercial nuclear power generation market, where we supply a variety of highly engineered products and services, including reactor coolant pumps, control rod drive mechanisms, valves, motors, spent fuel management, containment doors, bolting solutions, enterprise resource planning, plant process controls, and coating services. Curtiss-Wright provides equipment and services to both the aftermarket and new build markets and has content on almost every reactor operating in the U.S. today.

According to the Nuclear Regulatory Commission (NRC), nuclear power comprises approximately 20% of all the electric power produced in the United States, with 99 reactors operating across 61 nuclear power plants in 30 states. Our growth in aftermarket products and services is partially driven by the U.S. plant recertification process, as nearly all of the operating U.S. nuclear power plants have applied for or will be applying for 20-year plant life extensions as they reach the end of their current 40-year operating lives. As of December 31, 2016, 87 reactors have received plant life extensions beyond 40 years (though four are expected to close), applications from 8 additional reactors have been submitted and are pending approval, and letters of intent to apply have been submitted from 4 more reactors with expected application submittal dates from 2016 through 2021. The NRC is now preparing to consider extending operating licenses beyond 60 out to 80 years.

The industry's most significant challenge is electricity market competitiveness primarily driven by sustained low natural gas prices. As a result, the industry's goal is to rethink operating practices, improve efficiency and reduce costs to help keep nuclear power competitive in a changing electricity market. Additionally, U.S. reactor operators have also been faced with security and Fukushima regulatory requirements that have diverted their capital expenditure budgets significantly during the past few years. While these factors have led to deferred plant maintenance and fewer planned outages for the past few years, we expect increased opportunities worldwide for our vast portfolio of advanced nuclear technologies, likely rebounding in early 2018.

Longer term, there are several factors that are expected to drive global commercial nuclear power demand. The Energy Information Administration (EIA) forecasts that worldwide total energy consumption is expected to increase at an average annual rate of 1.4% through 2040. Continued growth in global demand for electricity, especially in developing countries with limited supply such as China and India, will require increased capacity. In addition, the continued supply constraints and environmental concerns attributed to the current dependence on fossil fuels have led to a greater appreciation of the value of nuclear technology as the most efficient and environmentally friendly source of energy available today. As a result, we expect growth opportunities in this market both domestically and internationally, although the timing of orders remains uncertain.

Curtiss-Wright also plays an important role in the new build market as a key supplier of RCPs for the Westinghouse AP1000 reactor design. Domestically, 4 new build reactors are under construction utilizing the AP1000 design, for which we are the sole supplier of reactor coolant pumps, and also expect to supply a variety of ancillary plant products and services. Applications for an additional 6 new domestic reactors at 3 future power plants have been submitted to the NRC, with the AP1000 design having been selected for 4 of the potential new reactors, although the timing of orders remains uncertain. On a global basis, nuclear plant construction is active. Currently, there are approximately 60 new reactors under construction across 13 countries, with approximately 165 planned and 345 proposed over the next several decades. In particular, China intends to expand its nuclear power capabilities significantly through the construction of new nuclear power plants, including two AP1000 plants currently under construction that are expected to be the first Generation III design in operation, with several more new build plants on the horizon. Curtiss-Wright continues to expect to play a role in China's growing nuclear power program and in the fourth quarter of 2015 was awarded a \$468 million contract for sixteen RCPs and the sale of certain non-recurring rights (China Direct order).

As a result, we are positioned for strong expected new order activity for our vast array of nuclear technologies due to ongoing maintenance and upgrade requirements on operating nuclear plants, a renewed interest in products to aid safety and extend the reliability of existing reactors, and the continued emphasis on global nuclear power construction.

General Industrial

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

One of the key drivers within our general industrial market is our sensors and controls systems products, most notably for electronic throttle controls, shift controls, joysticks, power management systems, traction control systems, serving on-and-off highway, medical mobility and specialty vehicles markets. Increased industry demand for electronic control systems and sensors has been driven by the need for improved operational efficiency, safety, repeatability, reduced emissions, enhanced functionality, and greater fuel efficiencies to customers worldwide. Key to our future growth is expanding the human-machine interface technology portfolio and providing a complete system solution to

our customers. Existing and emerging trends in commercial vehicle safety, emissions control, and improved driver efficiency are propelling commercial vehicle OEMs toward higher performance subsystems. These trends are accelerating the evolution from discrete human machine interface components towards a more integrated vehicle interface architecture. Meanwhile, our surface treatment services, including shot and laser peening, engineered coatings, and analytical testing services, which are used to increase the safety, reliability and longevity of components, are primarily driven by demand from general industrial customers.

Looking ahead, based on expectations for steadily improving global economic conditions, these businesses are likely to experience continued modest growth based on higher sales volumes and new international emissions regulations affecting several industries in which we participate.

We also service the oil and gas, chemical, and petrochemical industries through numerous industrial valve products, where nearly all of our valve sales are to the downstream markets. We maintain a global maintenance, repair and overhaul (MRO)

business for our pressure-relief valve technologies as refineries opportunistically service or upgrade equipment that has been operating at full capacity in recent years. We also produce severe service, operation-critical valves for the power and process industries. Earlier in the decade through mid-2014, the industry had experienced solid performance driven by new exploration and expansion of sub-segments, including offshore drilling and shale gas, which boosted end-user demand. As a result of these market initiatives and reduced global economic growth, the industry experienced an excess of oil supply globally, driving a steady decline in crude oil prices throughout 2014 and 2015, as well as reducing capital expenditures. Though oil prices rebounded in late 2016 to drive some fresh optimism, they remain well below the recent 2014 peak, and the challenges facing the oil and gas industry are expected to continue for the foreseeable future. Despite the challenges in the oil and gas market, we have seen an industrial renaissance in the U.S. chemical industry due to plentiful, affordable natural gas, which has led to further adoption of severe service valve technology. Over the long run, we believe improved economic conditions and continued global expansion will be key drivers for future growth of our severe service and operationally critical valves serving the process industry.

RESULTS OF OPERATIONS

(In thousands, except percentages)	Year Ended December 31,			Percent changes	
	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Sales:					
Commercial/Industrial	\$1,118,768	\$1,184,791	\$1,228,097	(6 %)	(4 %)
Defense	466,654	477,413	489,857	(2 %)	(3 %)
Power	523,509	543,479	525,172	(4 %)	3 %
Total sales	\$2,108,931	\$2,205,683	\$2,243,126	(4 %)	(2 %)
Operating income:					
Commercial/Industrial	\$156,550	\$171,525	\$178,684	(9 %)	(4 %)
Defense	98,291	98,895	82,552	(1 %)	20 %
Power	76,472	74,987	51,449	2 %	46 %
Corporate and eliminations	(23,215)	(34,790)	(30,312)	33 %	(15 %)
Total operating income	\$308,098	\$310,617	\$282,373	(1 %)	10 %
Interest expense	41,248	36,038	35,794	14 %	1 %
Other income, net	1,111	615	365	NM	NM
Earnings before income taxes	267,961	275,194	246,944	(3 %)	11 %
Provision for income taxes	(78,579)	(82,946)	(76,995)	(5 %)	8 %
Earnings from continuing operations	\$189,382	\$192,248	\$169,949	(1 %)	13 %
New orders	\$2,149,191	\$2,585,038	\$2,385,066		
Backlog	\$1,950,750	\$1,928,727	\$1,671,482		

NM - not meaningful

Components of sales and operating income growth (decrease):

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

	2016 vs. 2015		2015 vs. 2014	
	Sales	Operating Income	Sales	Operating Income
Organic	(4%)	(4 %)	—%	6 %
Acquisitions/divestitures	—%	— %	—%	— %
Foreign currency	—%	3 %	(2%)	4 %
Total	(4%)	(1 %)	(2%)	10 %

Year ended December 31, 2016 compared to year ended December 31, 2015

Sales for the year decreased \$97 million, or 4%, to \$2,109 million, compared with the prior year period. On a segment basis, sales from the Commercial/Industrial, Defense, and Power segments decreased \$66 million, \$11 million, and \$20 million, respectively. Changes in sales by segment are discussed in further detail below in the results from segment operations.

Operating income for the year decreased \$3 million, or 1%, to \$308 million, and operating margin increased 50 basis points compared with 2015. The decrease in operating income is primarily driven by lower sales volumes of our severe-service industrial valves and surface treatment services in the Commercial/Industrial segment. This decrease was partially offset by favorable foreign currency translation of approximately \$9 million and lower corporate expenses primarily due to a prior year period pension settlement charge of \$7 million related to the retirement of the company's former Chairman. Operating margin benefited from our margin improvement and cost containment initiatives during the current period.

Non-segment operating expense decreased \$12 million, to \$23 million, primarily due to lower pension expense as a result of a one-time pension settlement charge during the prior year period related to the retirement of the company's former Chairman.

Interest expense increased \$5 million to \$41 million, primarily due to the termination of our interest rate swaps in the first quarter of 2016.

The effective tax rates from continuing operations for 2016 and 2015 were 29.3% and 30.1%, respectively. The decrease in the effective tax rate in 2016, as compared to 2015, was primarily due to a reduction of unrecognized tax benefits and a reversal of certain valuation allowances, partially offset by lower research and development credits.

New orders decreased \$436 million to \$2,149 million at December 31, 2016, primarily due to a \$468 million order received in the Power segment in the prior year period and a decrease in new orders of \$58 million in the Defense segment. These decreases were partially offset by an increase in new orders of \$35 million in the Commercial/Industrial segment and the timing of government orders for pumps and generators of \$40 million in the Power segment. Changes in new orders by segment are discussed in further detail in the results by business segment section below.

Comprehensive income (loss)

Pension and postretirement adjustments within comprehensive income during the year ended December 31, 2016, were a \$1 million loss compared with a \$10 million loss for the prior year period. The changes were primarily due to plan asset and salary gains in 2016 versus losses for the same assumptions in the prior period. These gains were offset by discount rate losses in the current period versus gains in the prior period, and lower loss amortization due to the prior period settlement charge related to the retirement of the company's former Chairman.

Foreign currency translation adjustments during the year ended December 31, 2016, were a \$65 million loss compared with foreign currency translation losses of \$88 million in the comparable prior period. The comprehensive loss during the current period was primarily attributed to decreases in the British Pound with the prior year period impacted by decreases in the Canadian dollar.

Year ended December 31, 2015 compared to year ended December 31, 2014

Sales for the year decreased \$37 million, or 2%, to \$2,206 million, compared with the prior year period. The main driver of the decrease in sales was lower sales in the Commercial/Industrial segment of \$43 million. The increase in sales in the Power segment was driven by the China Direct order, but was partially offset by lower sales in the Defense segment. Changes in sales by segment are discussed in further detail below in the results from segment operations.

Operating income for the year increased \$28 million, or 10%, to \$311 million, and operating margin increased 150 basis points compared with 2014. The increase in operating income and margin is primarily attributable to a \$20 million non-recurring fee as a result of the sale of certain rights, discussed in further detail below, in the Power segment results from segment operations. Additionally, higher operating income in our Defense segment was primarily due to an \$11 million favorable impact of foreign currency.

Non-segment operating expense increased \$4 million, to \$35 million, primarily due to higher pension expense as a result of a one-time pension settlement charge related to the retirement of the company's former Chairman.

Interest expense of \$36 million was essentially flat as compared to the prior year period.

The effective tax rates from continuing operations for 2015 and 2014 were 30.1% and 31.2%, respectively. The decrease in the effective tax rate in 2015, as compared to 2014, was primarily due to an increase in the foreign rate differential and the reenactment and enhancement of certain tax credits and deductions.

New orders increased \$200 million to \$2,585 million at December 31, 2015, primarily due to a new order received in the Power segment for \$468 million, partially offset by lower new orders in the Commercial/Industrial segment and Defense segment, as discussed in further detail below in the results from segment operations.

Comprehensive income (loss)

Pension and postretirement adjustments within comprehensive income during the year ended December 31, 2015, were a \$10 million loss compared with a \$74 million loss for the prior year period. The changes were primarily due to discount rate and mortality assumption gains in 2015 versus losses for the same assumptions in the prior period. Additionally, higher loss amortization and the settlement charge in the current period resulted in a reduction to accumulated comprehensive income. These changes were partially offset by asset losses in the current period due to market under performance.

Foreign currency translation adjustments during the year ended December 31, 2015, were an \$88 million loss compared with foreign currency translation losses in the comparable prior period of \$79 million. The fluctuations were largely attributable to changes in the Canadian dollar exchange rates.

RESULTS BY BUSINESS SEGMENT

Commercial/Industrial

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

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

(In thousands, except percentages)	Year Ended December 31,			Percent Changes	
	2016	2015	2014	2016 vs 2015	2015 vs 2014
Sales	\$1,118,768	\$1,184,791	\$1,228,097	(6 %)	(4 %)
Operating income	156,550	171,525	178,684	(9 %)	(4 %)
Operating margin	14.0	% 14.5	% 14.5	% (50 bps)	—

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

New orders	\$1,173,563	\$1,138,581	\$1,215,029	3	% (6 %)
Backlog	\$504,482	\$456,481	\$513,067	11	% (11%)

Components of sales and operating income growth (decrease):

27

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

	2016 vs 2015		2015 vs 2014	
	Sales	Operating Income	Sales	Operating Income
Organic	(5%)	(11 %)	(1%)	(5 %)
Acquisitions/divestitures	—%	— %	—%	1 %
Foreign currency	(1%)	2 %	(3%)	— %
Total	(6%)	(9 %)	(4%)	(4 %)

Year ended December 31, 2016 compared to year ended December 31, 2015

Sales decreased \$66 million, or 6%, to \$1,119 million, from the comparable prior year period. In the general industrial market, we experienced lower sales of severe-service valves to oil and gas markets of \$47 million and a reduction in sales for our industrial vehicle, medical mobility, and industrial automation products, of \$7 million, \$8 million, and \$6 million, respectively. Within the commercial aerospace market, higher sales of actuation and sensors and control products of \$19 million, primarily to Boeing, were partially offset by lower sales of surface technology services of \$15 million.

Operating income decreased \$15 million, or 9%, to \$157 million, and operating margin decreased 50 basis points to 14.0%. The decreases in operating income and operating margin were primarily driven by lower sales volumes of our severe-service industrial valves and surface treatment services. These decreases were partially offset by the benefit of our margin improvement and cost containment initiatives as well as favorable foreign currency translation of approximately \$4 million.

New orders increased \$35 million to \$1,174 million from the prior year period, primarily due to growth in our naval valves of \$39 million and sensors and control products of \$32 million, partially offset by lower demand for our industrial vehicle products of \$23 million.

Year ended December 31, 2015 compared to year ended December 31, 2014

Sales decreased \$43 million, or 4%, to \$1,185 million, from the comparable prior year period. In the general industrial market, lower valve sales serving the energy markets of \$36 million were driven by the decline in the price of crude oil. Additionally, lower sales of our surface technologies services impacted the general industrial market \$8 million, power generation market \$7 million, and the commercial aerospace market \$5 million. This was partially offset by higher valve sales in the naval defense market due to the timing of production of \$15 million.

Operating income decreased \$7 million, or 4%, to \$172 million, and operating margin was flat at 14.5%. The decrease in operating income is primarily due to the unfavorable impact of lower sales volume discussed above. Lower selling expenses as result of the lower sales contributed to flat operating margin.

New orders decreased \$76 million to \$1,139 million from the prior year period, primarily due to lower new orders of our surface technology services of \$29 million and lower valve new orders of \$43 million.

Defense

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

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

Year Ended December 31,	Percent Changes
-------------------------	-----------------

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

(In thousands, except percentages)	2016	2015	2014	2016 vs. 2015	2015 vs. 2014
Sales	\$466,654	\$477,413	\$489,857	(2 %)	(3 %)
Operating income	98,291	98,895	82,552	(1 %)	20 %
Operating margin	21.1 %	20.7 %	16.9 %	40 bps	380 bps
New orders	\$445,230	\$502,948	\$621,012	(11 %)	(19 %)
Backlog	\$499,993	\$533,004	\$538,125	(6 %)	(1 %)

28

Components of sales and operating income growth (decrease):

	2016 vs. 2015		2015 vs. 2014	
	Sales	Operating Income	Sales	Operating Income
Organic	(1%)	(6 %)	—%	6 %
Acquisitions/divestitures	—%	— %	—%	— %
Foreign currency	(1%)	5 %	(3%)	14 %
Total	(2%)	(1 %)	(3%)	20 %

Year ended December 31, 2016 compared to year ended December 31, 2015

Sales decreased \$11 million, or 2%, to \$467 million, from the comparable prior year period, primarily due to lower sales in the aerospace defense and commercial aerospace markets of \$7 million and \$6 million, respectively. The decrease in sales in the aerospace defense market was primarily due to lower foreign military sales. Sales in the commercial aerospace market decreased primarily due to lower sales of avionics and electronics products.

Operating income decreased \$1 million, or 1%, to \$98 million, compared with the same period in 2015, while operating margin increased 40 basis points to 21.1%. The decrease in operating income was driven primarily by lower sales volumes in our commercial avionics and electronics business as well as a favorable prior year adjustment of \$4 million related to the receipt of a TDSS production contract. This decrease was partially offset by the benefit of our margin improvement and cost containment initiatives as well as favorable foreign currency translation of approximately \$5 million.

New orders decreased \$58 million, as compared to the prior year, primarily due to a TDSS production contract of \$44 million received during the second quarter of 2015 as well as the timing of government orders.

Year ended December 31, 2015 compared to year ended December 31, 2014

Sales decreased \$12 million, or 3%, to \$477 million, from the comparable prior year period. The impacts of foreign currency decreased sales by \$14 million. Within the defense market, ground defense sales increased \$10 million primarily due to higher sales of TDSS products on international ground defense platforms. This performance was partially offset by lower sales of avionics and electronics equipment in the aerospace defense market across various programs totaling \$12 million.

Operating income increased \$16 million, or 20%, to \$99 million, compared with the same period in 2014, while operating margin increased 380 basis points to 20.7%. The increase in operating income is primarily due to favorable foreign currency impacts of \$11 million and a favorable estimate to completion adjustment on a TDSS contract.

New orders decreased \$118 million, as compared to the prior year, primarily due to the receipt of a \$91 million new order in 2014 for our TDSS product and a lower level of orders in our avionics business.

Power

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

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

(In thousands, except percentages)	Year Ended December 31,			Percent Changes	
	2016	2015	2014	2016 vs.	2015 vs.

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

			2015		2014	
Sales	\$523,509	\$543,479	\$525,172	(4 %)	3 %	
Operating income	76,472	74,987	51,449	2 %	46 %	
Operating margin	14.6 %	13.8 %	9.8 %	80 bps	400 bps	
New orders	\$530,398	\$943,509	\$549,025	(44 %)	72 %	
Backlog	\$946,275	\$939,242	\$620,290	1 %	51 %	

Components of sales and operating income growth (decrease):

29

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

	2016 vs. 2015			2015 vs. 2014		
	Sales	Operating Income	%	Sales	Operating Income	%
Organic	(4%)	2%	%	3%	46%	%
Acquisitions/divestitures	—%	—%	%	—%	—%	%
Foreign currency	—%	—%	%	—%	—%	%
Total	(4%)	2%	%	3%	46%	%

Year ended December 31, 2016 compared to year ended December 31, 2015

Sales decreased \$20 million, or 4% to \$524 million, from the comparable prior year period, primarily due to lower sales in the power generation market. This decrease is primarily due to lower aftermarket sales of \$26 million supporting domestic and international nuclear operating reactors. Sales related to the AP1000 program were essentially flat as higher production revenues on the domestic and China Direct programs of \$19 million were mostly offset by a one-time license fee of \$20 million on the prior year China Direct order.

The decreases in the power generation market were partially offset by higher sales of \$5 million in the naval defense market. This was primarily due to higher sales of pumps and generators of \$16 million supporting the new Ohio-class replacement submarine program and higher production levels of \$5 million on the Electromagnetic Aircraft Launching System (EMALS) program. These increases were partially offset by lower sales of \$18 million of CVN-79 pumps and valves as production is substantially complete.

Operating income increased \$1 million, or 2%, to \$76 million and operating margin increased 80 basis points to 14.6%. The increases in operating income and operating margin were primarily driven by higher operating income of \$11 million due to increased production volumes on the AP1000 program and an unfavorable contract adjustment of \$11.5 million recorded during the prior year period. These increases were partially offset by a one-time license fee of \$20 million recorded during the prior year period. Within our nuclear aftermarket businesses, we experienced lower operating income and operating margin driven primarily by the unfavorable impact of sales volumes supporting domestic and international nuclear operating reactors. These decreases were partially offset by cost containment initiatives during the current period.

New orders decreased \$413 million, as compared to the prior year, primarily due to the receipt of a \$468 million order in the prior year period for AP1000 reactor coolant pumps and certain intellectual property rights. This decrease was partially offset by the timing of funding for pumps and generators with government customers of \$40 million.

Year ended December 31, 2015 compared to year ended December 31, 2014

Sales increased \$18 million, or 3%, to \$543 million, from the comparable prior year period. The increase in sales is primarily due to \$33 million of higher sales to the power generation market as a result of the China Direct order. The contract included a non-recurring fee of \$20 million related to the right to procure AP1000 technology outside of China and the right to incorporate our technology into future generation reactor designs. The Company had no further performance obligations with regards to the sale of these rights. Additionally, we recognized production revenues of \$13 million on the China Direct order. This was partially offset by lower nuclear aftermarket sales to domestic nuclear operating reactors of \$21 million as a result of ongoing deferred spending on maintenance and upgrades.

Operating income increased \$24 million, or 46%, to \$75 million and operating margin increased 400 basis points to 13.8%. The increase in operating income and operating margin was primarily due to a non-recurring fee as a result of the sale of certain rights described above. In addition, we recorded an unfavorable contract adjustment of \$11.5 million on our long-term AP1000 China contract with Westinghouse, due to production modifications as a result of

engineering and endurance testing. The unfavorable contract adjustment was largely offset by a termination order received on a portion of our domestic AP1000 contract. Additionally, despite lower sales, operating income in our nuclear aftermarket businesses improved as result of favorable sales mix and lower costs of sales due to various lean initiatives.

New orders increased \$394 million to \$944 million, compared with the same period in 2014, primarily due to the new AP1000 order of \$468 million discussed above. This was partially offset by the timing of funding on naval defense orders of \$65 million.

SUPPLEMENTARY INFORMATION

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

Net Sales by End Market

(In thousands, except percentages)	Year Ended December 31,			Percent changes	
	2016	2015	2014	2016	2015
				vs. 2015	vs. 2014
Defense markets:					
Aerospace	\$296,287	\$304,521	\$290,604	(3 %)	5 %
Ground	84,280	85,722	74,066	(2 %)	16 %
Naval	401,279	388,686	381,335	3 %	2 %
Other	11,884	8,340	8,610	42 %	(3 %)
Total Defense	\$793,730	\$787,269	\$754,615	1 %	4 %
Commercial markets:					
Aerospace	\$397,258	\$398,529	\$422,888	— %	(6 %)
Power Generation	408,376	436,396	429,779	(6 %)	2 %
General Industrial	509,567	583,489	635,844	(13 %)	(8 %)
Total Commercial	\$1,315,201	\$1,418,414	\$1,488,511	(7 %)	(5 %)
Total Curtiss-Wright	\$2,108,931	\$2,205,683	\$2,243,126	(4 %)	(2 %)

Note: Certain amounts in the prior year have been reclassified to conform to the current year presentation.

Year ended December 31, 2016 compared to year ended December 31, 2015

Defense sales increased \$6 million, or 1%, to \$794 million, as compared to the prior year period, primarily due to higher sales in the naval defense market. Naval defense sales increased primarily due to the development on the Ohio replacement submarine program of \$16 million, higher production levels of \$5 million on the EMALS program, and higher sales of \$5 million supporting naval close-in weapon systems. These increases were partially offset by lower production of \$12 million on the Virginia-class submarine program and decreased aircraft carrier production of \$8 million due to the wind-down of the CVN-79 program. Lower sales in the aerospace defense market were primarily due to reduced foreign military sales.

Commercial sales decreased \$103 million, or 7%, to \$1,315 million, as compared to the prior year period, primarily due to lower sales in the general industrial and power generation markets of \$74 million and \$28 million, respectively. Lower sales in the general industrial market were primarily due to \$46 million of reduced sales for our severe-service industrial valves and lower sales for our industrial vehicle, medical mobility, and industrial automation products of \$7 million, \$8 million, and \$6 million, respectively. Lower sales in the power generation market were primarily driven by lower aftermarket sales of \$26 million supporting domestic and international nuclear operating reactors.

Year ended December 31, 2015 compared to year ended December 31, 2014

Defense sales increased \$33 million, or 4%, to \$787 million, as compared to the prior year period, primarily due to higher sales in the aerospace and ground defense markets. Ground defense sales increased primarily due to higher sales of our TDSS product of \$12 million, while sales in the aerospace defense market increased due to higher sales of our embedded computing products on fighter jets.

Commercial sales decreased \$70 million, or 5%, to \$1,418 million, as compared to the prior year period, primarily due to lower sales in the general industrial and commercial aerospace markets. Lower sales in the general international market were driven by lower sales of our industrial valves of \$33 million, lower surface technology services of \$8 million, and various other industrial product sales of \$9 million. Lower sales in the commercial aerospace market were driven by lower sales of avionics flight equipment products of \$14 million.

Liquidity and Capital Resources

Sources and Uses of Cash

We derive the majority of our operating cash inflow from receipts on the sale of goods and services and cash outflow for the procurement of materials and labor; cash flow is therefore subject to market fluctuations and conditions. Most of our long-term contracts allow for several billing points (progress or milestone) that provide us with cash receipts as costs are incurred throughout the project rather than upon contract completion, thereby reducing working capital requirements.

Consolidated Statement of Cash Flows

(In thousands)	December 31,		
	2016	2015	2014
Net cash provided by (used in):			
Operating activities	\$423,197	\$162,479	\$331,766
Investing activities	(42,934)	(15,576)	53,448
Financing activities	(96,141)	(289,218)	(92,438)
Effect of exchange rates	(18,971)	(19,104)	(17,954)
Net increase (decrease) in cash and cash equivalents	\$265,151	\$(161,419)	\$274,822

Year ended December 31, 2016 compared to year ended December 31, 2015

Operating Activities

Cash provided by operating activities increased \$261 million to \$423 million during the year ended December 31, 2016, as compared to the prior year period. The increase in cash provided by operating activities was primarily due to a prior period voluntary pension contribution of \$145 million and collections in 2016 related to the AP1000 China Direct program of \$102 million. Increases in income tax payments, net of refunds, of \$50 million during the current period were more than offset by improved collections due to working capital initiatives and a one-time \$20 million benefit as a result of the interest rate swap termination.

Investing Activities

Capital Expenditures

Our capital expenditures were \$47 million in 2016 as compared to \$36 million in 2015. Capital expenditures were greater in 2016, as compared to 2015, primarily due to increased capital investment in a facility expansion in our Commercial/Industrial segment. For 2017, we anticipate capital expenditures of approximately \$45 to \$55 million.

Divestitures

No material divestitures took place during 2016. In 2015, we disposed of four businesses aggregating to cash proceeds of \$31 million.

Acquisitions

No acquisitions took place during 2016. In 2015, we acquired one business with a total purchase price of \$13 million.

Future acquisitions will depend, in part, on the availability of financial resources at a cost of capital that meet our stringent criteria. As such, future acquisitions, if any, may be funded through the use of our cash and cash equivalents, through additional financing available under the credit agreement, or through new financing alternatives.

Financing Activities

Debt Issuances

32

There were no debt issuances or significant principal payments on outstanding notes in 2016 or 2015.

Revolving Credit Agreement

As of December 31, 2016, the Corporation had no borrowings outstanding under the 2012 Senior Unsecured Revolving Credit Agreement (the Credit Agreement or credit facility) and \$47 million in letters of credit supported by the credit facility. The unused credit available under the Credit Agreement at December 31, 2016 was \$453 million, which could be borrowed in full without violating any of our debt covenants.

Repurchase of Common Stock

During 2016, the Company repurchased approximately 1,300,000 shares of its common stock for \$105 million. In 2015, the Company repurchased approximately 4,257,000 shares of its common stock for \$294 million.

Dividends

During 2016 and 2015, the company made dividend payments of approximately \$23 million and \$24 million, respectively.

Year ended December 31, 2015 compared to year ended December 31, 2014

Operating Activities

Cash provided by operating activities decreased \$169 million to \$162 million during the year ended December 31, 2015, as compared to the prior year period. The change in cash used for operating activities was primarily due to a voluntary pension contribution of \$145 million made during the first quarter of 2015 and higher advanced payments in 2014. As a result of the voluntary pension contribution we do not anticipate making contributions to the CW plan for the next five years.

Investing Activities

Capital Expenditures

Our capital expenditures were \$36 million in 2015 as compared to \$67 million in 2014. Capital expenditures were lower in 2015, as compared to 2014, due to prior year capital investments in a new building in our naval defense business and lower levels of capital spend across the organization.

Divestitures

During 2014, we committed to a plan to dispose of certain businesses in order to enhance our operating efficiencies and focus on our core strengths. In 2015, we disposed of four businesses aggregating to cash proceeds of \$31 million, while in 2014, we disposed of four businesses aggregating to cash proceeds of \$153 million.

Acquisitions

During 2015, we acquired one business and expect to continue to seek acquisitions that are consistent with our long-term growth strategy. A combination of cash resources, including cash on hand, and funds available under our credit agreement, were utilized to fund the acquisition, which totaled \$13 million. In 2014, we acquired three businesses with a total purchase price of \$34 million.

Financing Activities

Debt Issuances

There were no debt issuances or significant principal payments on outstanding notes in 2015 or 2014.

Revolving Credit Agreement

As of December 31, 2015, the Corporation had no borrowings outstanding under the 2012 Senior Unsecured Revolving Credit Agreement (the Credit Agreement or credit facility) and \$37 million in letters of credit supported by the credit facility. The

33

unused credit available under the Credit Agreement at December 31, 2015 was \$463 million, which could be borrowed in full without violating any of our debt covenants.

Repurchase of Common Stock

During 2015, the Company repurchased approximately 4,257,000 shares of its common stock for \$294 million. In 2014, the Company repurchased approximately 976,000 shares of its common stock for \$65 million.

Dividends

During 2015 and 2014, the company made dividend payments of approximately \$24 million and \$25 million, respectively.

Capital Resources

Cash in Foreign Jurisdictions

Cash and cash equivalents at December 31, 2016 were \$554 million, of which \$198 million were held by foreign subsidiaries. Our British subsidiaries held a substantial portion of the Company's cash and cash equivalents, totaling approximately \$98 million at December 31, 2016. Cash and cash equivalents at December 31, 2015 were \$289 million, of which \$247 million were held by foreign subsidiaries. Our Canadian and British subsidiaries held a substantial portion of the Company's cash and cash equivalents at December 31, 2015, totaling approximately \$86 million and \$85 million, respectively. The increase in cash held by U.S. subsidiaries during 2016, as compared to 2015, was primarily due to less cash used for the 2016 share repurchase program and the Company's 2015 discretionary pension payment of \$145 million. There are no legal or economic restrictions, absent certain regulatory approvals in China, where approximately \$15 million of our foreign cash resides, on the ability of any of our subsidiaries to transfer funds. The Company regularly assesses its cash needs and the available sources to fund these needs. Outside of certain anticipated repatriations where we have provided for the related deferred taxes, we currently intend to permanently reinvest our undistributed earnings. Our current assessment does not indicate the need to repatriate foreign cash and cash equivalents to fund U.S. operations; however, this is subject to change based on changes in global economic conditions, changes in global tax rates, and changes in the global geopolitical environment.

Cash Utilization

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

Debt Compliance

As of December 31, 2016, we were in compliance with all debt agreements and credit facility covenants, including our most restrictive covenant, which is our debt to capitalization ratio limit of 60%. As of December 31, 2016, we had the ability to incur total additional indebtedness of \$844 million without violating our debt to capitalization covenant.

Future Commitments

Cash generated from operations should be adequate to meet our planned capital expenditures of approximately \$45 to \$55 million and expected dividend payments of approximately \$23 million in 2017. There can be no assurance, however, that we will continue to generate cash from operations at the current level, or that these projections will remain constant throughout 2017. If cash generated from operations is not sufficient to support these operating requirements and investing activities, we may be required to reduce capital expenditures, borrow from our existing credit line, refinance a portion of our existing debt, or obtain additional financing. While all companies are subject to economic risk, we believe that our cash and cash equivalents, cash flow from operations, and available borrowings are sufficient to meet both the short-term and long-term capital needs of the organization.

In 2015, we made a discretionary pension contribution of \$145 million to the Curtiss-Wright Pension Plan, and as a result do not anticipate making further contributions in the next five years. For more information on our pension and other postretirement benefits plans, see Note 15 to the Consolidated Financial Statements.

The following table quantifies our significant future contractual obligations and commercial commitments as of December 31, 2016:

(In thousands)	Total	2017	2018	2019	2020	2021	Thereafter
Debt Principal Repayments	\$950,668	\$150,668	\$—	\$—	\$—	\$100,000	\$700,000
Interest Payment on Fixed Rate Debt	282,710	39,206	31,643	31,643	31,643	31,397	117,178
Operating Leases	169,446	27,585	23,587	19,578	16,202	13,094	69,400
Build-to-suit Lease	18,423	1,374	1,277	1,309	1,342	1,375	11,746
Total	\$1,421,247	\$218,833	\$56,507	\$52,530	\$49,187	\$145,866	\$898,324

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

We enter into standby letters of credit agreements and guarantees with financial institutions and customers primarily relating to future performance on certain contracts to provide products and services and to secure advance payments we have received from certain international customers. At December 31, 2016, we had contingent liabilities on outstanding letters of credit due as follows:

(In thousands)	Total	2017	2018	2019	2020	2021	Thereafter (1)
Letters of Credit	\$47,245	\$36,899	\$5,345	\$2,094	\$1,994	\$612	\$301

(1) Amounts indicated as Thereafter are letters of credit that expire during the revolving credit agreement term but will automatically renew on the date of expiration. In addition, amounts exclude bank guarantees of approximately \$12.8 million.

Critical Accounting Estimates and Policies

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

more critical judgment areas in the application of our accounting policies that affect our financial condition and results of operations:

Revenue Recognition

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) collectability is reasonably assured.

We determine the appropriate method by which we recognize revenue by analyzing the terms and conditions of each contract or arrangement entered into with our customers. Revenue is recognized on certain product sales, which represents approximately 52% of our 2016 total net sales, as production units are shipped and title and risk of loss have transferred. Revenue is recognized on service type contracts, which represents approximately 19% of our 2016 total net sales, as services are rendered. The majority of our service revenues are generated within our Commercial/Industrial segment. The significant estimates we make in recognizing revenue relate primarily to long-term contracts generally accounted for using the cost-to-cost method of percentage-of-completion accounting that are associated with the design, development and manufacture of highly engineered industrial products used in commercial and defense applications.

Percentage-of-completion accounting

Revenue recognized using the cost-to-cost method of percentage-of-completion accounting represented approximately 23% of our total net sales in 2016. The typical length of our contracts that utilize the cost-to-cost method of percentage-of-completion accounting is 2-5 years. This method recognizes revenue and profit as the contracts progress towards completion. Under the cost-to-cost method of percentage-of-completion accounting, sales and profits are recorded based on the ratio of costs incurred to an estimate of costs at completion.

Application of the cost-to-cost method of percentage-of-completion accounting 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 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 cost-to-cost method of percentage-of-completion accounting, provisions for estimated losses on uncompleted contracts are recognized in the period in which the likelihood of such losses are determined to be probable. However, costs may be deferred in anticipation of future contract sales if follow-on production orders are deemed probable. Amounts representing contract change orders are included in revenue only when they can be estimated reliably and their realization is reasonably assured.

In 2015, the Corporation recorded additional costs of \$11.5 million related to its long-term contract with Westinghouse to deliver RCPs for the AP1000 nuclear power plants in China. The increase in costs was due to a change in estimate related to production modifications that are the result of engineering and endurance testing. During the twelve months ended December 31, 2016, 2015, and 2014, there were no other individual significant changes in estimated contract costs.

Multiple-element arrangements

From time to time, we may enter into multiple-element arrangements in which a customer may purchase a combination of goods, services, or rights to intellectual property. We follow the multiple element accounting guidance within ASC 605-25 for such arrangements which require: (1) determining the separate units of accounting; (2) determining whether the separate units of accounting have stand-alone value; and (3) measuring and allocating the arrangement consideration. We allocate the arrangement consideration in accordance with the selling price hierarchy which requires: (1) the use of vendor-specific objective evidence (VSOE), if available; (2) if VSOE is not available, the use of third-party evidence (TPE); and, if TPE is not available, (3) our best-estimate of selling price (BESP). During 2016, the Corporation did not enter into any significant multiple-element arrangements. In 2015, approximately 1% of the Company's net sales were the result of the sale of certain intellectual property licensing rights within a multiple-element arrangement with China for AP1000 reactor coolant pumps (China Direct order). The Company had no further performance obligations with regards to the sale of these perpetual rights.

The remainder of the contract, related to the production of sixteen RCPs, is being recognized using percentage-of-completion accounting through 2021.

Inventory

Inventory costs include materials, direct labor, purchasing, 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. We generally hold reserved inventory for extended periods before scrapping and disposing of the reserved inventory, which contributes to a higher level of reserved inventory relative to the level of annual inventory write-offs.

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

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. Amounts are first applied to unbilled receivables and any remainder is then applied to inventory. Progress billings are generally based on costs incurred, including direct costs, overhead, and general and administrative costs.

Pension and Other Postretirement Benefits

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

The discount rate used to determine the plan benefit obligations as of December 31, 2016, and the annual periodic costs for 2017, was decreased from 4.25% to 4.10% for the Curtiss-Wright Pension Plan, and from 4.25% to 3.93% for the nonqualified benefit plan, to reflect current economic conditions, and a change in estimate in determining discount rates based on the spot rate, or full yield curve, method. The rates reflect the hypothetical rates at which the projected benefit obligations could be effectively settled or paid out to participants on that date. We determine our discount rates for past service liabilities and service cost utilizing a select bond yield curve developed by our actuaries, by using the rates of return on high-quality, fixed-income corporate bonds available at the measurement date with maturities that match the plan's expected cash outflows for benefit payments. Interest cost is determined by applying the spot rate from the full yield curve to each anticipated benefit payment. The discount rate changes contributed to an increase in the benefit obligation of \$12 million in the CW plans.

The rate of compensation increase for base pay in the pension plans was unchanged at a weighted average of 3.4% based upon a graded scale of 5.0% to 3.0% that decrements as pay increases, which reflects the experience over past years and the Company's expectation of future salary increases. We also utilized the RP-2014 mortality tables published by the Society of Actuaries, and updated the projected mortality scale to MP-2016, which reflects a slower rate of future mortality improvements than the previous MP-2015 table utilized. This change contributed to a decrease in the benefit obligation of \$8 million.

The overall expected return on assets assumption is based primarily on the expectations of future performance. Expected future performance is determined by weighting the expected returns for each asset class by the plan's asset allocation. The expected returns are based on long-term capital market assumptions provided by our investment consultants. Based on a review of market trends, actual returns on plan assets, and other factors, the Company's expected long-term rate of return on plan assets was lowered to 8.00% at December 31, 2016, which will be utilized for determining 2017 pension cost. An expected long-term rate of return of 8.25% was used for determining 2016 expense, with 8.5% used for determining 2015 and 2014 pension expense.

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

The funded status of the Curtiss-Wright Pension Plan decreased by \$2.3 million in 2016, primarily driven by a decrease in market interest rates as of December 31, 2016. This decrease was partially offset by favorable changes to assumed mortality and favorable liability and asset experience during 2016.

The following table reflects the impact of changes in selected assumptions used to determine the funded status of the Company's U.S. qualified and nonqualified pension plans as of December 31, 2016 (in thousands, except for percentage point change):

Assumption	Percentage Point Change	Increase in Benefit Obligation	Increase in Expense
Discount rate	(0.25)%	\$19,000	\$2,000
Rate of compensation increase	0.25 %	\$3,000	\$600
Expected return on assets	(0.25)%	—	\$1,600

See Note 15 to the Consolidated Financial Statements for further information on our pension and postretirement plans.

Purchase Accounting

We apply the purchase method of accounting to our acquisitions. Under this method, we allocate the cost of business acquisitions to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition, commonly referred to as the purchase price allocation. As part of the purchase price allocations for our business acquisitions, identifiable intangible assets are recognized as assets apart from goodwill if they arise from contractual or other legal rights, or if they are capable of being separated or divided from the acquired business and sold, transferred, licensed, rented, or exchanged. The purchase price 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. Such fair value assessments require significant judgments and estimates such as projected cash flows, discount rates, royalty rates, and remaining useful lives that can differ materially from actual results. The analysis, while substantially complete, is finalized no later than twelve months from the date of acquisition. There were no acquisitions in 2016.

Goodwill

We have \$1.0 billion in goodwill as of December 31, 2016. Generally, the largest separately identifiable asset from the businesses that we acquire is the value of their assembled workforces, which includes the additional benefit received from management, administrative, marketing, business development, engineering, and technical employees of the acquired businesses. The success of our acquisitions, including the ability to retain existing business and to successfully compete for and win new business, is based on the additional benefit received from management, administrative, marketing, and business development, scientific, engineering, and technical skills and knowledge of our employees rather than on productive capital (plant and equipment, technology, and intellectual property). Therefore, since intangible assets for assembled workforces are part of goodwill, the substantial majority of the intangible assets for our acquired business acquisitions are recognized as goodwill.

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

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

Actual results may differ from those estimates. When performing the quantitative assessment to calculate the fair value of a reporting unit, we consider both comparative market multiples as well as estimated discounted cash flows for the reporting unit. The significant estimates and assumptions include, but are not limited to, revenue growth rates, operating margins, and future economic and market conditions. The discount rates are based upon the reporting unit's weighted average cost of capital. As a supplement, we conduct additional sensitivity analysis to assess the risk for potential impairment based upon changes in the key assumptions such as the discount rate, expected long-term growth rate, and cash flow projections. If an impairment is identified, the second step is to measure the impairment loss by comparing the implied fair value of goodwill with the carrying value of the goodwill on the reporting unit. Based upon the completion of our annual test, which included qualitative and quantitative assessments, we determined that there was no impairment of value and that all reporting units' estimated fair values were substantially in excess of their carrying amounts. Determining the fair value of a reporting unit is judgmental in nature and involves the use of significant estimates and assumptions that we believe are reasonable but inherently uncertain. Therefore, it is not reasonably likely that significant changes in these estimates would occur that would result in an impairment charge.

Other Intangible Assets

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

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

We are exposed to certain market risks from changes in interest rates and foreign currency exchange rates as a result of our global operating and financing activities. We seek to minimize any material risks from foreign currency exchange rate fluctuations through our normal operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We used forward foreign currency contracts to manage our currency rate exposures during the year ended December 31, 2016, and, in order to manage our interest rate risk, we may, from time to time, enter into interest rate swaps to balance the ratio of fixed to floating rate debt. We do not use such instruments for trading or other speculative purposes. Information regarding our accounting policy on financial instruments is contained in Note 1 to the Consolidated Financial Statements.

Interest Rates

The market risk for a change in interest rates relates primarily to our debt obligations. Our fixed rate interest exposure, without consideration of our interest rate swap agreements, was 100% for December 31, 2016 and December 31, 2015. In order to manage our interest rate exposure, from time to time, we enter into interest rate swap agreements to manage our mix of fixed-rate and variable-rate debt. In 2016, we terminated our previous interest rate swap agreements and did not enter into any interest rate swap agreements. As of December 31, 2016, a change in interest rates of 1% would not have a material impact on the consolidated interest expense. In 2015, we had interest rate swap agreements in place. As of December 31, 2015, with the interest rate swap agreements that were in place, our fixed rate interest exposure was 58%. Information regarding our Senior Notes and Revolving Credit Agreement is contained in Note 12 to the Consolidated Financial Statements.

Foreign Currency Exchange Rates

Although the majority of our business is transacted in U.S. dollars, we do have market risk exposure to changes in foreign currency exchange rates, primarily as it relates to the value of the U.S. dollar versus the Canadian dollar, the British Pound, the Euro, and the Swiss franc. Any significant change against the U.S. dollar in the value of the currencies of those countries in which we do business could have an effect on our business, financial condition, and results of operations. If foreign exchange rates were to collectively weaken or strengthen against the U.S. dollar by 10%, net earnings would have been reduced or increased, respectively, by approximately \$14 million as it relates exclusively to foreign currency exchange rate exposures.

Financial instruments expose us to counter-party credit risk for non-performance and to market risk for changes in interest and foreign currency rates. We manage exposure to counter-party credit risk through specific minimum credit standards,

diversification of counter-parties, and procedures to monitor concentrations of credit risk. We monitor the impact of market risk on the fair value and cash flows of our investments by investing primarily in investment grade interest-bearing securities, which have short-term maturities. We attempt to minimize possible changes in interest and currency exchange rates to amounts that are not material to our consolidated results of operations and cash flows.

Item 8. Financial Statements and Supplementary Data.

CONSOLIDATED STATEMENTS OF EARNINGS

(In thousands, except per share data)	For the years ended December 31,		
	2016	2015	2014
Net sales			
Product sales	\$1,714,358	\$1,796,802	\$1,815,028
Service sales	394,573	408,881	428,098
Total net sales	2,108,931	2,205,683	2,243,126
Cost of sales			
Cost of product sales	1,100,287	1,156,596	1,190,714
Cost of service sales	258,161	265,832	275,896
Total cost of sales	1,358,448	1,422,428	1,466,610
Gross profit	750,483	783,255	776,516
Research and development expenses	58,592	60,837	67,842
Selling expenses	111,228	121,482	128,005
General and administrative expenses	272,565	290,319	298,296
Operating income	308,098	310,617	282,373
Interest expense	41,248	36,038	35,794
Other income, net	1,111	615	365
Earnings before income taxes	267,961	275,194	246,944
Provision for income taxes	(78,579)	(82,946)	(76,995)
Earnings from continuing operations	189,382	192,248	169,949
Loss from discontinued operations, net of taxes	(2,053)	(46,787)	(56,611)
Net earnings	\$187,329	\$145,461	\$113,338
Basic earnings per share:			
Earnings from continuing operations	\$4.27	\$4.12	\$3.54
Loss from discontinued operations	(0.05)	(1.00)	(1.18)
Total	\$4.22	\$3.12	\$2.36
Diluted earnings per share:			
Earnings from continuing operations	\$4.20	\$4.04	\$3.46
Loss from discontinued operations	(0.05)	(0.99)	(1.15)
Total	\$4.15	\$3.05	\$2.31
Dividends per share	\$0.52	\$0.52	\$0.52
Weighted average shares outstanding:			
Basic	44,389	46,624	48,019
Diluted	45,045	47,616	49,075
See notes to consolidated financial statements			

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)	For the years ended December 31,		
	2016	2015	2014
Net earnings	\$187,329	\$145,461	\$113,338
Other comprehensive income (loss)			
Foreign currency translation, net of tax ⁽¹⁾	(64,840)	(87,527)	(79,386)
Pension and postretirement adjustments, net of tax ⁽²⁾	(988)	(9,990)	(74,284)
Other comprehensive loss, net of tax	(65,828)	(97,517)	(153,670)
Comprehensive income (loss)	\$121,501	\$47,944	\$(40,332)

(1) The tax benefit included in other comprehensive income (loss) for foreign currency translation adjustments for 2016, 2015, and 2014 were \$1.7 million, \$2.7 million, and \$2.1 million, respectively.

(2) The tax benefit (expense) included in other comprehensive income (loss) for pension and postretirement adjustments for 2016, 2015, and 2014 were (\$1.7) million, \$9.5 million, and \$41.3 million, respectively.

See notes to consolidated financial statements

CONSOLIDATED BALANCE SHEETS

	At December 31,	
(In thousands, except share data)	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$553,848	\$288,697
Receivables, net	463,062	566,289
Inventories, net	366,974	379,591
Other current assets	30,927	40,306
Total current assets	1,414,811	1,274,883
Property, plant, and equipment, net	388,903	413,644
Goodwill	951,057	972,606
Other intangible assets, net	271,461	310,763
Other assets	11,549	17,715
Total assets	\$3,037,781	\$2,989,611
LIABILITIES		
Current liabilities:		
Current portion of long-term and short-term debt	\$150,668	\$1,259
Accounts payable	177,911	163,286
Accrued expenses	130,239	131,863
Income taxes payable	18,274	7,956
Deferred revenue	170,143	181,671
Other current liabilities	28,027	37,190
Total current liabilities	675,262	523,225
Long-term debt	815,630	951,946
Deferred tax liabilities, net	49,722	54,447
Accrued pension and other postretirement benefit costs	107,151	103,723
Long-term portion of environmental reserves	14,024	14,017
Other liabilities	84,801	86,830
Total liabilities	1,746,590	1,734,188
Contingencies and Commitments (Notes 12, 16 and 18)		
STOCKHOLDERS' EQUITY		
Common stock, \$1 par value, 100,000,000 shares authorized at December 31, 2016 and 2015; 49,187,378 shares issued at December 31, 2016 and 49,189,702 at December 31, 2015; outstanding shares were 44,181,050 at December 31, 2016 and 44,621,348 at December 31, 2015.	49,187	49,190
Additional paid in capital	129,483	144,923
Retained earnings	1,754,907	1,590,645
Accumulated other comprehensive loss	(291,756)	(225,928)
Common treasury stock, at cost (5,006,328 shares at December 31, 2016 and 4,568,354 shares at December 31, 2015)	(350,630)	(303,407)
Total stockholders' equity	1,291,191	1,255,423
Total liabilities and stockholders' equity	\$3,037,781	\$2,989,611
See notes to consolidated financial statements		

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the years ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net earnings	\$ 187,329	\$ 145,461	\$ 113,338
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	96,008	100,810	118,931
(Gain) loss on sale of businesses	(845	) 16,991	29,184
(Gain) loss on fixed asset disposals	(2,069	) (945	) 632
Deferred income taxes	1,224	63,535	(27,241
Share-based compensation	9,478	9,473	8,500
Impairment of assets	—	—	3,202
Impairment of assets held for sale	—	40,813	41,369
Changes in operating assets and liabilities, net of businesses acquired and disposed of:			
Receivables, net	91,692	(77,106	) 12,845
Inventories, net	4,391	(4,039	) (19,375
Progress payments	2,583	3,680	(6,971
Accounts payable and accrued expenses	4,125	(447	) 16,147
Deferred revenue	(11,084	) 4,839	24,471
Income taxes	11,797	(7,436	) 38,946
Net pension and postretirement liabilities	3,405	(139,610	) (26,431
Termination of interest rate swap	20,405	—	—
Other	4,758	6,460	4,219
Net cash provided by operating activities	423,197	162,479	331,766
Cash flows from investing activities:			
Proceeds from sales and disposals of long-lived assets	3,674	2,277	594
Proceeds from divestitures	1,027	31,344	152,965
Proceeds from insurance	—	—	2,357
Additions to property, plant, and equipment	(46,776	) (35,512	) (67,115
Acquisition of businesses, net of cash acquired	(295	) (13,228	) (34,364
Additional consideration paid on prior year acquisitions	(564	) (457	) (989
Net cash provided by (used for) investing activities	(42,934	) (15,576	) 53,448
Cash flows from financing activities:			
Borrowings under revolving credit facilities	7,839	70,324	364,557
Payment of revolving credit facilities	(8,430	) (70,134	) (414,770
Principal payments on debt	—	(8,400	) (80
Repurchases of company stock	(105,249	) (294,130	) (65,220
Proceeds from share-based compensation plans	22,300	28,706	38,182
Dividends paid	(23,067	) (24,122	) (25,013
Other	(635	) (581	) 296
Excess tax benefits from share-based compensation	11,101	9,119	9,610
Net cash used for financing activities	(96,141	) (289,218	) (92,438
Effect of exchange-rate changes on cash	(18,971	) (19,104	) (17,954
Net increase (decrease) in cash and cash equivalents	265,151	(161,419	) 274,822
Cash and cash equivalents at beginning of year	288,697	450,116	175,294
Cash and cash equivalents at end of year	\$553,848	\$288,697	\$450,116
Supplemental disclosure of non-cash activities:			

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

Capital expenditures incurred but not yet paid	2,512	2,108	2,891
Property and equipment under build to suit transaction	—	—	14,735

See notes to consolidated financial statements

44

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
January 1, 2014	\$49,190	\$150,618	\$1,380,981	\$25,259	\$(53,343)
Net earnings	—	—	113,338	—	—
Other comprehensive loss, net of tax	—	—	—	(153,670)	—
Dividends paid	—	—	(25,013)	—	—
Restricted stock, net of tax	—	(722)	—	—	3,155
Stock options exercised, net of tax	—	311	—	—	45,049
Other	—	(430)	—	—	430
Share-based compensation	—	8,266	—	—	234
Repurchase of common stock	—	—	—	—	(65,220)
December 31, 2014	\$49,190	\$158,043	\$1,469,306	\$(128,411)	\$(69,695)
Net earnings	—	—	145,461	—	—
Other comprehensive loss, net of tax	—	—	—	(97,517)	—
Dividends paid	—	—	(24,122)	—	—
Restricted stock, net of tax	—	(10,303)	—	—	13,734
Stock options exercised, net of tax	—	(11,349)	—	—	45,743
Other	—	(647)	—	—	647
Share-based compensation	—	9,179	—	—	294
Repurchase of common stock	—	—	—	—	(294,130)
December 31, 2015	\$49,190	\$144,923	\$1,590,645	\$(225,928)	\$(303,407)
Net earnings	—	—	187,329	—	—
Other comprehensive loss, net of tax	—	—	—	(65,828)	—
Dividends paid	—	—	(23,067)	—	—
Restricted stock, net of tax	—	(12,086)	—	—	17,275
Stock options exercised, net of tax	—	(11,271)	—	—	39,483
Other	(3)	(1,104)	—	—	811
Share-based compensation	—	9,021	—	—	457
Repurchase of common stock	—	—	—	—	(105,249)
December 31, 2016	\$49,187	\$129,483	\$1,754,907	\$(291,756)	\$(350,630)
See notes to consolidated financial statements					

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Principles of Consolidation

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

Use of Estimates

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenue, and expenses and disclosure of contingent assets and liabilities in the accompanying financial statements. The most significant of these estimates includes the estimate of costs to complete 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 and legal reserves. Actual results may differ from these estimates.

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) collectability is reasonably assured.

We determine the appropriate method by which we recognize revenue by analyzing the terms and conditions of each contract or arrangement entered into with our customers. Revenue is recognized on product sales as production units are shipped and title and risk of loss have transferred. Revenue is recognized on service type contracts as services are rendered. The significant estimates we make in recognizing revenue are primarily for long-term contracts generally accounted for using the cost-to-cost method of percentage of completion accounting that are associated with the design, development and manufacture of highly engineered industrial products used in commercial and defense applications. Under the cost-to-cost percentage-of-completion method of accounting, profits are recorded pro rata, based upon current estimates of direct and indirect costs to complete such contracts. Changes in estimates of contract sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. The effect of the changes on future periods of contract performance is recognized as if the revised estimate had been the original estimate. A significant change in an estimate on one or more contracts could have a material effect on the Corporation's consolidated financial position, results of operations, or cash flows. In 2015, the Corporation recorded additional costs of \$11.5 million related to its long-term contract with Westinghouse to deliver reactor coolant pumps (RCPs) for the AP1000 nuclear power plants in China. The increase in costs is due to a change in estimate related to production

modifications that are the result of engineering and endurance testing. There were no other individual significant changes in estimated contract costs at completion during 2016, 2015, or 2014.

Losses on contracts are provided for in the period in which the losses become determinable and the excess of billings over cost and estimated earnings on long-term contracts is included in deferred revenue.

From time to time, we may enter into multiple-element arrangements in which a customer may purchase a combination of goods, services, or rights to intellectual property. We follow the multiple element accounting guidance within ASC 605-25 for such arrangements which require: (1) determining the separate units of accounting; (2) determining whether the separate units of accounting have stand-alone value; and (3) measuring and allocating the arrangement consideration. We allocate the

arrangement consideration in accordance with the selling price hierarchy which requires: (1) the use of vendor-specific objective evidence (VSOE), if available (2) if VSOE is not available, the use of third-party evidence (TPE), and if TPE is not available (3) our best-estimate of selling price (BESP). Approximately 1% of the Company's 2015 net sales were the result of the sale of certain intellectual property licensing rights within a multiple-element arrangement with China for AP1000 reactor coolant pumps (China Direct order). The Company had no further performance obligations with regards to the sale of these perpetual rights. The remainder of the contract, related to the production of sixteen RCPs, is being recognized using percentage-of-completion accounting through 2021.

Cash and Cash Equivalents

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

Inventory

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

Progress Payments

Certain long-term contracts provide for interim billings as costs are incurred on the respective contracts. Pursuant to contract provisions, agencies of the U.S. Government and other customers are granted title or a secured interest for materials and work-in-process included in inventory to the extent progress payments are received. Accordingly, these receipts have been reported as a reduction of unbilled receivables and inventories, as presented in Notes 4 and 5 to the Consolidated Financial Statements.

Property, Plant, and Equipment

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

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

Buildings and improvements 5 to 40 years

Machinery, equipment, and other 3 to 15 years

Intangible Assets

Intangible assets are generally the result of acquisitions and consist primarily of purchased technology, customer related intangibles, trademarks, and technology licenses. Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 1 to 20 years. See Note 8 to the Consolidated Financial Statements for further information on other intangible assets.

Impairment of Long-Lived Assets

The Corporation reviews the recoverability of all long-lived assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. If required, the Corporation compares the estimated fair value determined by either the undiscounted future net cash

flows or appraised value to the related asset's carrying value to determine whether there has been an impairment. If an asset is considered impaired, the asset is written down to fair value in the period in which the impairment becomes known. The Corporation recognized no significant impairment charges on assets held in use during the years ended December 31, 2016, 2015, and 2014. For impairment charges on assets held for sale, see Note 2 to the Consolidated Financial Statements.

Goodwill

Goodwill results from business acquisitions. The Corporation accounts for business acquisitions by allocating the purchase price to the tangible and intangible assets acquired and liabilities assumed. Assets acquired and liabilities assumed are recorded at their fair values, and the excess of the purchase price over the amounts allocated is recorded as goodwill. The recoverability

of goodwill is subject to an annual impairment test or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The impairment test is based on the estimated fair value of the underlying businesses. The Corporation's goodwill impairment test is performed annually in the fourth quarter of each year. See Note 7 to the Consolidated Financial Statements for further information on goodwill.

Fair Value of Financial Instruments

Accounting guidance requires certain disclosures regarding the fair value of financial instruments. Due to the short maturities of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, the net book value of these financial instruments is deemed to approximate fair value. See Notes 9 and 12 to the Consolidated Financial Statements for further information on the Corporation's financial instruments.

Research and Development

The Corporation funds research and development programs for commercial products and independent research and development and bid and proposal work related to government contracts. Development costs include engineering 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 capitalized to inventory and are recorded in cost of sales when products are delivered or services performed. Funds received under shared development contracts are a reduction of the total development expenditures under the shared contract and are shown net as research and development costs.

Accounting for Share-Based Payments

The Corporation follows the fair value based method of accounting for share-based employee compensation, which requires the Corporation to expense all share-based employee compensation. Share-based employee compensation is a non-cash expense since the Corporation settles these obligations by issuing the shares of Curtiss-Wright Corporation instead of settling such obligations with cash payments.

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

Income Taxes

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

The Corporation records amounts related to uncertain income tax positions by 1) prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements and 2) the measurement of the income tax benefits recognized from such positions. The Corporation's accounting policy is to classify uncertain income tax positions that are not expected to be resolved in one year as a non-current income tax liability and to classify interest and penalties as a component of Interest expense and General and administrative expenses, respectively. See Note 11 to the Consolidated Financial Statements for further information.

Foreign Currency

For operations outside the United States of America that prepare financial statements in currencies other than the U.S. dollar, the Corporation translates assets and liabilities at period-end exchange rates and income statement amounts using weighted-average exchange rates for the period. The cumulative effect of translation adjustments is presented as a component of accumulated other comprehensive income (loss) within stockholders' equity. This balance is affected by foreign currency exchange rate fluctuations and by the acquisition of foreign entities. Gains from foreign currency transactions are included in General and administrative expenses within the results of operations, which amounted to \$8.9 million, \$8.3 million, and \$2.9 million for the years ended December 31, 2016, 2015, and 2014, respectively.

Derivatives

Forward Foreign Exchange and Currency Option Contracts

The Corporation uses financial instruments, such as forward exchange and currency option contracts, to hedge a portion of existing and anticipated foreign currency denominated transactions. The purpose of the Corporation's foreign currency risk management program is to reduce volatility in earnings caused by exchange rate fluctuations. All of the derivative financial instruments are recorded at fair value based upon quoted market prices for comparable instruments, with the gain or loss on these transactions recorded into earnings in the period in which they occur. These losses are classified as General and administrative expenses in the Consolidated Statements of Earnings and amounted to \$11.5 million, \$11.0 million, and \$6.9 million for the years ended December 31, 2016, 2015, and 2014, respectively. The Corporation does not use derivative financial instruments for trading or speculative purposes.

Interest Rate Risks and Related Strategies

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

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

Recently Issued Accounting Standards

Recent accounting pronouncements adopted

Accounting pronouncement ASU 2015-17 - Balance Sheet Classification of Deferred Taxes was early adopted effective January 1, 2016 and accounting pronouncement ASU 2015-03 - Simplifying the Presentation of Debt Issuance Costs was adopted effective January 1, 2016. Both pronouncements were retrospectively adopted and, accordingly, certain amounts reported in the previous periods have been reclassified to conform to the current year presentation.

A summary of the impact of the reclassifications as of December 31, 2015 is shown in the below table.

	Reclassifications			December 31, 2015 as reclassified
	December 31, 2015 as reported	Deferred Taxes	Debt Issuance Costs	
Deferred tax assets, net	\$41,737	\$(41,737)	\$—	\$—
Total current assets	\$1,316,620	\$(41,737)	\$—	\$1,274,883
Other assets	\$15,745	\$3,107	\$(1,137)	\$17,715
Total assets	\$3,029,378	\$(38,630)	\$(1,137)	\$2,989,611
Other current liabilities	\$39,152	\$(1,962)	\$—	\$37,190
Total current liabilities	\$525,187	\$(1,962)	\$—	\$523,225
Long-term debt	\$953,083	\$—	\$(1,137)	\$951,946
Deferred tax liabilities, net	\$91,115	\$(36,668)	\$—	\$54,447
Total liabilities	\$1,773,955	\$(38,630)	\$(1,137)	\$1,734,188

Total liabilities and stockholders' equity \$3,029,378 \$(38,630) \$(1,137) \$2,989,611

Standards Issued Not Yet Adopted

Standard	Description	Effect on the financial statements
ASU 2014-09 Revenue from Contracts with Customers	In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard creates a five-step model for revenue recognition that requires companies to exercise judgment when considering contract terms and relevant facts and circumstances. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition. The standard is effective for fiscal periods beginning after December 15, 2017 and allows for either full retrospective or modified retrospective adoption.	The Corporation is currently evaluating the impact of the adoption of this standard on its Consolidated Financial Statements, including the method of adoption as of January 1, 2018. Based on a preliminary review of our customer contracts, we do not believe that the standard will have a material impact on our Consolidated Financial Statements. Our assessment is still ongoing and not complete. While we anticipate some changes to revenue recognition, we do not currently believe that the standard will have a material impact on our Consolidated Financial Statements. The FASB, however, has issued, and may issue in the future, interpretive guidance which may cause our evaluation to change.
ASU 2016-02 Leases	In February 2016, the FASB issued final guidance that will require lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. The guidance requires the use of a modified retrospective approach.	The Corporation is currently evaluating the impact of the adoption of this standard on its Consolidated Financial Statements.
ASU 2016-09 Improvements to Employee Share-Based Payment Accounting	In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows.	Upon adoption in 2017, the Corporation expects to record a tax benefit which is contingent on the number of stock options, restricted share units, and performance share units exercised or vested during the period as well as the price of the Corporation's common stock.
ASU 2017-04 Simplifying the Test for Goodwill Impairment	In January 2017, the FASB issued ASU 2017-04, which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The standard is effective for fiscal periods beginning after December 15, 2019. Early adoption is permitted for interim and annual goodwill impairment testing dates after January 1, 2017.	The Corporation plans to early adopt this standard effective January 1, 2017. The standard would only impact the Corporation in the event of a goodwill impairment. Accordingly, we do not expect the adoption to have an impact on our Consolidated Financial Statements.

2. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

As part of a strategic portfolio review conducted in 2014, the Corporation identified certain businesses it considered non-core.

The Corporation considers businesses non-core when their products or services do not complement existing businesses and where the long-term growth and profitability prospects are below the Corporation's expectations. As part of this initiative, during 2015, the Corporation divested all five businesses that were classified as held for sale as of December 31, 2014. The results of operations of these businesses are reported as discontinued operations within our Consolidated Statements of Earnings.

The aggregate financial results of all discontinued operations for the years ended December 31 were as follows:

(In thousands)	2016	2015	2014
Net sales	\$—	\$57,992	\$363,869
Loss from discontinued operations before income taxes ⁽¹⁾	—	(40,984)	(48,519)
Income tax benefit / (expense)	(2,053) ⁽³⁾	7,926	14,268
Loss on sale of businesses ⁽²⁾	—	(13,729)	(22,360)
Loss from discontinued operations	\$(2,053)	\$(46,787)	\$(56,611)

⁽¹⁾ Loss from discontinued operations before income taxes includes approximately \$40.8 million and \$41.4 million of held for sale impairment expense in the year ended December 31, 2015 and December 31, 2014, respectively.

⁽²⁾ In the year ended December 31, 2015, the Corporation recognized aggregate after tax losses of \$13.7 million on the sale of the Aviation Ground, Downstream Oil & Gas, Engineered Packaging and two surface technology businesses. In 2014, the Corporation recognized aggregate after tax losses of \$22.4 million on the sale of the Benshaw, 3D, Upstream Oil & Gas and Vessels business.

⁽³⁾ Amount represents finalization of income tax provision related to discontinued operations for the year ended December 31, 2015.

2015 Divestitures

Surface Technologies - Domestic

In October 2015 and July 2015, the Corporation sold the assets and liabilities of two surface technology treatment facilities for an immaterial amount. The businesses were previously classified within assets held for sale and reported within the Commercial/Industrial segment.

Engineered Packaging

In July 2015, the Corporation sold the assets and liabilities of its Engineered Packaging business for approximately \$14 million and recognized a pre-tax gain of \$2.3 million. The businesses were previously classified as assets held for sale and reported within the Defense segment.

Downstream

In May 2015, the Corporation completed the divestiture of its Downstream oil and gas business for \$19 million, net of transaction costs. During the fourth quarter of 2015, the Company paid a \$4.8 million working capital adjustment. The business was previously classified within assets held for sale and was formerly reported in the Company's former

Energy segment. During 2015, the Corporation recognized a pre-tax loss on divestiture, including impairment charges, of \$59.5 million. During 2014, including impairment charges, the Corporation recognized a \$33.1 million pre-tax loss on divestiture. The impairment charges were a result of the declining and volatile oil market.

Aviation Ground

In January 2015, the Corporation sold the assets of its Aviation Ground support business for £3 million (\$4 million). The business was previously classified within assets held for sale and reported within the Defense segment.

2014 Divestitures and facility closures

51

Surface Technologies - International

During the fourth quarter of 2014, the Corporation closed certain of its international surface technology manufacturing facilities located in Canada, Italy, and Austria. As a result of the facility closures, the Company incurred \$5.3 million of pre-tax closure costs, including a \$3.2 million impairment on fixed assets. The businesses were previously reported within the Commercial/Industrial segment.

Benshaw

On June 30, 2014, the Corporation sold the assets of its Benshaw business, to Regal-Beloit Corporation for \$49.7 million in cash, net of cash sold, and final working capital adjustments. The Corporation recognized a pre-tax loss on divestiture of \$7.3 million. The Corporation recognized a tax benefit of \$2.9 million in connection with the sale. The business was previously reported within the Defense segment.

3D Radar

On April 30, 2014, the Corporation sold the assets of the 3D Radar business, to Chemring Group PLC for \$2.4 million in cash, net of final working capital adjustments. The disposal resulted in a \$0.6 million pre-tax gain. The business was previously reported within the Defense segment.

Upstream

On December 17, 2014, the Corporation completed the sale of its upstream oil and gas business, for \$98 million in cash, net of cash sold, and final working capital adjustments. The Corporation recognized a pre-tax loss on divestiture of \$13.7 million. The Corporation recognized a tax benefit of \$0.6 million in connection with the sale. The business was previously reported within the former Energy segment.

Vessels

During the third quarter of 2014, the Corporation completed the sale of its Vessels business, for \$2 million in cash, net of transaction costs. The Corporation recognized a pre-tax loss on divestiture of \$8.6 million. The Corporation recognized a tax benefit of \$3.2 million in connection with the sale. The business was previously reported within the former Energy segment.

3. ACQUISITIONS

The Corporation continually evaluates potential acquisitions that either strategically fit within the Corporation's existing portfolio or expand the Corporation's portfolio into new product lines or adjacent markets. The Corporation has completed a number of acquisitions that have been accounted for as business combinations and have resulted in the recognition of goodwill in the Corporation's financial statements. This goodwill arises because the purchase prices for these businesses reflect the future earnings and cash flow potential in excess of the earnings and cash flows attributable to the current product and customer set at the time of acquisition. Thus, goodwill inherently includes the know-how of the assembled workforce, the ability of the workforce to further improve the technology and product offerings, and the expected cash flows resulting from these efforts. Goodwill may also include expected synergies resulting from the complementary strategic fit these businesses bring to existing operations.

The Corporation allocates the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. In the months after closing, as the Corporation obtains additional

information about these assets and liabilities, including through tangible and intangible asset appraisals, and as the Corporation learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price. Only items identified as of the acquisition date are considered for subsequent adjustment. The Corporation will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

During 2016, no acquisitions were made. In 2015, the Corporation acquired one business for an aggregate purchase price of \$13.2 million, net of cash acquired, which is described in more detail below.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions consummated during 2015:

52

(In thousands)	2016	2015
Accounts receivable	\$	—\$996
Inventory	—	152
Property, plant, and equipment	—	1,463
Other current assets	—	155
Intangible assets	—	7,700
Current and non-current liabilities	—	(6)
Due to seller	—	(1,470)
Net tangible and intangible assets	—	8,990
Purchase price	—	13,228
Goodwill	\$	—\$4,238

2015 Acquisitions

COMMERCIAL/INDUSTRIAL

Bolt's Metallizing, Inc.

On March 16, 2015, the Corporation acquired certain assets and assumed certain liabilities of Bolt's Metallizing, Inc. for \$13.2 million in cash. The Asset Purchase Agreement contains a purchase price adjustment mechanism and representations and warranties customary for a transaction of this type, including a portion of the purchase price held back as security for potential indemnification claims against the seller. Bolt's Metallizing is a provider of thermal spray coatings for critical aerospace applications, including high velocity oxygen fuel (HVOF) and plasma spray coating capabilities.

4. RECEIVABLES

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

Credit risk is 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 to various agencies of the U.S. Government. Revenues derived directly and indirectly from government sources (primarily the U.S. Government) were 38% and 36% of consolidated revenues in 2016 and 2015, respectively. Total receivables due primarily from the U.S. Government were \$183.6 million and \$165.6 million at December 31, 2016 and 2015, respectively. Government (primarily the U.S. Government) unbilled receivables, net of progress payments, were \$83.2 million and \$70.6 million at December 31, 2016 and 2015, respectively.

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

(In thousands)	2016	2015
Billed receivables:		
Trade and other receivables	\$340,091	\$435,172
Less: Allowance for doubtful accounts	(4,832)	(5,664)
Net billed receivables	335,259	429,508
Unbilled receivables:		
Recoverable costs and estimated earnings not billed	149,847	153,045
Less: Progress payments applied	(22,044)	(16,264)
Net unbilled receivables	127,803	136,781
Receivables, net	\$463,062	\$566,289

5. INVENTORIES

53

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. Long term contract inventory includes an immaterial amount of claims or other similar items subject to uncertainty concerning their determination or realization. Inventories are valued at the lower of cost or market.

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

(In thousands)	2016	2015
Raw material	\$189,228	\$196,684
Work-in-process	73,843	79,406
Finished goods	112,478	114,931
Inventoried costs related to U.S. Government and other long-term contracts	57,516	51,774
Gross inventories	433,065	442,795
Less: Inventory reserves	(54,988)	(48,904)
Progress payments applied, principally related to long-term contracts	(11,103)	(14,300)
Inventories, net	\$366,974	\$379,591

As of December 31, 2016 and 2015, inventory also includes capitalized contract development costs of \$28.8 million and \$29.7 million, respectively, related to certain aerospace and defense programs. These capitalized costs will be liquidated as production units are delivered to the customer. As of December 31, 2016 and 2015, \$3.9 million and \$2.5 million, respectively, are scheduled to be liquidated under existing firm orders.

6. PROPERTY, PLANT, AND EQUIPMENT

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

(In thousands)	2016	2015
Land	\$19,511	\$19,933
Buildings and improvements	215,221	218,016
Machinery, equipment, and other	752,356	739,965
Property, plant, and equipment, at cost	987,088	977,914
Less: Accumulated depreciation	(598,185)	(564,270)
Property, plant, and equipment, net	\$388,903	\$413,644

Depreciation expense from continuing operations for the years ended December 31, 2016, 2015, and 2014 was \$62.6 million, \$64.7 million, and \$66.6 million, respectively.

7. GOODWILL

The changes in the carrying amount of goodwill for 2016 and 2015 are as follows:

(In thousands)				Assets	
	Commercial/Industrial	Defense	Power	Held for Sale	Consolidated
December 31, 2014	\$ 454,092	\$356,689	\$187,725	\$42,395	\$1,040,901
Acquisitions	4,238	—	—	—	4,238
Divestitures	—	—	—	(41,264)	(41,264)
Goodwill adjustments	21	1,131	—	(1,131)	21
Foreign currency translation adjustment	(10,523)	(20,217)	(550)	—	(31,290)
December 31, 2015	\$ 447,828	\$337,603	\$187,175	\$—	\$972,606
Divestitures	—	(452)	—	—	(452)
Foreign currency translation adjustment	(11,687)	(9,496)	86	—	(21,097)
December 31, 2016	\$ 436,141	\$327,655	\$187,261	\$—	\$951,057

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

The Corporation completed its annual goodwill impairment testing as of October 31, 2016, 2015, and 2014 and concluded that there was no impairment of value. The estimated fair value of the reporting units substantially exceeded the recorded book value.

8. OTHER INTANGIBLE ASSETS, NET

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

The following tables present the cumulative composition of the Corporation's intangible assets as of December 31, 2016 and December 31, 2015, respectively.

(In thousands)	2016			2015		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Technology	\$166,859	\$(98,266)	\$68,593	\$171,382	\$(91,430)	\$79,952
Customer related intangibles	349,742	(157,154)	192,588	357,538	(140,816)	216,722
Other intangible assets	36,709	(26,429)	10,280	37,200	(23,111)	14,089
Total	\$553,310	\$(281,849)	\$271,461	\$566,120	\$(255,357)	\$310,763

Amortization expense from continuing operations for the years ended December 31, 2016, 2015, and 2014 was \$33.4 million, \$34.8 million, and \$38.3 million, respectively. The estimated future amortization expense of intangible assets over the next five years is as follows:

(In thousands)	
2017	\$32,178
2018	31,100
2019	29,340
2020	27,470
2021	25,759

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

Forward Foreign Exchange and Currency Option Contracts

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

Interest Rate Risks and Related Strategies

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

For interest rate swaps designated as fair value hedges (i.e., hedges against the exposure to changes in the fair value of an asset or a liability or an identified portion thereof that is attributable to a particular risk), changes in the fair value of the interest rate swaps offset changes in the fair value of the fixed rate debt due to changes in market interest rates. In March 2013, the Corporation entered into fixed-to-floating interest rate swap agreements to convert the interest payments of (i) the \$100 million, 3.85% notes, due February 26, 2025, from a fixed rate to a floating interest rate based on 1-Month LIBOR plus a 1.77% spread, and (ii) the \$75 million, 4.05% notes, due February 26, 2028, from a fixed rate to a floating interest rate based on 1-Month LIBOR plus a 1.73% spread.

In January 2012, the Corporation entered into fixed-to-floating interest rate swap agreements to convert the interest payments of (i) the \$200 million, 4.24% notes, due December 1, 2026, from a fixed rate to a floating interest rate based on 1-Month LIBOR plus a 2.02% spread, and (ii) \$25 million of the \$100 million, 3.84% notes, due December 1, 2021, from a fixed rate to a floating interest rate based on 1-Month LIBOR plus a 1.90% spread.

On February 5, 2016, the Corporation terminated its March 2013 and January 2012 interest rate swap agreements. As a result of the termination, the Corporation received a cash payment of \$20.4 million, representing the fair value of the interest rate swaps on the date of termination. In connection with the termination, the Corporation and the counterparties released each other from all obligations under the interest rate swaps agreement, including, without limitation, the obligation to make periodic payments under such agreements. The gain on termination is reflected as a bond premium to our notes' carrying value and will be amortized into interest expense over the remaining terms of the Senior Notes.

The fair value accounting guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities that the company has the ability to access.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data such as quoted prices, interest rates, and yield curves.

Level 3: Inputs are unobservable data points that are not corroborated by market data.

Based upon the fair value hierarchy, all of the forward foreign exchange contracts and interest rate swaps are based on Level 2 inputs.

Effects on Consolidated Balance Sheets

The location and amounts of derivative instrument fair values in the consolidated balance sheet are below.

	December 31,	
(In thousands)	2016	2015
Assets		
Designated for hedge accounting		
Interest rate swaps	\$—	\$3,083
Undesignated for hedge accounting		
Forward exchange contracts	\$142	\$223
Total asset derivatives ⁽¹⁾	\$142	\$3,306
Liabilities		
Undesignated for hedge accounting		
Forward exchange contracts	\$419	\$673
Total liability derivatives ⁽²⁾	\$419	\$673

⁽¹⁾ Forward exchange derivatives are included in Other current assets and interest rate swap assets are included in Other assets.

⁽²⁾ Forward exchange derivatives are included in Other current liabilities.

Effects on Consolidated Statements of Earnings

Fair value hedge

The location and amount of gains or (losses) on the hedged fixed rate debt attributable to changes in the market interest rates and the offsetting gain (loss) on the related interest rate swaps for the years ended December 31, were as follows:

	Gain/(Loss) on Swap	
(In thousands)	2016	2015
Other income, net		
Interest rate swaps	\$-\$8,204	\$44,724
Hedged fixed rate debt	\$-\$8,204	\$(44,724)
Total	\$-\$—	\$—

Undesignated hedges

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

(In thousands)	2016	2015	2014
Forward exchange contracts:			
General and administrative expenses	\$11,510	\$11,042	\$6,880

Debt

The estimated fair value amounts were determined by the Corporation using available market information, which is primarily based on quoted market prices for the same or similar issues as of December 31, 2016. The fair value of our debt instruments are characterized as a Level 2 measurement in accordance with the fair value hierarchy. The estimated fair values of the Corporation's fixed rate debt instruments at December 31, 2016, net of debt issuance costs, aggregated \$961 million compared to a carrying value, net of debt issuance costs, of \$949 million. The estimated fair values of the Corporation's fixed rate debt instruments at December 31, 2015, net of debt issuance costs, aggregated \$959 million compared to a carrying value, net of debt issuance costs, of \$952 million.

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

Nonrecurring measurements

As discussed in Note 2 to the Consolidated Financial Statements, the Corporation classified certain businesses as held for sale during 2014. In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets guidance of FASB Codification Subtopic 360-10, the carrying amounts of the disposal groups were written down to their estimated fair value, less costs to sell, resulting in an impairment charge of \$40.8 million, which was included in the loss from discontinued operations before income taxes for the year ended December 31, 2015. For the year ended December 31, 2014, an impairment charge of \$41.4 million was recorded in the loss from discontinued operations before income taxes. The fair value of the disposal groups were determined primarily by using non-binding quotes. In accordance with the fair value hierarchy, the impairment charge is classified as a Level 3 measurement as it is based on significant other unobservable inputs.

10. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses consist of the following as of December 31:

(In thousands)	2016	2015
Accrued compensation	\$85,970	\$86,497
Accrued commissions	5,189	7,250
Accrued interest	9,817	9,900
Accrued insurance	7,521	5,261
Other	21,742	22,955
Total accrued expenses	\$130,239	\$131,863

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

(In thousands)	2016	2015
Warranty reserves	\$11,768	\$15,053
Additional amounts due to sellers on acquisitions	1,985	2,883
Reserves on loss contracts	1,662	2,711
Pension and other postretirement liabilities	5,331	4,560
Other	7,281	11,983
Total other current liabilities	\$28,027	\$37,190

11. INCOME TAXES

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

(In thousands)	2016	2015	2014
Domestic	\$154,571	\$135,112	\$120,563
Foreign	113,390	140,082	126,381
	\$267,961	\$275,194	\$246,944

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

(In thousands)	2016	2015	2014
Current:			
Federal	\$45,523	\$(6,741)	\$70,609
State	8,002	6,175	9,065
Foreign	20,861	27,134	33,401
Total current	74,386	26,568	113,075

Deferred:			
Federal	4,267	49,060	(29,683)
State	73	7,390	(1,247)
Foreign	(147)	(72)	(5,150)
Total deferred	4,193	56,378	(36,080)
Provision for income taxes	\$78,579	\$82,946	\$76,995

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

	2016	2015	2014
U.S. federal statutory tax rate	35.0 %	35.0 %	35.0 %
Add (deduct):			
State and local taxes, net of federal benefit	1.1	4.3	2.4
R&D tax credits	(0.9)	(1.3)	(1.3)
Foreign earnings ⁽¹⁾	(5.8)	(6.2)	(4.4)
All other, net	(0.1)	(1.7)	(0.5)
Effective tax rate	29.3 %	30.1 %	31.2 %

⁽¹⁾ Foreign earnings primarily include the net impact of differences between local statutory rates and the U.S. Federal statutory rate, the cost of repatriating foreign earnings, and the impact of changes to foreign valuation allowances.

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

(In thousands)	2016	2015
Deferred tax assets:		
Pension plans	\$45,568	\$40,102
Environmental reserves	9,871	9,561
Inventories	21,758	20,041
Postretirement/postemployment benefits	13,542	13,272
Incentive compensation	9,425	12,369
Net operating loss	10,345	9,043
Capital loss carryover	11,352	10,141
Other	39,977	38,226
Total deferred tax assets	161,838	152,755
Deferred tax liabilities:		
Depreciation	25,963	29,771
Goodwill amortization	97,667	89,276
Other intangible amortization	51,712	54,017
Other	16,225	12,280
Total deferred tax liabilities	191,567	185,344
Valuation allowance	17,776	17,895
Net deferred tax liabilities	\$47,505	\$50,484

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

(In thousands)	2016	2015
Net noncurrent deferred tax assets	2,217	3,963
Net noncurrent deferred tax liabilities	49,722	54,447
Net deferred tax liabilities	\$47,505	\$50,484

The Corporation has income tax net operating loss carryforwards related to international operations of approximately \$24.0 million of which \$13.0 million have an indefinite life and \$11.0 million expire through 2023. The Corporation has federal and state income tax net loss carryforwards of approximately \$97.6 million, of which \$66.5 million are net operating losses which expire through 2036 and \$31.1 million are capital loss carryforwards which expire in 2020. The Corporation has recorded a deferred tax asset of \$21.7 million reflecting the benefit of the loss carryforwards. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2016 in certain of the Corporation's foreign locations. Such objective evidence limits the ability to consider other subjective evidence such as projections for future growth. The Corporation decreased its valuation allowance by \$0.1 million to \$17.8 million, as of December 31, 2016, in order to measure only the portion of the deferred tax asset that more likely than not will be realized. The amount of the deferred tax asset considered realizable, however, could be adjusted if estimates of future taxable income during the carryforward period are reduced or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence such as projections for growth. Income tax payments, net of refunds, of \$54.5 million, \$4.9 million, and \$35.0 million were made in 2016, 2015, and 2014, respectively.

The amount of undistributed foreign subsidiaries earnings considered to be permanently reinvested for which no provision has been made for U.S. federal or foreign taxes at December 31, 2016 was \$283.5 million. It is not practicable to estimate the amount of tax that would be payable if these amounts were repatriated to the United States; however, foreign tax credits may partially offset any tax liability.

The Corporation has recognized a liability in Other liabilities for interest of \$1.8 million and penalties of \$1.4 million as of December 31, 2016.

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

(In thousands)	2016	2015	2014
Balance at January 1,	\$12,414	\$11,560	\$10,623
Additions for tax positions of prior periods	32	359	1,421
Reductions for tax positions of prior periods	(1,679)	—	—
Additions for tax positions related to the current year	789	2,026	1,738
Settlements	(102)	(1,414)	(2,039)
Lapses of statute of limitations	—	—	(41)
Foreign currency translation	—	(117)	(142)
Balance at December 31,	\$11,454	\$12,414	\$11,560

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

The following describes the open tax years, by major tax jurisdiction, as of December 31, 2016:

United States (Federal)	2013-present
United States (Various states)	2005-present
United Kingdom	2009-present
Canada	2010-present

The Corporation does not expect any significant changes to the estimated amount of liability associated with its uncertain tax positions through the next twelve months. Included in the total unrecognized tax benefits at December 31, 2016, 2015, and

2014 is \$7.7 million, \$8.3 million, and \$8.0 million, respectively, which if recognized, would favorably affect the effective income tax rate.

12. DEBT

Debt consists of the following as of December 31:

(In thousands)	2016		2015	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
5.51% Senior notes due 2017	150,000	154,509	150,000	158,024
3.84% Senior notes due 2021	100,000	102,463	100,307	100,307
3.70% Senior notes due 2023	225,000	226,946	225,000	224,322
3.85% Senior notes due 2025	100,000	100,338	100,450	100,450
4.24% Senior notes due 2026	200,000	203,592	201,422	201,422
4.05% Senior notes due 2028	75,000	74,630	75,904	75,904
4.11% Senior notes due 2028	100,000	99,876	100,000	99,720
Other debt	668	668	1,259	1,259
Total debt	950,668	963,022	954,342	961,408
Debt issuance costs, net	(984)	(984)	(1,137)	(1,137)
Unamortized interest rate swap proceeds	16,614	16,614	—	—
Total debt, net	966,298	978,652	953,205	960,271
Less: current portion of long-term debt and short-term debt	150,668	150,668	1,259	1,259
Total long-term debt	\$815,630	\$827,984	\$951,946	\$959,012

The Corporation did not have any borrowings against the Revolving Credit Agreement in 2016. The weighted-average interest rate of the Corporation's Revolving Credit Agreement was 3.2% in 2015.

The debt outstanding had fixed and variable interest rates averaging 3.9% and 3.3% in 2016 and 2015, respectively.

Aggregate maturities of debt are as follows:

(In thousands)	
2017	\$ 150,668
2018	—
2019	—
2020	—
2021	100,000
Thereafter	700,000
Total	\$950,668

Interest payments of \$38 million, \$33 million, and \$33 million were made in 2016, 2015, and 2014, respectively.

Revolving Credit Agreement

In August 2012, the Corporation refinanced its existing credit facility by entering into a Third Amended and Restated Credit Agreement (Credit Agreement) with a syndicate of financial institutions, led by Bank of America N.A., Wells Fargo, N.A, and JP Morgan Chase Bank, N.A. The proceeds available under the Credit Agreement are to be used for working capital, internal growth initiatives, funding of future acquisitions, and general corporate purposes. Under the terms of the Credit Agreement, the Corporation has borrowing capacity of \$500 million. In addition, the Credit Agreement provides an accordion feature which allows the Corporation to borrow an additional \$100 million. As of December 31, 2016, the Corporation had \$47 million in letters of credit supported by the credit facility and no borrowings outstanding under the credit facility. The unused credit available under the credit facility at December 31, 2016 was \$453 million, which we had the ability to borrow in full without violating our debt to capitalization covenant.

In December 2014, the Corporation amended its existing credit facility by entering into a Second Amendment to the Third Amended and Restated Credit Agreement (Credit Agreement) with a syndicate of financial institutions, led by Bank of America N.A., Wells Fargo, N.A, and JP Morgan Chase Bank, N.A. The amendment extends the maturity date of the agreement to November 2019. No other material modifications were made to the 2012 Credit Agreement. The Credit Agreement contains covenants that the Corporation considers usual and customary for an agreement of this type for comparable commercial borrowers, including a maximum consolidated debt to capitalization ratio of 60%. The Credit Agreement has customary events of default, such as non-payment of principal when due; nonpayment of interest, fees, or other amounts; cross-payment default and cross-acceleration.

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

Senior Notes

On February 26, 2013, the Corporation issued \$500 million of Senior Notes (the "2013 Notes"). The 2013 Notes consist of \$225 million of 3.70% Senior Notes that mature on February 26, 2023, \$100 million of 3.85% Senior Notes that mature on February 26, 2025, and \$75 million of 4.05% Senior Notes that mature on February 26, 2028. \$100 million of additional 4.11% Senior Notes were deferred and subsequently issued on September 26, 2013 that mature on September 26, 2028. The 2013 Notes are senior unsecured obligations, equal in right of payment to the Corporation's existing senior indebtedness. The Corporation, at its option, can prepay at any time all or any part of the 2013 Notes, subject to a make-whole payment in accordance with the terms of the Note Purchase Agreement. In connection with the issuance of the 2013 Notes, the Corporation paid customary fees that have been deferred and are being amortized over the term of the 2013 Notes. Under the terms of the Note Purchase Agreement, the Corporation is required to maintain certain financial ratios, the most restrictive of which is a debt to capitalization limit of 60%. The debt to capitalization ratio (as defined per the Notes Purchase Agreement and Credit Agreement) is calculated using the same formula for all of the Corporation's debt agreements and is a measure of the Corporation's indebtedness to capitalization, where capitalization equals debt plus equity. As of December 31, 2016, the Corporation had the ability to borrow additional debt of \$0.8 billion without violating our debt to capitalization covenant. The 2013 Notes also contain a cross default provision with respect to the Corporation's other senior indebtedness.

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

On December 1, 2005, the Corporation issued \$150 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 Notes, the Corporation paid customary fees that have been deferred and are being 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%. The 2005 Notes also contain a cross default provision with the Corporation's other senior indebtedness.

13. EARNINGS PER SHARE

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

As of December 31, 2016, 2015, and 2014, there were no options outstanding that were considered anti-dilutive. Earnings per share calculations for the years ended December 31, 2016, 2015, and 2014, are as follows:

62

(In thousands, except per share data)	Earnings from continuing operations	Weighted- Average Shares Outstanding	Earnings per share from continuing operations
2016			
Basic earnings per share from continuing operations	\$ 189,382	44,389	\$ 4.27
Dilutive effect of stock options and deferred stock compensation		656	
Diluted earnings per share from continuing operations	\$ 189,382	45,045	\$ 4.20
2015			
Basic earnings per share from continuing operations	\$ 192,248	46,624	\$ 4.12
Dilutive effect of stock options and deferred stock compensation		992	
Diluted earnings per share from continuing operations	\$ 192,248	47,616	\$ 4.04
2014			
Basic earnings per share from continuing operations	\$ 169,949	48,019	\$ 3.54
Dilutive effect of stock options and deferred stock compensation		1,056	
Diluted earnings per share from continuing operations	\$ 169,949	49,075	\$ 3.46

14. SHARE-BASED COMPENSATION PLANS

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

During 2016, the Corporation granted awards in the form of RSUs, PSUs, PUs, and restricted stock. Previous grants under the 2005 Stock Plans included non-qualified stock options. Under our employee benefit program, the Corporation also provides an Employee Stock Purchase Plan (ESPP) available to most active employees. Certain awards provide for accelerated vesting if there is a change in control.

The compensation cost for employee and non-employee director share-based compensation programs during 2016, 2015, and 2014 is as follows:

(In thousands)	2016	2015	2014
Employee Stock Purchase Plan	1,184	1,279	1,350
Performance Share Units	3,910	4,349	3,728
Restricted Share Units	3,426	3,015	2,655
Other share-based payments	958	830	767
Total share-based compensation expense before income taxes	\$9,478	\$9,473	\$8,500

Other share-based grants include service based restricted stock awards to non-employee directors, who are treated as employees as prescribed by the accounting guidance on share-based payments. The compensation cost recognized follows the cost of the employee, which is primarily reflected as General and administrative expenses in the Consolidated Statements of Earnings. No share-based compensation costs were capitalized during 2016, 2015, or

2014.

The following table summarizes the cash received from share-based awards and the Corporation's tax benefit recognized on share-based compensation:

63

(In thousands)	2016	2015	2014
Cash received from share-based awards	\$22,300	\$28,706	\$38,183
Recognized tax benefit on awards	\$11,101	\$9,119	\$9,610

A summary of employee stock option activity is as follows:

	Weighted- Shares (000's)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term in Years	Aggregate Intrinsic Value (000's)
Outstanding at December 31, 2015	852	\$ 33.54		
Exercised	(408)	35.30		
Forfeited	(1)	36.73		
Outstanding at December 31, 2016	443	\$ 31.91	2.9	\$ 29,421
Exercisable at December 31, 2016	443	\$ 31.91	2.9	\$ 29,421

The total intrinsic value of stock options exercised during 2016, 2015, and 2014 was \$43.2 million, \$36.8 million, and \$28.3 million, respectively.

Performance Share Units

The Corporation has granted performance share units to certain employees, whose three year cliff vesting is contingent upon how the Corporation's total shareholder return over the three-year term of the awards compares to that of a self-constructed peer group. The non-vested shares are subject to forfeiture if established performance goals are not met or employment is terminated other than due to death, disability, or retirement. Share plans are denominated in share-based units based on the fair market value of the Corporation's Common stock on the date of grant. The performance share unit's compensation cost is amortized to expense on a straight-line basis over the three-year requisite service period. As forfeiture assumptions change, compensation cost will be adjusted on a cumulative basis in the period of the assumption change.

Restricted Share Units

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

A summary of the Corporation's 2016 activity related to performance share units and restricted share units are as follows:

	Performance Share Units (PSUs)	Weighted- Average Fair Value	Restricted Share Units (RSUs)	Weighted- Average Fair Value
Nonvested at December	286	\$ 52.70	245	\$ 55.98

31, 2015				
Granted	38	124.83	63	98.64
Vested	(108)	40.30	(93)	43.42
Forfeited	(12)	77.27	(11)	66.48
Nonvested				
at				
December	204	\$ 71.28	204	\$ 74.38
31, 2016				
Expected				
to vest at				
December	204	\$ 71.28	204	\$ 74.38
31, 2016				

Nonvested PSUs had an intrinsic value of \$20.0 million and unrecognized compensation costs of \$8.9 million as of December 31, 2016. Nonvested RSUs had an intrinsic value of \$20.0 million and unrecognized compensation costs of \$10.6 million as of December 31, 2016. Unrecognized compensation costs related to PSUs and RSUs are expected to be recognized over periods of 2.4-2.5 years.

Employee Stock Purchase Plan

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

15. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Corporation maintains ten separate and distinct pension and other post-retirement defined benefit plans, consisting of three domestic plans and seven separate foreign pension plans. Effective May 1, 2016, the Corporation completed the merger of three frozen UK defined benefit pension schemes by merging the Metal Improvement Company Salaried Staff Pension Scheme and the Mechetronics Limited Retirement Benefits Scheme into the Curtiss-Wright Penny & Giles Pension Plan. The Penny & Giles Plan was then renamed the Curtiss-Wright UK Pension Plan.

Effective December 31, 2014, the Corporation executed the following plan mergers: the two Williams Controls defined benefit pension plans were merged with the CW Pension Plan, resulting in one surviving domestic qualified plan, and the three domestic post-retirement health-benefits plans (CW, EMD, and Williams Controls) were merged into one. Post-merger, the Corporation maintains the following domestic plans: a qualified pension plan, a non-qualified pension plan, and a postretirement health-benefits plan. The foreign plans consist of one defined benefit pension plan each in the United Kingdom, Canada and Switzerland, two in Germany, and two in Mexico.

Domestic Plans

Qualified Pension Plan

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

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

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

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

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

In May 2013, the Company's Board of Directors approved an amendment to the CW Pension Plan. Effective January 1, 2014, all active non-union employees participating in the final and career average pay formulas in the defined benefit plan will cease accruals 15 years from the effective date of the amendment. In addition to the sunset

provision, the “cash balance” benefit for non-union participants ceased as of January 1, 2014. Non-Union employees who are not currently receiving final or career average pay benefits became eligible to participate in a new defined contribution plan which provides both employer match and non-elective contribution components, up to a maximum employer contribution of 6%. The amendment does not affect CW employees that are subject to collective bargaining agreements.

65

At December 31, 2016 and 2015, the Corporation had a noncurrent pension liability of \$40.4 million and \$38.1 million, respectively. This increase was primarily driven by a decrease in market interest rates as of December 31, 2016, partially offset by favorable changes to assumed mortality and favorable liability and asset experience during 2016.

Due to the large cash contribution in January 2015, the Corporation does not expect to make any further contributions through 2021, but expects to make annual contributions to the defined contribution plan, as further described below.

Nonqualified Pension Plan

The Corporation also maintains a non-qualified restoration plan (the "CW Restoration Plan") covering those employees of CW and EMD whose compensation or benefits exceed the IRS limitation for pension benefits. Benefits under the CW Restoration Plan are not funded, and, as such, the Corporation had an accrued pension liability of \$40.4 million and \$39.4 million as of December 31, 2016 and 2015, respectively. The Corporation's contributions to the CW Restoration Plan are expected to be \$3.2 million in 2017.

Other Post-Employment Benefits (OPEB) Plan

Under the plan merger effective December 31, 2014, the Corporation provides post-employment benefits consisting of retiree health and life insurance to three distinct groups of employees/retirees: the CW Grandfathered plan, and plans assumed in the acquisitions of EMD and Williams Controls.

In 2002, the Corporation restructured the postemployment medical benefits for then-active CW employees, effectively freezing the plan. The plan continues to be maintained for certain retired CW employees.

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

The plan also provides retiree health and life insurance benefits for certain retirees of the Williams Controls salaried and union pension plans. Benefits are available to those employees who retired prior to December 31, 1993 in the salaried plan, and prior to October 1, 2003 in the union plan. Effective August 31, 2013, the Corporation modified the benefit design for post-65 retirees by introducing Retiree Reimbursement Accounts (RRA's) to align with the EMD delivery model.

The Corporation had an accrued postretirement benefit liability at December 31, 2016 and 2015 of \$24.4 million and \$22.0 million, respectively. Pursuant to the EMD purchase agreement, the Corporation has a discounted receivable from Washington Group International to reimburse the Corporation for a portion of these post-retirement benefit costs. At December 31, 2016 and 2015, the discounted receivable included in other assets was \$0.4 million and \$1.0 million, respectively. The Corporation expects to contribute \$1.8 million to the plan during 2017.

Foreign Plans

The foreign plans consist of one defined benefit pension plan each in the United Kingdom, Canada, and Switzerland, two in Germany, and two in Mexico. As of December 31, 2016 and 2015, the total projected benefit obligation related to all foreign plans is \$91.0 million and \$87.8 million, respectively. As of December 31, 2016 and 2015, the Corporation had a net accrued pension liability of \$3.3 million and \$5.1 million, respectively. The Corporation's contributions to the foreign plans are expected to be \$2.6 million in 2017.

Components of net periodic benefit expense

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

(In thousands)	Pension Benefits			Postretirement Benefits		
	2016	2015	2014	2016	2015	2014
Service cost	\$25,100	\$26,873	\$25,262	\$338	\$286	\$246
Interest cost	30,495	30,050	30,403	996	842	877
Expected return on plan assets	(54,101)	(54,629)	(41,746)	—	—	—
Amortization of prior service cost	(46)	618	662	(657)	(657)	(657)
Recognized net actuarial loss/(gain)	12,029	16,890	6,827	(296)	(551)	(811)
Cost of settlements/curtailments	—	7,461	377	—	—	—
Net periodic benefit cost (income)	\$13,477	\$27,263	\$21,785	\$381	\$(80)	\$(345)

The cost of settlements/curtailments indicated above represents events that are accounted for under guidance on employers' accounting for settlements and curtailments of defined benefit pension plans. In 2015, the settlement charge is primarily a result of the retirement of the Corporation's former Chairman and his election to receive the nonqualified portion of his pension benefit as a single lump sum payout. In 2014, the charge was due to a settlement in the CWAT plan in Switzerland.

The following table outlines the Corporation's consolidated disclosure of the pension benefits and postretirement benefits information described previously. The Corporation had no foreign postretirement plans. All plans were valued using a December 31, 2016 measurement date.

(In thousands)	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Change in benefit obligation:				
Beginning of year	\$774,710	\$797,360	\$21,980	\$23,250
Service cost	25,100	26,873	338	286
Interest cost	30,495	30,050	996	842
Plan participants' contributions	1,897	1,825	266	345
Amendments	—	(2,951)	—	—
Actuarial loss (gain)	19,640	(10,803)	3,372	(1,133)
Benefits paid	(41,115)	(60,662)	(2,516)	(1,610)
Actual expenses	(1,206)	(1,787)	—	—
Currency translation adjustments	(10,916)	(5,195)	—	—
End of year	\$798,605	\$774,710	\$24,436	\$21,980
Change in plan assets:				
Beginning of year	\$692,074	\$595,829	\$—	\$—
Actual return on plan assets	65,872	(4,092)	—	—
Employer contribution	8,210	165,575	2,250	1,265
Plan participants' contributions	1,897	1,825	266	345
Benefits paid	(41,115)	(60,662)	(2,516)	(1,610)
Actual Expenses	(1,206)	(1,787)	—	—
Currency translation adjustments	(11,124)	(4,614)	—	—
End of year	\$714,608	\$692,074	\$—	\$—
Funded status	\$(83,997)	\$(82,636)	\$(24,436)	\$(21,980)

(In thousands)	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Amounts recognized on the balance sheet				
Noncurrent assets	\$4,049	\$3,667	\$—	\$—
Current liabilities	(3,498)	(2,998)	(1,833)	(1,562)
Noncurrent liabilities	(84,548)	(83,305)	(22,603)	(20,418)
Total	\$(83,997)	\$(82,636)	\$(24,436)	\$(21,980)
Amounts recognized in accumulated other comprehensive income (AOCI)				
Net actuarial loss (gain)	\$198,630	\$203,729	\$(5,178)	\$(8,846)
Prior service cost	(1,580)	(1,635)	(3,373)	(4,030)
Total	\$197,050	\$202,094	\$(8,551)	\$(12,876)
Amounts in AOCI expected to be recognized in net periodic cost in the coming year:				
Loss (gain) recognition	\$11,793	\$12,373	\$(203)	\$(571)
Prior service cost recognition	\$(105)	\$(50)	\$(657)	\$(657)
Accumulated benefit obligation	\$767,461	\$736,688	N/A	N/A
Information for pension plans with an accumulated benefit obligation in excess of plan assets:				
Projected benefit obligation	\$733,426	\$721,626	N/A	N/A
Accumulated benefit obligation	702,282	683,605	N/A	N/A
Fair value of plan assets	645,380	635,323	N/A	N/A
Plan Assumptions				

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Weighted-average assumptions in determination of benefit obligation:				
Discount rate	3.88 %	4.11 %	4.00 %	4.25 %
Rate of compensation increase	3.35 %	3.36 %	N/A	N/A
Health care cost trends:				
Rate assumed for subsequent year	N/A	N/A	8.25 %	5.70 %
Ultimate rate reached in 2026	N/A	N/A	4.50 %	5.40 %
Weighted-average assumptions in determination of net periodic benefit cost:				
Discount rate	4.12 %	3.88 %	4.25 %	3.75 %
Expected return on plan assets	7.81 %	7.93 %	N/A	N/A
Rate of compensation increase	3.35 %	3.37 %	N/A	N/A
Health care cost trends:				
Rate assumed for subsequent year	N/A	N/A	8.75 %	5.50 %
Ultimate rate reached in 2026	N/A	N/A	4.50 %	4.59 %

Effective December 31, 2016, the Corporation has adopted the spot rate, or full yield curve, approach for developing discount rates. The discount rate for each plan's past service liabilities and service cost is determined by discounting the plan's expected future benefit payments using a yield curve developed from high quality bonds that are rated Aa or better by Moody's as of the measurement date. The yield curve calculation matches the notional cash inflows of the hypothetical bond portfolio with the expected benefit payments to arrive at one effective rate for these components. Interest cost is determined by applying the spot rate from the full yield curve to each anticipated benefit payment, based on the anticipated optional form elections.

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

The effect on the Other Post-Employment Benefits plan of a 1% change in the health care cost trend is as follows:

(In thousands)	1%	1%
	Increase	Decrease
Total service and interest cost components	\$ 30	\$ (24)
Postretirement benefit obligation	\$ 444	\$ (371)

Pension Plan Assets

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

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

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

Asset class	As of		Target	Expected
	December 31, 2016	2015		
Domestic equities	54%	51%	50%	40%-60%
International equities	13%	14%	15%	10%-20%
Total equity	67%	65%	65%	55%-75%
Fixed income	33%	35%	35%	25%-45%

As of December 31, 2016 and 2015, cash funds in the CW Pension Plan represented approximately 3% of portfolio assets.

Foreign plan assets represent 12% of consolidated plan assets, with the majority of the assets supporting the U.K. plans. Generally, the foreign plans follow a similar asset allocation strategy and are more heavily weighted in fixed income resulting in a weighted expected return on assets assumption of 3.70% for all foreign plans.

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

Fair Value Measurements

The following table presents consolidated plan assets as of December 31, 2016 using the fair value hierarchy, as described in Note 9 to the Consolidated Financial Statements.

Asset Category	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)		
		Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Cash and cash equivalents	\$26,251	\$253	\$ 25,998	\$ —
Equity securities- Mutual funds ⁽¹⁾	435,931	395,549	40,382	—
Bond funds ⁽²⁾	219,417	162,470	56,947	—
Insurance Contracts ⁽³⁾	9,720	—	—	9,720
Other ⁽⁴⁾	755	—	—	755
December 31, 2015	\$692,074	\$558,272	\$ 123,327	\$ 10,475
Cash and cash equivalents	\$23,979	\$4,893	\$ 19,086	\$ —
Equity securities- Mutual funds ⁽¹⁾	459,002	418,390	40,612	—
Bond funds ⁽²⁾	219,249	155,120	64,129	—
Insurance Contracts ⁽³⁾	10,760	—	—	10,760
Other ⁽⁴⁾	1,618	—	—	1,618
December 31, 2016	\$714,608	\$578,403	\$ 123,827	\$ 12,378

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

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

(3) This category consists of a guaranteed investment contract (GIC) in Switzerland. Amounts contributed to the plan are guaranteed by a foundation for occupational benefits that in turn entered into a group insurance contract and the foundation pays a guaranteed rate of interest that is reset annually.

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

Valuation

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

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

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

The following table presents a reconciliation of Level 3 assets held during the year ended December 31, 2016 and 2015:

(In thousands)	Insurance Contracts	Other	Total
December 31, 2014	\$8,169	\$771	\$8,940
Actual return on plan assets:			
Relating to assets still held at the reporting date	127	37	164
Relating to assets sold during the period	—	2	2
Purchases, sales, and settlements	1,554	(49)	1,505
Foreign currency translation adjustment	(130)	(6)	(136)
December 31, 2015	\$9,720	\$755	\$10,475
Actual return on plan assets:			
Relating to assets still held at the reporting date	148	35	183
Purchases, sales, and settlements	1,095	871	1,966
Foreign currency translation adjustment	(203)	(43)	(246)
December 31, 2016	\$10,760	\$1,618	\$12,378

Benefit Payments

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

(In thousands)	Pension Plans	Postretirement Plans	Total
2017	\$49,513	\$ 1,833	\$51,346
2018	50,665	1,762	52,427
2019	54,154	1,733	55,887
2020	53,516	1,720	55,236
2021	52,950	1,711	54,661
2022 — 2026	273,753	8,211	281,964

Defined Contribution Retirement 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.

Effective January 1, 2014, all non-union employees who were not currently receiving final or career average pay benefits became eligible to receive employer contributions in the Corporation's sponsored 401(k) plan. The employer contributions include both employer match and non-elective contribution components, up to a maximum employer contribution of 6% of eligible compensation. During the year ended December 31, 2016, the expense relating to the plan was \$11.3 million, consisting of \$4.8 million in matching contributions to the plan in 2016, and \$6.5 million in non-elective contributions paid in January 2017. Cumulative contributions of approximately \$64.0 million are expected to be made from 2017 through 2021.

In addition, the Corporation had foreign pension costs under various defined contribution plans of \$4.2 million, \$4.8 million, and \$5.7 million in 2016, 2015, and 2014, respectively.

16. LEASES

The Corporation conducts a portion of its operations from leased facilities, which include manufacturing and service facilities, administrative offices, and warehouses. In addition, the Corporation leases vehicles, machinery, and office equipment under operating leases. The leases expire at various dates and may include renewals and escalations. Rental expenses for all operating leases amounted to \$35.3 million, \$37.0 million, and \$38.0 million in 2016, 2015, and 2014, respectively.

At December 31, 2016, the approximate future minimum rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

(In thousands)	Rental Commitments
2017	\$ 27,585
2018	23,587
2019	19,578
2020	16,202
2021	13,094
Thereafter	69,400
Total	\$ 169,446

17. SEGMENT INFORMATION

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

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

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

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

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

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

(In thousands)	December 31,		
	2016	2015	2014
Net sales			
Commercial/Industrial	\$1,120,326	\$1,189,120	\$1,232,696
Defense	469,796	479,528	492,094
Power	524,967	545,013	527,034
Less: Intersegment Revenues	(6,158)	(7,978)	(8,698)
Total Consolidated	\$2,108,931	\$2,205,683	\$2,243,126

(In thousands)	2016	2015	2014
Operating income (expense)			
Commercial/Industrial	\$156,550	\$171,525	\$178,684
Defense	98,291	98,895	82,552
Power	76,472	74,987	51,449
Corporate and Eliminations ⁽¹⁾	(23,215)	(34,790)	(30,312)
Total Consolidated	\$308,098	\$310,617	\$282,373
Depreciation and amortization expense			
Commercial/Industrial	\$53,970	\$55,799	\$58,276
Defense	14,488	15,965	19,530
Power	23,032	23,419	23,060
Corporate	4,518	4,292	4,059
Total Consolidated	\$96,008	\$99,475	\$104,925
Segment assets			
Commercial/Industrial	\$1,391,040	\$1,480,052	\$1,543,795
Defense	751,859	800,613	845,193
Power	516,321	629,612	579,736
Corporate	378,561	79,334	266,377
Assets held for sale	—	—	147,347
Total Consolidated	\$3,037,781	\$2,989,611	\$3,382,448
Capital expenditures			
Commercial/Industrial	\$30,145	\$21,990	\$37,329
Defense	5,870	3,834	5,175
Power	6,653	6,163	16,057
Corporate	4,108	3,525	8,554
Total Consolidated ⁽²⁾	\$46,776	\$35,512	\$67,115

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

⁽²⁾ Total capital expenditures included \$0.2 million and \$4.9 million of expenditures related to discontinued operations for the years ended 2015 and 2014, respectively.

Reconciliations

(In thousands)	December 31,		
	2016	2015	2014
Earnings before taxes:			
Total segment operating income	\$331,313	\$345,407	\$312,685
Corporate and administrative	(23,215)	(34,790)	(30,312)
Interest expense	41,248	36,038	35,794
Other income, net	1,111	615	365
Total consolidated earnings before tax	\$267,961	\$275,194	\$246,944

(In thousands)	December 31,		
	2016	2015	2014
Assets:			
Total assets for reportable segments	\$2,659,220	\$2,910,277	\$2,968,724
Assets held for sale	—	—	147,347
Non-segment cash	357,021	42,164	247,249
Other assets	21,540	37,170	19,128
Total consolidated assets	\$3,037,781	\$2,989,611	\$3,382,448

Geographic Information

(In thousands)	December 31,		
	2016	2015	2014
Revenues			
United States of America	\$1,472,241	\$1,502,363	\$1,521,034
United Kingdom	114,752	135,673	145,092
Other foreign countries	521,938	567,647	577,000
Consolidated total	\$2,108,931	\$2,205,683	\$2,243,126

(In thousands)	December 31,		
	2016	2015	2014
Long-Lived Assets			
United States of America	\$272,826	\$293,612	\$323,937
United Kingdom	39,014	36,061	45,625
Other foreign countries	77,063	83,971	89,357
Consolidated total	\$388,903	\$413,644	\$458,919

Net sales by product line

(In thousands)	December 31,		
	2016	2015	2014
Net sales			
Flow Control	\$883,735	\$949,657	\$959,907
Motion Control	940,162	947,758	953,667
Surface Technologies	285,034	308,268	329,552
Consolidated total	\$2,108,931	\$2,205,683	\$2,243,126

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

18. CONTINGENCIES AND COMMITMENTS

Legal Proceedings

The Corporation has been named in a number of lawsuits that allege injury from exposure to asbestos. To date, the Corporation has not been found liable for or paid any material sum of money in settlement in any case. The Corporation believes its minimal use of asbestos in its past operations and the relatively non-friable condition of asbestos in its products makes it unlikely that it will face material liability in any asbestos litigation, whether individually or in the aggregate. The Corporation

maintains insurance coverage for these potential liabilities and believes adequate coverage exists to cover any unanticipated asbestos liability.

In December 2013, the Corporation, along with other unaffiliated parties, received a claim, from Canadian Natural Resources Limited (CNRL) filed in the Court of Queen's Bench of Alberta, Judicial District of Calgary. The claim pertains to a January 2011 fire and explosion at a delayed coker unit at its Fort McMurray refinery that resulted in the injury of five CNRL employees, damage to property and equipment, and various forms of consequential loss such as loss of profit, lost opportunities, and business interruption. The fire and explosion occurred when a CNRL employee bypassed certain safety controls and opened an operating coker unit. The total quantum of alleged damages arising from the incident has not been finalized, but is estimated to meet or exceed \$1 billion. The Corporation maintains various forms of commercial, property and casualty, product liability, and other forms of insurance; however, such insurance may not be adequate to cover the costs associated with a judgment against us. The Corporation is currently unable to estimate an amount or range of potential losses, if any, from this matter. The Corporation believes it has adequate legal defenses and intends to defend this matter vigorously. The Corporation's financial condition, results of operations, and cash flows, could be materially affected during a future fiscal quarter or fiscal year by unfavorable developments or outcome regarding this claim.

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 effect on the Corporation's results of operations or financial position.

Letters of Credit and Other Arrangements

The Corporation enters into standby letters of credit agreements and guarantees with financial institutions and customers primarily relating to guarantees of repayment, future performance on certain contracts to provide products and services, and to secure advance payments from certain international customers. At December 31, 2016 and 2015, there were \$47.2 million and \$37.3 million of stand-by letters of credit outstanding, respectively, and \$12.8 million and \$14.7 million of bank guarantees outstanding, respectively.

The Corporation, through its Electro-Mechanical Division (EMD) business unit, has three Pennsylvania Department of Environmental Protection (PADEP) radioactive materials licenses that are utilized in the continued operation of the EMD business. In connection with these licenses, the Corporation has known conditional asset retirement obligations related to asset decommissioning activities to be performed in the future, when the Corporation terminates these licenses. For two of the three licenses, the Corporation has recorded an asset retirement obligation of approximately \$7.1 million. For its third license, the Corporation has not recorded an asset retirement obligation as it is not reasonably estimable due to insufficient information about the timing and method of settlement of the obligation. Accordingly, this obligation has not been recorded in the Consolidated Financial Statements. A liability for this obligation will be recorded in the period when sufficient information regarding timing and method of settlement becomes available to make a reasonable estimate of the liability's fair value. The Corporation is required to provide the Nuclear Regulatory Commission financial assurance demonstrating its ability to cover the cost of decommissioning its Cheswick, Pennsylvania facility upon closure, though the Corporation does not intend to close this facility. The Corporation has provided this financial assurance in the form of a \$56.0 million surety bond.

AP1000 Program

Within the Corporation's Power segment, our Electro-Mechanical Division is the RCP supplier for the Westinghouse AP1000 nuclear power plants under construction in China and the United States. The terms of the AP1000 China and United States contracts include liquidated damage provisions for failure to meet contractual delivery dates if the Corporation caused the delay and the delay was not excusable. The Corporation would be liable for liquidated

damages if the Corporation was deemed responsible for not meeting the delivery dates. On October 10, 2013, the Corporation received a letter from Westinghouse stating entitlements to the maximum amount of liquidated damages allowable under the AP1000 China contract from Westinghouse of approximately \$25 million. As of December 31, 2016, the Corporation has not met certain contractual delivery dates under its AP1000 domestic and China contracts; however, there are significant counterclaims and uncertainties as to which parties are responsible for the delays. Given the uncertainties surrounding the parties responsible for the delays, no accrual has been made for this matter. As of December 31, 2016, the range of possible loss for liquidated damages is \$0 to \$55.5 million.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

75

(In thousands)	Foreign currency translation adjustments, net	Total pension and postretirement adjustments, net	Accumulated other comprehensive income (loss)
December 31, 2014	\$ (20,283)	\$ (108,128)	\$ (128,411)
Other comprehensive loss before reclassifications ⁽¹⁾	(87,527)	(24,823)	(112,350)
Amounts reclassified from accumulated other comprehensive income ⁽¹⁾	—	14,833	14,833
Net current period other comprehensive loss	(87,527)	(9,990)	(97,517)
December 31, 2015	\$ (107,810)	\$ (118,118)	\$ (225,928)
Other comprehensive loss before reclassifications ⁽¹⁾	(64,840)	(7,892)	(72,732)
Amounts reclassified from accumulated other comprehensive income ⁽¹⁾	—	6,904	6,904
Net current period other comprehensive loss	(64,840)	(988)	(65,828)
December 31, 2016	\$ (172,650)	\$ (119,106)	\$ (291,756)

⁽¹⁾ All amounts are after tax.

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

(In thousands)	Amount reclassified from Accumulated other comprehensive income (loss)		Affected line item in the statement where net earnings is presented
	2016	2015	
Defined benefit pension and postretirement plans			
Amortization of prior service costs	703	39	(1)
Amortization of net actuarial losses	(11,733)	(16,339)	(1)
Settlements	—	(7,461)	(1)
	(11,030)	(23,761)	Total before tax
	4,126	8,928	Income tax effect
Total reclassifications	\$(6,904)	\$(14,833)	Net of tax

⁽¹⁾ These items are included in the computation of net periodic pension cost. See Note 15, Pension and Other Postretirement Benefit Plans.

20. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following tables set forth selected unaudited quarterly Consolidated Statements of Earnings information for the fiscal years ended December 31, 2016 and 2015.

(In thousands, except per share data)	First	Second	Third	Fourth
2016				
Net sales	\$503,507	\$532,766	\$507,092	\$565,566
Gross profit	171,903	185,379	184,476	208,725
Earnings from continuing operations	32,819	39,963	45,932	70,668
Loss from discontinued operations	—	—	—	(2,053)
Net earnings	32,819	39,963	45,932	68,615
Basic earnings per share				
Earnings from continuing operations	\$0.74	\$0.90	\$1.04	\$1.60
Loss from discontinued operations	\$—	\$—	\$—	\$(0.05)
Total	\$0.74	\$0.90	\$1.04	\$1.55
Diluted earnings per share				
Earnings from continuing operations	\$0.73	\$0.88	\$1.02	\$1.58
Loss from discontinued operations	\$—	\$—	\$—	\$(0.05)
Total	\$0.73	\$0.88	\$1.02	\$1.53
2015				
Net sales	\$546,199	\$545,194	\$525,535	\$588,755
Gross profit	191,096	182,351	185,494	224,314
Earnings from continuing operations	43,223	40,121	38,142	70,762
Loss from discontinued operations	(27,232)	(14,384)	(4,258)	(913)
Net earnings	15,991	25,737	33,884	69,849
Basic earnings per share				
Earnings from continuing operations	\$0.91	\$0.85	\$0.82	\$1.56
Loss from discontinued operations	(0.57)	(0.31)	(0.09)	(0.02)
Total	\$0.34	\$0.54	\$0.73	\$1.54
Diluted earnings per share				
Earnings from continuing operations	\$0.89	\$0.83	\$0.80	\$1.53
Loss from discontinued operations	(0.56)	(0.30)	(0.09)	(0.02)
Total	\$0.33	\$0.53	\$0.71	\$1.51

Note: Certain amounts may not add due to rounding.

21. SUBSEQUENT EVENTS

On January 4, 2017, the Corporation completed the acquisition of Teletronics Technology Corporation (TTC) for \$233 million in cash. TTC is a leading designer and manufacturer of high-technology data acquisition and comprehensive flight test instrumentation systems for critical aerospace and defense applications. For the year ended December 31, 2015, TTC generated sales of \$58 million. The acquired business will operate within the Defense segment. The acquisition is subject to post-closing adjustments as the valuation is not yet complete.

* * * * *

Report of the Corporation

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

The Corporation maintains accounting systems, procedures, and internal accounting controls designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with the appropriate corporate authorization and are properly recorded. The accounting systems and internal accounting controls are augmented by written policies and procedures, organizational structure providing for a division of responsibilities,

selection and training of qualified

77

personnel, and an internal audit program. The design, monitoring, and revision of internal accounting control systems involve, among other things, management's judgment with respect to the relative cost and expected benefits of specific control measures. Management of the Corporation has completed an assessment of the Corporation's internal controls over financial reporting and has included "Management's Annual Report on Internal Control Over Financial Reporting" in Item 9A of this Annual Report on Form 10-K.

Deloitte & Touche LLP, our independent registered public accounting firm, performed an integrated audit of the Corporation's Consolidated Financial Statements that also included forming an opinion on the internal controls over financial reporting of the Corporation for the year ended December 31, 2016. 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 Corporation's Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States of America, in all material respects, and on the internal controls over financial reporting as of December 31, 2016.

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

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of
Curtiss-Wright Corporation
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Curtiss-Wright Corporation and subsidiaries (the “Company”) as of December 31, 2016 and 2015, and the related consolidated statements of earnings, comprehensive income (loss), stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule 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, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2017 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
February 21, 2017

Report of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of
Curtiss-Wright Corporation
Charlotte, North Carolina

We have audited the internal control over financial reporting of Curtiss-Wright Corporation and subsidiaries (the “Company”) as of December 31, 2016, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control — Integrated Framework (2013) 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, 2016 of the Company and our report dated February 21, 2017 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ Deloitte & Touche LLP
Parsippany, New Jersey
February 21, 2017

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

None.

Item 9A. Controls And Procedures.

Disclosure Controls and Procedures

As of December 31, 2016, the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the Corporation's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective as of December 31, 2016 insofar as they are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms, and they include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report On Internal Control Over Financial Reporting

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

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

The Corporation's management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2016. In making this assessment, the Corporation's management used the criteria established by the 2013 Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework.

Based on management's assessment, management believes that as of December 31, 2016, the Corporation's internal control over financial reporting is effective based on the established criteria.

The Corporation's internal controls over financial reporting as of December 31, 2016 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, and their report thereon is included in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Corporation's internal control over financial reporting during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

The information required by Items 10, 11, 12, 13, and 14 of Part III of this Annual Report on Form 10-K, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the annual meeting of stockholders to be held on May 11, 2017 which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates. Information required by Item 401(b) of Regulation S-K is included in Part I of this report under the caption "Executive Officers" and information required by Item 201(d) of Regulation S-K is included in Part II of this report under the caption "Securities Authorized For Issuance Under Equity Compensation Plans."

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) Financial Statements and Footnotes

		Page
1.	The following are documents filed as part of this report in Part II, Item 8:	
	Consolidated Statements of Earnings	<u>41</u>
	Consolidated Statements of Comprehensive Income	<u>42</u>
	Consolidated Balance Sheets	<u>43</u>
	Consolidated Statements of Cash Flows	<u>44</u>
	Consolidated Statements of Stockholders' Equity	<u>45</u>
	Notes to Consolidated Financial Statements	<u>46</u>
2.	Financial Statement Schedule	
	Schedule II-Valuation and Qualifying Accounts	<u>86</u>
	All other financial statement schedules have been omitted because they are either not required, not applicable or the required information is shown in the Consolidated Financial Statements or Notes thereto.	

(b) Exhibits

		Incorporated by Reference	Filed Herewith
Exhibit No.	Exhibit Description	Form	Filing Date
2.1	Agreement and Plan of Merger and Recapitalization, dated as of February 1, 2005, by and between the Registrant and CW Merger Sub, Inc.	8-K	February 3, 2005
3.1	Amended and Restated Certificate of Incorporation	8-A/A	May 24, 2005
3.2	Amended and Restated By-Laws	8-K	May 18, 2015
3.3	Form of stock certificate for Common Stock	8-K	November 17, 2008
4.1	Agreement to furnish to the Commission upon request a copy of any long-term debt instrument where the amount of the securities authorized thereunder does not exceed 10% of the total assets of the Registrant and its subsidiaries on a consolidated basis	10-K	December 31, 1985
10.1	Curtiss-Wright Corporation 2005 Omnibus Long-Term Incentive Plan, amended and restated effective January 1, 2010*	14A	March 19, 2010
10.2	Form of Long Term Incentive Award Agreement, between the Registrant and the executive officers of the Registrant*	10-K	March 7, 2006
10.3	Revised Standard Employment Severance Agreement with Senior Management of the Registrant*	10-Q	August 15, 2001
10.4	Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009.*	10-K	February 25, 2011

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

10.5	Instrument of Amendment No. 1 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 24, 2012	
10.6	Instrument of Amendment No. 2 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 19, 2015	
10.7	Instrument of Amendment No. 3 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 19, 2015	
10.8	Instrument of Amendment No. 4 to Amended and Restated Retirement Benefits Restoration Plan as amended January 1, 2009*	10-K	February 25, 2016	
10.9	Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*	10-K	February 25, 2016	
10.10	Instrument of Amendment No. 1 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*amended January 1, 2009 and Restated January 1, 2015*			X
10.11	Instrument of Amendment No. 2 to Curtiss-Wright Corporation Retirement Plan, as Amended and Restated January 1, 2015*amended January 1, 2009 and Restated January 1, 2015*			X
10.12	Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective as of January 1, 2015*	10-K	February 25, 2016	
10.13	Instrument of Amendment No. 1 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*	10-K	February 25, 2016	
10.14	Instrument of Amendment No. 2 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*			X
10.15	Instrument of Amendment No. 3 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*			X
10.16	Instrument of Amendment No. 4 to the Curtiss-Wright Corporation Savings and Investment Plan, as Amended and Restated effective January 1, 2015*			X
10.17	Curtiss-Wright Corporation 2014 Omnibus Incentive Plan*	14A	March 21, 2014	
10.18	Curtiss-Wright Corporation Retirement Savings Restoration Plan*	10-K	February 19, 2015	
10.19	Instrument of Amendment No. 1 to the Curtiss-Wright Corporation Retirement Savings Restoration Plan*	10-K	February 25, 2016	
10.20	Form of indemnification Agreement entered into by the Registrant with each of its directors	10-Q	May 7, 2012	
10.21	Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 25, 2011	
10.22	Instrument of Amendment No.1 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 24, 2012	
10.23	Instrument of Amendment No. 2 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 21, 2013	
10.24	Instrument of Amendment No.3 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 21, 2013	

Edgar Filing: CURTISS WRIGHT CORP - Form 10-K

10.25	Instrument of Amendment No.4 to the Amended and Restated Curtiss-Wright Electro-Mechanical Corporation Savings Plan, dated January 1, 2010*	10-K	February 21, 2014
10.26	Curtiss-Wright Corporation 2005 Stock Plan for Non-Employee Directors*	14A	April 5, 2005
10.27	Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended November 2006*	10-K	February 27, 2007
10.28	Instrument of Amendment No. 1 to the Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended August 29, 2008*	10-K	February 24, 2012
10.29	Instrument of Amendment No. 2 to the Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended August 29, 2008*	10-K	February 19, 2015
10.30	Instrument of Amendment No. 3 to the Amended and Revised Curtiss-Wright Corporation Executive Deferred Compensation Plan, as amended August 29, 2008*	10-K	February 25, 2016
10.31	Standard Change In Control Severance Protection Agreement, dated July 9, 2001, between the Registrant and Key Executives of the Registrant*	10-Q	November 15, 2001
10.32	Trust Agreement, dated January 20, 1998, between the Registrant and PNC Bank, National Association	10-Q	May 13, 1998
10.33	Curtiss-Wright Corporation Employee Stock Purchase Plan*	14A	March 24, 2011
10.34	Note Purchase Agreement between the Registrant and certain Institutional Investors, dated December 1, 2005	8-K	December 5, 2005
10.35	Restrictive Legends on Notes subject to Note Purchase Agreement between the Registrant and certain Institutional Investors, dated December 1, 2005	8-K	December 5, 2005
10.36	Note Purchase Agreement between the Registrant and certain Institutional Investors, dated December 8, 2011	8-K	December 13, 2011
10.37	Restrictive Legends on Notes subject to Note Purchase Agreement between the Registrant and certain Institutional Investors, dated December 8, 2011	8-K	December 13, 2011
10.38	Note Purchase Agreement between the Registrant and certain Institutional Investors, dated February 26, 2013	8-K	February 27, 2013
10.39	Restrictive Legends on Notes subject to Note Purchase Agreement between the Registrant and certain Institutional Investors, dated February 26, 2013	8-K	February 27, 2013
10.40	Incentive Compensation Plan, as amended November 15, 2010 *	14A	March 24, 2011
10.41	Restricted Stock Unit Agreement, dated April 1, 2013, by and between the Registrant and Thomas Quinly *	10-Q	May 2, 2013
10.42	Third Amended and Restated Credit Agreement dated as of August 9, 2012 among the Registrant, and Certain Subsidiaries as Borrowers; the Lenders parties thereto; Bank of America, N.A., as Administrative Agent; Swingline Lender, and L/C Issuer; J.P. Morgan Chase Bank, N.A., and Wells Fargo, N.A., as Syndication Agents; and RBS Citizens, N.A., as Documentation Agent	8-K	August 13, 2012

10.43	First Amendment dated July 28, 2014 to Third Amended and Restated Credit Agreement dated as of August 9, 2012 among the Registrant, and Certain Subsidiaries as Borrowers; the Lenders parties thereto; Bank of America, N.A., as Administrative Agent; Swingline Lender, and L/C Issuer; J.P. Morgan Chase Bank, N.A., and Wells Fargo, N.A., as Syndication Agents; and RBS Citizens, N.A., as Documentation Agent	10-K	February 19, 2015	
10.44	Second Amendment dated December 12, 2014 to Third Amended and Restated Credit Agreement dated as of August 9, 2012 among the Registrant, and Certain Subsidiaries as Borrowers; the Lenders parties thereto; Bank of America, N.A., as Administrative Agent; Swingline Lender, and L/C Issuer; J.P. Morgan Chase Bank, N.A., and Wells Fargo, N.A., as Syndication Agents; and RBS Citizens, N.A., as Documentation Agent	10-K	February 19, 2015	
10.45	Third Amendment dated June 16, 2015 to Third Amended and Restated Credit Agreement dated as of August 9, 2012 among the Registrant, and Certain Subsidiaries as Borrowers; the Lenders parties thereto; Bank of America, N.A., as Administrative Agent; Swingline Lender, and L/C Issuer; J.P. Morgan Chase Bank, N.A., and Wells Fargo, N.A., as Syndication Agents; and RBS Citizens, N.A., as Documentation Agent	8-K	June 18, 2015	
21.00	Subsidiaries of the Registrant			X
23.00	Consent of Independent Registered Public Accounting Firm			X
31.10	Certification of David C. Adams, Chairman and CEO, Pursuant to Rule 13a - 14(a)			X
31.20	Certification of Glenn E. Tynan, Chief Financial Officer, Pursuant to Rule 13a - 14(a)			X
32.00	Certification of David C. Adams, Chairman and CEO and Glenn E. Tynan, Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350			X
*	Indicates contract or compensatory plan or arrangement			
101.INS	XBRL Instance Document			
101.SCH	XBRL Taxonomy Extension Schema Document			
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document			
101.LAB	XBRL Taxonomy Extension Label Linkbase Document			
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document			

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
 SCHEDULE II – VALUATION and QUALIFYING ACCOUNTS
 for the years ended December 31, 2016, 2015, and 2014
 (In thousands)

Description	Balance at Beginning of Period	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Deducted from assets to which they apply:						
December 31, 2016						
Tax valuation allowance	17,895	1,951	(181)	(1)	1,889	17,776
Total	\$ 17,895	\$ 1,951	\$ (181)		\$ 1,889	\$ 17,776
December 31, 2015						
Tax valuation allowance	23,478	2,605	(299)	(1)	7,889	(2) 17,895
Total	\$ 23,478	\$ 2,605	\$ (299)		\$ 7,889	\$ 17,895
December 31, 2014						
Tax valuation allowance	6,321	18,535	(263)	(1)	1,115	23,478
Total	\$ 6,321	\$ 18,535	\$ (263)		\$ 1,115	\$ 23,478

(1) Primarily foreign currency translation adjustments.

(2) Capital loss on sale of upstream oil and gas business.

SIGNATURES

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

CURTISS-WRIGHT CORPORATION
(Registrant)

Date: February 21, 2017 By: /s/ David C. Adams
David C. Adams
Chairman and Chief Executive Officer

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

Date: February 21, 2017 By: /s/ Glenn E. Tynan
Glenn E. Tynan
Vice President of Finance and Chief Financial Officer

Date: February 21, 2017 By: /s/ K. Christopher Farkas
K. Christopher Farkas
Vice President and Corporate Controller

Date: February 21, 2017 By: /s/ David C. Adams
David C. Adams
Director

Date: February 21, 2017 By: /s/ Dean M. Flatt
Dean M. Flatt
Director

Date: February 21, 2017 By: /s/ S. Marce Fuller
S. Marce Fuller
Director

Date: February 21, 2017 By: /s/ Rita J. Heise
Rita J. Heise
Director

Date: February 21, 2017 By: /s/ Allen A. Kozinski
Allen A. Kozinski
Director

Date: February 21, 2017 By: /s/ John R. Myers
John R. Myers
Director

Date: February 21, 2017 By: /s/ John B. Nathman
John B. Nathman

Director

Date: February 21, 2017 By: /s/ Robert J. Rivet
Robert J. Rivet
Director

Date: February 21, 2017 By: /s/ Albert E. Smith
Albert E. Smith
Director

87

Date: February 21, 2017 By: /s/ Peter C. Wallace
Peter C. Wallace
Director

88