MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Curtiss-Wright First Quarter 2011 Financial Results Conference Call. [Operator Instructions]. As a reminder, this conference is being recorded.

I would now like to introduce your host for today's conference, Mr. Martin Benante. You may begin.

Martin R. Benante, Chairman and Chief Executive Officer

Well, thank you, Maeve, and good morning, everyone. Welcome to our first quarter 2011 earnings conference call.

Joining me today is Mr. Glenn Tynan, our CFO, who will begin our forum today. Glenn?

Glenn E. Tynan, Vice President and Chief Financial Officer

Thank you, Marty. Our call today is being webcast, and the press release as well as a copy of today's financial presentation are available for download through the 'Investor Relations' section of our company website at www.curtisswright.com. A replay of this call can also be found on the website.

Please note today's discussion will include certain projections and statements that are forward-looking as defined in the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are not guarantees of future performance.

Forward-looking statements always involve risks and uncertainties, and we detail those risks and uncertainties in our public filings with the SEC.

For our agenda today, Marty will provide an overview of Curtiss-Wright's 2011 first quarter operating performance, and then I will discuss our segment performance, markets, and updated 2011 guidance, before turning it back to Marty to wrap-up the presentation and formal remarks, and open the call for questions. Marty?

Martin R. Benante, Chairman and Chief Executive Officer

Thank you, Glenn.

Curtiss-Wright delivered a strong start to 2011 that exceeded our expectations. First quarter profits grew faster than sales with operating income up a solid 34% on a 5% increase in sales.

Our operating margins expanded 200 basis points, and we also produced solid EPS growth of 50% over the prior-year period, driven in large part by a very strong performance by our metal treatment segment, in addition to increased sales and higher new commercial orders. These results reflect the impact of our ongoing cost reductions and restructuring initiatives implemented across the company.

Overall performance in our defense markets was solid as we saw continued strength in both our naval defense and in our Intelligence, Surveillance, and Reconnaissance or ISR-related businesses. We're also pleased to see that the fiscal year 2011 defense spending bill was passed, and we're no longer operating under a continued resolution.

We continue to believe that we offer a strong and balanced defense portfolio tied to the right programs, those destined to perform at or above the overall level of growth in the top-line defense budget.

We also benefited from the turnaround in some of our economically sensitive commercial end markets as the global economy continues to improve. This is most apparent in our general industrial market, which surged 22% over the prior-year period, based on improved demand across a variety of industries and customers that we serve.

Commercial aerospace is another bright spot for Curtiss-Wright in the first quarter, as we strongly benefited from the ramp-up in the commercial aerospace markets.

Now I would like to turn the call back to Glenn to discuss some of our financial metrics for the first quarter of 2011 and walk you through some of the segments and end-market performance. Glenn?

Glenn E. Tynan, Vice President and Chief Financial Officer

Thank you, Marty.

Looking at our first-quarter performance, we posted a solid quarter overall with sales up 5%, 2% of which was organic. Meanwhile, our segment operating income rose 34% overall and 40% organically, as all three segments produced solid gains.

We ended the quarter with a strong backlog of approximately $1.7 billion, which was split approximately 68% in flow control and 32% in motion control.

Free-cash flow was negative as we would typically expect in the first quarter, although this year it was lower than historical Q1 levels, primarily due to the expected $17 million pension contribution as well as planned capital expenditures related to our Cedar Crossing Texas facility expansion in our oil and gas market.

Moving to our segments. Flow Control produced solid profitability, primarily due to higher sales volumes in our general industrial and naval defense markets. Operating margin in the segment improved 90 basis points compared to the prior year period, as a result of our ongoing cost reduction and restructuring programs. This was achieved despite lower margins on several long-term contracts within the oil and gas markets.

Early in the second quarter, we announced the acquisition of Douglas Equipment Ltd., a leading supplier of aircraft handling systems within our Flow Control segment. We expect this business to add approximately $30 million in additional sales in 2011.

Next we will look at Motion Control which also produced a solid quarter overall. Sales growth in the segment was partially driven by acquisitions, which typically carry lower margins in the first few years of ownership.

Profitability in this segment was also impacted by approximately $1 million in unfavorable foreign currency translations – although it is worth noting that excluding FX and acquisitions, our operating income grew nearly 30% and our operating margin improved 240 basis points, again primarily the result of our ongoing cost reduction and restructuring programs.

Moving onto Metal Treatment which had a solid sales and stronger profitability in the first quarter. This segment benefited from higher volumes due to the improving global economy, most notably in shot peening, heat treating, and coating services to the general industrial markets.

In early Q2, we also completed the acquisition of the BASF Surface Technologies business, a leading supplier of thermal coatings within the Metal Treatment segment. This business is expected to add approximately $20 million in additional sales in 2011 to our general industrial market.

Next I will discuss our overall end markets. And if you look at slide 8, you know that the percentages on this pie chart relate to the first quarter 2011 sales for each of our end markets.

For the first quarter, our overall defense markets grew 5%, while our commercial markets increased 4%. The key highlights include the ongoing recovery in commercial and industrial, which had strong growth during the quarter, led by our general industrial end markets, along with solid performances in our aerospace and naval defense markets. Growth in these markets was offset by contractions in our ground defense and oil and gas markets in Q1.

We will begin with our aerospace defense market, which had solid sales growth over the prior year quarter, most notably for ISR applications on helicopter programs such as the Blackhawk and Apache, along with increased production on the V-22 Osprey. We achieved this growth despite the winding down of the F-22 program.

Looking ahead to the remainder of 2011, we see a ramp-up in sales on the F-35 Joint Strike Fighter and various helicopter programs, as well as continued strong demand for our embedded computing and sensor products, supporting ISR applications, most notably in UAVs. Similar to the first quarter, we expect this growth to be somewhat offset by the winding down of the F-22 program.

Overall, we are projecting sales to grow 1% to 3% in our aerospace defense market in 2011, unchanged from our prior guidance.

Next we will discuss our ground defense market. Sales during the quarter were lower than the prior year as expected due to the reduction in U.S. ground vehicle sales and the winding down of the FCS program. However, we did have a nice pickup in production sales related to the TOW Improved Target Acquisition System, or ITAS. We also experienced higher sales of sensors, controls, actuation equipment and turret drive systems to international customers.

For the remainder of 2011, the timing of ground vehicle upgrades and monetization programs for the U.S. Army continues to be somewhat uncertain, and we expect most of our growth to come from foreign military sales.

Overall, we are projecting 8% to 10% sales growth in our ground defense market in 2011, unchanged from our prior guidance.

Next we'll look at naval defense market, where our performance in the first quarter is indicative of where the bulk of our revenue streams are likely to come from this year; Virginia class submarines and the CVN-79 aircraft carrier, where we have significant content.

For 2011, we remain optimistic about our naval defense programs. We expect the ramp-up of our sales on CVN-79 to outweigh the winding down on CVN-78, a shift from development to full production on our AAG program, and increased retrofit activity on the DDG 51 destroyer program.

As a result, we are now projecting sales in our naval defense market to increase 3% to 5% in 2011, which includes the acquisition of Douglas Equipment and is an increase from our prior guidance of 1% to 3% growth.

In our commercial markets, we will start with commercial aerospace, which delivered a strong start to the year based on a ramp-up of the aircraft production cycle.

For Boeing, we saw increased sales on the 737, 747, 777 and 787 platforms, and for Airbus primarily the A320.

Looking at the remainder of 2011, Curtiss-Wright remains well positioned to benefit from the anticipated multi-year up cycle in commercial aerospace, as we are a key provider of critical components and various metal treatment services to both Boeing and Airbus.

Based on those expectations, along with our outlook for solid demand from regional jet and commercial helicopter markets, we are now projecting sales on our commercial aerospace market to increase 18% to 20% in 2011, which includes the acquisition of Douglas Equipment, and is an increase from our previous guidance of 10% to 12% growth.

We'll move on to the oil and gas market, which continues to come under some pressure due to the ongoing delays and spending on large refinery projects, both domestically and internationally. However, we did see a solid increase in demand for our domestic maintenance, repair and overhaul business for the refinery industry during the first quarter.

For the full year 2011, we still see modest growth in production for U.S. refinery-related products, most notably in terms of valves and large super vessels, and look forward to the opening of our new world-class Cedar Crossing Texas facility later this quarter.

However, given the current economic conditions and somewhat slower than expected recovery in this market, we are trimming our 2011 sales forecast from 3% to 5% growth, down to 1% to 3% growth.

Next, we will discuss power generation market, which saw strong aftermarket sales on existing operating reactors, offsetting an expected decrease in AP1000 sales compared to last year's first quarter.

Looking ahead in our nuclear aftermarket business, which supports the existing 104 domestic nuclear reactors, we expect to see continue demand for content related to the plant life expansion process and power upgrades to drive our power generation business.

Despite an expected decrease in the number of planned outages this year, we expect to continue to achieve higher content per reactor, which offsets lower outage levels.

Regarding new build opportunities, our revenues will continue to be more heavily weighted to international sales in 2011 as resources shift from the China AP1000 project to the ramp-up on the U.S. projects.

For 2011, our projected sales growth for our power generation market remains at 1% to 2%.

Lastly, we'll turn to our general industrial market, which produced a strong surge in sales in the first quarter, topping expectations, based on improving economic conditions, higher volumes and overall stronger demand for metal treatment services.

Looking ahead to the remainder of 2011, we expect to see continued growth based on improved economic conditions across several industries in which we participate, especially in the automotive market. As a result, we are now projecting sales in our general industrial markets to grow 19% to 21% in 2011, which includes the BASF Surface Technologies acquisition, and is an increase from our prior guidance range of 9% to 11%.

Summing up, based on our rationale and expectations across all of our end markets, we have increased our expectations for total Curtiss-Wright sales growth of 6% to 8%, above our previous guidance of 4% to 5%.

Additionally, given some of the changing end market dynamics that we've witnessed thus far in 2011, along with some recently completed acquisitions, we have increased our projections to grow 3% to 5% overall in defense, above our previous guidance of 2% to 4%, and also have raised our expectations to grow 8% to 10% commercial, up from 5% to 7%.

Our revised financial guidance for 2011 reflects solid overall operating performance across all three of our segments and includes our recently completed acquisitions. We're looking for our 2011 sales be up 6% to 8% overall, operating income up 15% to 19%, and diluted EPS up 12% to 16% to range from $2.58 to $2.68 per diluted share.

I also wanted to point out a few other drivers regarding our operating performance. While Motion Control did get off to a good start in Q1, we are expecting some FX headwinds later this year to impact our margins.

Also, Metal Treatment produced one of their best quarters in years. However, we remain somewhat cautious in our guidance until we start to see this performance continue throughout 2011.

Additionally, despite producing positive operating income, we are expecting that the BASF acquisition will be approximately 80 basis points dilutive to Metal Treatment margins.

Overall, based on our revised 2011 financial expectations, along with our continued focus on business restructuring, cost reduction and margin improvement, we now expect consolidated operating margin to increase 80 basis points to 100 basis points over 2010 to approximately 10.3% to 10.5%, which is an improvement over our previous 2011 guidance range of 10.2% to 10.4%, despite the acquisition margin dilution and FX headwinds.

And on slide 18, are some of our additional financial guidance metrics for 2011, all of which remain unchanged from our prior guidance.

Now I'd like turn the call back over to Marty for his final comments before we wrap-up the call. Marty?

Martin R. Benante, Chairman and Chief Executive Officer

Well, thank you, Glenn.

Following a strong start to 2011, we remain optimistic heading into the remainder of the year with increased guidance in sales and profitability, growth forecasted across all of our end markets and expectations for an improving economy. We also continue to see increased M&A opportunities as we look to build our portfolio of highly engineered products and services.

Within defense, we have increased our growth forecast for 2011, and I want to reiterate a few areas of strength. Excuse me.

Curtiss-Wright has a solid presence on current military platforms as well s future platforms in developments for the Army, Navy and Air Force. Given the role we play and the diverse range of defense platforms that we participate on, particularly as it relates to our ISR and embedded contents, we should continue to do well across various end markets in which we participate. And as we had previously noted, we'll also start to overcome several of the large defense headwinds, which have significantly weighed down our sales and profitability over the past couple of years, including large program cancellations, as well as other programs nearing the end of their production lives.

Moving to our commercial market, we increased the range of guidance based in large part on our expectations for strong performance in our general industrial and commercial aerospace market throughout the remainder of 2011.

This is primarily based on the healthy demand within both our Metal Control – Motion Control and Metal Treatment segments, as well as a steadily improving global economy.

In the commercial aerospace OEM, outlook continues to be positive. As we indicated in a number of announcements during the past few months, we have several long-term commitments in place with our key customers and remain encouraged by the improved performance that we'll have witnessed throughout the industry.

In addition, as we started to see in the first quarter, our general industrial market should continue to improve as companies increase their capital spending level and overall order activity, as is typical in an improving economy. The increase in demand will materialize across a multiple of industries including new automotive, industrial controls, sensors and embedded computing, to name a few of the areas which we serve.

Within the oil and gas market, we experienced some shift of new orders out of the first quarter; primarily major capital projects for international refineries. There is no change to our win ratio or content on these projects, but we did see a modest impact to our bookings and backlog in Q1.

However, we believe these are near-term issues and expect a gradual increase in new orders on large refinery projects, including our super vessels being produced in our new facility in Texas. Also the uptick in domestic MRO business is a positive sign, and increases in MRO typically precede spending on major capital projects.

Turning to our power generation market; as a result of the tragedy in Japan and subsequent damage to the Fukushima reactors, there will be a need for the industry as a whole to support the needs for Japan for a long-term recovery and a stabilization of the plants in surrounding areas.

While we are sincerely sympathetic for the impact this tragedy has had on the people in Japan, the problems associated with the Fukushima reactors and subsequent safety checks will lead to increased opportunities worldwide for our vast portfolio of advanced nuclear technologies that are specifically designed to enhance plant safety, seismic design and controls, fire safety, spent fuel storage, backup site power and also comply with other regulatory requirements on existing plants.

Elsewhere, several countries around the world are in the process of implementing or updating advanced safety measures to their existing plants. And we have already started to receive orders to address some of those needs.

In China, the AP1000 is being used as the benchmark for safety evaluations, as they review current operating reactors; those under construction and new proposed reactors in light of the events that occurred in Japan. The AP1000 has been chosen as the benchmark, because it is considered by industry experts to be the leading Gen III reactor design. The AP1000 passive technology provides the safest nuclear reactor system, incorporates many improvements over Gen II reactors and may play a larger role than previously identified at future reactor construction. The AP1000 reactor employs a passive, self-cooling emergency system that relies on gravity to feed emergency cooling water from the top of the reactor vessel to its core, with the steam generator within the enclosed reactor working as a continuous cycle to cool the system down, therefore it does not require a powered system to cool its core.

While the state works work to complete their safety evaluations, to continue around globe safety evaluations, countries around globe continue to express their interest in building AP – future AP1000 plants. We still expect our next major AP1000 order to come from Japan. The expanded use of the AP1000 technology in new plant construction, timing of energy needs as well as our broadening relationship with the Chinese will provide increased scope of business opportunities in China.

We will begin negotiations with the Chinese in June, and we would expect a new order to follow once those negotiations are completed. As we indicated in our last call, we still expect this new order to begin to impact our financial results in 2012, and its inherent-safe design; sorry, the increased global interest in the AP1000 technology and its inherent safety design and the urgency of global energy demand should provide additional business opportunities for Curtiss-Wright not only in China but in the rest of the world.

In the meantime, we remain focused on the completion of the final testing of our reactor coolant pumps for the Chinese AP1000. We are presently working through the endurance testing, which has included some major design specification changes – minor, I'm sorry – design specification changes to help improve the overall performance, and we anticipate completion by the end of July or early August. However, we continue to expect that we will ship the first four reactor coolant pumps on time in the fourth quarter.

Throughout our history, we have developed numerous advanced technologies for the global nuclear market. We are proud to be a significant equipment supplier in building the safest and most advanced nuclear power plants in the world. Nuclear energy has been and will continue to be a key element in meeting the world's energy needs.

Finally, we remain focused on executing our strategic plans, implementing cost controls, improving our profitability across our segments and increasing the long-term competitiveness of our business. We will look forward to continue to make strategic investments and build our company through the acquisition of businesses, which together we will strengthen our ability to compete within the markets we serve, while helping to expand our global footprint as we approach and look to exceed $2 billion in sales.

At this time, I would like to open the conference call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Michael Ciarmoli of KeyBanc Capital Markets. Your line is open.

<Q – Michael Ciarmoli>: Hey, good morning guys. Thanks for taking the questions.

<A – Martin R. Benante>: Good morning, Michael, how are you doing?

<A – Glenn E. Tynan>: Good morning, Michael.

<Q – Michael Ciarmoli>: Glenn, just a question may be on Metal Treatment. Looks like you guys are projecting to exceed peak revenues. And I'm looking at the margin guidance for the rest of the year and it would imply that you're going to be down.

I understand some dilution from BASF but you've got the revenue strength projected there, but not really the margin strength. Can you just sort of walk me through why we should think margins go down into a 14 percentage range for the rest of the year?

<A – Glenn E. Tynan>: Yeah. Yeah. Sure. I mean, the way we look at it, Mike, what you don't have is that included in our first quarter results is, what we call – they have got the benefit of what we call a non-recurring type item.

They get a big, favorable workman's' comp credit, which is a testament to their efforts and their safety programs, which is all good and it was good for their results, but we don't consider that an ongoing thing. So if you adjust for that, they are really at about 15% in the first quarter. That was a full percentage point.

And we said we are projecting them up organically to remain at about the 15% level for the year at this point in time. And the BASF dilution does bring them down into that 14% to 14.5% range. And we'd like to see a little bit more steady improvement on. And then – but that's how we get...

<A – Martin R. Benante>: The other – well, the other thing, Michael, is also is that we may have higher sales, but we also have more facilities. We put brand new facilities in China and Ireland. I believe we have six brand new facilities. So you're seeing greater revenue but across more companies.

<Q – Michael Ciarmoli>: Right. Right.

<A – Martin R. Benante>: And we still – I think just reiterating what Glenn said, we are optimistically conservative.

<Q – Michael Ciarmoli>: Got you. Can you give us a sense of some of those new facilities that you've opened? Where they are in terms of ramping or capacity? And could that sort of – as they come up to full speed, does that play a role in getting these margins up higher as we look...

<A – Martin R. Benante>: Without a doubt. I mean, the – it normally takes about two years for those plants to become profitable. So you're going to see, as time goes on, especially next year, a lot of them will start to become into that profitability range, which will obviously add margin to it. But it normally takes more than a year.

<Q – Michael Ciarmoli>: Okay. And maybe just one other one. You guys are getting some pretty good margin expansion on the cost cuts here. At what point do you guys may be lose some leverage? Organic growth 2% on a top line. Can we expect the margin expansion story to continue, even if you don't get some more meaningful top line growth? I mean, I guess what I'm...

<A – Martin R. Benante>: Yes, without a doubt, because we still have construction going on. We still have $2 million cost in gas and oil. We haven't finished that consolidation. So you're going to see – sensors. We will still have new equipment going in. That should pick up.

So one of the things, when we go to our Investors Conference in Ottawa, that's going to be one of the topics I'm going to actually touch on, because we've made a lot of investments for new plants and equipment and cost reductions. And we have yet to see the full extent of those cost reductions coming home yet.

<Q – Michael Ciarmoli>: Okay. And last one, I will get out of the way here. What – just can you just remind us what's the expected size of the Chinese order you're waiting for, and sort of the timeframe?

<A – Martin R. Benante>: We didn't say it last – we didn't say it this time. But if you notice what I said during the presentation is that we expect that our content is going to go up quite a bit.

<Q – Michael Ciarmoli>: Right.

<A – Martin R. Benante>: So even though the order may not come at the end of the year, it could come at the end of the year, and we will see revenue in 2012, it should be a revenue and probably a bigger contract than we had previously anticipated.

<Q – Michael Ciarmoli>: Thanks a lot guys.

<A – Martin R. Benante>: Which is good. Okay.

Operator: Thank you. Our next question comes from Rama Bondada of Royal Bank of Canada. Your line is open.

<Q – Rama Bondada>: Thanks. Good morning.

<A – Martin R. Benante>: Good morning. How are you doing?

<A – Glenn E. Tynan>: Good morning Rama.

<Q – Rama Bondada>: Good. Quick question for you guys on the commercial nuclear business. I'm just trying to get a better understanding here of how the aftermarket business kind of works out. We have had a couple of clients in Europe and also in California, where they said they are not going to renew the licenses, not provide life extension.

So how does that kind of come in to play as you also see this increased demand from new safety measures that are coming through. Is there one comes in a little bit earlier than the other? I just kind of want to get a better idea of how that happens.

<A – Martin R. Benante>: Well, the thing is that there are several plants that we'll be putting in for extensions, besides the ones that indicated they might not go for license extensions, because those plants are old and probably require significant changes to it.

But when you take a look at the outages – first of all, our outages is not as great as last year. Our content continues to go up. So if there were a couple of plants that did not renew, it would have an impact, but not significantly.

As far as the changes, looking at what's going to be lessons learned from Fukushima, that's going to be ongoing for quite some time. We have already put together a special team to handle the increased amount of inquiry that we're receiving from that situation. And that's going to be ongoing for quite sometime.

Can I put a number on it? No. Because it could be a very wide-ranged set of improvements, of which we are not too sure of what's going to come out of that study.

<Q – Rama Bondada>: I think, historically at least in the U.S. that life extensions are given to roughly about 85% of plants.

<A – Martin R. Benante>: So far.

<Q – Rama Bondada>: Is that changing, going forward?

<A – Martin R. Benante>: No. Not really. No.

<Q – Rama Bondada>: Okay.

<A – Martin R. Benante>: I don't think – the thing is that, I don't know what the impression that people have out there on nuclear power. Realistically, United States, China, India always come out that the nuclear power is going to be going forward. It's going to be part of our energy needs and the world's energy needs.

If you take a look at Fukushima, which you have, there wasn't the earthquakes, but it was the tsunami being much greater than the size of what they ever expected. The fact that these are old plans and had switches in the basement and they lost the power – a lot of the new plants are newer – even Gen II designs. And as you know, Fukushima five and six or three and four continue to operate, because they had switches in different a part of their building.

That's a one-time type of occurrence. And the thing is that nuclear power is going to be a part of a lot of countries' energy demands.

<Q – Rama Bondada>: And previously in your guidance, you were talking about $100 million in new orders and $250 million in aftermarket for the commercial nuclear business. Is that shift still to stay the same in your new guidance?

<A – Martin R. Benante>: Yes, definitely.

<Q – Rama Bondada>: And then – just heard something – I think I might have missed it, but could you provide your updated margin guidance by segment?

<A – Martin R. Benante>: Yes, sure. For Flow Control, it's 10.7% to 10.9%, Motion Control is 12.3% to 12.4% and Metal Treatment is 14% to 14.5%.

<Q – Rama Bondada>: Okay, great. Thanks a lot.

<A – Martin R. Benante>: Okay, Rama.

Operator: Thank you. Our next question comes from Ken Herbert of Wedbush. Your line is open.

<Q – Kenneth Herbert>: Yes. Hi, good morning, everybody.

<A – Glenn E. Tynan>: Hey, good morning, Ken.

<Q – Kenneth Herbert>: Hey, just first, wanted to ask about the oil and gas number in the quarter. I mean, we've heard from a lot of other companies that the oil and gas markets are really starting to pick up. And I know Marty, you talked about timing and – but I'm really just wondering, can you further elaborate on your confidence now, in terms of some of these orders coming through and the timing, because it is starting to imply a fairly significant ramp here in the latter part of the year to maintain the current guidance you're talking about for that market?

<A – Martin R. Benante>: Right, and – without a doubt. But we are very confident that this will take place. There are situations that I don't want to disclose and go into, but we're very confident on quite a few awards that we expect and – so we're pretty confident that we're going to hit the numbers.

<Q – Kenneth Herbert>: So were there some orders that slipped out of the first quarter, you think, that we should be hearing about here in the next quarter or two?

<A – Martin R. Benante>: Yes, without a doubt.

<Q – Kenneth Herbert>: Okay. And then on the nuclear side, have you – because I feel really good about China and obviously that opportunity continuing to move forward, but I continue to see greater risk on the timing of the three U.S. plants, that are obviously in the early stages. Are you starting to hear – and I know all three, this summer, are due for obviously milestones from the NRC we should be hitting here and in May, June and July.

Are you starting to hear any change at all in discussion, from either the customer or in your conversations with Westinghouse or the NRC, about any change in timing of any of these? And obviously, change in political or business commitment to these that may obviously have any impact on your business this year or the next few years on the U.S. side?

<A – Martin R. Benante>: No, I do not.

<Q – Kenneth Herbert>: Okay. So nothing yet that would cause any concern about the U.S. business then?

<A – Martin R. Benante>: No. But if we did know, we would obviously say something. But we have not heard anything about that.

<Q – Kenneth Herbert>: Okay. Well, that's encouraging. And then, finally, when I strip out Douglas, it looks like the revenue guidance increase was about $20 million to $25 million or so.

Can you break that out, is it – I mean, I know obviously with the guidance raised on general industry and commercial aero. But is that – are you seeing stronger in either one of those areas, in particular in terms of the outlook for the year?

<A – Glenn E. Tynan>: Hey, Ken. Actually, it is also the BASF acquisition.

<Q – Kenneth Herbert>: Right.

<A – Glenn E. Tynan>: So we brought our guidance up about $50 million. $30 million of it is Douglas; $20 million of it is BASF.

<Q – Kenneth Herbert>: Okay. Well, BASF wasn't in the guidance then either?

<A – Glenn E. Tynan>: It was not in the previous guidance, right.

<Q – Kenneth Herbert>: Right. Okay. So the revenue increases is exclusively then in terms of the guidance acquisition?

<**A – Glenn E. Tynan**>**:** Yes.

<**A – Martin R. Benante**>**:** We also had some shifts, where we took down 787 a little bit, and we have increased Metal Treatment a little bit. So it kind of offset each other.

<**A – Glenn E. Tynan**>**:** And oil and gas [ph] moved down (36:35) a little bit.

<**A – Martin R. Benante**>**:** Right.

<**Q – Kenneth Herbert**>**:** Got it. Okay. Okay. So the – with the puts and takes by the end market, it looks like then, obviously, organically, your – the current guidance is still pretty – obviously the organic growth you had in the prior guidance is what holds for the year?

<**A – Martin R. Benante**>**:** That's correct.

<**A – Glenn E. Tynan**>**:** About 4% to 5%, right.

<**A – Martin R. Benante**>**:** Right, yeah.

<**Q – Kenneth Herbert**>**:** Okay. Perfect. Thank you very much, and obviously very good quarter.

<**A – Martin R. Benante**>**:** Thanks a lot.

<**A – Glenn E. Tynan**>**:** Thanks, Ken. Thank you.

Operator: Thank you. Our next question comes from Tyler Hojo with Sidoti & Co. Your line is open.

<**Q – Tyler Hojo**>**:** Good morning, guys. First, just I was wondering if you could provide the backlog by segment.

<**A – Glenn E. Tynan**>**:** Sure. Backlog in flow control is about $1.164 billion.

<**Q – Tyler Hojo**>**:** Okay.

<**A – Glenn E. Tynan**>**:** And Motion Control is about $542 million.

<**Q – Tyler Hojo**>**:** Okay. All right. Great. And just kind of close out Mike's question on Metal Treatment, I mean, I totally get the caution in terms of future margin expansion and then kind of the dilution from the deal, but is there anything that's kind of fundamentally changed, relative to when you were able to generate kind of the peak margins in the 20% type range?

<**A – Martin R. Benante**>**:** No. Not really. We also have cost reductions there. So no, it's just a matter of volume.

<**Q – Tyler Hojo**>**:** Okay, all right. Having said that, I mean is it possible that we see those peak levels, perhaps, within the next couple of quarters?

<**A – Martin R. Benante**>**:** I don't think you're going to see it within the next couple of quarters. I don't think the economy is going to be anywhere near what we have seen in the past. It's improving.

<**Q – Tyler Hojo**>**:** Okay.

<A – Martin R. Benante>: We have had – you're seeing that what had taken place in the first quarter is kind of continuing. So that's encouraging. But I don't think the economy is going to get to where it was previously.

<Q – Tyler Hojo>: Okay. All right. Great. And just – I guess just as a clarification, Marty, I think in your prepared commentary, you mentioned a new order from Japan. Did you mean China?

<A – Martin R. Benante>: Yes.

<Q – Tyler Hojo>: Okay. All right.

<A – Martin R. Benante>: Is that what I said? I'm sorry.

<Q – Tyler Hojo>: No, no. It's okay. I just wanted to double check on that. And just, I guess a couple of people have asked questions different ways in terms of potential slippage of the Chinese order. Could you characterize, I mean, your confidence level, regarding kind of this order slipping? I imagine it's gone down somewhat, even if you're still relatively confident, but if you could just provide some commentary around that?

<A – Martin R. Benante>: Well, the thing is that the required – energy requirement in China remains confident. The end date doesn't change of when they need to have the power. There are some obviously some slack time in, if you're negotiating in June, when will you conclude negotiations, and when would we be able to actually announce the fact that we have an order?

They – China requires the power, they are going to do a review of their plants, but they're going to use the AP1000, remember as the benchmark. So right off the bat, you have to first come up with the fact that the benchmark is indeed safe. So that's the first reactor that they're going to review. Based on that, and based on a successful conclusion, which it should very well get, it would say that their new orders and be able to release new orders on the AP1000, and be the first reactor that they're going to let go, so we should be in the front of that line. Now, it's just a matter of negotiating the terms of the contracts and then announcing it. I feel extremely confident about that.

<Q – Tyler Hojo>: Okay.

<A – Martin R. Benante>: And so, that gets reiterated back and forth – we're in China every day. And so it's not like this is news that's coming – that was – that's three months old. The news we give you is – it's taking place at this point in time.

<A – Glenn E. Tynan>: And also I think we had said on the last call that we expected this order wouldn't impact our results until 2012 and we're still in that – we're still in the same position.

<A – Martin R. Benante>: And then, as a matter of fact, as the order gets bigger and the order comes a little later, it's still going to have the same impact as if it was the smaller order sooner.

<Q – Tyler Hojo>: Okay. And just in terms of kind of your – what you think your new chipset content is per reactor, are you able to comment on that at all?

<A – Martin R. Benante>: No.

<Q – Tyler Hojo>: Okay.

<A – Martin R. Benante>: It's – hopefully it's going to be a pleasant surprise.

<Q – Tyler Hojo>: Okay. All right. Good deal. Thanks a lot.

<A – Martin R. Benante>: Thank you.

Operator: Thank you. Our next question comes from Steve Levenson of Stifel, Nicolaus. Your line is open.

<Q – Stephen Levenson>: Thanks. Good morning, everybody.

<A – Martin R. Benante>: Hi, Steve. How are you doing?

<A – Glenn E. Tynan>: Good morning, Steve.

<Q – Stephen Levenson>: Just wanted to relay feedback and say thanks, myself, for the presentations you've been using the last couple of quarters. They've been very helpful.

<A – Martin R. Benante>: Oh, great.

<Q – Stephen Levenson>: I had a question on...

<A – Martin R. Benante>: How were the presenters though?

<Q – Stephen Levenson>: Presenters are also doing a good job.

<A – Martin R. Benante>: Then, we don't have to change out the...

<Q – Stephen Levenson>: That was supposed to be a given. Caught me there.

<A – Martin R. Benante>: It's okay.

<Q – Stephen Levenson>: I have a question on...

<A – Martin R. Benante>: How about if I ask a question too, please.

<Q – Stephen Levenson>: Okay.

<A – Martin R. Benante>: Fair is fair.

<Q – Stephen Levenson>: You didn't comment a whole lot on the Advanced Arresting Gear or EMALS, but I have been seeing some commentary that they're going to use more unmanned systems on carriers, and the steam catapults and the resting gear there now...

<A – Martin R. Benante>: Right.

<Q – Stephen Levenson>: ... aren't really set up to handle the smaller unmanned systems. So what sort of opportunities do you have for retrofits?

<A – Martin R. Benante>: Well, the Advanced, the EMALS right now, we've kind of done this first ship that's moving. So we have less revenue, we have a big piece of pick up in the Advanced Arresting Gear, for exactly what you're talking about. And we have increase in sales this year. Now with the Advanced Arresting Gear supposed to be retrofitted on other aircraft carriers. That we really don't have a good insight as to when exactly that's going to take place, but the thing is that as just indicated, for them to get heavier airplanes and/or lighter airplanes, they're going to need the AAG systems.

<Q – Stephen Levenson>: Okay, great. Thanks. Does the relationship in China help you at all with Douglas, I know they've either got 100 plus airports either new or expanded under construction over the next five years or so. What's the competition look like, is there a local competitor or do you think you've got a shot at some business over there?

<A – Martin R. Benante>: We do. And I won't elaborate on that. But yes, we do.

<Q – Stephen Levenson>: Okay. Got it. Other questions been answered. Thanks very much.

<A – Martin R. Benante>: Thank you.

<A – Glenn E. Tynan>: Thank you, Steve.

Operator: Thank you. Our next question comes from Eric Hugel of Stephens. Your line is open.

<Q – Eric Hugel>: Hey, good morning, guys.

<A – Martin R. Benante>: Hey, how are you doing?

<A – Glenn E. Tynan>: Good morning, Eric.

<Q – Eric Hugel>: Good quarter. Just a couple of questions, can you talk about, I guess, in your outlook for the ground vehicle, defense ground vehicle business, you talked about some uncertainty with regards to timing, can you maybe delve a little bit more into that and sort of discuss some of the sort of the puts and takes sort of where your uncertainty lies?

<A – Martin R. Benante>: We talk about uncertainty, first of all, it was supposed to be a modernization of the Bradley and the Abrams, even though we put some quotations in to the Army, we're not too sure when that's going to come out. But we know there is going to be, there is a modernization program. So it's kind of the timing, we have both the [indiscernible] and the CGV ongoing as far as quotation is concerned, the [indiscernible] in Europe and the CGV in United States. So obviously, we expect to get content on all of it. And the uncertainty lies in how much and when the new program start and also when the modernization. But we've taken – we have not taken aggressive outlooks as far as that is concerned, as far as our future business is concerned.

<Q – Eric Hugel>: Okay. Can you talk about on the, I guess, on the reactor coolant pumps. It seems like your, I guess the completion of the certification has slipped out by a couple of months, I guess prior it was supposed to be about by the end of this quarter maybe now you are saying July, August, not a huge slip. But can you sort of talk about some of the issues that you're finding or you're having to correct and sort of maybe the cost impact to that also?

<A – Martin R. Benante>: We, there were minor changes that we made. One of the things is that we are welding the pump into the loop instead of just clicking it up, which is adding – also adding some time, because that totally simulates the way it's going to be in the plant.

So there is just some minor things that have taken place. In fact we were supposed to start the endurance test already this week. So we should be done in the July timeframe. So we still think that we are in good shape to ship by the fourth quarter.

So when we get down this far, the thing should definitely work. I addressed that in our last call – that we have been through what we consider to be many of the major tests in endurance, although it's the last thing you do, is normally, based on impacting all the other tests, should definitely work or – because normally it would fail in the prior test. And it was just some minor tweaks that needed to be done.

Because that normally would have to get done with most designs. This is not that big a deal, when all is said and done.

<Q – Eric Hugel>: No, I understand. These things always take longer than you initially expect but...

<A – Martin R. Benante>: The thing is that what you have to change is a lot less than what you would expect also. So to us, that – we do it – not every day but quite often, the amount of changes we have to make to the AP1000 were not significant. So it shouldn't -

<Q – Eric Hugel>: Okay.

<A – Martin R. Benante>: – cause a problem in endurance testing is basically what I'm saying.

<Q – Eric Hugel>: All right. I guess following up maybe on a prior question, I don't know – I remember reading the other day that there was an issue with the e-mails program in terms of seals on it. Or maybe – I think it was the e-mails program. I guess that the Navy was sort of – there were some issues with that.

Is that maybe with regards to any of the equipment that you supply, or is there any impact to the program there?

<A – Martin R. Benante>: No, not that I know of. I know that during their testing down in – is it Lakehurst? That the trials have worked very, very well.

<Q – Eric Hugel>: Okay. Maybe I'm -

<A – Martin R. Benante>: As far as the amount of power they were able to generate and pull from the system. But there could be some problems I am not familiar with.

<Q – Eric Hugel>: Okay. Well, I'm guessing if it was your problem, you'd know about it.

<A – Martin R. Benante>: I'd know about it. Unfortunately, if you were the first person to tell me, that would not be good.

<Q – Eric Hugel>: Just we haven't talked about the deep-sea pump in awhile. I remember they dropped it and it broke, and then they had to fix it, and then it was winter by the time you could start testing, so lots of delays there.

Can you give us an update? Obviously with oil prices so high, that's got to be something that could potentially be interesting.

<A – Martin R. Benante>: Eric, are you keeping a history of this just for the heck of it?

<Q – Eric Hugel>: Of course.

<A>: You should write a book.

<A – Martin R. Benante>: No, as a matter of fact, I didn't want to bring it up, but since you asked about it, it is being refitted right now. And it is going to be deployed in the third quarter of this year.

There is actually a new configuration that we are working on with Cameron, which will also be featured at the convention in May.

So another chapter. See how – we already increased pumping capacity by 20% on the limited amount of times that the pump was going. And we'll get much better information throughout this year. So we'll see how that goes.

<Q – Eric Hugel>: I guess lastly Marty, your earning split for first half, second half that you gave last quarter was what 40% in the first half, 60% in the second half?

<A – Martin R. Benante>: That's correct.

<Q – Eric Hugel>: Is that still a good target?

<A – Martin R. Benante>: It's going to be a little greater in the first half. It's going to be 42%, somewhere in that area. And it's going to be a little bit above 40% and a little bit below 60%, half-to-half split.

<Q – Eric Hugel>: Great. Appreciate it. Have a good quarter.

<A>: Thanks.

Operator: Thank you. [Operator Instructions] Our next question comes from Myles Walton of Deutsche Bank. Your line is open.

<Q – Myles Walton>: Thanks. Good morning.

<A>: Hey, there, Myles. How you're doing?

<A>: Good morning, Myles.

<Q – Myles Walton>: Good. Good. So first I want I want to touch on the corporate costs, I may have missed it Glenn, but they were seem to running pretty lighten, and you didn't change though, I don't think the expectations for the full year like on allocated corporate cost. I'm just curious what picks up in the back half?

<A – Glenn E. Tynan>: Yeah. We didn't – it's the same things that fluctuate for us from time-to-time. The two drivers – well, first, buried in there you have a $1 million increase in pension, and that's offset by favorable medical for us in this quarter.

<Q – Myles Walton>: Okay.

<A – Glenn E. Tynan>: And also on our hedging programs, we have had about $1.5 million losses last year, and we actually broke even this year, which is delightful to say, but it is obviously improvement over last year.

But they fluctuate from quarter-to-quarter. So we're still holding the year in terms of what we expect corporate to be.

<Q – Myles Walton>: Did the first quarter run lighter than you are expecting?

<A – Glenn E. Tynan>: Yes. Absolutely.

<Q – Myles Walton>: Okay. And it seems like there is...

<A – Glenn E. Tynan>: In the third quarter, our medical could be unfavorable. I mean, it does – it shifts based on claims of our employees. So it does shift around a little bit from time-to-time.

<Q – Myles Walton>: Okay. No, that's fair. And so you mentioned the $50 million from the increase in guidance was essentially on the back of the acquisitions, but if I'm reading you right, the $0.10 increase to the EPS wasn't necessarily acquisition-driven. It was more a drop-through that you're seeing out of metal treatment. Is that fair or can you correct me?

<A – Martin R. Benante>: Well, it would be – yeah, it's more from the operating margins of all three divisions, especially metal treatment.

<A – Glenn E. Tynan>: And then we increased the segment operating income $7 million essentially on both ends of the range and that's essentially your $0.10.

<Q – Myles Walton>: And I was interpreting that most of that was not from the acquisitions?

<A – Martin R. Benante>: No.

<A – Glenn E. Tynan>: Most of that is not from the acquisitions...

<A – Martin R. Benante>: That is for sure.

<Q – Myles Walton>: Exactly.

<A – Glenn E. Tynan>: They are accretive, but dilutive to margin, accretive of to dollars, but that's not driving that.

<Q – Myles Walton>: Okay. That's helpful. And then on the acquisition front, Marty, can you qualify – you did couple of deals in the quarter – qualify or characterize the pipeline you're looking at now? And is what we saw kind of what you are driving towards or just give us kind of characteristics of the types of businesses you are currently evaluating?

<A – Martin R. Benante>: As we mentioned the M&A activity has heated up, I think that we are starting to see where valuation and offers are starting to come closer to one another than they have in the past. Right now, we have activities in all three divisions and some good prospects out there. And that's about it as far as what we've got.

<Q – Myles Walton>: Okay. Two more, one on cash, Glenn the cash flow in the quarter, both the operating cash flow and the CapEx were those consistent with kind of what you're expecting to hit your target for the full year or are we going to – or you have some more work to do than you otherwise sort of expected?

<A – Glenn E. Tynan>: No. It's fairly consistent. I mean, we have the pension contribution is about $17 million in the first quarter. That's up in the operational cash flow. We also had – the timing of some of our CapEx, we are opening the new Cedar Crossing facility in a month or so. And a lot of the – or couple of weeks, I should say, officially, so, a lot of that CapEx hit in the first quarter. We also spent, and we started spending and we're also modernizing our oil and gas facility, the existing facility down in Channelview, Texas. That also started, we started making most investments in the first quarter. As well as, you probably saw the press release on the Boeing 787 contracts. So we started to make some investments in that as well in the first quarter.

<A – Martin R. Benante>: We started putting the building up to support that contract.

<Q – Myles Walton>: Okay. And on that contract, is there any further detail you can provide outside of what was in the relatively vague press release?

<A – Martin R. Benante>: Vague press release that we were able to put in and disclose to our – the world.

<A – Glenn E. Tynan>: It is Boeing, you know that.

<A – Martin R. Benante>: No. The thing is that, essentially some of the problems that Boeing is having is putting the first couple of 787s together, would be some of the works that we would be doing in – that we're going to be doing machining and a lot of surface treating for them. I mean, we are putting in an $11 million to $12 million facility for that contract. So I think based on the investment would probably tell you where we think the revenues will go to.

<Q – Myles Walton>: Okay. That's helpful. And then the last one from me is on the utilization of facilities. I am more curious on your oil and gas side than anywhere else in terms of if you can quantify your current utilization levels, just trying to get a sense for your operating leverage on a potential recovery there?

<A – Martin R. Benante>: Well, I'm not too sure, I'm following you there. You're saying that we have unabsorbed overhead, because we don't have the sales volumes, but once we get the sales volume...

<Q – Myles Walton>: That's the direction I'm going.

<A – Martin R. Benante>: All right. Let's see, right now, our business is sized to it, to the amount of volume we have right now. We are putting in new machinery that would tend to keep that head count down. But that's going to be later on. Even though, it was mentioned before that we have an uphill battle on gas and oil, I feel very confident that we are going to be able to get there. So although I can't go through it exactly the way you're asking me to, I know what you're asking, but it is kind of a tough question, right now, because we are going through a consolidation there. So the breakeven keeps going down as we speak, but how far it drops over a period of time is not an exact science.

<Q – Myles Walton>: Maybe another way, how close is your oil and gas market margins to your flow control margins at this point?

<A – Martin R. Benante>: They're not that close, yet.

<Q – Myles Walton>: Okay. All right, thank you.

<A – Martin R. Benante>: Let's look at it this way, from that question, there is a lot of improvement that is going to be done there. Okay. If you as it from that standpoint of where do we expect it to go from where it is now, we expect a lot more improvement in that area.

<Q – Myles Walton>: Okay, that's great, thanks again.

Operator: Thank you, our final question comes from Jim Foung of Gabelli & Co. Your line is open.

<Q – Jim Foung>: Hi, good morning, everybody.

<A – Martin R. Benante>: Hi Jimmy, how are you doing?

<A – Glenn E. Tynan>: Hi, Jimmy.

<Q – Jim Foung>: Good quarter.

<A – Martin R. Benante>: Thank you.

<Q – Jim Foung>: Just trying to get an update on the nuclear business. How much revenues did you plan to book this year and next year from China and the US?

<A – Glenn E. Tynan>: It's, the combined new build, roughly, these are rough numbers.

<Q – Jim Foung>: Okay.

<A – Glenn E. Tynan>: The new build revenue is about $100 million this year. Okay and the after market, the other side of our business is about $250 million roughly.

<Q – Jim Foung>: And then for next year, what are you anticipating next year?

<A – Glenn E. Tynan>: We didn't provide next year yet.

<Q – Jim Foung>: Okay. But that should from your standpoint, should increase with the potential new China business that you will be negotiating some time this summer?

<A – Glenn E. Tynan>: Just based on that, and depending upon when would we get the order we would expect to increase. But what you will find is on the new build side, without that new order you're going to have China kind of finishing, trailing off, but then the US is going to pick up, and it is going to – probably, so we've got that ramp up coming up in terms of production. Right now the resources are all primarily on China, because we are going to get those first four pumps out.

<Q – Jim Foung>: Right.

<A – Glenn E. Tynan>: So you will see the mix shift, but – if we get the new order, that would absolutely result in an increase.

<Q – Jim Foung>: And then just a last question, just on the F-35, what is your chipset content on that and then what kind of revenue contribution you expect this year and next year?

<A – Martin R. Benante>: Right now our content is a little over $400,000 an airplane.

<Q – Jim Foung>: Okay.

<A – Martin R. Benante>: I have the revenue here, I just don't remember it, Jim. Hold on one second.

<Q – Jim Foung>: Now, do you do any business on your alternative engine or this is just the standard one?

<A – Martin R. Benante>: Right now, our revenue is about, nearly about $18 million.

<Q – Jim Foung>: $18 million this year.

<A – Martin R. Benante>: Right. And the next LRIP is about the same quantity, so we would expect that revenues will probably be consistent from this year to next year.

<Q – Jim Foung>: Right. And then and as production increases...

<A – Martin R. Benante>: That's right. It will start ramping up. Over and above that, but that represents about a 126% increase over last year.

<Q – Jim Foung>: Right. Okay. And then, you have any content on your alternative engine at all or are you not involved in that? The alternative engine for the F-35?

<A – Glenn E. Tynan>: No, we would have some later piece of shot on that. But nothing other than that.

<Q – Jim Foung>: Right.

<A – Glenn E. Tynan>: And I think from sensors.

<Q – Jim Foung>: Sensors, okay. All right great. Thanks so much.

<A – Martin R. Benante>: All right James Thank you.

<A – Glenn E. Tynan>: Thank you.

Operator: Thank you. I'm showing no further questions in the queue at this time. I will hand the call back over to management.

Martin R. Benante, Chairman and Chief Executive Officer

Well, thank you. And before I conclude the call, I want to remind everyone about our upcoming May 19 Investors Day event in Ottawa. Folks on our defense markets and we have an exciting day planned to highlight keep programs in which we participate, as always the management team responsible for driving those businesses. Thank you for joining us today. And we look forward to speak with you in May and also again at the end of July. Take care and thank you very much.

Glenn E. Tynan, Vice President and Chief Financial Officer

Take care. And bye, bye.

Operator: Thank you. Ladies and gentlemen, this concludes the conference for today. You may all disconnect and have a wonderful day.