PARTICIPANTS

Corporate Participants

Martin R. Benante – Chairman and Chief Executive Officer
Glenn E. Tynan – Vice President and Chief Financial Officer

Other Participants

Ken Herbert – Analyst, Imperial Capital LLC
Amit Mehrotra – Analyst, Deutsche Bank Securities, Inc.
Tyler Hojo – Analyst, Sidoti & Co. LLC
Kevin Ciabattoni – Analyst, KeyBanc Capital Markets
Yair Reiner – Analyst, Oppenheimer Securities

MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Curtiss-Wright Third Quarter 2012 Financial Results Conference Call. At this time all participants are in a listen-only mode. Later we'll conduct a question-and-answer session and instructions will be given at that time. As a reminder, this conference call is being recorded.

I'd like to turn the conference over to your host, Martin Benante. You may begin, sir.

Martin R. Benante, Chairman and Chief Executive Officer

Well, thank you, Marcy, and good morning, everyone. Welcome to our third quarter 2012 earnings conference call. Joining me on the call today is Mr. Glenn Tynan, our CFO. Dave Adams, our newly appointed President and Chief Operating Officer, would have been here if it was not for lack of hotel space due to Hurricane Sandy.

In early October, we told you that our third quarter operating results would be negatively impacted by several factors. This included a labor strike in our facility that produces pumps for the nuclear navy and the AP1000 program, additional investment required to support the first of a kind of nuclear pump technology and reduced order activity in a couple of our end markets. As we communicated last night, our third quarter results included $11 million related to the strike and $12 million in additional investments on the AP1000 program.

Excluding these charges as well as the restructuring activity during the third quarter, adjusted operating income would have increased 5% from the prior year. Overall, as we move past the third quarter, we continue to take actions to improve our operational efficiencies and fine-tune our portfolio and end marketing mix to better position our business for future growth.

Furthermore, based on the steps we've taken so far, including the restructuring actions across all of our segments and trimming of non-core operations, we continue to reposition Curtiss-Wright for improved operating income growth and margin expansion.

Now I'd like to turn the conference call over to Glenn.

Glenn E. Tynan, Vice President and Chief Financial Officer

Thank you, Marty. I remind everyone that 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 that 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 detailed those risks and uncertainties in our public filings with the SEC. In addition, certain non-GAAP financial measures will be discussed on the call today. A reconciliation is available in the earnings release and at the end of this presentation and will be available on the company's website.

For our agenda today, I will provide you with an overview of Curtiss-Wright's 2012 third quarter performance along with updates to our guidance, followed by Marty, who will discuss our strategic markets and outlook and then open the call for questions.

This was a challenging quarter for Curtiss-Wright. Based on the various items impacting our third quarter results, we experienced year-over-year declines in sales, operating income and EPS. However, there were a few bright spots worth mentioning.

First, our results reflect continued growth in commercial aerospace based upon our position as a key supplier to both Boeing and Airbus. Second, we experienced a strong performance in MRO-related sales in our oil and gas segment, a trend that has continued throughout 2012 which offset the reduced order activity in our large international projects business.

Third, there were a few pockets of strength in defense, most notably for the increased revenues related to the ramp-up in production on the CVN-79 aircraft carrier. And lastly, Metal Treatment led all of our segments, producing a solid quarter with gains across several end markets. And in addition, although on the surface it's difficult to identify the impact in our third quarter results, we have started to see the benefit of some of the restructuring actions taken earlier this year, a portion of which you will see improve our fourth quarter and full-year-results, particularly in our Motion Control segment.

Within our segments, Metal Treatment experienced a solid 5% gain in sales due to growth in the general industrial, aerospace defense and commercial aerospace markets. Motion Control sales were down slightly in the third quarter as solid gains in commercial markets nearly offset a slower quarter in defense. And finally Flow Control sales and operating income were impacted by the aforementioned adverse items.

Although our reported operating income declined 49% in the quarter, adjusted operating income increased 5% while adjusted operating margin was 9.8%, up 70 basis points from the prior-year period. In addition, if we exclude corporate expenses, adjusted segment operating margin was 11.5%, an increase of 130 basis points due to solid margin expansion both in the Motion Control and Metal Treatment segments. I will provide more details on the specific impacts to the segment operating income on the next slide.

Meanwhile, new orders declined 17% year-over-year, primarily due to the timing of orders in defense related to the aircraft carrier and Virginia class submarine funding and also in power generation, compared to an exceptionally strong third quarter of 2011. Also, it's worth noting that defense bookings in the first half of 2012 were well above prior year levels. So it was somewhat expected that the above average level of order activity will pull back into a more normalized range during the second half of this year.

Book-to-bill was almost 1X overall, while backlog was nearly $1.7 billion, split approximately 70% in Flow Control and 30% in Motion Control. And finally, free cash flow was $20 million in the quarter as compared to $15 million last year.

Next I want to explain some of the key drivers impacting our operating income during the third quarter, including the previously disclosed adverse impacts as well as some additional restructuring actions that were expected to take place.

In the Flow Control segment, operating income was negatively impacted by the aforementioned issues and lower orders in the oil and gas related to our international large projects business. The segment also incurred about $0.5 million in restructuring charges in the quarter. Excluding these items, their adjusted operating income increased 2%.

Next, within the Motion Control segment, reported operating income rose 19% overall, led by 13% growth in commercial aerospace sales, higher income from our ACRA Controls acquisition due to the successful implementation of operational improvements and lower purchase accounting adjustments as well as prior restructuring initiatives.

Moving on to the Metal Treatment segment, our results were impacted by nearly $1 million of the anticipated total of $12 million from restructuring charges in the third quarter. Excluding these charges, Metal Treatment's operating income rose 10% based on solid demand in the general industrial and commercial aerospace markets, particularly for global peening services.

And lastly, our operating income was negatively impacted, as expected, by slightly elevated pension costs compared to the prior year period.

Next, looking a little deeper into the Flow Control segment's results, you can see the specific impacts to operating income represented here on slide six, whereby third quarter 2012 adjusted operating margin increased 50 basis points to 9.9%. And looking ahead, we continue to expect this segment's operating margin to improve over time as the sales volume increases and restructuring benefits are realized.

Moving on to our end markets, in the third quarter, defense represented 38% of our total sales while commercial represented 62. Starting with defense, we experienced an overall decline of 8% in the quarter as our operations were primarily impacted by the strike as well as lower orders from the primes, particularly the Army due to the continued uncertainty.

Sales in aerospace defense declined in the quarter due to lower demand from various helicopter programs, primarily the Blackhawk, and also on the BAMS variant of the Global Hawk program, now called Triton, as we transition from the development to the production phase.

On a positive note, we did experience solid sales of thermal spray coatings across various defense platforms within our Metal Treatment segment and overall higher spares activity on the F-16 and F-22 programs. Elsewhere, sales in our ground defense market were flat, as slight increases on the Abrams and Stryker programs were offset by lower Bradley sales.

In addition, we experienced an uptick in sales for our ammunitions handling systems to foreign militaries. Overall, international orders have remained somewhat stable despite the weakness in the U.S. Meanwhile, despite higher production revenues on the CVN-79 Ford class aircraft carrier program, naval defense sales declined 13% as a result of reduced revenues on the Virginia class submarine program due to the strike as well as the completion of production on the Advanced

Arresting Gear program. In addition, we continue to see higher sales on the DDG-51 destroyer program.

And as mentioned in the early October press release, a portion of the strike-related $18 million drop in revenue guidance relates to milestones on long-term naval contracts in our Flow Control segment that shifted out of 2012 and into 2013. Excluding those impacts, our naval defense sales would have been flat in the third quarter.

Moving on to our commercial end markets, sales were mixed across the various markets that we serve. The largest decline took place in our power generation market which fell 12% in the quarter, primarily due to the strike and its impact on China AP1000 revenues in the quarter. However, similar to the discussion in naval defense, the portion of the strike-related $18 million drop in revenues in this market has also shifted out of 2012 and will be recoverable in 2013.

In addition, our remaining new build sales were essentially flat based on timing on long-term contracts as were sales supporting existing operating reactors. Elsewhere, we continue to benefit from the ramp-up in the commercial aerospace market, based on solid demand across all major Boeing and Airbus platforms as well as higher sales to the regional jet market. Excluding Flow Control's commercial aerospace sales, commercial OEM sales grew a healthy 12% in the quarter.

In our oil and gas market, once again we experienced higher MRO revenues both to domestic and international customers while our business supporting large capital projects internationally continues to be delayed. The continued demand for MRO products provides some offset to counteract what has otherwise been a challenging and longer than expected down cycle for the refining industry. As a reminder, our MRO revenues currently represent more than 75% of the total in this end market.

And finally, sales in the general industrial market were primarily driven by lower HVAC revenues in thethird quarter. In addition, higher demand in the U.S. auto market was more than offset by lower international automotive sales.

Next I'll update you on our outlook and our end markets for 2012. Based on our October guidance update, we made some adjustments to full year 2012 sales, which included reductions across our markets based on changing market conditions. Our revised guidance in defense primarily relates to the strike and its impact in naval defense as some revenues have shifted into 2013.

The reduction is also related to our ground defense market where the timing of some future ground vehicle upgrades and modernization programs has shifted beyond 2012. Therefore, our outlook in overall defense is now flat with 2011. In our commercial markets we have adjusted our full year growth target to 6% to 8%, as we tweaked our expectations across several markets.

The revised targets in power generation are related to the strike and shifting of revenues on the China AP1000 program into the future. Within our oil and gas market, we continue to see solid demand for global MRO products. However, we are forecasting lower orders for large capital projects, which continue to be delayed.

And finally, we expect that the momentum in commercial aerospace will continue through the fourth quarter as Curtiss-Wright is well positioned for solid sales supported by the multi-year production upcycle anticipated in this market. Based on these end market changes, our outlook for total Curtiss-Wright sales growth has been adjusted to 3% to 5% growth in 2012.

Let me now cover our segment guidance, which includes the aforementioned adverse impacts to our full year sales and operating income guidance for 2012. In Flow Control, our revised sales and profitability guidance reflects the impact of the strike as well as lower orders in our power generation and oil and gas businesses. Despite these items, we continue to expect a solid fourth quarter in our naval defense and power generation markets.

Furthermore, approximately 75% of Flow Control's 2012 fourth quarter sales are currently in backlog. We also expect restructuring charges that impacted our first half operating income to benefit profitability in the fourth quarter.

In Motion Control, our revised guidance reflects our expectations to lower ground defense orders. While we are expecting a slight increase in sales in the fourth quarter, profitability is expected to show a significant improvement due to the benefits from our previous restructuring initiatives along with improvements from our recent acquisitions, which are now nearing their first year of operations.

In addition, approximately 80% of Motion Control's fourth quarter sales are currently in backlog. We expect that our aggressive cost reduction and restructuring initiatives will lead to a full year operating margin just shy of 14%.

In Metal Treatment, our sales and profitability guidance remains unchanged. Our operating income in the fourth quarter will be impacted by approximately $6 million for the remainder of the previously announced restructuring charges. While on the surface it would appear that overall 2012 operating income and margin in this segment will be lower than 2011 as we have previously communicated, if you remove the non-recurring impact of the restructuring charges from our 2012 operating income, pro forma operating income will be up 24% to 30% with an operating margin near 15.5%.

Furthermore, we expect this segment to produce margin expansion in 2013 as we move past these restructuring actions and begin to realize resultant benefits. Finally, our forecast for corporate and other expenses decreased to approximately $29 million.

Here's some additional income statement guidance metrics for 2012. Based on our October 5th press release, our overall operating income will range from $170 million to $178 million in 2012 and consolidated operating margin will be in the range of 8.2% to 8.4%. This includes the $12 million of previously announced restructuring initiatives in our Metal Treatment segment.

The inclusion of the aforementioned third quarter items resulted in a full year EPS guidance range of $2.05 to $2.15 per diluted share and a reduction in our free cash flow for the year to between $60 million and $70 million.

In addition, our interest expense guidance decreased to a range of $27 million to $28 million based on our successful interest rate swap program while several cash flow metrics were lowered to reflect the impact of the aforementioned items in our Flow Control segment.

Now, I would like to 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

Thank you, Glenn. As we have discussed thus far today, this was a challenging quarter for Curtiss-Wright. Having said that, we are and have aggressively focused our restructuring and cost reduction measures throughout all levels of Curtiss-Wright, continue looking to improve our operating efficiencies in order to drive more growth to the bottom line. We also expect to continue making strategic investments and acquisitions to aid the future growth and profitability of our business. Next, I would like to focus on the key impacts of some of our core end markets followed by some additional color supporting our confidence in obtaining our long-term financial goals.

In commercial aerospace, which continues to be the leading growth driver among our diverse end markets, as we are benefiting from production rate increases across numerous Boeing and Airbus platforms. This performance includes continued strong sales of sensors and controls and peening services to both of our key customers as well as increased sales opportunities being generated by our emergent operations facility in support of the Boeing 787 program, which is ramping up from four airplanes to five per month in the fourth quarter. Looking ahead, we continue to expect that the OEM cycle will remain healthy for several more years and, as a result, our growth outlook in this market remains strong.

In our oil and gas, where we experienced solid sales growth in our MRO products offset by the continued weakness in large capital projects. Just as a reminder, with these large international projects the customer, which in most cases are national oil companies, may be ready to move forward. However, they are subject to delays in obtaining government approvals, which has resulted in certain projects moving out beyond our initial expectations. Therefore, as you heard from Glenn, we have further reduced our full year growth target in the oil and gas market as these large projects continue to shift into the future.

However, we continue to expect additional opportunities and continued favorable trends for our MRO product offerings, supporting ongoing maintenance projects. Based on current trends, this portion of our oil and gas business should continue to grow throughout 2013 as well.

Moving on to our power generation market, an update in the AP1000 program. Curtiss-Wright is critical player in the nuclear industry supporting the construction of one of the safest and most advanced nuclear reactors in the world via the AP1000 program in the first new build nuclear power project for Westinghouse in over 25 years. Key to this program is our first-of-a-kind reactor coolant pump technology.

In addition, we also announced that we are taking a charge related to unanticipated additional investments in the China AP1000 program. It is worth noting that these estimated costs encompass not only the actual costs incurred in the first two pumps, but also the estimated cost to complete all of the pumps covered by the China contract. These investments will ensure that the pumps operate safely and properly throughout their 60-year lifetime.

We have now completed the entire pump construction cycle from start to finish and have shipped the first two reactor coolant pumps required for Sanmen Unit 1 in China. With this knowledge and experience in hand, it's our expectation that these costs will be contained within the initial China contract. We believe it will lead to much improved profitability for Curtiss-Wright under all future contracts.

Looking ahead, we expect our next AP1000 order to come from China likely during the first half of 2013 as the Chinese have multiple sites under construction for new build nuclear plants, all of which are required to be Generation III reactor design. Thus far, they have licensed five plants for new construction. At this time, we do not have clarity on the potential number of sites or reactor coolant pumps that will be tied to this next order.

Next, I want to provide an update on some of the key events influencing our business and the industry. In late August, the NRC issued guidance to U.S. nuclear power plants to ensure a proper implementation of three requirements the agency issued in March in response to lessons learned from the Fukushima nuclear accident. The NRC's requirement related to enhanced safety and spent fuel pools tie directly into Curtiss-Wright's core product offerings in this market, as we have designed numerous products that should be well accepted by the nuclear community and, therefore, expect this will lead to future support opportunities.

However, keep in mind, that the implementation of these Tier 1 regulations will likely offset some of our expectations for reduced sales related to the delay in new license approvals under the plant life extension process following the court's rejection of the NRC's Waste Confidence rule. This decision requires a governmental environmental impact study in evaluation of storage of spent nuclear fuel before further life extensions will be approved. Overall, the future demand for nuclear power remains steady.

Turning to defense, with a six-month continuing resolution guiding the defense industry through the end of March 2013 and the risk, albeit unlikely, that sequestration goes into effect on January 2, our long-term outlook remains little unchanged from our previous earnings conference call.

We expect that Congress delays mandatory budget cuts for at least six months and continues current defense spending into 2013, with the potential of some discretionary budget cuts along the way. For the short-term, with the elections now behind us, we remain cautiously optimistic in defense pending resolution of decisions related to sequestration, as the balance provided by our diversification provide some downside protection to Curtiss-Wright's overall even in less favorable defense environments.

However, as we continue to highlight, our long-term view in defense remains steady. This outlook is based on our role in naval defense, which we believe has the least amount of risk associated with key programs as well as the government's increased focus on new ISR, unmanned electronic warfare and communications capability. Each of these areas are expected to see increased investment dollars and will continue to support our sales growth in defense, again excluding the effect of significant budget cuts.

Now I'd like to update you on the transformation of our Metal Treatment segment. Although historically best known for it's longstanding market leadership position in shot peening and peen forming, several years ago we began transforming this segment into other complementary highly technical services required by our demanding OEM customer base.

It began with the development of our proprietary laser peening technology followed by our expansion into niche engineered specialty coatings, including solid film lubricant, parylene conformal and thermal spray coatings and, most recently, into analytical testing services.

In the past year, we have also divested our non-complementary service in highly cyclical heat treating business. We are in the process of exiting non-core low profitability businesses, which will be completed by year-end. We are focused on improvements in manufacturing efficiencies by investing in modernization, automation, robotics and lean manufacturing technologies throughout our current operations.

Finally, we are capitalizing on our vast network of global service facilities by bundling our highly engineered technical services into our current global facility base and in future greenfield facilities for the fast-growing markets of China and India. In conjunction with this transformation we will be officially changing the Metal Treatment segment name to CW Surface Technologies to better align it with its broad array of highly technical service offerings which extends the life and improves the performance and the quality of our customers' critical parts on demanding high performance platforms.

Meanwhile, we have made several personnel announcements. In the past few weeks, most readily promoting Dave Adams to President and Chief Operating Officer of Curtiss-Wright. I'm looking forward to working even closer with Dave to leverage his strong combination of experience and leadership as we continue to expand our global footprint and position Curtiss-Wright for the future.

In addition, although we have not repurchased any shares during the third quarter, we have recently restarted the repurchasing program and have been actively buying over the past few weeks. Looking ahead, we will continue to monitor the level of our stock price and evaluate the best use of our free cash, which may also include moderate dividend increases depending on our ongoing capital needs.

Moving on, as you have seen over the last couple of days, we announced a few strategic acquisitions with the completion of our purchase of PG Drives Technology and AP Services and a definitive merger agreement with publicly owned Williams Controls.

Before I provide some additional rationale behind these acquisitions, I would also like to indicate that per the notification on the FTC's website, we acknowledge that we are in discussions with Cimarron Energy but no formal agreement has been made between the two parties and we will have no further comment on this matter at this time.

I would like to first discuss AP Services. AP Services is a leading supplier of fluid sealing technologies and services to the nuclear and fossil plant generation market. This acquisition extends our product breadth and enhances our presence as a key supplier by delivering fluid sealing solutions that improve plant reliability and safety while reducing operations and maintenance costs.

In addition, this transaction will further enhance our Flow Control segment reputation as being one of the leading obsolescence solution provider to the nuclear industry. The other recent initiatives augment our industrial business and we look forward to serving both current and new customers through the combination. PG Drives is a recognized leader in highly engineered electronic controllers and drives used in a wide variety of advanced electric powered industrial and medical vehicles.

This business significantly enhances Motion Control's existing industrial control business with complementary new products and customers that provides growth in a new direction with a strong presence in the rapidly growing specialty vehicles market.

We anticipate realizing numerous synergies with the integration of PG Drives into Curtiss-Wright, ranging from expanded sales coverage when combined with our existing global sales force to opportunities to supply chain costs savings to operational synergies as we integrate our Asian and European manufacturing facilities.

Williams Controls is a leading designer and manufacturer of highly engineered electronic sensors and controls for off-road equipment, heavy trucks and military vehicles. The addition of this business combined with PG Drives strengthens and expands our existing industrial controls business with no overlap and complements our existing product portfolio with systems capabilities. Further, these companies serve to establish the cornerstone of our strategic intent to expand into a system level provider of electronics and controls for their served markets.

Curtiss-Wright will now offer our customer a very broad array of components and subsystems such as motors, sensors, joysticks, electronic controllers and throttle assemblies that all meet the rigorous demands of the specialty vehicle market.

The acquisition of Williams Controls also provides substantial geographic expansion as it has existing world-class facilities and sales personnel in high growth emerging markets in both China and India. We believe the premium we are paying for this business is justified based on the tremendous intrinsic value it provides us going forward.

While we are still finalizing our evaluation and purchase accounting adjustments, we believe the acquisition of PG Drives and AP Services will be a few cents dilutive in 2012. If and when the Williams Controls and/or Cimarron transactions occur and our evaluations are finalized, we will evaluate our guidance at that time. Based on our preliminary evaluation, all these transactions are expected to be accretive in 2013.

To sum up, I am confident in the company's ability to continue to deliver strong revenue and profitability growth as we execute our strategic plan and maintain a disciplined capital deployment strategy.

We intend to continue to invest in the future and build our company through strategic acquisitions and organic investments and strategically expand our unique portfolio of highly engineered advance technology, enabling Curtiss-Wright to continue to outperform the markets that we serve.

Furthermore, based on improving valuations for commercial industrial businesses, the likes of which we have not seen for several years, as well as upcoming changes to the tax code that will impact smaller companies ability to compete, our acquisition pipeline is quite active. And with our strong and safe balance sheet, we remain on the lookout to strategically and profitably grow our business.

And at this time, I'd like to open up the conference for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Ken Herbert from Imperial Capital. Your line is open.

<A – Marty Benante – Curtiss-Wright Corp.>: Hello?

<Q – Ken Herbert – Imperial Capital LLC>: Good morning.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Hey. Good morning, Ken.

<A – Marty Benante – Curtiss-Wright Corp.>: How are you doing?

<Q – Ken Herbert – Imperial Capital LLC>: Pretty good. Just appreciate the additional detail. Just first a high level question. Marty, as you've highlighted some increased pressure on some of your end markets here, you've obviously done a number of acquisitions recently and a few in the works. As you look to 2013, what kind of top line growth, both organically and through acquisitions, is the right way to think about the year? And I know, obviously, you're not giving guidance, so...

<A – Marty Benante – Curtiss-Wright Corp.>: Right.

<Q – Ken Herbert – Imperial Capital LLC>: Just any color you can provide on 2013 and where you're thinking now and where you think the company will be that year?

<A – Marty Benante – Curtiss-Wright Corp.>: Well, we have some preliminary numbers on 2013 that I'm not really going to go into. Obviously, the acquisitions are going to help rebalance Curtiss-Wright being a little bit more industrial and reducing our defense exposure, but the real opportunities of the acquisitions that we have is when we look at sensors and we were predominantly in position sensors and, quite frankly, had a good healthy portion of the market associated with airplanes, helicopters, real high performance platforms. These companies offer a lot more space for us to expand into.

So even though they're going to obviously improve our top line growth in 2013 and commercial aerospace will do well and defense, although it's not going to be robust, we still see some limited growth there. But we're going to obviously have an improved top line.

<Q – Ken Herbert – Imperial Capital LLC>: Okay. Okay. That's helpful. And if I look at commercial aerospace, the growth this quarter was a big step down from what we've seen over the last several quarters. You highlighted that original equipment was good, up 12% I believe. Was the aftermarket for you in the quarter down within commercial aerospace? And can you just provide a little more detail on the trends in that market?

<A – Marty Benante – Curtiss-Wright Corp.>: No. We did not include in our analysis the Flow Control commercial aerospace. But our repair and overhaul is doing well.

<Q – Ken Herbert – Imperial Capital LLC>: Okay.

<A – Marty Benante – Curtiss-Wright Corp.>: And that's about the only thing, the reason why you may think the numbers are off.

<Q – Ken Herbert – Imperial Capital LLC>: Okay. Okay. That's helpful. And then just finally, when we back out the impact within Flow in the quarter, sequentially you've had a nice step-up here and it looks like fourth quarter guidance implies some steadiness there. Again, can you just talk about now that you've come out of this quarter, some of the other moving pieces and some of what you're doing that will help with margins, specifically within Flow moving forward?

<A – Marty Benante – Curtiss-Wright Corp.>: Okay. As far as the fourth quarter is concerned, when you look at fourth quarter, obviously, it's much larger than the third quarter. But when you compare it to last year's fourth quarter, we have improved sales of about $40 million that will add about $9 million to profitability. We have improvement in our acquisitions. Last year they were losses, this year they're gains and that will add between $5 million and $6 million.

Our cost reduction programs is going to add an additional $8 million, and some other corporate expenses will be lower, which will add, too. As far as the oil and gas, what we're projecting is actually what we have in backlog. We're not really projecting any new orders.

We have done quite a bit of consolidation. We now have our MRO business in our valve facility which helps in absorption but also helps in transferring of people. We also are designing new products that will help in future sales growth in that business in 2013. So we're not really projecting in 2013 any market improvement. It's just the cost reductions that we're able to do and consolidations that we've been able to put into the business which will stabilize that business.

<Q – Ken Herbert – Imperial Capital LLC>: Great. Thank you very much. That's helpful.

<A – Marty Benante – Curtiss-Wright Corp.>: Does that answer your question?

<Q – Ken Herbert – Imperial Capital LLC>: Yeah. That – no, no, no. That's good. I appreciate it. It sounds like then there's – you're taking a conservative approach on the top line, but you've got opportunity from the margin as you move forward into 2013 in particular with hopefully as a result of what you've done and been through over the last quarter?

<A – Marty Benante – Curtiss-Wright Corp.>: Yes. Certainly, it's been a very big learning experience, believe me.

<Q – Ken Herbert – Imperial Capital LLC>: Thank you very much. I appreciate the color.

<A – Marty Benante – Curtiss-Wright Corp.>: Okay.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Okay. Ken.

Operator: Thank you. Our next question comes from Amit Mehrotra from Deutsche Bank. Your line is now open.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Thanks. It's Amit Mehrotra here for Myles Walton at Deutsche Bank.

<A – Marty Benante – Curtiss-Wright Corp.>: It's Marty.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Hey, there. Marty, just following up on the learning experience, can you give us some color on how you're going to approach initial guidance for 2013, given the revisions so far this year? Can we assume it will be a much more conservative approach or anything you can provide in terms of how you will approach it would be helpful to this year's projections?

<A – Marty Benante – Curtiss-Wright Corp.>: You know, quite frankly, if you take out the strike and the additional investment of AP1000, we basically would have hit our guidance for this quarter and that doesn't even take into account some weakness in some of our other end markets.

We're not going to be that cautious. We're going to go out on what we think is correct and we're going to look at, obviously, top line growth and margin improvement. Not only because we're going to improve not having the one-time hits any more, but also just from margin expansion. So realistically, if you take a look at our third quarter and just add back in the problem we had with the AP1000 and the strike, you basically hit the quarter.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Okay. Just one follow-up on acquisitions. You know, the three acquisitions that you guys announced or closed during the third quarter, I think if my math is correct, adds about 7% or equates to 7% of your 2012 revenue. I know you don't want to talk about Cimarron, but could we see mid-teens type top line growth next year before any assumption of organic growth and maybe you want to just take this opportunity to repeat the triple double phrase you coined last year?

<A – Marty Benante – Curtiss-Wright Corp.>: I'm not making that phrase any more, but you have a reasonable expectation for our top line growth next year.

<Q – Amit Mehrotra – Deutsche Bank Securities, Inc.>: Okay. All right. Thanks a lot, guys.

<A – Marty Benante – Curtiss-Wright Corp.>: All right.

Operator: Thank you. Our next question comes from Tyler Hojo from Sidoti & Company. Your line is open, please.

<A – Marty Benante – Curtiss-Wright Corp.>: Hi, Tyler.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Morning, Tyler.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Just firstly, just thanks for all the color on the acquisitions, but when we look at the WMCO deal, just trying to get a better sense of purchase price paid or offered. Looks like based on their 2011 EBITDA, that the valuation multiple comes out at around 16 times. I know historically you've paid about eight to 10 for properties.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Tyler, what did you base that on?

<Q – Tyler Hojo – Sidoti & Co. LLC>: 2011 EBITDA.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yeah. No, I mean, for the current year, the EBITDA is based – would be based on, it would be a 12.6 multiple and on forward it's about 10.5. Those are the numbers we're looking at.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. And, I mean, Glenn, could you maybe talk a little bit about willingness to maybe pay a little bit of a higher multiple for seemingly higher growth deals? I mean, is that that kind of what we should be thinking here?

<A – Marty Benante – Curtiss-Wright Corp.>: Well, yeah. I mean, when you look at things from a – and I always look at it from an intrinsic standpoint. This company adds a lot of depth to us. When you basically look, as I said before, we were more of a component supplier and did some joysticks. And I'm going to add Penny + Giles in this, if you don't mind, because you remember our first initial entrée into sensors was Penny + Giles.

These were two sister divisions that were once together. You could almost say it was a 10-year offering, because we actually looked to acquire this back in 2002 when we acquired Penny + Giles. So it opens up a much bigger market space for us.

When we look at Williams, we look at them as a cornerstone. They are in more advanced subsystems, which is the area we wanted to grow in. And we look at the market space that it opens, it's in the billions compared to where our market space was. And it adds a subsystem capability that we do not have.

And that's an area we wanted to go into. Whenever I've been asked about where I'd like to see Curtiss-Wright grow, it is always one of the first answers. I've always said was in the sensor and sensor related products. And these are two companies that fit that need.

We don't feel that we've overspent for the business. We paid a multiple that's consistent with high-end or – I wouldn't consider this real high-end electronics company, but what high-end electronic companies go for.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Got it. Okay, great.

<A – Marty Benante – Curtiss-Wright Corp.>: And not only that, it was a public offering so, obviously, we had to outbid somebody else.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Yeah. Right. Okay.

<A – Marty Benante – Curtiss-Wright Corp.>: And you always overpay, whether it be a Penny or whatever number it may be.

<A – Glenn Tynan – Curtiss-Wright Corp.>: And also, Tyler, the major markets they're in are forecasted to grow at double-digit rates. The powered wheelchair market, it's almost in the 20%s. That's for PG Drives and Williams Controls in the off-highway vehicles is forecasted to grow 30% over the next couple of years. So they are in high growth markets as well...

<A – Marty Benante – Curtiss-Wright Corp.>: Yeah. Even though...

<A – Glenn Tynan – Curtiss-Wright Corp.>: ...as you pointed out.

<A – Marty Benante – Curtiss-Wright Corp.>: Even though Williams has seen a little bit of softness but I think that's just economic – just economic conditions.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Great. And just moving on to something else. I was hoping maybe you could talk a little bit more about your embedded computing business, just in context with the fact that your big competitor there posted some pretty substantial declines in terms of the top line in their September quarter? I think they were down something like 30%. I mean are you seeing kind of similar weakness and...

<A – Marty Benante – Curtiss-Wright Corp.>: No.

<Q – Tyler Hojo – Sidoti & Co. LLC>: ...maybe you could just broadly comment?

<A – Marty Benante – Curtiss-Wright Corp.>: Are you talking about Mercury?

<Q – Tyler Hojo – Sidoti & Co. LLC>: I am, yes.

<A – Marty Benante – Curtiss-Wright Corp.>: Well, gee. Look. No, we have not seen that by any stretch of the imagination. No.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Could they be taking share?

<A – Marty Benante – Curtiss-Wright Corp.>: Our sales have been down but nowhere near that extent.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Not at that level.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. All right. Great. And just lastly...

<A – Marty Benante – Curtiss-Wright Corp.>: If you remember, one of the other things is we consolidated that business at the very beginning of the year and, remember, I said that Motion Control was posting an additional profitability based off of cost reductions?

<Q – Tyler Hojo – Sidoti & Co. LLC>: Right.

<A – Marty Benante – Curtiss-Wright Corp.>: That is that cost reduction and we're also anticipating, obviously, some sequestration and started taking action last year associated with that.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Great.

<A – Marty Benante – Curtiss-Wright Corp.>: So, even though we might have had a sales decline, our profitability has remained very stable.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Yes. That's certainly showing up in the results. And just lastly from me, I was hoping you could maybe talk a little bit more about super vessel. I understand some of that stuff is getting pushed out but I'm just wondering, I mean, are there awards that are actually being made here and you're not winning?

<A – Marty Benante – Curtiss-Wright Corp.>: Yeah, I mean, super vessels, there's a lot of business with super vessels. One is we just entered the market not too long ago, but the second thing is our learning curve has not come to where we thought it should have been after the first two years. Even though our models show we would lose money in the first two years of the operation, it's actually been a little bit worse.

We have lost the money, but it's been a little worse and it's basically the learning curve. It's coming up to speed. I think that we're getting a lot of the kinks out of the operation and there is demand there. There's quite a bit of demand for vessels.

<Q – Tyler Hojo – Sidoti & Co. LLC>: So I mean, is this is a function of you don't want to take on additional business until you feel comfortable?

<A – Marty Benante – Curtiss-Wright Corp.>: No, it's confidence level of the customers too. We're the new kid on the block, so it takes a little while for them to have the confidence level. So it's not lack of work that we're having problems with, the problem that we're having is lack of profitable work. And we will solve that problem.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Okay. Now ...

<A – Marty Benante – Curtiss-Wright Corp.>: We know what we need to do. Now it's a matter of doing it.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Right. And with that said, I mean, do you think we should still be thinking about this as a growth market over the next, say, two to three, maybe four quarters? Or is it further out?

<A – Marty Benante – Curtiss-Wright Corp.>: I think the vessels can grow. I think the other valves and coking processes is not going to improve. With shale oil, the discovery of shale or shale gas or gasoline products, it requires a lot less coking and/or fracking. And that's why there's not a great demand for some of the typical products that we have.

So we expect that that portion of the market is not going to really grow. It's not going to do what we're seeing over the next few years. And that's how we are sizing the business. And that's one of the reasons why oil and gas isn't doing well, is fracking has really been taking a major portion of gas products in the United States.

<Q – Tyler Hojo – Sidoti & Co. LLC>: Got it. Thanks.

<A – Marty Benante – Curtiss-Wright Corp.>: There's been a lot of talk about the re-industrialization of the United States based on cheap natural gas.

<Q – Tyler Hojo – Sidoti & Co. LLC>: That's all I had. Thanks a lot, guys.

<A – Marty Benante – Curtiss-Wright Corp.>: Okay.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Thanks Tyler.

Operator: Thank you. Our next question comes from Kevin Ciabattoni from KeyBanc Capital Markets. Your line is open.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Good morning, Kevin.

<A – Marty Benante – Curtiss-Wright Corp.>: Hi, Kevin.

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Staying on the super vessel topic here, I was wondering if you guys could just talk about some of the lessons learned on the AP1000, may be how you applied those to kind of super vessel program in terms of start-up costs? And then discuss maybe how much risk is left in that program in terms of cost overruns, development costs, et cetera?

<A – Marty Benante – Curtiss-Wright Corp.>: Okay. The super vessel and the AP1000 really don't have anything in common, but it has somewhat of the same principle. Even though we have built vessels in the past, building certain super vessels have a little different nuance associated with it. But when you talk about the AP1000, even though we build pumps and reactor coolant pumps every day, the – if you remember, the China requirement was 25% bigger than any pump we had made and we also had to have some design capabilities associated to make it intrinsically safe that added quite a few technical nuances associated with it.

We had not built a new pump in quite some time, especially commercial. And that learning is just learning of having a generation of people who had not made a new one previously. I mean, the last item to get the pump shipped, where we took a $12 million hit, was packing and some of the preparations you have to do to take the pump apart, clean it, ship it, going through the quality requirements that it has.

Now all of that has already been incorporated into our cost structure for any other China requirement that we would have. So that is a learning curve based on the first build that you have, but you can learn very quickly. Obviously, we solved all the problems and a lot of it was not technical issues. A lot of it is just first-time handling, which we will definitely resolve from further on.

So because we now have the experience of shipping too and it's out the door, we understand the costs. We're monitoring the costs of all the rest of them and doing pretty good. We don't think that there's much risk except for there could be a process problem somewhere down the road but it should be related only to one pump, which would be a normal risk item.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Kevin, are you still there? Kevin.

<A – Marty Benante – Curtiss-Wright Corp.>: Hello?

<A – Glenn Tynan – Curtiss-Wright Corp.>: We may be experiencing technical difficulty for anybody who can hear us.

Operator: [Operator Instructions]

<A – Marty Benante – Curtiss-Wright Corp.>: Kevin?

<A – Marty Benante – Curtiss-Wright Corp.>: Marcy, is there something – I think we have – are experiencing some...

Operator: Kevin, your line is open.

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Hi. Can you hear me now?

<A – Marty Benante – Curtiss-Wright Corp.>: Now, we can hear you.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yeah. Now, we got you.

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Okay. Sorry about that. I don't know what happened.

<A – Marty Benante – Curtiss-Wright Corp.>: Did you hear everything I said?

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: I did. I did. No, I have you. Yeah, realizing that they were technically different, the AP1000 and the super vessel, I guess I was just wondering from the non-technical side you talked about shipping, et cetera, whether those lessons could be applied to the super vessel program, kind of derisk that a little bit?

<A – Marty Benante – Curtiss-Wright Corp.>: No, a whole different...

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Totally different. Yeah. Okay.

<A – Marty Benante – Curtiss-Wright Corp.>: Totally different, yes.

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Okay. And then my second question...

<A – Marty Benante – Curtiss-Wright Corp.>: A super vessel makes a pump, which is...

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Right.

<A – Marty Benante – Curtiss-Wright Corp.>: ...huge look like a small piece of equipment.

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Yeah. My second question, looking at the domestic nuclear business, I know you mentioned in the slides in terms of operating reactors, that declined a little bit as a result of the NRC regulations. And Marty, you did touch on this little bit, but is that expected to continue into 4Q? Should we see – should we expect to see a pickup there, or is that more of an F2013 event?

<A – Marty Benante – Curtiss-Wright Corp.>: No, I think, there you'll see a pickup. I think one of the things you see is something they mentioned about companies are saving to put the Fukushima requirements that the NRC has put out which is going to cost them a lot of money. So you're starting to see them put off some maintenance which they can but eventually you're going to have to refurbish and/or maintenance the equipment that you've put off. But they need to save some money in order to – because the Fukushima initiative that the NRC is asking the current reactor builders' reactors to adhere to is going to be very expensive.

But you'll start to see those new products, we have a lot of outstanding quotations for these new products that we have designed. We're going to start to see those orders come in. You're going to start to see revenues generated in the fourth quarter for those new requirements.

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Okay.

<A – Marty Benante – Curtiss-Wright Corp.>: But we don't expect to see that going forward.

<Q – Kevin Ciabattoni – KeyBanc Capital Markets>: Okay. Perfect. That's helpful. Thanks. That's all I have.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Thanks, Kevin.

Operator: [Operator Instructions] Our next question comes from Yair Reiner from Oppenheimer. Your line is open.

<A – Marty Benante – Curtiss-Wright Corp.>: Yair.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Good morning.

<Q – Yair Reiner – Oppenheimer Securities>: Hi. Can you hear me?

<A – Marty Benante – Curtiss-Wright Corp.>: Yes. We can.

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yes.

<Q – Yair Reiner – Oppenheimer Securities>: Okay. Perfect. Can you just walk us through the main drivers for the operating margin improvement at Motion Control? So I'd back into the entire fourth quarter margins, I get something around 20%, which is considerably higher than what we've seen in the last few quarters? And it seems like this is a record level, so if you could just give us little more color on that, that would be great?

<A – Glenn Tynan – Curtiss-Wright Corp.>: Yes, yes, yes. That's actually fairly simple, Yair. As you know, the sales aren't – if we go fourth quarter 2012 to fourth quarter 2011, the sales are about the same, but the profitability up. And it's split between two items. One is the acquisitions, primarily ACRA, and they also made SPC which, as I think Mary indicated, were operating losses last year due to the write-off of purchase accounting and this year they are profitable. So, that's about a $5 million to $6 million swing. And the other half of it is the benefits from the restructuring and cost reduction initiatives which, again, is another $5 million to $6 million.

<A – Marty Benante – Curtiss-Wright Corp.>: Right. Supply chain.

<A – Glenn Tynan – Curtiss-Wright Corp.>: So flat sales and about $10 million or $11 million improvement in operating profit in the fourth quarter.

<Q – Yair Reiner – Oppenheimer Securities>: Okay. Great. That's all I have. Thanks, guys.

<A – Marty Benante – Curtiss-Wright Corp.>: All right.

Operator: We have no more questions in queue. I'll now turn the call over to Mr. Benante for closing remarks.

Martin R. Benante, Chairman and Chief Executive Officer

Well, thank you, Marcy. And thanks, everybody, for joining us today. And I look forward to speaking with you again during our fourth quarter and year end earnings call. Thank you very much for attending. Have a good day.

Glenn E. Tynan, Vice President and Chief Financial Officer

Bye bye.

Operator: Ladies and gentleman, this does conclude today's conference. You may now disconnect. Thank you.