CURTISS WRIGHT CORP

FORM 10-Q
(Quarterly Report)

Filed 8/14/1996 For Period Ending 6/30/1996

Address	1200 WALL ST W
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Industry	Aerospace & Defense
Sector	Capital Goods
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended June 30, 1996

Commission File Number 1-134

CURTISS-WRIGHT CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-0612970 (I.R.S. Employer Identification No.)
1200 Wall Street West Lyndhurst, New Jersey (Address of principal executive offices)	07071 (Zip Code)

(201) 896-8400
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $1.00 per share: 5,080,331 shares (as of July 31, 1996)

CURTISS-WRIGHT CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(In thousands)

	June 30, 1996	December 31, 1995
Assets:		
Cash and cash equivalents	$ 9,727	$ 8,865
Short-term investments	53,339	69,898
Receivables, net	40,824	36,277
Deferred tax asset	6,986	7,149
Inventories	40,005	29,111
Other current assets	2,549	2,325
Total current assets	153,430	153,625
Property, plant and equipment, at cost	203,475	198,051
Less, accumulated depreciation	143,656	141,782
Property, plant and equipment, net	59,819	56,269
Prepaid pension assets	32,643	31,128
Other assets	10,034	5,179
Total assets	$255,926	$246,201
Liabilities:		
Accounts payable and accrued expenses	22,094	$ 17,244
Dividends payable	1,270	
Income taxes payable	2,080	2,000
Other current liabilities	12,665	13,810
Total current liabilities	38,109	33,054
Long-term debt	10,347	10,347
Deferred income taxes	7,857	7,447
Other liabilities	22,165	23,174
Total liabilities	78,478	74,022
Stockholders' equity:		
Common stock, $1 par value	10,000	10,000
Capital surplus	57,142	57,141
Retained earnings	294,688	288,710
Unearned portion of restricted stock	(740)	(780)
Equity adj from foreign currency translation	(2,195)	(1,330)
	358,895	353,741
Less, cost of treasury stock	181,447	181,562
Total stockholders' equity	177,448	172,179
Total liabilities and stockholders'equity	$255,926	$246,201

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of EARNINGS
(UNAUDITED)

(In thousands except per share data)

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995	Three Months Ended June 30, 1996	Three Months Ended June 30, 1995
Revenues:				
Sales	$ 79,559	$ 74,459	$43,243	$36,916
Rentals gains & (losses) on sales of real estate and equipment, net	3,682	4,469	1,882	2,377
Interest, dividends and gains (losses) on short-term investments, net	1,535	2,299	1,107	1,239
Other income, net	112	139	53	21
Total revenues	84,888	81,366	46,285	40,553
Costs and Expenses:				
Product and engineering	53,472	51,585	29,230	25,604
Selling and service	3,230	3,037	1,612	1,448
Administrative and general	14,866	14,093	7,263	7,056
Interest	193	289	96	161
Total costs and expenses	71,761	69,004	38,201	34,269
Earnings before taxes	13,127	12,362	8,084	6,284
Provision for income taxes	4,610	4,125	2,882	2,059
Net earnings	$ 8,517	$ 8,237	$ 5,202	$ 4,225
Weighted average number of common shares outstanding	5,078	5,061	5,078	5,061
Net earnings per common share	$1.68	$1.63	$1.02	$ .83
Dividends per common share	$ .50	$ .50	$ .25	$ .25

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of CASH FLOWS
(UNAUDITED)
(In thousands)

	Six Months Ended June 30 1996	Six Months Ended June 30 1995
Cash flows from operating activities:		
Net earnings	$ 8,517	$ 8,237
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,472	4,975
Net gains on short-term investments	(316)	(714)
Increase in deferred taxes	573	1,226
Changes in operating assets and liabilities, net of Business Acquisition:		
Proceeds from sales of trading securities	187,303	90,750
Purchases of trading securities	(169,810)	(93,442)
Increase in receivables	(1,382)	(741)
Increase in inventory	(4,060)	(3,809)
Increase in progress payments	73	2,287
Inc (dec) in accounts payable and accrued expenses	3,619	(1,050)
Increase (decrease) in income taxes payable	80	(1,755)
Increase in other assets	(2,371)	(1,145)
Decrease in other liabilities	(1,503)	(958)
Other, net	(637)	64
Total adjustments	16,041	(4,312)
Net cash provided by operating activities	24,558	3,925
Cash flows from investing activities:		
Proceeds from sales of real estate and equipment	420	1,813
Additions to property, plant and equipment	(5,187)	(2,964)
Acquisition of Accessory Services business	(16,390)	
Net cash used by investing activities	(21,157)	(1,151)
Cash flows from financing activities:		
Principal payments on long-term debt		(54)
Dividends paid	(2,539)	(1,265)
Net cash used by financing activities	(2,539)	(1,319)
Net increase in cash and cash equivalents	862	1,455
Cash and cash equivalents at beginning of period	8,865	4,245
Cash and cash equivalents at end of period	$ 9,727	$ 5,700

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONSOLIDATED STATEMENTS of STOCKHOLDERS' EQUITY
(UNAUDITED)
(In thousands of dollars)

	Common Stock Shares Issued	Common Stock Amount	Capital Surplus	Retained Earnings	Unearned Portion of Restricted Stock	Equity Adjustments from Foreign Currency Translation	Treasury Stock Shares	Treasury Stock Amount
December 31, 1994	10,000,000	$10,000	$57,139	$275,600		$(1,622)	4,939,257	$182,348
Net earnings				18,169				
Common dividends				(5,059)				
Exchange of common shares for the exercise of stock options							1,513	71
Stock options exercised			(31)				(2,346)	(110)
Stock awards issued			33		$(780)		(16,247)	(747)
Translation adjustments, net						292		
December 31, 1995	10,000,000	10,000	57,141	288,710	(780)	(1,330)	4,922,177	181,562
Net earnings				8,517				
Common dividends				(2,539)				
Amortization of earned portion of restricted stock					40			
Stock options exercised, net			(9)				(702)	(32)
Stock awards issued			10				(1,806)	(83)
Translation adjustment, net						(865)		
June 30, 1996	10,000,000	$10,000	$57,142	$294,688	$(740)	$(2,195)	4,919,669	$181,447

[FN] See notes to consolidated financial statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

NOTES to CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

Curtiss-Wright Corporation ("the Corporation") is a diversified multi-national manufacturing concern which produces and markets precision components and systems and provides highly engineered services to Aerospace & Marine and Industrial markets. Its principal operations include three domestic manufacturing facilities and thirty-two Metal Improvement service facilities located in North America and Europe, and two aircraft component overhaul facilities located in Florida and Denmark.

The information furnished in this report has been prepared in conformity with generally accepted accounting principles and as such reflects all adjustments, consisting primarily of normal recurring accruals, which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Corporation's 1995 Annual Report on Form 10-K. The results of operations for these interim periods are not necessarily indicative of the operating results for a full year.

2. ACQUISITION

On May 20, 1996, the Corporation completed the purchase of the Miami, Florida based Accessory Services unit of Aviall, Inc. ("Accessory Services"). This acquisition expands the Corporation's component overhaul business both geographically and from a product line perspective. The newly-acquired business unit is a provider of a broad range of aircraft component repair and overhaul services with a global customer base and has annual sales of approximately $21 million.

The Corporation acquired the net assets of Accessory Services for $16.4 million in cash and has accounted for the acquisition as a purchase. The excess of purchase price over the estimated fair value of the net assets acquired amounted to approximately $1.5 million and is being amortized on a straight-line basis over 40 years. The fair value of the net assets acquired was based on preliminary estimates and may be revised at a later date. The results of operations of Accessory Services have been included in the consolidated financial statements of the Corporation from the date of acquisition.

The unaudited pro forma consolidated results of operations shown below have been prepared as if the acquisition had occurred at the beginning of 1996:

(In thousands, except per share data)

	Six Months Ended June 30, 1996
Net sales	$87,839
Net earnings	$ 8,865
Net earnings per common share	$1.75

3. RECEIVABLES

Receivables, at June 30, 1996 and December 31, 1995, include amounts billed to customers and unbilled charges on long-term contracts consisting of amounts recognized as sales but not billed at the dates presented. Substantially all amounts of unbilled receivables are expected to be billed and collected within a year. The composition of receivables for those periods is as follows:

(In thousands)

	June 30, 1996	December 31, 1995
Accounts receivable, billed	$37,126	$32,236
Less: progress payments applied	5,129	4,339
	31,997	27,897
Unbilled charges on long-term contracts	26,252	25,128
Less: progress payments applied	16,322	15,988
	9,930	9,140
Allowance for doubtful accounts	(1,103)	(760)
Receivables, net	$40,824	$36,277

4. INVENTORIES

Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories at June 30, 1996 and December 31, 1995 is as follows:

(In thousands)

	June 30, 1996	December 31, 1995
Raw materials	$ 8,292	$ 3,757
Work-in-process	17,698	14,489
Finished goods	6,433	4,353
Inventoried costs related to U. S. Government and other long-term contracts	11,856	11,474
Total inventories	44,279	34,073
Less: progress payments applied, principally related to long-term contracts	4,274	4,962
Net inventories	$40,005	$29,111

5. ENVIRONMENTAL MATTERS

The Corporation establishes a reserve for a potential environmental responsibility when it concludes that a determination of legal liability is probable, based upon the advice of counsel. Such amounts, if quantified, reflect the Corporation's estimate of the amount of that liability. If only a range of potential liability can be estimated, a reserve will be established at the low end of that range. Such reserves represent today's values of anticipated remediation not recognizing any recovery from insurance carriers, or third-party legal actions, and are not discounted.

The Corporation is joined with many other corporations and municipalities as potentially responsible parties (PRPs) in a number of environmental cleanup sites, which include the Sharkey Landfill Superfund Site, Parsippany, N. J., Caldwell Trucking Company Superfund Site, Fairfield, N. J., and Pfohl Brothers Landfill Site, Cheektowaga, N. Y., identified to date as the most significant sites. Other environmental sites in which the Corporation is involved include but are not limited to Chemsol, Inc. Superfund Site, Piscataway, N. J., and PJP Landfill, Jersey City, N. J.

The Corporation believes that the outcome of any of these matters would not have a material adverse effect on the Corporation's results of operations or financial condition.

6. CONSOLIDATED STATEMENTS OF CASH FLOWS

Interest payments of $187,000 and $294,000 were made primarily in association with long-term debt in the first half of 1996 and 1995, respectively. The Corporation made estimated federal income tax payments totaling $2,534,000 and $3,012,000 for the first half of 1996 and 1995, respectively.

7. EARNINGS PER SHARE

Earnings per share were computed by dividing the applicable amount of earnings by the weighted average number of common shares outstanding during each period shown in the accompanying Consolidated Statements of Earnings. The assumed exercise of outstanding stock options had a dilutive but immaterial effect on earnings per share in each respective period.

PART I - ITEM 2
CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS

RESULTS OF OPERATIONS:

Curtiss-Wright Corporation posted consolidated net earnings for the second quarter of 1996 totaling $5.2 million, or $1.02 per share, a 23% improvement from net earnings of $4.2 million, or $.83 per share, posted in the second quarter of 1995. Total sales, new orders and pre-tax operating earnings for the Corporation also showed substantial increases in the second quarter of 1996, when compared with results for both the first quarter of 1996 and the second quarter of the prior year.

Sales reported for the second quarter of 1996 were $43.2 million, an increase of 19% from sales reported in the first quarter of 1996 and a 17% increase over sales for the second quarter of 1995. Pre-tax operating earnings totaled $7.0 million for the second quarter of 1996, 30% higher than operating earnings for the first quarter of 1996 and a 42% increase over operating earnings for the second quarter of 1995. New orders received in the second quarter of 1996 totaled $44.4 million, an improvement of 16% from orders reported in the first quarter of 1996 and 22% above orders received in the second quarter of 1995, principally due to commercial aircraft actuation and control orders received from The Boeing Company.

For the first six months of 1996, the Corporation posted consolidated net earnings of $8.5 million, or $1.68 per share, a slight improvement over net earnings of $8.2 million, or $1.63 per share, posted in the first six months of 1995. Sales for the six month period of 1996 were $79.6 million, 7% above sales of $74.5 million posted in the same 1995 period. For the first six months of 1996, aggregate pre-tax operating income totaled $12.4 million, an increase of 20% from operating income generated in the first six months of 1995. New orders received in the first half of 1996 also improved, totaling $82.6 million, 16% higher than orders received in the same prior year period. Excluding the results of the Corporation's Buffalo facility (sold in June 1995) from the six-month 1995 period, sales for the same 1996 period improved 15% over the comparable prior year period, while operating income improved 27% and new orders increased 36% over the comparable prior year levels.

Operating results for the second quarter and first six months of 1996 reflect an overall improvement in both business segments of the Corporation, as compared with the same prior year periods. In general, improvements reflect the growth of our commercial overhaul business which was augmented through the acquisition of the Accessory Services unit of Aviall, Inc., as discussed in Note 2 to consolidated financial statements. Substantial increases in shot-peening and peen-forming services, both domestically and to a greater extent abroad, and improvements in commercial valve sales for utilities provided additional benefits in the 1996 periods.

Segment Performance

The Corporation's Aerospace & Marine segment posted substantially improved results for both the second quarter and first six months of 1996, when compared with those for the same periods of 1995.

Sales increased 26% in the second quarter of 1996, to $27.6 million, from sales in the same period of the prior year and totaled $48.8 million for the first six months of 1996, 14% higher than in the same six month period of 1995. Operating income increased substantially when comparing both the second quarter and first six month periods of 1996 with the same respective periods of 1995. The improvements in the 1996 periods reflect the addition of contributions from both the Corporation's new Miami overhaul facility in the six weeks since the acquisition and its European overhaul facility, which had opened in May 1995. The Corporation's Shelby, North Carolina overhaul business also continues to experience substantial growth. Overall, the component overhaul portion of the aerospace business has contributed approximately 80% of the sales growth of the segment when comparing the first six months of 1996 with the first six months of 1995. Sales of shot-peening and peen-forming services and sales of actuation components for the F-16 foreign military production programs also increased in both the second quarter and first six-month periods of 1996, as compared with the same periods of 1995. The Aerospace & Marine segment sales also reflected the achievement of contract milestones on the F-22 development programs during the first half of 1996. Sales of military valve products increased slightly for the second quarter of 1996, compared with the same period of 1995, but were below 1995 levels for the six-month 1996 period.

New orders received by the Aerospace & Marine segment totaled $30.0 million for the second quarter of 1996, 67% ahead of orders received in the second quarter of 1995. For the first six months of 1996, new orders totaled $52.8 million, 53% above the same prior year period. During the first six months of 1996, the Corporation has received significant orders from Boeing for its commercial actuation products, including orders received for the 747 and 767 programs. Orders received in 1996 for overhaul services also show substantial increases over the prior year, benefitting from the Accessory Services acquisition and a full six months of orders received by the Denmark facility. Orders for military valve products for use in the U. S. Nuclear Navy have also increased.

After excluding results for the Corporation's former Buffalo Extrusion division from both 1995 periods, the Industrial segment posted substantial increases in sales and operating income for both the second quarter and first six months of 1996, when compared with the same respective prior year periods. Sales totaled $15.6 million and $30.7 million for the second quarter and first six months of 1996, respectively, as compared with adjusted sales of $12.7 million and $26.1 million posted in the same respective periods of 1995. After excluding Buffalo, operating income improved 27% for the second quarter and was 30% higher for the six-month period, when comparing 1996 results with same-period 1995 results. Improvements in the Industrial segment's results are largely reflective of higher sales volume for shot-peening services both domestically and to a greater extent in Europe. These services experienced improvements in most geographic markets during the first half of 1996. Sales and operating profits of the Industrial segment in both 1996 periods also benefitted from improvements in commercial valve production sales as well as increases in field service and spare parts for commercial valve customers.

New orders received by the Industrial segment totaled $14.4 million and $29.8 million for the second quarter and first six-month periods of 1996, respectively. The orders received in those 1996 periods reflect improvements of 10% and 14%, respectively, after excluding orders received by the Buffalo division from the same 1995 period totals. The improvement in orders for both 1996 periods largely reflects the increased level of shot-peening services when compared with the prior year.

Other Revenues and Costs:

Other revenue recorded in the second quarter of 1996 totaled $3.0 million, compared with $3.6 million recorded in the second quarter of 1995, while other revenue for the first six months of 1996 totaled $5.3 million, compared with $6.9 million recorded in the same period of 1995. The decline in other revenue for both 1996 periods, as compared with the same respective prior year periods, reflects lower overall investment income and a non-recurrence of gains on the sale of machinery and equipment recorded in the second quarter of 1995. Losses on writeoffs of fixed assets taken in the first quarter of 1996 added to the decline in other revenue for the six month comparable periods.

Operating costs for the Corporation as a whole increased 12% and 4% for the second quarter and first six months of 1996, respectively, when compared with costs incurred in the same respective periods of 1996, generally reflecting the increase in sales, period to period. Administrative expenses for the second quarter and first six-month periods of both years were offset by accrued income generated from the Corporation's overfunded pension plan. Net pension income for the first six months of 1996 totaled $1.5 million, compared with $1.4 million for the first six months of 1995.

CHANGES IN FINANCIAL CONDITION:
Liquidity and Capital Resources:

The Corporation's working capital was $115.3 million at June 30, 1996, a 4% decrease from working capital at December 31, 1995 of $120.6 million. The ratio of current assets to current liabilities was 4.0 to 1 at June 30, 1996, compared with a current ratio of 4.6 to 1 at December 31, 1995. The Corporation's short-term investments totaled $53.3 million at June 30, 1996, a decline of $16.6 million from the prior year-end. The decline in short-term investments reflects the acquisition cost of the Accessory Services business. The Corporation purchased the net assets of Accessory Services for $16.4 million in cash provided by the proceeds from sales of the Corporation's trading securities.

Inventories and net receivables at June 30, 1996 have increased substantially compared with their levels at December 31, 1995, primarily reflecting the working capital acquired with Accessory Services. Current inventory levels also reflect an increase associated with aerospace development contracts, particularly inventory needed to support the ramp up of production on new actuation programs for Boeing, as well as inventory needed to support growth in overhaul services.

The Corporation continues to maintain its $22.5 million revolving credit lending facility and its $22.5 million short-term credit agreement, which provide additional sources of capital to the Corporation. The revolving credit agreement, of which $7.8 million remains unused at June 30, 1996, encompasses various letters of credit issued primarily in connection with outstanding industrial revenue bonds. There were no cash borrowings made on the credit agreements during the first six months of 1996 or 1995.

During the first half of 1996, internally generated funds were adequate to meet capital expenditures of $5.2 million, primarily for machinery and equipment within the operating segments. Projected funds from operating sources are expected to be more than adequate to cover the cost of these projects as well as future cash requirements. Capital expenditures of approximately $13.9 million are anticipated for the balance of the year along with $3.9 million of anticipated expenditures connected with environmental remediation programs.

PART II - OTHER INFORMATION

Item 5. OTHER INFORMATION

On May 20, 1996 Curtiss-Wright Flight Systems, Inc., a wholly owned subsidiary of the Registrant, purchased the Aviall Accessory Services unit of Aviall, Inc. pursuant to which agreement Aviall sold substantially all of the assets and Curtiss-Wright Flight Systems, Inc. assumed certain of the liabilities associated with Aviall's Accessory Services business. Aviall Accessory Services provides aircraft component repair and overhaul services and is located in Miami, Florida. The acquired business unit is known as Curtiss-Wright Accessory Services, a division of Curtiss-Wright Flight Systems, Inc.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 27 - Financial Data Schedules (Page 16)

(b) Reports on Form 8-K

The Corporation filed a report on Form 8-K on May 2, 1996 announcing that Curtiss-Wright Flight Systems, Inc. had signed an Asset Purchase Agreement, described above, with Aviall, Inc. for the purchase of Aviall's Accessory Services business.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CURTISS-WRIGHT CORPORATION
(Registrant)

By: /s Robert A. Bosi
Robert A. Bosi,
Vice President-Finance

By: /s Kenneth P. Slezak
Kenneth P. Slezak,
Controller

Dated: August 13, 1996

ARTICLE 5

MULTIPLIER: 1000

PERIOD TYPE	6 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD END	JUN 30 1996
CASH	9,727
SECURITIES	53,339
RECEIVABLES	41,927
ALLOWANCES	1,103
INVENTORY	40,005
CURRENT ASSETS	153,430
PP&E	203,475
DEPRECIATION	143,656
TOTAL ASSETS	255,926
CURRENT LIABILITIES	38,109
BONDS	10,347
COMMON	10,000
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	167,448
TOTAL LIABILITY AND EQUITY	255,926
SALES	79,559
TOTAL REVENUES	84,888
CGS	53,162
TOTAL COSTS	71,568
OTHER EXPENSES	0
LOSS PROVISION	0
INTEREST EXPENSE	193
INCOME PRETAX	13,127
INCOME TAX	4,610
INCOME CONTINUING	8,517
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	8,517
EPS PRIMARY	1.68
EPS DILUTED	0

End of Filing