1. Summary of Significant Accounting Policies

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

A. Principles of Consolidation

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

B. Use of Estimates

The financial statements of the Corporation have been prepared in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenue, and expenses and disclosure of contingent assets and liabilities in the accompanying financial statements. The most significant of these estimates include the estimate of costs to complete long-term contracts under the percentage-of-completion accounting methods, the estimate of useful lives for property, plant, and equipment, cash flow estimates used for testing the recoverability of assets, pension plan and postretirement obligation assumptions, estimates for inventory obsolescence, estimates for the valuation and useful lives of intangible assets, warranty reserves, and the estimate of future environmental costs. Actual results may differ from these estimates.

C. Revenue Recognition

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

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

D. Cash and Cash Equivalents

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

E. Inventory

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

F. Progress Payments

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

G. Property, Plant, and Equipment

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

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

Buildings and improvements	5 to 40 years
Machinery, equipment, and other	3 to 15 years

H. Intangible Assets

Intangible assets are generally the result of acquisitions and consist primarily of purchased technology, customer related intangibles, trademarks and service marks, and technology licenses. The Corporation amortizes such assets ratably, to match their cash flow streams, over their estimated useful lives. Useful lives range from 1 to 20 years. See Note 7 for further information on other intangible assets.

I. Impairment of Long-Lived Assets

The Corporation reviews the recoverability of all long-term assets, including the related useful lives, whenever events or changes in circumstances indicate that the carrying amount of a long-lived asset might not be recoverable. If required, the Corporation compares the estimated undiscounted future net cash flows to the related asset's carrying value to determine whether there has been an impairment. If an asset is considered impaired, the asset is written down to fair value, which is based either on discounted cash flows or appraised values in the period the impairment becomes known. There were no such write-downs in 2004, 2003, or 2002.

J. Goodwill

Goodwill results from business acquisitions. The Corporation accounts for business acquisitions by allocating the purchase price to tangible and intangible assets and liabilities. Assets acquired and liabilities assumed are recorded at their fair values, and the excess of the purchase price over the amounts allocated is recorded as goodwill. The recoverability of goodwill is subject to an annual impairment test, or whenever an event occurs or circumstances change that would more likely than not result in an impairment. The impairment test is based on the estimated fair value of the underlying businesses. See Note 6 for further information on goodwill.

K. Fair Value of Financial Instruments

SFAS No. 107, "Disclosure About Fair Value of Financial Instruments," requires certain disclosures regarding the fair value of financial instruments. Due to the short maturities of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses, the net book value of these financial instruments are deemed to approximate fair value.

The estimated fair values of the Corporation's debt instruments at December 31, 2004 aggregated $345.7 million compared to a carrying value of $342.5 million. The carrying amount of the variable interest rate debt approximates fair value because the interest rates are reset periodically to reflect current market conditions. Fair values for the Corporation's fixed rate debt were estimated by management, utilizing valuations provided by third parties in accordance with their proprietary models.

The carrying amount of the interest rate swaps reflects their fair value as determined by management, utilizing third parties in accordance with their proprietary models.

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

L. Research and Development

The Corporation funds research and development programs for commercial products and independent research and development and bid and proposal work related to government contracts. Development costs include engineering and field support for new customer requirements. Corporation-sponsored research and development costs are expensed as incurred.

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

M. Environmental Costs

The Corporation establishes a reserve for a potential environmental remediation liability on a site by site basis when it concludes that a determination of legal liability is probable, and the amount of the liability can be reasonably estimated based on current law and existing technologies. Such amounts, if quantifiable, reflect the Corporation's estimate of the amount of that liability. If only a range of potential liability can be estimated and no amount within the range is more probable than another, a reserve will be established at the low end of that range. At sites involving multiple parties, the Corporation accrues environmental liabilities based upon its expected share of the liability, taking into account the financial viability of other jointly liable partners. Such reserves, which are reviewed quarterly, are adjusted as assessment and remediation efforts progress or as additional information become available. Approximately 80% of the Corporation's environmental reserves as of December 31, 2004 represent the current value of anticipated remediation costs and are not discounted primarily due to the uncertainty of timing of expenditures. The remaining environmental reserves are discounted to reflect the time value of money since the amount and timing of cash payments for the liability are reliably determinable. All environmental reserves exclude any potential recovery from insurance carriers or third-party legal actions.

N. Accounting for Stock-Based Compensation

In accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the Corporation elected to account for its stock-based compensation using the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". As such, the Corporation does not recognize compensation expense on non-qualified stock options granted to employees under the Corporation's 1995 Long-Term Incentive Plan ("LTI Plan"), when the exercise price of the options is equal to the market price of the underlying stock on the date of the grant, or on non-qualified stock options granted under the Corporation's Employee Stock Purchase Plan ("ESPP").

Pro forma information regarding net earnings and earnings per share is required by SFAS No. 123 and has been determined as if the Corporation had accounted for its employee stock option grants under the fair value method prescribed by that Statement. Information with regard to the number of options granted, market price of the grants, vesting requirements, and the maximum term of the options granted appears by plan type in Note 12. The fair value of the LTI Plan options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

	2004	2003	2002
Risk-free interest rate	**3.89%**	3.68%	3.61%
Expected volatility	**31.37%**	31.68%	31.33%
Expected dividend yield	**0.64%**	0.94%	0.92%
Weighted-average option life	**7 years**	7 years	7 years
Weighted-average grant-date fair value of options	**$21.43**	$13.97	$11.81

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

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

The Corporation's pro forma information for the years ended December 31, 2004, 2003, and 2002 is as follows:

(In thousands, except per share data)	**2004**	2003	2002
NET EARNINGS:			
AS REPORTED	**$65,066**	$52,268	$45,136
Deduct:			
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(1,862)**	(1,261)	(1,524)
Pro forma	**$63,204**	$51,007	$43,612
NET EARNINGS PER SHARE:			
As reported:			
Basic	**$ 3.07**	$ 2.53	$ 2.21
Diluted	**$ 3.02**	$ 2.50	$ 2.16
Pro forma:			
Basic	**$ 2.98**	$ 2.47	$ 2.14
Diluted	**$ 2.93**	$ 2.44	$ 2.09

The Corporation receives tax deductions related to the exercise of non-qualified LTI Plan options and disqualifying dispositions of stock granted under the ESPP, the offset of which is recorded in equity. The tax benefit of these deductions totaled $3.5 million, $1.7 million, and $2.7 million in 2004, 2003, and 2002, respectively.

O. Capital Stock

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

In February 2001, the Corporation increased the authorized number of shares for repurchase under its existing stock repurchase program by 600,000 shares. This increase was an addition to the previous authorization of 300,000 shares. Purchases were authorized to be made from time to time in the open market or privately negotiated transactions, depending on market and other conditions, whenever management believes that the market price of the stock does not adequately reflect the true value of the Corporation and, therefore, represented an attractive investment opportunity. The shares are held at cost and reissuance is recorded at the weighted average cost. Through December 31, 2004, the Corporation had repurchased 210,930 shares under this program. There was no stock repurchased during 2004, 2003, and 2002.

P. Earnings Per Share

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

Q. Income Taxes

The Corporation applies SFAS No. 109, "Accounting for Income Taxes." Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The effect on deferred tax assets and liabilities of a change in tax laws is recognized in the results of operations in the period the new laws are enacted. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets unless it is more likely than not that such assets will be realized.

R. Foreign Currency Translation

For operations outside the United States of America that prepare financial statements in currencies other than the U.S. dollar, the Corporation translates assets and liabilities at period-end exchange rates and income statement amounts using weighted average exchange rates for the period. The cumulative effect of translation adjustments is presented as a component of accumulated other comprehensive income within stockholders' equity. This balance is affected by foreign currency exchange rate fluctuations and by the acquisition of foreign entities. Gains and losses from foreign currency transactions are included in results of operations.

S. Derivatives

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

T. Recently Issued Accounting Standards

In May 2004, the FASB issued FASB Staff Position ("FSP") 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003." This guidance supersedes FSP 106-1 issued in January 2004 and clarifies the accounting and disclosure requirements for employers with postretirement benefit plans that have been or will be affected by the passage of the Medicare Prescription Drug Improvement and Modernization Act of 2003 ("the Act"). The Act introduces two new features to Medicare that an employer needs to consider in measuring its obligation and net periodic postretirement benefit costs. The effective date for the new requirements is the first interim or annual period beginning after June 15, 2004. Additional information regarding the impact of the Act is presented in Note 14.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs—an Amendment of ARB No. 43, Chapter 4". This Statement amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage), requiring that these items be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal." In addition, this Statement requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This Statement is effective for annual reporting periods beginning after June 15, 2005. The Corporation does not anticipate that the adoption of this statement will have a material impact on the Corporation's results of operation or financial condition.

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

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets and Amendment of APB Opinion No. 29." This statement eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21 (b) of APB Opinion No. 29 and replaces it with an exception for exchanges that do not have commercial substance. This Statement specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This Statement is effective for annual reporting periods beginning after June 15, 2005. The Corporation does not anticipate that the adoption of this statement will have a material impact on the Corporation's results of operation or financial condition.

In December 2004, the FASB issued FSP 109-1, "Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." The FASB staff believes that the deduction should be accounted for as a special deduction in accordance with Statement 109. The staff also believes that the special deduction should be considered by an enterprise in measuring deferred taxes when graduated tax rates are a significant factor, and when assessing whether an evaluation allowance is required. This FSP became effective upon issuance. The adoption of this FSP did not have a material impact on the Corporations' results of operation or financial position.

In December 2004, the FASB issued FSP 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004." The American Jobs Creation Act of 2004 provides for a special one-time tax deduction of 85 percent of certain foreign earnings that are repatriated. FASB 109 left intact the provisions of APB Opinion No. 23 "Accounting for Income Taxes—Special Areas," which provides an exception related to foreign earnings that will not be repatriated. Under this exception, income taxes were not required to be accrued. This FSP became effective upon issuance; however the FASB staff is allowing additional time to evaluate its effect. The Corporation does not anticipate that the adoption of this FSP will have a material impact on the Corporation's results of operation or financial condition. Additional information regarding this FSP is presented in Note 9.

2. Acquisitions

The Corporation acquired eleven businesses in 2004, nine of which are described in more detail below, seven businesses in 2003, and six businesses in 2002 as described below. The remaining two businesses acquired in 2004 had an aggregate purchase price of $1.1 million and are not considered material. All acquisitions have been accounted for as purchases with the excess of the purchase price over the estimated fair value of the net tangible and intangible assets acquired recorded as goodwill. The Corporation makes preliminary estimates of the purchase price allocations, including the value of identifiable intangibles with a finite life and records amortization based upon the estimated useful life of those intangible assets identified. The Corporation will adjust these estimates based upon analysis of third party appraisals, when deemed appropriate, and the determination of fair value when finalized, within twelve months from acquisition.

The following unaudited pro forma financial information shows the results of operations for the years ended December 31, 2004 and 2003, as though the 2003 and 2004 acquisitions had occurred on January 1, 2003. The unaudited pro forma presentation reflects adjustments for (i) the amortization of acquired intangible assets, (ii) depreciation of fixed assets at their acquired fair values, (iii) additional interest expense on acquisition-related borrowings, (iv) the issuance of stock as consideration, and (v) the income tax effect on the pro forma adjustments, using local statutory rates. The pro forma adjustments related to certain acquisitions are based on preliminary purchase price allocations. Differences between the preliminary and final purchase price allocations could have a significant impact on the unaudited pro forma financial information presented. The unaudited pro forma financial information below is presented for illustrative purposes only and is not necessarily indicative of the operating results that would have been achieved had the acquisition been completed as of the date indicated above or the results that may be obtained in the future.

Unaudited (In thousands)	**2004**	2003
Revenue	**$1,021,634**	$956,454
Net earnings	**$ 66,046**	$ 60,091
Diluted earnings per share	**$ 3.05**	$ 2.84

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

FLOW CONTROL

GOVERNMENT MARINE BUSINESS UNIT

On November 10, 2004, the Corporation acquired certain assets of the Government Marine Business Unit ("GMBU") division of Flowserve Corporation. The effective date of the acquisition was November 1, 2004. The purchase price, subject to customary adjustments provided for in the Asset Purchase Agreement, was $28.1 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The excess of the purchase price over the fair value of the net assets acquired is $7.0 million at December 31, 2004. Revenues of the purchased business were $26.4 million for the year ended December 31, 2003.

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

GROQUIP

On July 12, 2004, the Corporation acquired the outstanding stock of Groth Equipment Corporation of Louisiana ("Groquip"). The purchase price, subject to customary adjustments provided for in the Stock Purchase Agreement, was $4.5 million payable in approximately 18,000 shares of the Corporation's restricted Common Stock valued at $1.0 million and cash of $3.5 million, and the assumption of certain liabilities. The cash portion of the purchase price was funded from credit available under the Corporation's revolving credit facilities. The Corporation is holding $0.3 million as security for potential indemnification claims. Any amount of holdback remaining after claims for indemnification have been settled will be paid to the seller within 12 months of the acquisition date. The purchase price approximated the fair value of the net assets acquired as of December 31, 2004.

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

NOVA

On May 24, 2004, the Corporation acquired certain assets of NOVA Machine Products Corporation ("NOVA"). The purchase price was $20.0 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. As of December 31, 2004, the Corporation has $0.6 million included in other current liabilities as a result of the settlement of customary adjustments provided in the Asset Purchase Agreement. There are provisions in the agreement for additional payments upon the achievement of certain financial performance criteria through 2009 up to a maximum additional payment of $9.2 million. Through December 31, 2004, the Corporation has made no payments of additional consideration under these provisions. The excess of the purchase price over the fair value of the net assets acquired is $4.5 million at December 31, 2004.

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

TRENTEC

On May 24, 2004, the Corporation acquired certain assets of Trentec, Inc. ("Trentec"). The purchase price, subject to customary adjustments provided for in the Asset Purchase Agreement, was $13.8 million, payable in approximately 280,000 shares of the Corporation's restricted Common Stock valued at $13.0 million, cash of $0.8 million, and the assumption of certain liabilities. The cash portion of the purchase price is being held by the Corporation as security for potential indemnification claims. Any amount of holdback remaining after claims for indemnification have been settled will be paid to the seller within 18 months of the acquisition date. The excess of the purchase price over the fair value of the net assets acquired is $5.3 million at December 31, 2004.

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

TAPCO INTERNATIONAL

On December 3, 2002, the Corporation acquired the assets of TAPCO International, Inc., ("TAPCO") for $12.0 million in cash and the assumption of certain liabilities and was funded from the Corporation's revolving credit facilities. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $6.4 million, including foreign currency translation adjustment gains of $0.2 million.

TAPCO designs, engineers, and manufactures high-performance metal seated industrial gate valves, butterfly valves, flapper valves, actuators, and internal components used in high-temperature, highly abrasive, and highly corrosive environments in the petrochemical refining industry. Operations are located in Houston, Texas with a minor operation in the UK to serve the European market.

ELECTRO-MECHANICAL DIVISION

On October 28, 2002, the Corporation acquired the net assets of the Electro Mechanical Division ("EMD") of Westinghouse Government Services Company LLC, a wholly-owned subsidiary of Washington Group International. The purchase price of the acquisition was $84.9 million in cash and the assumption of certain liabilities and was funded from the Corporation's revolving credit facilities. The purchase price has been allocated to the net tangible and intangible assets acquired, with the remainder recorded as goodwill, on the basis of fair values, as follows:

(In thousands)

Net working capital	$ 455
Property, plant, and equipment	70,474
Deferred tax assets	36,097
Other noncurrent assets	6,511
Postretirement benefit obligation	(36,344)
Pension benefit obligation	(38,626)
Other noncurrent liabilities	(13,881)
Intangible assets	6,970
Net tangible and intangible assets	$ 31,656
Purchase price	84,915
Goodwill	$ 53,259

The purchase price includes $5.1 million, which will be paid in early 2005 and has been recorded on the Corporation's balance sheet in other current liabilities as of December 31, 2004. The additional payment represents the final settlement of the working capital adjustment included in the Asset Purchase Agreement.

EMD is a designer and manufacturer of highly engineered critical function electro-mechanical solutions for the U.S. Navy, commercial nuclear power utilities, petrochemical, and hazardous waste industries. The addition of EMD further strengthens the Corporation's relationship with and broadens the product base that we currently provide to the U.S. Navy. The EMD product offerings complement the Corporation's product lines of control valves and electronic instrumentation and control technology. Operations are located in Cheswick, Pennsylvania.

MOTION CONTROL

SYNERGY

On August 31, 2004, the Corporation acquired the outstanding stock of Synergy Microsystems, Inc ("Synergy"). The purchase price was $49.3 million in cash and was funded from credit available under the Corporation's revolving credit facilities. Under the terms of the agreement, the Corporation deposited $2.5 million into escrow as security for potential indemnification claims against the seller. Any escrow remaining after claims for indemnification have been settled will be paid to the seller 18 months from the acquisition date by the escrow agent. The excess of the purchase price over the fair value of the net assets acquired is $31.8 million at December 31, 2004.

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

PRIMAGRAPHICS

On May 28, 2004, the Corporation acquired the outstanding stock of Primagraphics Holdings Limited ("Primagraphics"). The purchase price, subject to customary adjustments provided for in the Stock Purchase Agreement, was £12.5 million ($22.4 million) in cash. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The estimated excess of the purchase price over the fair value of the net assets acquired is $15.2 million at December 31, 2004, including foreign currency translation adjustment gains of $1.0 million. The fair value of the net assets acquired was based on current estimates. The Corporation may adjust these estimates based upon analysis of third party appraisals and the final determination of fair value.

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

Dy 4

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

(In thousands)

Net working capital	$ 11,087
Property, plant, and equipment	6,238
Deferred tax liabilities	(10,256)
Intangible assets	40,549
Net tangible and intangible assets	$ 47,618
Purchase price, including capitalized acquisition costs	110,360
Goodwill	$ 62,742

Dy 4 is considered a market leader in ruggedized embedded computing solutions for the defense and aerospace industries. Using standard, commercially available computing technologies, referred to as commercial-off-the-shelf or "COTS", Dy 4 customizes the products to perform reliably in rugged conditions, such as extreme temperature, terrain, and speed. The acquisition was made primarily to compliment the Corporation's existing businesses that serve the embedded computing market. Based in Ottawa, Canada, Dy 4 also has a facility in Virginia and a sales office in the United Kingdom. Revenues of the purchased business for the fiscal year ending August 29, 2003 were $72.4 million.

NOVATRONICS/PICKERING

On December 4, 2003, the Corporation acquired all of the outstanding stock of Novatronics Inc. ("Novatronics") and Pickering Controls Inc. ("Pickering"). The purchase price was $13.6 million in cash and the assumption of certain liabilities and was funded with proceeds from the Senior Notes issued in September 2003. There are provisions in the agreement for an additional payment in 2006 upon the achievement of certain financial performance criteria up to a maximum of $2.3 million. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $6.3 million, including foreign currency translation adjustment gains of $0.2 million.

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

SYSTRAN CORPORATION

On December 1, 2003, the Corporation acquired all of the outstanding shares of Systran Corporation ("Systran"). The purchase price was $18.3 million in cash and the assumption of certain liabilities and was funded with proceeds from the Senior Notes issued in September 2003. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $9.1 million.

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

PERITEK CORPORATION

On August 1, 2003, the Corporation acquired the assets and certain liabilities of Peritek Corporation ("Peritek"). The purchase price was $3.2 million in cash and the assumption of certain liabilities. As of December 31, 2004, the Corporation has paid $2.4 million in cash and has a promissory note of $0.5 million payable in 2005. The remaining $0.3 million is being held as security for potential indemnification claims. Any amount of holdback remaining after claims for indemnification have been settled will be paid nineteen months after the acquisition date. The purchase price of the acquisition approximates the fair value of the net assets acquired as of December 31, 2004, which includes developed technology of approximately $2.6 million.

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

COLLINS TECHNOLOGIES

On February 28, 2003, the Corporation acquired the assets of Collins Technologies ("Collins"). The purchase price was $11.8 million in cash and the assumption of certain liabilities. Management funded the purchase price from credit available under the Corporation's Short-Term Credit Agreement. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $6.2 million.

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

PENNY & GILES/AUTRONICS

On April 1, 2002, the Corporation acquired all of the outstanding shares of Penny & Giles Controls Ltd., Penny & Giles Controls Inc., Penny & Giles Aerospace Ltd., the assets of Penny & Giles International Plc. devoted to its aerospace component business (collectively "Penny & Giles"), and substantially all of the assets of Autronics Corporation ("Autronics"). The purchase price was $59.5 million in cash and the assumption of certain liabilities. Approximately $40 million of the purchase price was funded from the Corporation's Revolving Credit facility. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $34.2 million, including foreign currency translation adjustment gains of $6.5 million.

Penny & Giles is a designer and manufacturer of proprietary position sensors and control hardware for both military and commercial aerospace applications and industrial markets. Autronics is a leading provider of aerospace fire detection and suppression control systems, power conversion products, and control electronics. The acquired business units are located in Wales, England, Germany, and the United States of America.

METAL TREATMENT

EVERLUBE

On April 2, 2004, the Corporation purchased the assets of the Everlube Products division ("Everlube") of Morgan Advanced Ceramics, Inc. The purchase price was $6.5 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The estimated excess of the purchase price over the fair value of the net assets acquired is $3.3 million at December 31, 2004. The fair value of the net assets acquired was based on current estimates. The Corporation may adjust these estimates based upon analysis of third party appraisals and the final determination of fair value.

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

EVESHAM

On February 24, 2004, the Corporation purchased the assets of the Evesham coatings business located in the United Kingdom ("Evesham") from Morgan Advanced Ceramics, Ltd. The purchase price was £3.5 million ($6.5 million) in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's revolving credit facilities. The excess of the purchase price over the fair value of the net assets acquired is $2.2 million at December 31, 2004, including foreign currency translation adjustment gains of $0.1 million.

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

E/M ENGINEERED COATINGS SOLUTIONS

On April 2, 2003, the Corporation purchased selected assets of E/M Engineered Coatings Solutions ("E/M Coatings"). The purchase price was $16.8 million in cash and the assumption of certain liabilities. The purchase price was funded from credit available under the Corporation's Short-Term Credit Agreement. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $6.4 million.

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

ADVANCED MATERIAL PROCESS

On March 11, 2003, the Corporation acquired selected net assets of Advanced Material Process Corp. ("AMP"), a private company with operations located in Wayne, Michigan. The purchase price was $6.0 million in cash and the assumption of certain liabilities. There are provisions in the agreement for additional payments upon the achievement of certain financial performance criteria through 2008 up to a maximum additional payment of $1.0 million. As of December 31, 2004, the Corporation has paid $0.1 million in such additional consideration. Management funded the purchase from credit available under the Corporation's Short-Term Credit Agreement. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $1.4 million.

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

BRENNER TOOL & DIE

On November 14, 2002, the Corporation acquired selected assets and liabilities of Brenner Tool and Die, Inc. ("Brenner") relating to Brenner's metal finishing operations in Bensalem, Pennsylvania. Brenner provides non-destructive testing, chemical milling, chromic and phosphoric anodizing, and painting services.

The purchase price was $10.0 million in cash, which approximated the fair value of the net assets acquired as of December 31, 2004. There are provisions in the agreement for additional payments upon the achievement of certain financial performance criteria through 2007 up to a maximum additional payment of $10.0 million. Through December 31, 2004, the Corporation has made no payments of additional consideration under these provisions.

YTSTRUKTUR ARBOGA AB

On April 11, 2002, the Corporation acquired 100% of the stock of Ytstruktur Arboga AB, a metal treatment business located in Arboga, Sweden. This business, specializing in controlled shot peening, non-destructive testing, and other metal finishing processes, services the Scandinavian market.

The purchase price was $1.2 million. The excess of the purchase price over the fair value of the net assets acquired as of December 31, 2004 is $1.6 million, including $0.6 million of foreign currency translation gains.

3. Receivables

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

Credit risk is generally diversified due to the large number of entities comprising the Corporation's customer base and their geographic dispersion. The Corporation is either a prime contractor or subcontractor of various agencies of the U.S. Government. Revenues derived directly and indirectly from government sources (primarily the U.S. Government) were 47%, 46%, and 41% of consolidated revenues in 2004, 2003, and 2002, respectively. As of December 31, 2004 and 2003, accounts receivable due directly or indirectly from these government sources represented 42% and 34% of net receivables, respectively. Sales to one customer through which the Corporation is a subcontractor to the U.S. Government were 13% of consolidated revenues in 2004, 16% in 2003, and 10% in 2002. Accounts receivables due from this same customer were 14% of net receivables at December 31, 2003. No single customer accounted for more than 10% of the Corporation's net receivables as of December 31, 2004.

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

The composition of receivables is as follows:

(In thousands) December 31,	**2004**	2003
BILLED RECEIVABLES:		
Trade and other receivables	**$156,891**	$111,068
Less: Allowance for doubtful accounts	**(4,011)**	(3,449)
Net billed receivables	**152,880**	107,619
UNBILLED RECEIVABLES:		
Recoverable costs and estimated earnings not billed	**79,156**	56,070
Less: Progress payments applied	**(17,952)**	(20,327)
Net unbilled receivables	**61,204**	35,743
Receivables, net	**$214,084**	$143,362

The net receivable balance at December 31, 2004 included $34.7 million related to the Corporation's 2004 acquisitions.

4. Inventories

In accordance with industry practice, inventoried costs contain amounts relating to long-term contracts and programs with long production cycles, a portion of which will not be realized within one year. Inventories are valued at the lower of cost (principally average cost) or market. The composition of inventories is as follows:

(In thousands) December 31,	**2004**	2003
Raw material	**$ 49,616**	$ 40,624
Work-in-process	**35,157**	26,409
Finished goods and component parts	**50,117**	46,575
Inventoried costs related to U.S. Government and other long-term contracts	**19,396**	20,544
Gross inventories	**154,286**	134,152
Less: Inventory reserves	**(26,276)**	(22,278)
Progress payments applied, principally related to long-term contracts	**(12,031)**	(13,994)
Inventories, net	**$115,979**	$ 97,880

The net inventory balance at December 31, 2004 included $21.1 million related to the Corporation's 2004 acquisitions.

5. Property, Plant, and Equipment

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

(In thousands) December 31,	**2004**	2003
Land	**$ 12,563**	$ 12,206
Buildings and improvements	**101,476**	93,058
Machinery, equipment, and other	**340,363**	294,744
Property, plant, and equipment, at cost	**454,402**	400,008
Less: Accumulated depreciation	**(189,159)**	(161,869)
Property, plant, and equipment, net	**$ 265,243**	$ 238,139

Depreciation expense for the years ended December 31, 2004, 2003, and 2002 was $32.4 million, $27.7 million, and $16.7 million, respectively. The net property, plant, and equipment balance at December 31, 2004 included $23.7 million related to the Corporation's 2004 acquisitions.

6. Goodwill

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

The changes in the carrying amount of goodwill for 2004 and 2003 are as follows:

(In thousands)	Flow Control	Motion Control	Metal Treatment	Consolidated
December 31, 2002	$ 95,409	$ 78,727	$ 6,965	$181,101
Goodwill from 2003 acquisitions	—	21,369	8,581	29,950
Change in estimate to fair value of net assets acquired in prior years	(6,458)	5,003	13	(1,442)
Additional consideration of prior years' acquisitions	2,481	1,078	—	3,559
Foreign currency translation adjustment	1,986	4,673	231	6,890
December 31, 2003	$ 93,418	$110,850	$15,790	$220,058
Goodwill from 2004 acquisitions	**17,070**	**109,207**	**5,411**	**131,688**
Change in estimate to fair value of net assets acquired in prior years	**(2,260)**	**34**	**(871)**	**(3,097)**
Additional consideration of prior years' acquisitions	**5,777**	**4,024**	**20**	**9,821**
Foreign currency translation adjustment	**1,197**	**4,464**	**182**	**5,843**
December 31, 2004	**$115,202**	**$228,579**	**$20,532**	**$364,313**

Additional consideration of prior years' acquisitions includes accruals of $8.5 million and $1.2 million as of December 31, 2004 and 2003, respectively, related to earn out and other required contractual payments. These amounts are classified in other current liabilities as additional amounts due to sellers.

During 2004, the Corporation finalized the allocation of the purchase price for the seven businesses acquired in 2003 and nine of the acquired businesses in 2004. The purchase price allocations relating to two of the businesses acquired in 2004 are based on estimates and have not yet been finalized. Approximately $28 million and $14 million of the goodwill on acquisitions made during 2004 and 2003, respectively, is deductible for tax purposes.

In accordance with SFAS No. 142, the Corporation completed its annual impairment test of goodwill during the third quarter of 2004 and concluded there was no impairment of goodwill.

7. Other Intangible Assets, net

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

The following table summarizes the intangible assets acquired (including their weighted average useful lives) by the Corporation during 2004 and 2003. The 2004 amounts include certain estimates that are subject to adjustment, while the 2003 amounts have been adjusted to reflect the changes in estimates of fair value made in 2004. Excluded from Other intangible assets are indefinite lived intangibles of $8.0 million and $0.9 million in 2004 and 2003, respectively.

(In thousands, except years data)	**2004**		2003	
	Amount	**Years**	Amount	Years
Developed technology	**$46,858**	**17.6**	$ 7,338	13.2
Customer related intangibles	**39,961**	**18.7**	14,977	15.9
Other intangible assets	**1,391**	**8.2**	2,229	11.1
Total	**$88,210**	**17.9**	$24,544	14.7

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

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

2003	Gross	Accumulated Amortization	Net
Developed technology	$ 32,892	$ (2,966)	$ 29,926
Customer related intangibles	14,469	(863)	13,606
Other intangible assets	5,902	(1,166)	4,736
Total	$ 53,263	$ (4,995)	$ 48,268

The following table presents the changes in the net balance of other intangibles assets during 2004:

(In thousands)	Developed Technology	Customer Related Intangibles	Other Intangible Assets	Total
December 31, 2003	**$29,926**	**$13,606**	**$ 4,736**	**$ 48,268**
Acquired during 2004	**46,858**	**39,961**	**9,364**	**96,183**
Amortization expense	**(4,307)**	**(3,413)**	**(628)**	**(8,348)**
Change in estimate of fair value related to purchase price allocations	**(5,146)**	**7,514**	**610**	**2,978**
Net foreign currency translation adjustment	**1,203**	**99**	**(14)**	**1,288**
Total	**$68,534**	**$57,767**	**$14,068**	**$140,369**

During 2003, the Corporation removed $1.5 million of fully amortized intangible assets from the gross and accumulated amortization of customer related intangibles, respectively. Included in other intangible assets at December 31, 2004 and 2003 are $9.9 million and $1.0 million, respectively, of intangible assets not subject to amortization.

Amortization expense for the years ended December 31, 2003 and 2002 was $3.6 million and $1.9 million, respectively. The estimated future amortization expense of purchased intangible assets is as follows:

(In thousands)	
2005	$ 10,055
2006	9,177
2007	9,177
2008	9,125
2009	8,389
2010 and thereafter	94,446
Total amortization expense	$140,369

8. Accrued Expenses and Other Current Liabilities

Accrued expenses consist of the following:

(In thousands) December 31,	2004	2003
Accrued compensation	**$36,520**	$26,331
Accrued commissions	**3,857**	1,593
Accrued taxes other than income taxes	**3,642**	3,050
Accrued insurance	**3,179**	3,957
Accrued interest	**3,170**	3,264
Other	**13,045**	6,743
Total accrued expenses	**$63,413**	$44,938

Other current liabilities consist of the following:

(In thousands) December 31,	2004	2003
Deferred revenue	**$26,575**	$21,726
Additional amounts due to sellers on acquisitions	**10,899**	2,154
Warranty reserves	**9,667**	10,011
Current portion of environmental reserves	**1,843**	2,178
Other	**3,809**	3,355
Total other current liabilities	**$52,793**	$39,424

The accrued expenses and other current liabilities at December 31, 2004 included $7.6 million and $3.9 million, respectively, related to the Corporation's 2004 acquisitions.

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

(In thousands) December 31,	2004	2003
Warranty reserves at January 1,	**$10,011**	$ 9,504
Provision for current year sales	**3,275**	1,650
Current year claims	**(2,334)**	(1,930)
Change in estimates to pre-existing warranties	**(2,856)**	(389)
Increase due to acquisitions	**1,135**	612
Foreign currency translation adjustment	**436**	564
Warranty reserves at December 31,	**$ 9,667**	$10,011

9. Income Taxes

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

(In thousands)	2004	2003	2002
Domestic	**$65,963**	$67,429	$55,314
Foreign	**32,790**	16,627	16,421
Total	**$98,753**	$84,056	$71,735

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

(In thousands)	**2004**	2003	2002
Current:			
Federal	**$21,158**	$17,018	$13,582
State	**5,481**	4,103	3,648
Foreign	**10,548**	5,050	5,255
	37,187	26,171	22,485
Deferred:			
Federal	**(878)**	5,032	3,664
State	**(1,969)**	426	296
Foreign	**(653)**	159	154
	(3,500)	5,617	4,114
Provision for income taxes	**$33,687**	$31,788	$26,599

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

	2004	2003	2002
U.S. Federal statutory tax rate	**35.0%**	35.0%	35.0%
Add (deduct):			
State and local taxes, net of federal benefit	**1.6**	3.5	3.6
Recovery of research & development credits from prior years	**—**	—	(1.3)
Dividends received deduction and tax exempt income	**—**	—	(0.1)
All other, net	**(2.5)**	(0.7)	(0.1)
Effective tax rate	**34.1%**	37.8%	37.1%

The 2004 effective tax rate included nonrecurring benefits totaling $3.4 million, primarily resulting from the change in legal structure of one of our subsidiaries, and a favorable IRS appeals settlement relating to the 1993 tax year.

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

(In thousands)	**2004**	2003
Deferred tax assets:		
Environmental reserves	**$ 9,141**	$ 9,318
Inventories	**10,730**	8,992
Postretirement/postemployment benefits	**16,204**	15,601
Incentive compensation	**7,086**	5,383
Accrued vacation pay	**4,229**	3,806
Warranty reserve	**1,950**	1,686
Other	**5,164**	4,446
Total deferred tax assets	**54,504**	49,232
Deferred tax liabilities:		
Retirement plans	**9,447**	13,692
Depreciation	**17,607**	16,416
Goodwill amortization	**20,974**	4,936
Other intangible amortization	**19,078**	9,285
Other	**1,748**	3,071
Total deferred tax liabilities	**68,854**	47,400
Net deferred tax (liabilities) assets	**$(14,350)**	$ 1,832

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

(In thousands)	**2004**	2003
Current deferred tax assets	**$ 25,693**	$ 23,630
Noncurrent deferred tax liabilities	**(40,043)**	(21,798)
Net deferred tax assets	**$(14,350)**	$ 1,832

As of December 31, 2004, the Corporation had state and foreign net operating loss carryforwards of $0.4 million, after tax. The state net operating loss carryforwards expire through the year 2023. The foreign net operating loss carryforwards have no expiration date.

Income tax payments of $28.8 million were made in 2004, $22.8 million in 2003, and $34.6 million in 2002.

No provision has been made for U.S. federal or foreign taxes on that portion of certain foreign subsidiaries' undistributed earnings considered to be permanently reinvested, which at December 31, 2004 was $23.3 million. It is not practicable to estimate the amount of tax that would be payable if these amounts were repatriated to the U.S.; however, it is expected there would be minimal or no additional tax because of the availability of foreign tax credits.

In December 2004, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. FAS 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP No. 109-2"). The American Jobs Creation Act of 2004 (the "Act"), which became effective October 22, 2004, provides a one-time dividends received deduction on the repatriation of certain foreign earnings to a U.S. taxpayer, provided certain criteria are met. The Corporation may apply the provision of the Act to qualifying earnings repatriations through December 31, 2005. FSP No. 109-2 provides accounting and disclosure guidance for the repatriation provision. As permitted by FSP No. 109-2, the Corporation will not complete its evaluation of the repatriation provisions until a reasonable duration following the publication of clarifying language on key elements of the Act by Congress or the Treasury Department. Accordingly, the Corporation has not recorded any income tax expense or benefit for amounts that may be repatriated under the Act. The range of unremitted earnings the Corporation is considering for possible repatriation under the Act is zero to $23 million, which would result in additional income tax expense of zero to $3 million. Currently, the Corporation does not record deferred tax liabilities on unremitted earnings of its foreign subsidiaries, as such subsidiaries invest such undistributed earnings indefinitely.

10. Debt

Debt at December 31 consists of the following:

(In thousands)	**2004**	2003
Industrial Revenue Bonds, due from 2007 to 2028. Weighted average interest rate per annum is 1.39% and 1.24% for 2004 and 2003, respectively	**$ 14,296**	$ 14,351
Revolving Credit Agreement, due 2009. Weighted average interest rate per annum is 2.56% for 2004 and 1.97% for 2003	**124,500**	8,868
5.13% Senior Notes due 2010	**75,329**	75,217
Weighted average interest rate per annum is 4.39% for 2004 and 4.71% for 2003		
5.74% Senior Notes due 2013	**126,793**	125,747
Weighted average interest rate per annum is 4.24% for 2004 and 4.84% for 2003		
Other debt	**1,572**	965
Total debt	**342,490**	225,148
Less: Short-term debt	**1,630**	997
Total Long-term debt	**$340,860**	$224,151

The estimated fair values of the Corporation's total debt instruments at December 31, 2004 aggregated $345.7 million compared to a carrying value of $342.5 million. The carrying amount of the variable interest rate long-term debt approximates fair value because the interest rates are reset periodically to reflect current market conditions. Fair values for the Corporation's fixed rate debt were estimated by management, utilizing valuations provided by third parties in accordance with their proprietary models.

The carrying amount of the interest rate swaps reflects their fair value as provided by third parties in accordance with their proprietary models.

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

Aggregate maturities of debt are as follows [1]:

(In thousands)	
2005	$ 1,630
2006	59
2007	5,060
2008	62
2009	124,564
Thereafter	208,994
Total	$340,369

[1] Amounts exclude a $2.1 million adjustment to the fair value of long-term debt relating to the Corporation's interest rate swap agreements that will not be settled in cash.

Interest payments of $12.1 million, $2.6 million, and $1.6 million were made in 2004, 2003, and 2002, respectively.

On July 23, 2004, the Corporation amended its existing credit facility, increasing the available line of credit from $225 million to $400 million with a group of ten banks. The Corporation plans to use the credit line for working capital purposes, internal growth initiatives, funding of future acquisitions, and other general corporate purposes. The credit agreement expires in 2009. Borrowings under the agreement bear interest at a floating rate based on market conditions. In addition, the Corporation's interest rate and level of facility fees depend on maintaining certain financial ratios defined in the agreement. The Corporation is subject to annual facility fees on the commitments under the Revolving Credit Agreement. In connection with the Revolving Credit Agreement, the Corporation paid customary transaction fees that have been deferred and are being amortized over the term of the agreement. The Corporation is required under the agreement to maintain certain financial ratios and meet certain financial tests as detailed in the agreement, of which the Corporation is in compliance at December 31, 2004. The unused credit available under the Revolving Credit Agreement at December 31, 2004 and 2003 was $256.7 and $107.1 million, respectively.

On September 25, 2003, the Corporation issued $200.0 million of Senior Notes (the "Notes"). The Notes consist of $75.0 million of 5.13% Senior Notes that mature on September 25, 2010 and $125.0 million of 5.74% Senior Notes that mature on September 25, 2013. The Notes are senior unsecured obligations and are equal in right of payment to the Corporation's existing senior indebtedness. The Corporation, at its option, can prepay at any time, all or from time to time any part of, the Notes, subject to a make-whole amount in accordance with the Note Purchase Agreement. The Corporation paid customary fees that have been deferred and will be amortized over the terms of the Notes. The Corporation is required under the Note Purchase Agreement to maintain certain financial ratios and meet certain net worth and indebtedness tests, of which the Corporation is in compliance.

In the fourth quarter of 2003, the Corporation entered into two interest rate swap agreements, designated as fair value hedges, which effectively convert $80 million of the Corporation's $200 million Senior Note fixed rate debt to floating rate debt. Under the terms of these agreements, the Corporation makes payments based on specified spreads over six-month LIBOR and receives payments equal to the interest payments due on the fixed rate debt. The differential between the payments is recognized as interest expense. The interest rate swap agreements qualify for the "shortcut method" under SFAS No. 133, which allows for an assumption of no ineffectiveness in the hedging relationship. As such, there is no income statement impact from changes in the fair value of the hedging instruments. Instead, the fair value of the instruments is recorded as an asset or liability on the Corporation's balance sheet, with an offsetting adjustment to the carrying value of the related debt. Other long-term assets of $2.1 million in the accompanying December 31, 2004 consolidated balance sheet represents the fair value of the interest rate swap agreements at that date, with a corresponding aggregate increase in the carrying value of the Corporation's long-term debt.

At December 31, 2004, substantially all of the industrial revenue bond issues are collateralized by real estate, machinery, and equipment. Certain of these issues are supported by letters of credit, which total $13.7 million. The Corporation had various other letters of credit totaling $5.1 million. All letters of credit are included under the Revolving Credit Agreement.

11. Earnings Per Share

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

At December 31, 2003 and 2002, the Corporation had stock options outstanding of 148,052 and 162,530 shares, respectively, that were not included in the computation of diluted EPS for 2004, because to do so would have been antidilutive. The Corporation had no antidilutive options outstanding at December 31, 2004. Earnings per share calculations for the years ended December 31, 2004, 2003, and 2002 are as follows:

(In thousands, except per share data)	Net Income	Weighted-Average Shares Outstanding	Earnings Per Share
2004:			
Basic earnings per share	**$65,066**	**21,196**	**$3.07**
Effect of dilutive securities:			
Stock options		**324**	
Deferred stock compensation		**27**	
Diluted earnings per share	**$65,066**	**21,547**	**$3.02**
2003:			
Basic earnings per share	$52,268	20,640	$2.53
Effect of dilutive securities:			
Stock options		222	
Deferred stock compensation		25	
Diluted earnings per share	$52,268	20,887	$2.50
2002:			
Basic earnings per share	$45,136	20,398	$2.21
Effect of dilutive securities:			
Stock options		446	
Deferred stock compensation		24	
Diluted earnings per share	$45,136	20,868	$2.16

12. Stock Compensation Plans

Employee Stock Purchase Plan: In May 2003, the Corporation's Board of Directors and stockholders approved the 2003 Employee Stock Purchase Plan (the "ESPP") under which eligible employees may purchase the Corporation's Common stock at a price per share equal to 85% of the lower of the fair market value of the Common stock at the beginning or end of each offering period. Each offering period of the ESPP lasts six months, with the first offering period commencing on January 1, 2004. Participation in the offering is limited to 10% of an employee's base salary (not to exceed amounts allowed under Section 423 of the Internal Revenue Code), and may be terminated at any time by the employee, and automatically ends on termination of employment with the Corporation. A total of 1,000,000 shares of Common stock have been reserved for issuance under the ESPP. The Common stock to satisfy the stock purchases under the ESPP will be newly issued shares of Common stock. During 2004, 35,000 shares were purchased under the ESPP. As of December 31, 2004, there were 965,000 shares available for future offerings, and the corporation had withheld $1.7 million from employees, the equivalent of 36,100 shares.

1995 Long-Term Incentive Plan: Under the LTI Plan approved by stockholders in 1995 and as amended in 2002 and 2003, an aggregate total of 3,000,000 shares of common stock were reserved for issuance. The Common stock to satisfy employee exercises will be from the Corporation's treasury stock. The Corporation does not expect to repurchase any shares in 2005. No more than 50,000 shares of common stock may be awarded in any year to any one participant in the LTI Plan. Awards under the LTI Plan currently consist of three components—performance units (cash), non-qualified stock options, and non-employee director grants.

Under the LTI Plan, the Corporation awarded performance units of 6,334,074 in 2004, 4,805,783 in 2003, and 4,519,906 in 2002 to certain key employees. The performance units are denominated in dollars and are contingent upon the satisfaction of performance objectives keyed to achieving profitable growth over a period of three fiscal years commencing with the fiscal year following such awards. The anticipated cost of such awards is expensed over the three-year performance period, which amounted to $4.3 million, $3.3 million, and $1.8 million in 2004, 2003, and 2002, respectively. The actual cost of the performance units may vary from the total value of the awards depending upon the degree to which the key performance objectives are met.

Under the LTI Plan, the Corporation has granted non-qualified stock options in 2004, 2003, and 2002 to key employees. Stock options granted under this LTI Plan expire ten years after the date of the grant and are generally exercisable as follows: up to one-third of the grant after one year, up to two-thirds of the grant after two years, and in full three years from the date of grant.

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

The remaining allowable shares for issuance under the 1995 LTI Plan as of December 31, 2004 is 2,124,243.

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

	Shares	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
Outstanding at January 1, 2002	1,589,914	$18.83	936,148	$16.41
Granted	162,530	32.56		
Exercised	(392,160)	15.79		
Forfeited	(19,980)	21.95		
Outstanding at December 31, 2002	1,340,304	21.16	837,024	18.48
Granted	148,052	38.16		
Exercised	(233,708)	16.57		
Forfeited	(16,926)	24.39		
Outstanding at December 31, 2003	1,237,722	24.01	855,676	20.83
Granted	126,336	55.91		
Exercised	(315,517)	19.37		
Forfeited	(50,385)	25.68		
Outstanding at December 31, 2004	**998,156**	**$29.43**	**729,690**	**$23.51**

The following table summarizes information about stock options outstanding at December 31, 2004:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price	Shares	Weighted-Average Remaining Contractual Life in Years	Weighted-Average Exercise Price
Less than $20.00	187,396	3.9	$17.91	187,396	3.9	$17.91
$20.00 – $29.99	410,009	6.6	22.52	410,009	6.6	22.52
$30.00 – $40.00	274,415	8.4	35.43	132,285	8.2	34.48
Greater than $40.00	126,336	9.9	55.91	—	—	—
	998,156	7.0	$29.43	729,690	6.2	$23.51

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

Pursuant to election by non-employee directors to receive shares in lieu of payment for earned and deferred compensation under the Stock Plan, the Corporation had provided for an aggregate additional 27,487 shares, at an average price of $27.59 as of December 31, 2004. During 2004, the Corporation issued 1,770 shares in deferred compensation pursuant to such elections.

Depending on the extent to which the non-employee directors elect to receive future compensation in shares, total awards issued under this Stock Plan could exceed the 32,000 registered shares by April 12, 2006, the termination date of the Stock Plan.

13. Environmental Costs

The Corporation has continued the operation of the ground water and soil remediation activities at the Wood-Ridge, New Jersey site through 2004. The cost of constructing and operating this site was provided for in 1990 when the Corporation established a reserve to remediate the property. Costs for operating and maintaining this site totaled $1.5 million in 2004, $0.6 million in 2003 and $0.5 million in 2002, all of which have been charged against the previously established reserve. The Corporation increased the remediation reserve by $0.3 million and $1.0 million in 2004 and 2002, respectively, based upon revised operating projections. The reserve balance as of December 31, 2004 was $7.0 million. Even though this property was sold in December 2001, the Corporation retained the responsibility for this remediation in accordance with the sale agreement.

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

In the first quarter of 2004, the Corporation signed a PRP agreement joining a number of other companies to respond to a U.S.E.P.A. Request For Information concerning the Lower Passaic River site. As of December 31, 2004, the Corporation estimates the costs associated with this study will not have a materially adverse effect on the Corporation's results of operation or financial condition.

In the fourth quarter of 2004, the Corporation increased the remediation reserve related to the Caldwell Trucking landfill superfund site by $4.4 million. The increase related to the estimated groundwater remediation for this site, which could span over 30 years. Through 2004, the majority of the costs for this site have been for the soil remediation. The Corporation has recorded a portion of this amount in the fourth quarter of 2004 to correct the understatement of this accrual related to a prior period, but has determined the amount to be immaterial to prior period and current year results, considering both quantitative and qualitative factors.

In October 2002 the Corporation acquired the Electro-Mechanical Division ("EMD") facility from Westinghouse Government Services LLC ("Seller"). Included in the purchase was the assumption of several Nuclear Regulatory Commission ("NRC") licenses, necessary for the continued operation of the business. In connection with these licenses, the NRC required financial assurance from the Corporation (in the form of a parent company guarantee) representing estimated environmental decommissioning and remediation costs associated with the commercial operations covered by the licenses. In addition, the Corporation has assumed obligations for additional environmental remediation costs. Remediation and investigation of the EMD facility are ongoing. As of December 31, 2004 the balance in this reserve is $12.6 million. The Corporation obtained partial environmental insurance coverage specifically for the EMD facility. The policy provides coverage for losses due to on or off-site pollution conditions, which are pre-existing and unknown.

The environmental obligation at December 31, 2004 was $25.2 million compared to $23.3 million at December 31, 2003. Approximately 80% of the Corporation's environmental reserves as of December 31, 2004 represent the current value of anticipated remediation costs and are not discounted primarily due to the uncertainty of timing of expenditures. The remaining environmental reserves are discounted using a rate of 4% to reflect the time value of money since the amount and timing of cash payments for the liability are reliably determinable. All environmental reserves exclude any potential recovery from insurance carriers or third-party legal actions.

14. Pension and Other Postretirement Benefit Plans

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

The Curtiss-Wright Plans

The Corporation maintains a non-contributory defined benefit pension plan covering substantially all employees other than those employees covered by the EMD Pension Plan described below. The Curtiss-Wright Retirement Plan (the "CW Pension Plan") formula for non-union employees is based on years of credited service and the five highest consecutive years' compensation during the last ten years of service and a "cash balance" benefit. Union employees who have negotiated a benefit under the CW Pension Plan are entitled to a benefit based on years of service multiplied by a monthly pension rate. Employees become participants under the CW Pension Plan after one year of service and are vested after five years of service. At December 31, 2004 and December 31, 2003, the Corporation had prepaid pension costs of $77.8 million and $77.9 million, respectively, under the CW Pension Plan. Due to the funded status, the Corporation does not expect to contribute funds to the CW Pension Plan in 2005.

The Corporation also maintains a non-qualified restoration plan (the "CW Restoration Plan") covering those employees whose compensation or benefits exceed the IRS limitation for pension benefits. Benefits under the CW Restoration Plan are not funded, and, as such, the Corporation had an accrued pension liability of $0.7 million and $0.8 million at December 31, 2004 and 2003, respectively. The Corporation's contributions to the CW Restoration Plan are not expected to be material in 2005.

The Corporation provides postretirement health benefits to certain employees (the "CW Retirement Plan"). In 2002, the Corporation restructured the postretirement medical benefits for certain active employees, effectively freezing the plan. The obligation associated with these active employees was transferred to the CW Pension Plan. The plan continues to be maintained for retired employees. As of December 31, 2004 and 2003, the Corporation had an accrued postretirement benefit liability of $1.2 million and $1.3 million, respectively, as benefits under the plan are not funded. The Corporation's contributions to the CW Retirement Plan are not expected to be material in 2005.

	The Curtiss-Wright Plans			
	Pension Benefits		Postretirement Benefits	
(In thousands)	**2004**	2003	**2004**	2003
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	**$126,523**	$111,827	**$ 628**	$ 512
Service cost	**9,838**	8,899	**—**	—
Interest cost	**7,540**	7,982	**29**	39
Plan participants' contributions	**—**	—	**—**	19
Amendments	**303**	328	**—**	—
Actuarial loss (gain)	**(5,575)**	16,652	**19**	144
Benefits paid	**(13,845)**	(19,165)	**(96)**	(86)
Benefit obligation at end of year	**124,784**	126,523	**580**	628
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	**199,013**	187,969	**—**	—
Actual return on plan assets	**25,832**	29,834	**—**	—
Employer contribution	**593**	375	**96**	67
Plan participants' contribution	**—**	—	**—**	19
Benefits paid	**(13,845)**	(19,165)	**(96)**	(86)
Fair value of plan assets at end of year	**211,593**	199,013	**—**	—
Funded status	**86,809**	72,490	**(580)**	(628)
Unrecognized net actuarial gain	**(11,238)**	3,184	**(570)**	(662)
Unrecognized transition obligation	**(7)**	(11)	**—**	—
Unrecognized prior service costs	**1,554**	1,426	**—**	—
Prepaid (accrued) benefit costs	**$ 77,118**	$ 77,089	**$(1,150)**	$(1,290)
ACCUMULATED BENEFIT OBLIGATION	**$110,112**	$114,740	**N/A**	N/A
WEIGHTED-AVERAGE ASSUMPTIONS IN DETERMINATION OF BENEFIT OBLIGATION:				
Discount rate	**6.00%**	6.00%	**5.00%**	5.30%
Rate of compensation increase	**3.50%**	3.50%	**—**	—
Health care cost trends:				
Rate assumed for subsequent year	**—**	—	**10.50%**	9.40%
Ultimate rate reached in 2010 and 2007, respectively	**—**	—	**5.50%**	5.50%
Measurement date	**September 30**	September 30	**October 31**	October 31

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

(In thousands)	**2004**	2003	2002
Service cost	**$ 9,838**	$ 8,899	$ 6,015
Interest cost	**7,540**	7,982	7,650
Expected return on plan assets	**(17,276)**	(18,081)	(18,705)
Amortization of prior service cost	**112**	58	26
Amortization of transition obligation	**(4)**	(3)	(4)
Recognized net actuarial (gain) loss	**33**	(587)	(2,191)
Cost of settlement	**257**	121	1,911
Net periodic benefit expense (income)	**$ 500**	$ (1,611)	$ (5,298)
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**6.00%**	6.75%	7.00%
Expected return on plan assets	**8.50%**	8.50%	8.50%
Rate of compensation increase	**3.50%**	4.25%	4.25%

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

(In thousands)	**2004**	2003	2002
Service cost	**$ —**	$ —	$ 129
Interest cost	**29**	39	148
Amortization of prior service cost	**—**	—	(123)
Recognized net actuarial gain	**(73)**	(73)	(179)
Benefit of settlement	**—**	—	(3,849)
Net periodic benefit income	**$(44)**	$(34)	$(3,874)
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**5.30%**	6.75%	7.00%
Health care cost trends:			
Current year rate	**9.40%**	10.70%	12.00%
Ultimate rate reached in 2007	**5.50%**	5.50%	5.50%

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

(In thousands)	1% Increase	1% Decrease
Total service and interest cost components	$ 2	$ (2)
Postretirement benefit obligation	$39	$(35)

The EMD Plans

The Corporation maintains the Curtiss-Wright Electro-Mechanical Corporation Pension Plan (the "EMD Pension Plan"), a qualified contributory defined benefit pension plan, which covers all Curtiss-Wright Electro-Mechanical Corporation employees. The EMD Pension Plan covers both union and non-union employees and is designed to satisfy the requirements of relevant collective bargaining agreements. Employee contributions are withheld each pay period and are equal to 1.5% of salary. The benefits under the EMD Pension Plan are based on years of service and compensation. At December 31, 2004 and 2003, the Corporation had an accrued pension liability of $37.1 million and $33.5 million, respectively, related to the EMD Pension Plan. The Corporation expects to contribute $10.1 million, the estimated minimum required amount, to the EMD Pension Plan in 2005.

The Corporation maintains the Curtiss-Wright Electro-Mechanical Corporation Non-Qualified Plan (the "EMD Supplemental Plan"), a non-qualified non-contributory non-funded supplemental retirement plan for eligible EMD key executives. The EMD Supplemental Plan provides for periodic payments upon retirement that are based on total compensation (including amounts in excess of qualified plan limits) and years of service, and are reduced by benefits earned from certain other pension plans in which the executives participate. At December 31, 2004 and 2003, the Corporation had an accrued pension liability of $2.5 and $2.4 million, respectively, related to the EMD Supplemental Plan. The Corporation's contributions to the EMD Supplemental Plan are not expected to be material in 2005.

The Corporation, through an administration agreement with Westinghouse, maintains the Westinghouse Government Services Group Welfare Benefits Plan (the "EMD Retirement Plan"), a retiree health and life insurance plan for substantially all of the Curtiss-Wright Electro-Mechanical Corporation employees. The EMD Retirement Plan provides basic health and welfare coverage on a non-contributory basis. Benefits are based on years of service and are subject to certain caps. The Corporation had an accrued postretirement benefit liability of $39.1 million and $37.5 million related to the EMD Retirement Plan at December 31, 2004 and 2003, respectively. Pursuant to the Asset Purchase Agreement, the Corporation has a discounted receivable from Washington Group International to reimburse the Corporation for a portion of these postretirement benefit costs. At December 31, 2004 and 2003, the discounted receivable included in other assets was $5.5 million and $5.9 million, respectively. The Corporation expects to contribute $1.7 million to the EMD Retirement Plan during 2005.

	The EMD Plans			
	Pension Benefits		Postretirement Benefits	
(In thousands)	**2004**	2003	**2004**	2003
CHANGE IN BENEFIT OBLIGATION:				
Benefit obligation at beginning of year	**$128,287**	$112,442	**$ 41,106**	$ 36,344
Service cost	**3,249**	2,032	**789**	705
Interest cost	**8,080**	5,890	**2,366**	2,388
Plan participants' contributions	**804**	597	**—**	—
Actuarial loss (gain)	**3,503**	11,137	**(4,918)**	3,593
Benefits paid	**(6,300)**	(3,811)	**(1,603)**	(1,924)
Benefit obligation at end of year	**137,623**	128,287	**37,740**	41,106
CHANGE IN PLAN ASSETS:				
Fair value of plan assets at beginning of year	**83,737**	74,335	**—**	—
Actual return on plan assets	**10,052**	8,009	**—**	—
Employer contribution	**143**	4,607	**1,603**	1,924
Plan participants' contribution	**804**	597	**—**	—
Benefits paid	**(6,300)**	(3,811)	**(1,603)**	(1,924)
Fair value of plan assets at end of year	**88,436**	83,737	**—**	—
Funded status	**(49,187)**	(44,550)	**(37,740)**	(41,106)
Unrecognized net actuarial gain	**9,700**	8,635	**(1,326)**	3,592
Prepaid (accrued) benefit costs	**$ (39,487)**	$ (35,915)	**$(39,066)**	$(37,514)
ACCUMULATED BENEFIT OBLIGATION	**$124,793**	$115,527	**N/A**	N/A
WEIGHTED-AVERAGE ASSUMPTIONS IN DETERMINATION OF BENEFIT OBLIGATION:				
Discount rate	**6.00%**	6.25%	**6.00%**	6.25%
Rate of compensation increase	**3.50%**	3.25%	**—**	—
Health care cost trends:				
Rate assumed for subsequent year — Pre-65	**—**	—	**10.50%**	9.70%
Rate assumed for subsequent year — Post-65	**—**	—	**13.00%**	15.70%
Ultimate rate reached in 2010 and 2007, respectively — Pre-65	**—**	—	**5.50%**	5.50%
Ultimate rate reached in 2010 and 2007, respectively — Post-65	**—**	—	**5.50%**	6.50%
Measurement date	**September 30**	September 30	**October 31**	October 31

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

(In thousands)	**2004**	2003	2002
Service cost	**$ 3,248**	$ 2,709	$ 424
Interest cost	**8,080**	7,854	1,278
Expected return on plan assets	**(7,613)**	(7,618)	(1,092)
Recognized net actuarial (gain) loss	**—**	(394)	—
Net periodic benefit expense	**$ 3,715**	$ 2,551	$ 610
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**6.25%**	7.00%	7.00%
Expected return on plan assets	**8.50%**	8.50%	8.88%
Rate of compensation increase	**3.25%**	4.00%	4.00%

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

(In thousands)	2004	2003	2002
Service cost	**$ 789**	$ 705	$ —
Interest cost	**2,366**	2,388	—
Net periodic benefit expense	**$3,155**	$3,093	$ —
Weighted-average assumptions in determination of net periodic benefit cost:			
Discount rate	**6.25%**	6.75%	
Health care cost trends:			
Current year rate — Pre–65	**9.70%**	11.10%	
Current year rate — Post–65	**15.70%**	18.00%	
Ultimate rate reached in 2007 — Pre–65	**5.50%**	5.50%	
Ultimate rate reached in 2007 — Post–65	**6.50%**	6.50%	

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

(In thousands)	1% Increase	1% Decrease
Total service and interest cost components	$ 558	$ (440)
Postretirement benefit obligation	$5,306	$(4,354)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law on December 8, 2003. In accordance with FASB Staff Position FAS 106-1, the Corporation made a one-time election to defer recognition of the effects of the law in the accounting for its plan under FAS 106 and in providing disclosures related to the plan until authoritative guidance on the accounting for the federal prescription drug subsidy is issued. Proposed regulations regarding the implementation of the Act were issued in July of 2004; however, many questions cannot be answered until final regulations are issued in 2005. Until the final regulations are issued the Corporation cannot conclude whether the prescription drug benefits offered under this plan are actuarially equivalent to Medicare Part D under the Act. Therefore, in accordance with FASB Staff Position FAS 106-2, any measures of the Accumulated Postretirement Benefit Obligation or Net Periodic Postretirement Benefit Cost do not reflect the effects of the Act on the plan.

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

(In thousands)	CW Pension Plans	CW Retirement Plan	EMD Pension Plans	EMD Retirement Plan	Total
2005	$ 9,976	$ 75	$ 7,918	$ 1,712	$ 19,681
2006	10,266	76	8,501	1,937	20,780
2007	9,914	70	8,852	2,163	20,999
2008	9,962	65	9,261	2,339	21,627
2009	10,150	59	9,630	2,439	22,278
2010–2014	51,435	224	53,863	13,508	119,030

Pension Plan Assets

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

Asset class	As of December 31, 2004	2003	Target Exposure	Expected Range
Domestic Equities	**54%**	51%	50%	40% – 60%
International Equities	**15%**	15%	15%	10% – 20%
Total Equity	**69%**	66%	65%	55% – 75%
Fixed Income	**31%**	34%	35%	25% – 45%
Cash	**0%**	0%	0%	0% – 10%

The Corporation may from time to time require the reallocation of assets in order to bring the retirement plans into conformity with these ranges. The Corporation may also authorize alterations or deviations from these ranges where appropriate for achieving the objectives of the retirement plans. The Corporation's investment policy does not permit its investment manager to invest plan funds in the Corporation's stock.

The long-term investment objective of the Retirement Plans is to achieve a total rate of return, net of fees, which exceeds the actuarial overall expected return on assets assumption of 8.50% used for funding purposes and which provides an appropriate premium over inflation. The intermediate-term objective of the Retirement Plans, defined as three to five years, is to outperform each of the capital markets in which assets are invested, net of fees. During periods of extreme market volatility, preservation of capital takes a higher precedence than out performing the capital markets.

The overall expected return on assets assumption used in the calculation of annual net periodic benefit cost is based on a combination of the historical performance of the pension fund and expectations of future performance. The historical returns are determined using the market-related value of assets, includes the recognition of realized and unrealized gains and losses over a five-year period. Although over the last ten years the market-related value of assets had an average annual yield of 10.9%, the actual returns averaged 9.4% during the same period. Given the uncertainties of the current economic and geopolitical landscape, the Corporation considers 8.5% to be a reasonable assumption of future long-term investment returns. While the Corporation takes into account historical performance, its assumptions also consider the forward-looking long-term outlook for the capital markets.

Other Pension and Postretirement Plans

The Corporation offers all of its domestic employees the opportunity to participate in a defined contribution plan. Costs incurred by the Corporation in the administration and record keeping of the defined contribution plan are paid for by the Corporation and are not considered material.

In addition, the Corporation had foreign pension costs under various retirement plans of $3.5 million, $1.9 million, and $1.6 million in 2004, 2003, and 2002, respectively.

15. Leases

The Corporation conducts a portion of its operations from leased facilities, which include manufacturing and service facilities, administrative offices, and warehouses. In addition, the Corporation leases automobiles, machinery, and office equipment under operating leases. The leases expire at various dates and may include renewals and escalations. Rental expenses for all operating leases amounted to $18.5 million in 2004, $10.5 million in 2003, and $8.2 million in 2002.

At December 31, 2004, the approximate future minimum rental commitments under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

(In thousands)	Rental Commitment
2005	$15,846
2006	12,933
2007	11,074
2008	9,141
2009	6,016
Thereafter	17,727
Total	$72,737

16. Industry Segments

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

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

Sales to one customer of the Flow Control segment through which the Corporation is a subcontractor to the U.S. Government were 13% of consolidated revenues in 2004, 16% in 2003, and 10% in 2002. During 2004, 2003, and 2002, the Corporation had no commercial customer representing more than 10% of consolidated revenue.

Consolidated Industry Segment Information:

(In thousands)	Flow Control	Motion Control	Metal Treatment[1]	Segment Total	Corporate & Other[2]	Consolidated Total
YEAR ENDED DECEMBER 31, 2004:						
Revenue from external customers	**$388,139**	**$388,576**	**$178,324**	**$ 955,039**	**$ —**	**$ 955,039**
Intersegment revenues	**—**	**144**	**555**	**699**	**(699)**	**—**
Operating income (expense)	**44,651**	**44,903**	**28,279**	**117,833**	**(7,114)**	**110,719**
Depreciation and amortization expense	**15,884**	**14,214**	**10,381**	**40,479**	**263**	**40,742**
Segment assets	**415,504**	**576,275**	**194,783**	**1,186,562**	**91,878**	**1,278,440**
Capital expenditures	**10,420**	**10,171**	**11,728**	**32,319**	**133**	**32,452**
YEAR ENDED DECEMBER 31, 2003:						
Revenue from external customers	$341,271	$265,905	$138,895	$ 746,071	$ —	$ 746,071
Intersegment revenues	—	—	544	544	—	544
Operating income (expense)	39,991	30,350	19,055	89,396	(66)	89,330
Depreciation and amortization expense	14,458	7,983	8,685	31,126	201	31,327
Segment assets	323,689	317,631	170,547	811,867	161,798	973,665
Capital expenditures	12,417	4,791	15,727	32,935	394	33,329
YEAR ENDED DECEMBER 31, 2002:						
Revenue from external customers	$172,455	$233,437	$107,386	$ 513,278	$ —	$ 513,278
Intersegment revenues	—	—	491	491	—	491
Operating income (expense)	20,693	29,579	14,403	64,675	4,362	69,037
Depreciation and amortization expense	5,059	7,394	6,063	18,516	177	18,693
Segment assets	328,221	267,244	127,125	722,590	87,512	810,102
Capital expenditures	10,787	8,243	15,873	34,903	51	34,954

[1] Operating income for the Metal Treatment segment includes nonrecurring costs of $0.5 million associated with the relocation of a shot peening facility in 2002.
[2] Operating income (expense) for Corporate and Other includes pension (expense) income, environmental remediation and administrative expenses, and other expenses.

Reconciliations:

For the years ended December 31, (In thousands)	**2004**	2003	2002
REVENUES:			
Total segment revenue	**$ 955,039**	$746,071	$513,278
Intersegment revenue	**699**	544	491
Elimination of intersegment revenue	**(699)**	(544)	(491)
Total consolidated revenues	**$ 955,039**	$746,071	$513,278
EARNINGS BEFORE TAXES:			
Total segment operating income	**$ 117,833**	$ 89,396	$ 64,675
Corporate and administrative	**(6,614)**	(1,677)	(2,846)
Pension (expense) income, net	**(500)**	1,611	7,208
Other income, net	**65**	389	4,508
Interest expense	**(12,031)**	(5,663)	(1,810)
Total consolidated earnings before tax	**$ 98,753**	$ 84,056	$ 71,735
ASSETS:			
Total assets for reportable segments	**$1,186,562**	$811,867	$722,590
Pension assets	**77,802**	77,877	76,072
Non-segment cash	**545**	72,582	4,875
Other assets	**13,608**	11,384	6,609
Elimination of intersegment receivables	**(77)**	(45)	(44)
Total consolidated assets	**$1,278,440**	$973,665	$810,102

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

December 31, (In thousands)	**2004**		2003		2002	
	Revenues	**Long-Lived Assets**	Revenues	Long-Lived Assets	Revenues	Long-Lived Assets
Geographic Information:						
United States of America	**$735,356**	**$181,708**	$574,427	$176,273	$387,939	$163,531
United Kingdom	**92,541**	**52,568**	66,210	40,614	49,519	38,235
Canada	**20,675**	**14,136**	17,052	6,528	13,527	4,674
Other foreign countries	**106,467**	**16,831**	88,382	14,724	62,293	12,609
Consolidated total	**$955,039**	**$265,243**	$746,071	$238,139	$513,278	$219,049

17. Contingencies and Commitments

The Corporation, through its subsidiary located in Switzerland, entered into a credit agreement with UBS AG ("UBS") for a credit facility in the amount of 6.0 million Swiss francs ($5.3 million) for the issue of performance guarantees related to long-term contracts. The Corporation received prepayments on these contracts, which are being used as collateral against the credit facility. The customers can draw down on the line of credit for nonperformance up to the amount of pledged collateral, which is released from restriction over time as the Corporation meets its obligations under the long-term contracts. Under the terms of this credit facility agreement, the Corporation is not permitted to borrow against the line of credit. The Corporation is charged a commitment fee on the outstanding balance of the collateralized cash. As of December 31, 2004, the amount of restricted cash under this facility was $2.8 million, all of which is expected to be released from restriction after one year.

In October 2002, the Corporation acquired EMD. Included in the purchase was the assumption of several NRC licenses, necessary for the continued operation of the business. In connection with these licenses, the NRC required financial assurance from the Corporation (in the form of a parent company guarantee) representing estimated environmental decommissioning and remediation costs associated with the commercial operations covered by the licenses. The guarantee for the decommissioning costs of the refurbishment facility, which is estimated for 2017, is $3.1 million. See Note 13 for further information.

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

18. Subsequent Event

On March 3, 2005, the Corporation acquired the outstanding shares of Indal Technologies, Inc ("Indal"). The purchase price of the acquisition, subject to customary adjustments as provided for in the Stock Purchase Agreement, was 78.0 million Canadian dollars (approximately $63 million). Management funded the purchase from the Corporation's revolving credit facility. Revenues of the purchased business were 49.4 million Canadian dollars (approximately $38 million) for the year ended December 31, 2004. Indal's operations are located in Toronto, Canada. Management intends to incorporate the operations of Indal into the Corporation's Motion Control segment.