CURTISS WRIGHT CORP
Form 10-Q
July 27, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2017

or

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _________ to _______

Commission File Number 1-134

CURTISS-WRIGHT CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	13-0612970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

13925 Ballantyne Corporate Place,	
Suite 400, Charlotte, North Carolina	28277
(Address of principal executive offices)	(Zip Code)

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

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

Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No o

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

Large accelerated filer ý Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o
Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

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

Common Stock, par value $1.00 per share: 44,137,906 shares (as of June 30, 2017).

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	2017	2016	2017	2016
Net sales				
Product sales	$459,774	$427,324	$883,003	$830,242
Service sales	107,879	105,442	208,241	206,031
Total net sales	567,653	532,766	1,091,244	1,036,273
Cost of sales				
Cost of product sales	299,739	279,869	586,231	544,604
Cost of service sales	69,144	67,518	135,468	134,387
Total cost of sales	368,883	347,387	721,699	678,991
Gross profit	198,770	185,379	369,545	357,282
Research and development expenses	15,501	15,236	30,799	30,396
Selling expenses	28,560	29,126	57,513	58,752
General and administrative expenses	71,438	72,928	146,735	142,782
Operating income	83,271	68,089	134,498	125,352
Interest expense	10,750	10,273	21,127	20,206
Other income, net	190	101	502	335
Earnings before income taxes	72,711	57,917	113,873	105,481
Provision for income taxes	(22,061)	(17,954)	(30,676)	(32,699)
Net earnings	$50,650	$39,963	$83,197	$72,782
Net earnings per share:				
Basic earnings per share	$1.15	$0.90	$1.88	$1.63
Diluted earnings per share	$1.13	$0.88	$1.86	$1.61
Dividends per share	0.13	0.13	0.26	0.26
Weighted-average shares outstanding:				
Basic	44,213	44,487	44,221	44,526
Diluted	44,807	45,164	44,825	45,195

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(In thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net earnings	$50,650	$39,963	$83,197	$72,782
Other comprehensive income (loss)				
Foreign currency translation, net of tax [1]	$32,677	$(31,646)	$43,901	$(14,541)
Pension and postretirement adjustments, net of tax [2]	1,743	1,520	3,694	3,132
Other comprehensive income (loss), net of tax	34,420	(30,126)	47,595	(11,409)
Comprehensive income	$85,070	$9,837	$130,792	$61,373

(1) The tax expense included in other comprehensive income for foreign currency translation adjustments for the three and six months ended June 30, 2017 were $1.1 million and $1.2 million, respectively. The tax benefit included in other comprehensive loss for foreign currency translation adjustments for the three and six months ended June 30, 2016 were $1.3 million and $0.3 million, respectively.

(2) The tax expense included in other comprehensive income for pension and postretirement adjustments for the three and six months ended June 30, 2017 were $1.2 million and $2.5 million, respectively. The tax expense included in other comprehensive income for pension and postretirement adjustments for the three and six months ended June 30, 2016 were $1.1 million and $2.1 million, respectively.

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In thousands, except per share data)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$342,711	$553,848
Receivables, net	502,216	463,062
Inventories, net	396,245	366,974
Other current assets	45,932	30,927
Total current assets	1,287,104	1,414,811
Property, plant, and equipment, net	390,520	388,903
Goodwill	1,082,944	951,057
Other intangible assets, net	345,991	271,461
Other assets	14,715	11,549
Total assets	$3,121,274	$3,037,781
Liabilities		
Current liabilities:		
Current portion of long-term and short-term debt	$150,820	$150,668
Accounts payable	157,088	177,911
Accrued expenses	116,492	130,239
Income taxes payable	10,578	18,274
Deferred revenue	183,955	170,143
Other current liabilities	34,858	28,027
Total current liabilities	653,791	675,262
Long-term debt	814,810	815,630
Deferred tax liabilities, net	55,675	49,722
Accrued pension and other postretirement benefit costs	103,181	107,151
Long-term portion of environmental reserves	16,091	14,024
Other liabilities	84,561	84,801
Total liabilities	1,728,109	1,746,590
Contingencies and commitments (Note 12)		
Stockholders’ equity		
Common stock, $1 par value,100,000,000 shares authorized at June 30, 2017 and December 31, 2016; 49,187,378 shares issued at June 30, 2017 and December 31, 2016; outstanding shares were 44,137,906 at June 30, 2017 and 44,181,050 at December 31, 2016	49,187	49,187
Additional paid in capital	122,584	129,483
Retained earnings	1,825,697	1,754,907
Accumulated other comprehensive loss	(244,161)	(291,756)
Common treasury stock, at cost (5,049,472 shares at June 30, 2017 and 5,006,328 shares at December 31, 2016)	(360,142)	(350,630)
Total stockholders’ equity	1,393,165	1,291,191
Total liabilities and stockholders’ equity	$3,121,274	$3,037,781

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
(In thousands)	2017	2016
Cash flows from operating activities:		
Net earnings	$83,197	$72,782
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	49,961	48,987
Gain on fixed asset disposals	(197)	(28)
Deferred income taxes	(1,750)	14,127
Share-based compensation	6,016	4,985
Change in operating assets and liabilities, net of businesses acquired and divested:		
Receivables, net	(27,246)	85,281
Inventories, net	534	(14,527)
Progress payments	(1,316)	(345)
Accounts payable and accrued expenses	(48,229)	(65,856)
Deferred revenue	11,171	9,153
Income taxes payable	(13,217)	(25,412)
Net pension and postretirement liabilities	1,041	412
Termination of interest rate swap	—	20,405
Other current and long-term assets and liabilities	967	6,667
Net cash provided by operating activities	60,932	156,631
Cash flows from investing activities:		
Proceeds from sales and disposals of long lived assets	349	244
Additions to property, plant, and equipment	(23,288)	(15,733)
Acquisition of businesses, net of cash acquired	(232,630)	(295)
Net cash used for investing activities	(255,569)	(15,784)
Cash flows from financing activities:		
Borrowings under revolving credit facility	2,736	3,755
Payment of revolving credit facility	(2,584)	(3,901)
Repurchases of common stock	(26,454)	(54,958)
Proceeds from share-based compensation	5,374	13,098
Dividends paid	(5,757)	(5,797)
Excess tax benefits from share-based compensation plans	—	6,220
Other	(336)	(308)
Net cash used for financing activities	(27,021)	(41,891)
Effect of exchange-rate changes on cash	10,521	(4,502)
Net increase (decrease) in cash and cash equivalents	(211,137)	94,454
Cash and cash equivalents at beginning of period	553,848	288,697
Cash and cash equivalents at end of period	$342,711	$383,151
Supplemental disclosure of non-cash activities:		
Capital expenditures incurred but not yet paid	$1,641	$775

See notes to condensed consolidated financial statements

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

	Common Stock	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
December 31, 2015	$49,190	$144,923	$1,590,645	$ (225,928)	$(303,407)
Net earnings	—	—	187,329	—	—
Other comprehensive loss, net of tax	—	—	—	(65,828)	—
Dividends paid	—	—	(23,067)	—	—
Restricted stock, net of tax	—	(12,086)	—	—	17,275
Stock options exercised, net of tax	—	(11,271)	—	—	39,483
Other	(3)	(1,104)	—	—	811
Share-based compensation	—	9,021	—	—	457
Repurchase of common stock	—	—	—	—	(105,249)
December 31, 2016	$49,187	$129,483	$1,754,907	$ (291,756)	$(350,630)
Net earnings	—	—	83,197	—	—
Other comprehensive income, net of tax	—	—	—	47,595	—
Dividends declared	—	—	(11,498)	—	—
Restricted stock	—	(9,618)	—	—	9,618
Stock options exercised	—	(851)	—	—	6,227
Other	—	(2,099)	(909)	—	750
Share-based compensation	—	5,669	—	—	347
Repurchase of common stock	—	—	—	—	(26,454)
June 30, 2017	$49,187	$122,584	$1,825,697	$ (244,161)	$(360,142)

See notes to condensed consolidated financial statements

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

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

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

The unaudited condensed consolidated financial statements of the Corporation have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in annual financial statements have been condensed or omitted as permitted by such rules and regulations. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary for a fair presentation of these financial statements.

Management is required 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. Actual results may differ from these estimates. The most significant of these estimates includes the estimate of costs to complete long-term contracts under the percentage-of-completion accounting methods, the estimate of useful lives for property, plant, and equipment, cash flow estimates used for testing the recoverability of assets, pension plan and postretirement obligation assumptions, estimates for inventory obsolescence, estimates for the valuation and useful lives of intangible assets, legal reserves, and the estimate of future environmental costs. Changes in estimates of contract sales, costs, and profits are recognized using the cumulative catch-up method of accounting. This method recognizes in the current period the cumulative effect of the changes on current and prior periods. Accordingly, the effect of the changes on future periods of contract performance is recognized as if the revised estimate had been the original estimate. During the three and six months ended June 30, 2017 and 2016, there were no individual significant changes in estimated contract costs. In the opinion of management, all adjustments considered necessary for a fair presentation have been reflected in these financial statements.

The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Corporation’s 2016 Annual Report on Form 10-K. The results of operations for interim periods are not necessarily indicative of trends or of the operating results for a full year.

Recent accounting pronouncements adopted

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Standard	Description	Effect on the condensed consolidated financial statements
ASU 2017-04 Simplifying the Test for Goodwill Impairment Date of adoption: January 1, 2017	In January 2017, the FASB issued ASU 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the measurement of goodwill impairment testing by removing step two. This guidance was early adopted effective January 1, 2017 and will be applied prospectively.	The adoption of this standard does not have a financial impact on the Condensed Consolidated Financial Statements.
ASU 2016-09 Improvements to Employee Share-Based Payment Accounting Date of adoption: January 1, 2017	In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and nonpublic entities, including the accounting for income taxes and forfeitures. Excess tax benefits previously reported as cash flows from financing activities in the Condensed Consolidated Financial Statements are now required to be reported as operating activities. The Company adopted this guidance effective January 1, 2017.	The Corporation recorded an income tax benefit of approximately $4 million within the provision for income taxes for the six months ended June 30, 2017 related to the excess tax benefit on stock options and performance share units. Prior to adoption, this amount would have been recorded as an increase to additional paid-in capital. The Corporation elected to account for forfeitures as they occur, which did not have a material impact on its Condensed Consolidated Financial Statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Recent accounting pronouncements to be adopted

Standard	Description	Effect on the condensed consolidated financial statements
ASU 2014-09 Revenue from Contracts with Customers Date of adoption: January 1, 2018	In May 2014, the FASB issued a comprehensive new revenue recognition standard which will supersede previous existing revenue recognition guidance. The standard creates a five-step model for revenue recognition that requires companies to exercise judgment when considering contract terms and relevant facts and circumstances. The five-step model includes (1) identifying the contract, (2) identifying the separate performance obligations in the contract, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations and (5) recognizing revenue when each performance obligation has been satisfied. The standard also requires expanded disclosures surrounding revenue recognition. The standard is effective for fiscal periods beginning after December 15, 2017 and allows for either full retrospective or modified retrospective adoption.	The Corporation plans to apply the modified retrospective approach upon adoption and is currently evaluating the impact of adoption on its Condensed Consolidated Financial Statements as of January 1, 2018. We have performed a preliminary review of our customer contracts; however, our assessment is still ongoing and not yet complete. It is expected that the disclosures in our Notes to the Condensed Consolidated Financial Statements related to revenue recognition will be expanded under the new standard. The Corporation will continue to monitor interpretative guidance issued by the FASB which may cause our evaluation to change.
ASU 2016-02 Leases Date of adoption: January 1, 2019	In February 2016, the FASB issued final guidance that will require lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. The guidance requires the use of a modified retrospective approach.	The Corporation is currently evaluating the impact of the adoption of this standard on its Condensed Consolidated Financial Statements.
ASU 2017-01 Clarifying the Definition of a Business Date of adoption: January 1, 2018	In January 2017, the FASB issued ASU 2017-01, which clarifies the definition of a business to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The standard introduces a screen for determining when assets acquired are not a business and clarifies that a business must include, at a minimum, an input and a substantive process that contribute to an output. The standard is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years.	The Corporation is currently evaluating the impact of the adoption of this standard on its Condensed Consolidated Financial Statements.
ASU 2017-07 Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement	In March 2017, the FASB issued final guidance that will change how the net periodic benefit cost for defined benefit pension and other postretirement benefit plans are presented in the income statement and the respective capitalization of assets on the balance sheet. The guidance requires the use of a retrospective approach for the presentation of the income statement	The Corporation is currently evaluating the impact of the adoption of this standard on its Condensed Consolidated Financial Statements.

Benefit Cost	and a prospective approach for the presentation of the balance sheet.

Date of adoption:
January 1, 2018

2. ACQUISITIONS

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

The Corporation allocates the purchase price at the date of acquisition based upon its understanding of the fair value of the acquired assets and assumed liabilities. In the months after closing, as the Corporation obtains additional information about these assets and liabilities, including through tangible and intangible asset appraisals, and as the Corporation learns more about the newly acquired business, it is able to refine the estimates of fair value and more accurately allocate the purchase price.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Only items identified as of the acquisition date are considered for subsequent adjustment. The Corporation will make appropriate adjustments to the purchase price allocation prior to completion of the measurement period, as required.

During the six months ended June 30, 2017, the Corporation acquired two businesses for an aggregate purchase price of $233 million, which are described in more detail below. No acquisitions were made during the six months ended June 30, 2016.

The Condensed Consolidated Statement of Earnings includes $25 million of total net sales and $4 million of net losses from the Corporation's 2017 acquisitions.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition for all acquisitions consummated during the six months ended June 30, 2017.

(In thousands)	2017	2016
Accounts receivable	$5,020	$ —
Inventory	22,702	—
Property, plant, and equipment	4,598	—
Other current and non-current assets	2,815	—
Intangible assets	88,900	—
Current and non-current liabilities	(7,163)	—
Due to seller, net	(509)	—
Net tangible and intangible assets	116,363	—
Purchase price, net of cash acquired	232,630	—
Goodwill	$116,267	$ —
Goodwill deductible for tax purposes	$116,267	$ —

2017 Acquisitions

Teletronics Technology Corporation (TTC)

On January 3, 2017, the Corporation acquired 100% of the issued and outstanding capital stock of TTC for $226.0 million, net of cash acquired. The Share Purchase Agreement contains a purchase price adjustment mechanism and representations and warranties customary for a transaction of this type, including a portion of the purchase price deposited in escrow as security for potential indemnification claims against the seller. TTC is a designer and manufacturer of high-technology data acquisition and comprehensive flight test instrumentation systems for critical aerospace and defense applications. For the year ended December 31, 2016, TTC generated sales of $64 million. The acquired business operates within the Defense segment. The acquisition is subject to post-closing adjustments as the purchase price allocation is not yet complete.

Para Tech Coating, Inc. (Para Tech)

On February 8, 2017, the Corporation acquired certain assets and assumed certain liabilities of Para Tech for $6.6 million in cash. The Asset Purchase Agreement contains a purchase price adjustment mechanism and representations and warranties customary for a transaction of this type, including a portion of the purchase price held back as security for potential indemnification claims against the seller. Para Tech is a provider of parylene conformal coating services for aerospace & defense electronic components as well as critical medical devices. The acquired business operates within the Commercial/Industrial segment. The acquisition is subject to post-closing adjustments as the purchase price allocation is not yet complete.

3. RECEIVABLES

Receivables primarily include amounts billed to customers, unbilled charges on long-term contracts consisting of amounts recognized as sales but not billed, and other receivables. Substantially all amounts of unbilled receivables are expected to be billed and collected within one year. An immaterial amount of unbilled receivables are subject to retainage provisions. The amount of claims and unapproved change orders within our receivables balances are immaterial.

The composition of receivables is as follows:

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands)	June 30, 2017	December 31, 2016
Billed receivables:		
Trade and other receivables	$374,691	$ 340,091
Less: Allowance for doubtful accounts	(7,219)	(4,832)
Net billed receivables	367,472	335,259
Unbilled receivables:		
Recoverable costs and estimated earnings not billed	158,006	149,847
Less: Progress payments applied	(23,262)	(22,044)
Net unbilled receivables	134,744	127,803
Receivables, net	$502,216	$ 463,062

4. INVENTORIES

Inventoried costs contain amounts relating to long-term contracts and programs with long production cycles, a portion of which will not be realized within one year. Long-term contract inventory includes an immaterial amount of claims or other similar items subject to uncertainty concerning their determination or realization. Inventories are valued at the lower of cost or market.

The composition of inventories is as follows:

(In thousands)	June 30, 2017	December 31, 2016
Raw materials	$195,461	$189,228
Work-in-process	85,321	73,843
Finished goods	123,362	112,478
Inventoried costs related to U.S. Government and other long-term contracts	60,008	57,516
Gross inventories	464,152	433,065
Less: Inventory reserves	(58,108)	(54,988)
Progress payments applied, principally related to long-term contracts	(9,799)	(11,103)
Inventories, net	$396,245	$366,974

Inventoried costs related to long-term contracts include capitalized contract development costs related to certain aerospace and defense programs of $29.9 million and $28.8 million, as of June 30, 2017 and December 31, 2016, respectively. These capitalized costs will be liquidated as production units are delivered to the customers. As of June 30, 2017 and December 31, 2016, $4.6 million and $3.9 million, respectively, are scheduled to be liquidated under existing firm orders.

5. GOODWILL

The changes in the carrying amount of goodwill for the six months ended June 30, 2017 are as follows:

(In thousands)	Commercial/Industrial	Defense	Power	Consolidated
December 31, 2016	$ 436,141	$327,655	$187,261	$ 951,057
Acquisitions	2,420	113,847	—	116,267
Foreign currency translation adjustment	6,468	9,044	108	15,620
June 30, 2017	$ 445,029	$450,546	$187,369	$ 1,082,944

6. OTHER INTANGIBLE ASSETS, NET

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

The following tables present the cumulative composition of the Corporation's intangible assets:

	June 30, 2017			December 31, 2016		
(In thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Technology	$240,858	$(105,400)	$135,458	$166,859	$(98,266)	$68,593
Customer related intangibles	363,500	(168,351)	195,149	349,742	(157,154)	192,588
Other intangible assets	40,250	(24,866)	15,384	36,709	(26,429)	10,280
Total	$644,608	$(298,617)	$345,991	$553,310	$(281,849)	$271,461

During the six months ended June 30, 2017, the Corporation acquired intangible assets of $88.9 million. The Corporation acquired Technology of $73.0 million, Customer related intangibles of $12.9 million, and Other intangible assets of $3.0 million, which have a weighted average amortization period of 15.0 years, 16.3 years, and 7.0 years, respectively.

Total intangible amortization expense for the six months ended June 30, 2017 was $19.1 million as compared to $16.8 million in the prior year period. The estimated amortization expense for the five years ending December 31, 2017 through 2021 is $38.7 million, $37.7 million, $36.0 million, $34.1 million, and $32.3 million, respectively.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

Forward Foreign Exchange and Currency Option Contracts

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

Interest Rate Risks and Related Strategies

The Corporation's primary interest rate exposure results from changes in U.S. dollar interest rates. The Corporation's policy is to manage interest cost using a mix of fixed and variable rate debt. The Corporation periodically uses interest rate swaps to manage such exposures. Under these interest rate swaps, the Corporation exchanges, at specified intervals, the difference between fixed and floating interest amounts calculated by reference to an agreed-upon notional principal amount. The Corporation's foreign exchange contracts and interest rate swaps are considered Level 2 instruments which are based on market based inputs or unobservable inputs and corroborated by market data such as quoted prices, interest rates, or yield curves.

Effects on Consolidated Balance Sheets

As of June 30, 2017 and December 31, 2016, the fair values of the asset and liability derivative instruments are immaterial.

Effects on Condensed Consolidated Statements of Earnings

Undesignated hedges

The location and amount of losses or (gains) recognized in income on forward exchange derivative contracts not designated for hedge accounting for the three and six months ended June 30, were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
Derivatives not designated as hedging instrument	2017	2016	2017	2016
Forward exchange contracts:				
General and administrative expenses	$(93)	$4,452	$614	$5,036

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
NOTES to CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Debt

The estimated fair value amounts were determined by the Corporation using available market information that is primarily based on quoted market prices for the same or similar issues as of June 30, 2017. Accordingly, all of the Corporation's debt is valued at a Level 2. The fair values described below 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.

(In thousands)	June 30, 2017		December 31, 2016	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
5.51% Senior notes due 2017	150,000	152,161	150,000	154,509
3.84% Senior notes due 2021	100,000	104,107	100,000	102,463
3.70% Senior notes due 2023	225,000	232,173	225,000	226,946
3.85% Senior notes due 2025	100,000	103,389	100,000	100,338
4.24% Senior notes due 2026	200,000	211,038	200,000	203,592
4.05% Senior notes due 2028	75,000	77,685	75,000	74,630
4.11% Senior notes due 2028	100,000	104,158	100,000	99,876
Other debt	820	820	668	668
Total debt	950,820	985,531	950,668	963,022
Debt issuance costs, net	(907)	(907)	(984)	(984)
Unamortized interest rate swap proceeds	15,717	15,717	16,614	16,614
Total debt, net	$965,630	$1,000,341	$966,298	$978,652

8. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The following tables are consolidated disclosures of all domestic and foreign defined pension plans as described in the Corporation's 2016 Annual Report on Form 10-K.

Pension Plans

The components of net periodic pension cost for the three and six months ended June 30, 2017 and 2016 were as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Service cost	$6,474	$6,248	$12,945	$12,485
Interest cost	6,236	7,709	12,455	15,412
Expected return on plan assets	(13,310)	(13,590)	(26,595)	(27,171)
Amortization of prior service cost	(26)	(11)	(51)	(23)
Amortization of unrecognized actuarial loss	3,585	3,093	7,166	6,186
Net periodic benefit cost	$2,959	$3,449	$5,920	$6,889

During the six months ended June 30, 2017, the Corporation made no contributions to the Curtiss-Wright Pension Plan, and does not expect to make any contributions in 2017. Contributions to the foreign benefit plans are not expected to be material in 2017.

Defined Contribution Retirement Plan

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Effective January 1, 2014, all non-union employees who are not currently receiving final or career average pay benefits became eligible to receive employer contributions in the Corporation’s sponsored 401(k) plan. The employer contributions include both employer match and non-elective contribution components, up to a maximum employer contribution of 6% of eligible compensation. During the six months ended June 30, 2017 and 2016, the expense relating to the plan was $6.8 million and $6.0 million, respectively. The Corporation made $9.4 million in contributions to the plan during the six months ended June 30, 2017, and expects to make total contributions of $11.8 million in 2017.

9. EARNINGS PER SHARE

Diluted earnings per share were computed based on the weighted-average number of shares outstanding plus all potentially dilutive common shares. A reconciliation of basic to diluted shares used in the earnings per share calculation is as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Basic weighted-average shares outstanding	44,213	44,487	44,221	44,526
Dilutive effect of stock options and deferred stock compensation	594	677	604	669
Diluted weighted-average shares outstanding	44,807	45,164	44,825	45,195

For the three months and six months ended June 30, 2017, approximately 38,000 shares issuable under equity-based awards were excluded from the calculation of diluted earnings per share as they were anti-dilutive based on the average stock price during the period. For the three and six months ended June 30, 2016, there were no anti-dilutive equity-based awards.

10. SEGMENT INFORMATION

The Corporation manages and evaluates its operations based on end markets to strengthen its ability to service customers and recognize certain organizational efficiencies. Based on this approach, the Corporation has three reportable segments: Commercial/Industrial, Defense, and Power.

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

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net sales				
Commercial/Industrial	$291,856	$290,428	$570,912	$565,633
Defense	127,399	114,877	242,236	220,607
Power	149,970	129,123	280,565	252,869
Less: Intersegment revenues	(1,572)	(1,662)	(2,469)	(2,836)
Total consolidated	$567,653	$532,766	$1,091,244	$1,036,273

Operating income (expense)				
Commercial/Industrial	$43,693	$38,957	$74,314	$69,009
Defense	21,187	18,609	32,342	35,454
Power	24,870	16,114	41,410	30,742
Corporate and eliminations [1]	(6,479)	(5,591)	(13,568)	(9,853)
Total consolidated	$83,271	$68,089	$134,498	$125,352

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[1] Corporate and eliminations includes pension and other postretirement benefit expense, certain environmental costs related to remediation at legacy sites, foreign currency transactional gains and losses, and certain other expenses.

Adjustments to reconcile operating income to earnings before income taxes are as follows:

	Three Months Ended		Six Months Ended	
(In thousands)	June 30,		June 30,	
	2017	2016	2017	2016
Total operating income	$83,271	$68,089	$134,498	$125,352
Interest expense	10,750	10,273	21,127	20,206
Other income, net	190	101	502	335
Earnings before income taxes	$72,711	$57,917	$113,873	$105,481

(In thousands)