ALLSTATE CORP
Form 11-K
June 08, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 11-K

(Mark One):

x ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-11840

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

ALLSTATE 401(k) SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

THE ALLSTATE CORPORATION
2775 SANDERS ROAD, SUITE F-5
NORTHBROOK, ILLINOIS 60062-6127

Allstate 401(k)
Savings Plan
(EIN: 36-3871531 Plan: 001)
Financial Statements as of and for the
Years Ended December 31, 2016 and 2015, Supplemental Schedule as of
December 31, 2016, and
Report of Independent Registered Public Accounting Firm

ALLSTATE 401(k) SAVINGS PLAN

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NOTE: All other supplemental schedules required by Section 2520.103-10 of the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Trustee and Participants of
Allstate 401(k) Savings Plan
Northbrook, Illinois

We have audited the accompanying statements of net assets available for benefits of the Allstate 401(k) Savings Plan (the "Plan") as of December 31, 2016 and 2015, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2016 and 2015, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The supplemental schedule of assets (held at end of year) as of December 31, 2016 and the supplementary information by fund in the statement of net assets available for benefits and the statement of changes in net assets available for benefits have been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental schedule and supplementary information by fund are the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental schedule and supplementary information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule or supplementary information. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in compliance with the Department of Labor's Rules and Regulations and Disclosure under the Employee Retirement Security Act of 1974. In our opinion, such schedules and supplementary information are fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Deloitte & Touche LLP
Chicago, Illinois
June 8, 2017

Member of
Deloitte Touche Tohmatsu Limited

ALLSTATE 401(K) SAVINGS PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2016
($ in Thousands)

	Supplementary Information			
	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ASSETS				
Investments—at contract value:				
Invesco Advisers Inc. Stable Value Fund	$715,341	$-	$-	$715,341
Investments—at fair value:				
The Allstate Corporation common stock	-	608,171	117,035	725,206
Collective short-term investment fund	-	1,792	3	1,795
Common collective trust funds:				
SSgA U.S. Bond Index Non-Lending Series Fund – Class A	428,503	-	-	428,503
SSgA Real Return ex-Natural Resource Equities Non-Lending Series Fund – Class C	13,554	-	-	13,554
SSgA S&P 500 Index Non-Lending Series Fund – Class A	1,146,593	-	-	1,146,593
SSgA Global All Cap Equity ex U.S. Index Non-Lending Series Fund – Class A	393,696	-	-	393,696
SSgA Russell Sm Cap Index Non-Lending Series Fund – Class A	400,910	-	-	400,910
SSgA S&P Mid Cap Index Non-Lending Series Fund – Class A	299,949	-	-	299,949
NTI Emerging Markets Fund	29,948	-	-	29,948
Northern Trust Focus Funds	543,795	-	-	543,795
Total investments—at fair value	3,256,948	609,963	117,038	3,983,949
Total investments	3,972,289	609,963	117,038	4,699,290
Receivables:				
Dividends and interest	1,220	2,696	522	4,438
Employer contributions	-	14,801	7,182	21,983
Participant contributions	20	2	-	22
Other	-	1,977	-	1,977
Participant notes receivable	91,146	-	-	91,146
Interfund	-	66,844	-	66,844
Total receivables	92,386	86,320	7,704	186,410
Other assets	4,082	-	-	4,082
Total assets	4,068,757	696,283	124,742	4,889,782
LIABILITIES				
ESOP loan (Notes 1 and 3)	-	-	5,287	5,287
Payables:				

Interfund	1,959	-	64,885	66,844
Other	1,789	32	-	1,821
Total liabilities	3,748	32	70,172	73,952
NET ASSETS AVAILABLE FOR BENEFITS	$4,065,009	$696,251	$54,570	$4,815,830

See notes to financial statements.

ALLSTATE 401(k) SAVINGS PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2015
($ in thousands)

	Supplementary Information			
	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ASSETS				
Investments—at contract value:				
Invesco Advisers Inc. Stable Value Fund	$666,154	$-	$-	$666,154
Investments—at fair value:				
The Allstate Corporation common stock	-	554,491	171,178	725,669
Collective short-term investment fund	-	2,465	1	2,466
Common collective trust funds:				
SSgA U.S. Bond Index Non-Lending Series Fund – Class A	411,300	-	-	411,300
SSgA Real Return ex-Natural Resource Equities Non-Lending Series Fund – Class C	7,105	-	-	7,105
SSgA S&P 500 Index Non-Lending Series Fund – Class A	1,064,061	-	-	1,064,061
SSgA Global Equity ex U.S. Index Non-Lending Series Fund – Class A	364,007	-	-	364,007
SSgA Russell Sm Cap Index Non-Lending Series Fund – Class A	352,358	-	-	352,358
SSgA S&P Mid Cap Index Non-Lending Series Fund – Class A	235,722	-	-	235,722
NTI Emerging Markets Fund	24,051	-	-	24,051
Northern Trust Focus Funds	487,606	-	-	487,606
Total investments—at fair value	2,946,210	556,956	171,179	3,674,345
Total investments	3,612,364	556,956	171,179	4,340,499
Receivables:				
Dividends and interest	5	2,659	828	3,492
Employer contributions	-	-	8,704	8,704
Participant contributions	29	2	-	31
Participant notes receivable	90,685	-	-	90,685
Interfund	-	79,604	-	79,604
Total receivables	90,719	82,265	9,532	182,516
Other assets	2,049	-	-	2,049
Total assets	3,705,132	639,221	180,711	4,525,064
LIABILITIES				
ESOP loan (Notes 1 and 3)	-	-	10,551	10,551
Payables:				
Interfund	1,215	-	78,389	79,604
Other	608	39	-	647

Total liabilities	1,823	39	88,940	90,802
NET ASSETS AVAILABLE FOR BENEFITS	$3,703,309	$639,182	$91,771	$4,434,262

See notes to financial statements.

ALLSTATE 401(K) SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2016
($ in Thousands)

	Supplementary Information			
	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ADDITIONS				
Net investment income:				
Net apreciation in fair value of investments	$310,498	$108,647	$18,995	$438,140
Interest	15,256	15	12	15,283
Dividends	5	11,976	2,084	14,065
Net investment income	325,759	120,638	21,091	467,488
Interest income on participant notes receivable	3,701	-	-	3,701
Contributions:				
Participants	186,387	12,345	-	198,732
Employer - ESOP loan debt service	-	-	1,932	1,932
Employer - cash matched on participant contributions	1,348	13,453	5,250	20,051
Total contributions	187,735	25,798	7,182	220,715
Allocation of company shares - shares matched on participant deposits at fair value	-	59,633	(59,633)	-
Total additions	517,195	206,069	(31,360)	691,904
DEDUCTIONS				
Benefits paid to participants	261,557	43,222	-	304,779
Interest expense	-	-	586	586
Administrative expense	4,659	309	3	4,971
Total deductions	266,216	43,531	589	310,336
NET INCREASE (DECREASE)	250,979	162,538	(31,949)	381,568
INTERFUND TRANSFERS	110,721	(105,469)	(5,252)	-
NET ASSETS AVAILABLE FOR BENEFITS:				
Beginning of year	3,703,309	639,182	91,771	4,434,262

End of year	$4,065,009	$696,251	$54,570	$4,815,830

See notes to financial statements.

ALLSTATE 401(K) SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
YEAR ENDED DECEMBER 31, 2015
($ in Thousands)

	Supplementary Information			
	Participant-Directed Funds	Allstate Stock Fund	ESOP Company Shares Unallocated	Total
ADDITIONS				
Net investment income:				
Net depreciation in fair value of investments	$(36,988)	$(80,208)	$(22,497)	$(139,693)
Interest	14,780	68	5	14,853
Dividends	(1)	11,778	3,308	15,085
Net investment loss	(22,209)	(68,362)	(19,184)	(109,755)
Interest income on participant notes receivable	3,706	-	-	3,706
Contributions:				
Participants	186,414	13,694	-	200,108
Employer–ESOP loan debt service	-	-	3,454	3,454
Employer–cash matched on participant contributions	887	(947)	5,250	5,190
Total contributions	187,301	12,747	8,704	208,752
Allocation of company shares–shares matched on participant deposits at fair value	-	73,138	(73,138)	-
Total additions	168,798	17,523	(83,618)	102,703
DEDUCTIONS				
Benefits paid to participants	264,458	48,849	-	313,307
Interest expense	-	-	1,047	1,047
Administrative expense	4,231	346	4	4,581
Total deductions	268,689	49,195	1,051	318,935
NET DECREASE	(99,891)	(31,672)	(84,669)	(216,232)
INTERFUND TRANSFERS	100,017	(94,767)	(5,250)	-
NET ASSETS AVAILABLE FOR BENEFITS:				
Beginning of year	3,703,183	765,621	181,690	4,650,494

End of year	$3,703,309	$639,182	$91,771	$4,434,262

See notes to financial statements.

ALLSTATE 401(k) SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

1. DESCRIPTION OF PLAN

The following description of the Allstate 401(k) Savings Plan (the “Plan”), sponsored by The Allstate Corporation (the “Company”), provides only general information. Participants should refer to the plan document for a more complete description of the Plan’s provisions.

General — Regular full-time and regular part-time employees of subsidiaries of the Company, with the exception of those employed by the Company’s international subsidiaries, Esurance Insurance Services, Inc., and Answer Financial, Inc. are eligible to participate in the Plan. There is no waiting period to enroll in the Plan, provided employees are at least 18 years old.

The Plan is a defined contribution plan consisting of a profit sharing and stock bonus plan containing a cash or deferred arrangement which is intended to meet the requirements of Sections 401(a) and 401(k) of the Internal Revenue Code of 1986 (the “Code”). The stock bonus portion of the Plan includes a leveraged and a nonleveraged employee stock ownership plan (“ESOP”) which is intended to meet the requirements of Section 409 and Section 4975(e)(7) of the Code. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Administration — The Plan is administered by the Administrative Committee. Investment transactions are authorized by the Plan’s Investment Committee. Members of the Administrative and Investment Committees are appointed by the 401(k) Committee. The 401(k) Committee is comprised of various Allstate Insurance Company officers as described in the Plan.

Trustee of the Plan — The Northern Trust Company holds Plan assets as trustee under the Allstate 401(k) Savings Plan Trust.

Contributions — Each year, employees may contribute up to 50% of eligible annual compensation through a combination of pre-tax, Roth 401(k), and after-tax contributions, subject to Internal Revenue Code limitations. All eligible employees hired or rehired are automatically enrolled in the Plan at a 5% pre-tax contribution rate, unless the participant declines enrollment or changes the contribution rate within the first 45 days of eligibility. Participants age 50 or older have the option to make additional pre-tax or Roth 401(k) contributions (“Catch-Up” contributions). Employees may also roll over pre-tax or Roth 401(k) amounts representing distributions from other qualified defined benefit or defined contribution plans. The Company match for a plan year is 80 cents for every pre-tax and/or Roth 401(k) dollar that a participant contributes to the Plan during the plan year, up to 5% of eligible compensation. All employer contributions are invested in the Allstate Stock Fund. However, participants can transfer all or part of their Company contributions to any investment option within the Plan at any time, subject to certain limited trading restrictions.

Participant Accounts — Individual accounts are maintained for each Plan participant. Each participant’s account is credited with the participant’s contribution, allocations of the Company’s contribution and investment earnings and losses, and is charged with an allocation of administrative expenses. Accounts may increase by rollovers and decrease by rollovers and withdrawals. The benefit to which a participant is entitled is the benefit that can be provided from the participant’s vested account.

Vesting — Participants hired prior to March 1, 2009 were immediately vested in their contributions and the Company's contributions plus earnings thereon. Employees hired on or after March 1, 2009 are immediately vested in their contributions and will fully vest in the Company's contributions after three years of vesting service.
Investment Options — Upon enrollment in the Plan, a participant may direct employee contributions to any or all of the current investment options as listed below. If a participant does not make an investment election, employee contributions will be invested in the Target Retirement Date Fund that corresponds with the participant's birth date and assumes a retirement date at age 65. Participants may change their investment elections at any time, with limited trading restrictions, but without redemption restrictions. The funds transact with the participants at net asset value on a daily basis.
Allstate Stock Fund (The Allstate Corporation common stock) — The Allstate Stock Fund is a unitized fund that invests in Company common stock with a portion of the fund invested in short-term securities to provide liquidity to process transactions.
Stable Value Fund (Invesco Advisers, Inc. Stable Value Fund) — The fund, managed by Invesco Advisers, Inc. ("Invesco"), a registered investment advisor, is an actively managed portfolio that includes a number of investment contracts issued by a diversified group of insurance companies, banks, and other financial institutions, each backed by one or more diversified bond portfolios.
Bond Fund (SSgA U.S. Bond Index Non-Lending Series Fund – Class A) — The fund, managed by State Street Global Advisors ("SSgA"), a registered investment company, invests in the U.S. Bond Index Non-Lending Series Fund - Class A, which is a collective fund whose objective is to approximate as closely as practicable, before expenses, the performance of the Barclays Capital U.S. Aggregate Bond Index over the long term. The Barclays Capital U.S. Aggregate Bond Index is an index representative of well-diversified exposure to the overall U.S. bond market.
S&P 500 Fund (SSgA S&P 500® Index Non-Lending Series Fund – Class A) — The fund, managed by SSgA, invests in the S&P 500® Index Non-Lending Series Fund – Class A, which is a collective fund whose objective is to approximate as closely as practicable, before expenses, the performance of the Standard & Poor's 500® Index over the long term. The Standard & Poor's 500® Index consists of large capitalization ("cap") stocks across over 24 industry groups and 500 stocks chosen for market size, liquidity and industry group representation.
Real Asset Fund (SSgA Real Return ex-Natural Resource Equities Non-Lending Fund – Class C) — The fund, managed by SSgA, invests in the Real Return ex-Natural Resource Equities Non - Lending Class C Series Fund, which is a collective fund whose objective is to provide an investment return that approximates as closely as practicable, before expenses, the performance of its custom index (the "Real Asset Index") over the long term. The fund is a collection of real asset investments in commodities, real estate and inflation-protected bonds and offers liquid, cost-effective exposure to three asset classes (see table below) via a disciplined, strategic asset allocation approach.

Target	Fund's Exposure	Real Asset Index
20%	Commodities Futures Market	Bloomberg Roll Select Commodity Index
35%	Global Development Real Estate Investment Trusts (REITSs)	FTSE EPRA/NAREIT Developed Liquid Index
45%	U.S. Treasury Inflation-Protected Securities (TIPS)	Barclays U.S. TIPS Index

International Equity Fund (SSgA Global All Cap Equity ex U.S. Index Non-Lending Series Fund – The fund, managed by SSgA, invests in Global All Cap Equity ex U.S. Index Non-Lending Series Fund – Class A, which is a collective fund whose objective is to approximate as closely as practicable, before expenses, the performance of the Morgan Stanley Capital International (MSCI) All Country World Index (ACWI) ex-U.S. Investable Market Index (IMI) over the long term. The MSCI ACWI ex U.S. IMI are free float-adjusted market capitalization weighted

11,608 $9,061

During the nine months ended September 30, 2008, the Corporation made no contributions to the Curtiss-Wright Pension Plan, and expects to make no contributions in 2008. In addition, contributions of $2.5 million were made to the Corporation's foreign benefit plans during the first nine months of 2008. Contributions to the foreign plans are expected to be $3.5 million in 2008.

Other Postretirement Benefit Plans

The components of the net postretirement benefit cost for the Curtiss-Wright and EMD postretirement benefit plans for the three and nine months ended September 30, 2008 and 2007 were:

	(In thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Service cost	$ 175	$ 132	$ 513	$ 397
Interest cost	429	428	1,333	1,283
Recognized net actuarial gain	(172)	(133)	(431)	(400)
Net periodic benefit cost	$ 432	$ 427	$ 1,415	$ 1,280

During the nine months ended September 30, 2008, the Corporation has paid $1.6 million on the postretirement plans. During 2008, the Corporation anticipates contributing $2.0 million to the postretirement plans.

7. 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 September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Basic weighted-average shares outstanding	44,779	44,413	44,672	44,285
Dilutive effect of share-based compensation awards and deferred stock compensation	726	689	697	640
Diluted weighted-average shares outstanding	45,505	45,102	45,369	44,925

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

At September 30, 2008, there were 352,000 stock options outstanding that could potentially dilute earnings per share in the future, and were excluded from the computation of diluted earnings per share for the three and nine months ended September 30, 2008 as they would have been anti-dilutive for those periods. There were no anti-dilutive shares for the three and nine months ended September 30, 2007.

8. SEGMENT INFORMATION

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.

(In thousands)
Three Months Ended September 30, 2008

	Flow Control	Motion Control	Metal Treatment	Segment Total	Corporate & Other (1)	Consolidated
Revenue from external customers	$ 216,231	$ 153,868	$ 65,600	$ 435,699	$ –	$ 435,699
Intersegment revenues	-	1,571	256	1,827	(1,827)	–
Operating income (expense)	23,149	16,113	13,407	52,669	(4,479)	48,190

(In thousands)
Three Months Ended September 30, 2007

	Flow Control	Motion Control	Metal Treatment	Segment Total	Corporate & Other (1)	Consolidated
Revenue from external customers	$ 190,811	$ 142,524	$ 62,933	$ 396,268	$ –	$ 396,268
Intersegment revenues	–	48	266	314	(314)	–
Operating income (expense)	18,733	14,756	12,597	46,086	(1,598)	44,488

(In thousands)
Nine Months Ended September 30, 2008

	Flow Control	Motion Control	Metal Treatment	Segment Total	Corporate & Other (1)	Consolidated
Revenue from external customers	$ 653,855	$ 465,361	$ 203,326	$ 1,322,542	$ –	$ 1,322,542
Intersegment revenues	-	3,364	722	4,086	(4,086)	–
Operating income (expense)	58,407	46,063	41,436	145,906	(7,317)	138,589

	(In thousands)					
	Nine Months Ended September 30, 2007					
	Flow Control	Motion Control	Metal Treatment	Segment Total	Corporate & Other (1)	Consolidated
Revenue from external customers	$ 491,702	$ 412,730	$ 190,021	$ 1,094,453	$ –	$ 1,094,453
Intersegment revenues	–	625	779	1,404	(1,404)	–
Operating income (expense)	38,758	43,626	38,554	120,938	(2,899)	118,039

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

	(In thousands) Identifiable Assets					
	Flow Control	Motion Control	Metal Treatment	Segment Total	Corporate & Other	Consolidated
September 30, 2008	$ 905,907	$ 798,286	$ 242,993	$ 1,947,186	$ 80,098	$ 2,027,284
December 31, 2007	867,075	800,565	234,978	1,902,618	82,942	1,985,560

(1) Operating expense for Corporate and Other includes pension expense, environmental remediation and administrative, legal, and other expenses.

Adjustments to reconcile to earnings before income taxes:

	(In thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Total segment operating income	$ 52,669	$ 46,086	$ 145,906	$ 120,938
Corporate and other	(4,479)	(1,598)	(7,317)	(2,899)
Other income, net	371	231	1,069	1,581
Interest expense	(6,611)	(7,712)	(21,370)	(18,916)
Earnings before income taxes	$ 41,950	$ 37,007	$ 118,288	$ 100,704

9. COMPREHENSIVE INCOME

Total comprehensive income for the three and nine months ended September 30, 2008 and 2007 are as follows:

	(In thousands)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net earnings	$ 27,523	$ 25,175	$ 76,379	$ 66,069
Equity adjustment from foreign currency translations, net	(31,410)	14,032	(29,905)	28,294
Defined benefit pension and post-retirement plan, net	420	(162)	635	(115)
Total comprehensive income	$ (3,467)	$ 39,045	$ 47,109	$ 94,248

The equity adjustment from foreign currency translation represents the effect of translating the assets and liabilities of the Corporation’s non-U.S. entities. This amount is impacted year-over-year by foreign currency fluctuations and by the acquisitions of foreign entities.

10. CONTINGENCIES AND COMMITMENTS

The Corporation's environmental obligations have not changed significantly from December 31, 2007. The aggregate environmental obligation was $22.1 million at September 30, 2008 and $23.0 million at December 31, 2007. All environmental reserves exclude any potential recovery from insurance carriers or third-party legal actions.

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

The Corporation, through its Flow Control segment, has several Nuclear Regulatory Commission ("NRC") licenses necessary for the continued operation of its commercial nuclear operations. In connection with these licenses, the NRC requires 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 cost to decommission the refurbishment facility, which is planned for 2017, is $4.1 million and is included in our environmental liabilities.

The Corporation enters into standby letters of credit agreements with financial institutions and customers primarily relating to guarantees of repayment on certain Industrial Revenue Bonds, future performance on certain contracts to provide products and services, and to secure advance payments the Corporation has received from certain international customers. At September 30, 2008 and December 31, 2007, the Corporation had contingent liabilities on outstanding letters of credit of $45.4 million and $40.0 million, respectively.

In January of 2007, a former executive was awarded approximately $9.0 million in punitive and compensatory damages plus legal costs related to a gender bias lawsuit filed in 2003. The Corporation has recorded a $6.5 million reserve related to the lawsuit and has filed an appeal to the verdict. The Corporation has determined that it is probable that the punitive damages verdict will be reversed on appeal; therefore, no reserve has been recorded for that portion.

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.

11. SUBSEQUENT EVENTS

Mechetronics Ltd.

On October 1, 2008, the Corporation acquired all of the issued and outstanding capital stock of Mechetronics Holding Ltd. and all subsidiaries ("Mechetronics"). The purchase price of the acquisition, subject to customary adjustments provided for in the Stock Purchase Agreement, was £1.5 million ($2.6 million) in cash and the assumption of certain liabilities. Under the terms of the Stock Purchase Agreement, the Corporation deposited £0.2 million ($0.4 million) into escrow as security for potential indemnification claims against the seller. Any amount of the holdback remaining after the claims for the indemnification have been settled less amounts held in reserve to cover pending claims for indemnification will be paid 14 months after the closing date. Management funded the acquisition from the Corporation's available cash. The business will become a part of the Corporation's Motion Control segment within the Integrated Sensing division. Revenues of the purchased business were £5.6 million ($11.2 million) for the period ended December 31, 2007.

Mechetronics is a global supplier of solenoids and solenoid valves to original equipment manufacturers (OEMs). A solenoid is an electromagnetic actuator used as a mechanical switch or integrated with a valve to provide control in pneumatic or hydraulic systems. The Mechetronics products are used in a variety of applications including business machines, switchgear and vehicle braking systems.

Mechetronics was founded in 1918 and is a leading solenoid supplier in the United Kingdom. Operations are headquartered in a 27,000 square-foot facility in Bishop Auckland, United Kingdom, and include a new production

facility opened in Zhuhai, China in 2007.

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

VMetro ASA

On October 15, 2008, the Corporation completed a voluntary cash tender offer for all of the issued and outstanding capital stock of VMetro ASA (“VMetro”) (Oslo: VME) at Norwegian Kroner (“NOK”) 12.06 per share. The purchase price of the acquisition was 289 million NOK ($46.2 million) in cash and the assumption of 162 million NOK ($25.9 million) of net debt. Management funded the acquisition from the Corporation’s revolving credit facility. VMetro will become part of the Corporation’s Motion Control segment within the Embedded Computing division. Revenues of the purchased business were 307 million NOK ($52.5 million) for the period ended December 31, 2007.

Founded in 1986, VMetro is a leading supplier of commercial off-the-shelf (COTS) board and system-level embedded computing products for applications in aerospace, defense, industrial, communication and medical markets. Key products provide real-time computing capabilities, high-density radar processing, data recording and network storage systems. Application of these products as components or subsystems enables improved response time and critical protection in server and storage appliances, utility mapping and ground penetrating radar.

VMetro operates globally with its headquarters and principal engineering located in Oslo, Norway. Additional sales, engineering and distribution networks are established in Sweden, Germany, France, Italy, the United States, United Kingdom, and Singapore.

In September of 2008, the Corporation entered into a zero cost forward collar that provided both a floor and a ceiling to limit the exposure of the cash purchase price for the VMetro acquisition. As a result of this transaction and the significant strengthening of the US dollar that subsequently occurred, the Company realized a net cash savings and reduction in the purchase price of approximately $4 million and $7 million, respectively, from the offer date and recorded a pretax loss of $1.8 million in the third quarter of 2008 in other income (expense), and a pre-tax loss of $1.4 million, which will be recorded in the fourth quarter of 2008.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES
PART I – ITEM 2
MANAGEMENT'S DISCUSSION and ANALYSIS of
FINANCIAL CONDITION and RESULTS of OPERATIONS

FORWARD-LOOKING STATEMENTS

Except for historical information, this Quarterly Report on Form 10-Q may be deemed to contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Examples of forward-looking statements include, but are not limited to, (a) projections of or statements regarding return on investment, future earnings, interest income, other income, earnings or loss per share, growth prospects, capital structure, and other financial terms, (b) statements of plans and objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "could," "anticipates," as well as the negative of any of the foregoing or variations of such terms or comparable terminology, or by discussion of strategy. No assurance may be given that the future results described by the forward-looking statements will be achieved. Such statements are subject to risks, uncertainties, and other factors, which could cause actual results to differ materially from future results expressed or implied by such forward-looking statements. Such statements in this Quarterly Report on Form 10-Q include, without limitation, those contained in Item 1. Financial Statements and Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. Important factors that could cause the actual results to differ materially from those in these forward-looking statements include, among other items:

- the Corporation's successful execution of internal performance plans and performance in accordance with estimates to complete;
- performance issues with key suppliers, subcontractors, and business partners;
- the ability to negotiate financing arrangements with lenders;
- legal proceedings;
- changes in the need for additional machinery and equipment and/or in the cost for the expansion of the Corporation's operations;
- ability of outside third parties to comply with their commitments;
- product demand and market acceptance risks;
- the effect of economic conditions;
- the impact of competitive products and pricing; product development, commercialization, and technological difficulties;
- social and economic conditions and local regulations in the countries in which the Corporation conducts its businesses;
- unanticipated environmental remediation expenses or claims;
- capacity and supply constraints or difficulties;
- an inability to perform customer contracts at anticipated cost levels;
- changing priorities or reductions in the U.S. and Foreign Government defense budgets;
- contract continuation and future contract awards;
- U.S. and international military budget constraints and determinations;
- the other factors discussed under the caption "Risk Factors" in the Corporation's 2007 Annual Report on Form 10-K; and
- other factors that generally affect the business of companies operating in the Corporation's markets and/or industries.

These forward-looking statements speak only as of the date they were made and the Corporation assumes no obligation to update forward-looking statements to reflect actual results or changes in or additions to the factors

affecting such forward-looking statements.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

COMPANY ORGANIZATION

Curtiss-Wright Corporation is a diversified, multinational provider of highly engineered, technologically advanced, value-added products and services to a broad range of industries in the motion control, flow control, and metal treatment markets. We are positioned as a market leader across a diversified array of niche markets through engineering and technological leadership, precision manufacturing, and strong relationships with our customers. We provide products and services to a number of global markets, such as defense, commercial aerospace, power generation, oil and gas, automotive, and general industrial. We have achieved balanced growth through the successful application of our core competencies in engineering and precision manufacturing, adapting these competencies to new markets through internal product development, and a disciplined program of strategic acquisitions. Our overall strategy is to be a balanced and diversified company, less vulnerable to cycles or downturns in any one market, and to establish strong positions in profitable niche markets. Approximately 35% of our revenues are generated from defense-related markets.

We manage and evaluate our operations based on the products and services we offer and the different industries and markets we serve. Based on this approach, we have three reportable segments: Flow Control, Motion Control, and Metal Treatment. For further information on our products and services and the major markets served by our three segments, please refer to our 2007 Annual Report on Form 10-K.

RESULTS of OPERATIONS

Analytical definitions

Throughout management's discussion and analysis of financial condition and results of operations, the terms "incremental" and "base" are used to explain changes from period to period. The term "incremental" is used to highlight the impact acquisitions had on the current year results, for which there was no comparable prior-year period. Therefore, the results of operations for acquisitions are incremental for the first twelve months from the date of acquisition. The remaining businesses are referred to as the "base" businesses, and growth in these base businesses is referred to as "organic". Additionally, on May 9, 2008, we sold our commercial aerospace repair and overhaul business located in Miami, Florida. The results of operations for this business have been removed from the comparable prior year periods for purposes of calculating organic growth figures and are included as a reduction of our incremental results of operations from our acquisitions.

Therefore, for the three months ended September 30, 2008, our organic growth does not include one month of operating results for Benshaw, Inc. ("Benshaw") and two months of operating results for IMC Magnetics Corporation ("IMC"), which are considered incremental. Similarly, our organic growth calculation for the nine months ended September 30, 2008 excludes from operations four months of operating results for Scientech, five months of operating results of VSC, seven months of operating results for Benshaw, and eight months of operating results for IMC. Additionally, the organic growth calculations for both the three months and nine months ended September 30, 2008 exclude three months and five months, respectively, of our 2007 operating results from our commercial aerospace repair and overhaul business, as noted above, and these amounts are included as a reduction of our incremental results of operations.

Three months ended September 30, 2008

Sales for the third quarter of 2008 totaled $436 million, an increase of 10% from sales of $396 million for the third quarter of 2007. New orders received for the current quarter of $442 million decreased 35% from new orders of $676

million for the third quarter of 2007. The decrease is mainly due to the award of $245 million for the reactor coolant pump contracts with China's State Nuclear Power Technology Corporation and Westinghouse Electric Company for four new AP 1000 reactors in the prior year. The acquisitions made in 2007 contributed $9 million in incremental new orders received in the third quarter of 2008. Backlog increased 33% to $1,732 million at September 30, 2008 from $1,304 million at December 31, 2007. Approximately 34% of our backlog is defense-related.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

Sales growth for the third quarter of 2008, as compared to the same period last year, was due to solid organic growth of 7% and incremental sales of $11 million as compared to the prior year period. Our Flow Control, Motion Control, and Metal Treatment segments experienced organic growth of 8%, 8%, and 4%, respectively, compared to the prior year period.

In our base businesses, higher sales to the power generation and defense markets, partially offset by a decrease in our oil and gas market, drove our organic sales growth. Sales to the power generation market increased $19 million, primarily within our Flow Control segment, mainly due to sales of our next generation reactor coolant pumps for the new AP1000 nuclear reactors being constructed in China. Sales to the defense markets increased $17 million, driven primarily by our Motion Control segment's sales to the ground and aerospace defense markets which increased by $12 million and $4 million, respectively. The increased sales to the ground defense market relates primarily to content on the Bradley Fighting Vehicle, driven by the Improved Bradley Acquisition System ("IBAS") program and the increase in the aerospace defense market relates mainly to integrated sensing products on various programs. Sales to the oil and gas market declined $7 million primarily due to the timing of new order placement, the impact of the recent hurricanes, and general economic conditions. In addition, foreign currency translation had a slightly unfavorable impact on sales for the quarter ended September 30, 2008, as compared to the prior year period.

Operating income for the third quarter of 2008 totaled $48 million, an increase of 8% over operating income for the same period last year of $44 million. Organic operating income increased 11% driven primarily by our Flow Control segment, which experienced organic operating income growth of 30% over the comparable prior year period. Our Motion Control and Metal Treatment segments experienced organic operating income growth of 10% and 6%, respectively, over the comparable prior year period. Incremental operating losses of $1 million partially offset the organic operating income growth.

Overall operating income margins decreased 10 basis points, from 11.2% to 11.1%, with our base businesses experiencing 11.7% operating income margins, offset slightly by our third quarter 2007 acquisitions, whose operating margins were negatively impacted by amortization expense, which generally runs higher in the earlier years, and a negative inventory adjustment. In our base businesses, the organic operating income growth is primarily attributable to improved operating performance as we experienced higher sales volume, improved profitability on several long-term contracts, and reduced research and development costs primarily related to the AP1000 design study conducted in 2007 that did not recur in 2008. These favorable impacts were partially offset by increased general and administrative expenses, which in total were up $14 million, or 28% over the prior year period. The 2007 acquisitions accounted for $7 million of incremental general and administrative expenses. The base businesses experienced general and administrative cost growth of 12% in the third quarter of 2008, ahead of the organic sales growth of 7%, primarily due to higher labor costs and associated employee benefits in support of our growing infrastructure. Foreign currency translation favorably impacted operating income by $1 million for the quarter ended September 30, 2008, as compared to the prior year period.

Net earnings for the third quarter of 2008 totaled $28 million, or $0.60 per diluted share, an increase of 9% when compared to the prior year period as the higher operating income noted above was partially offset by $3 million increase in tax expense. Our effective tax rate for the third quarter of 2008 was 34.4%, as compared to 32.0% during the third quarter of 2007. The increase in our effective tax rate represents a prior year benefit for enhanced manufacturing deductions that did not recur. In addition, interest expense decreased $1 million due to lower interest rates, partially offset by a slight increase in our average debt.

Nine months ended September 30, 2008

Sales for the first nine months of 2008 totaled $1,323 million, an increase of 21% from sales of $1,094 million for same period last year. New orders received for the first nine months of 2008 of $1,769 million were up 23% over the new orders of $1,434 million for the first nine months of 2007. The increase is mainly due a net $62 million increase in new orders related to the supply of reactor coolant pumps for the AP1000 design. The acquisitions made in 2007 contributed $111 million in incremental new orders received in the first nine months of 2008.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

Organic sales growth was 9% for the first nine months of 2008, as compared to the same period last year, with each of our segments contributing to the growth. Our Motion Control, Flow Control, and Metal Treatment segments increased organic sales 10%, 9% and 7%, respectively, in the first nine months of 2008, as compared to the prior year period. Sales for the first nine months of 2008 also benefited from incremental sales of $127 million.

In our base businesses, increased sales to the power generation, defense, oil and gas, and commercial aerospace markets drove our organic sales growth. Sales to the power generation market increased $46 million, primarily within our Flow Control segment, mainly due to sales of our next generation reactor coolant pumps for the new AP1000 nuclear reactors being constructed in China. Sales to the defense markets increased $33 million, driven primarily by our Motion Control segment's increased sales to ground and aerospace defense markets of $27 million and $8 million, respectively. The increased sales to the ground defense market relates primarily to content on the Bradley Fighting Vehicle, driven by the IBAS program, while the increase in sales to the aerospace defense market was experienced across all of our major programs. Sales to the oil and gas market increased $10 million organically, driven primarily by our Flow Control segment's traditional valve products, engineering services, and field service work as the oil and gas market continues its increased capital spending. Sales to the commercial aerospace market increased by $7 million and are driven primarily by our Metal Treatment segment as this segment continues to experience increased demand for its shot peening services. In addition, foreign currency translation favorably impacted sales by $9 million for the first nine months of 2008, as compared to the prior year period.

Operating income for the first nine months of 2008 totaled $139 million, up 17% over the $118 million of operating income from the same period last year. Overall organic operating income increased 14% over the comparable period driven primarily by our Flow Control segment, which experienced organic operating income growth of 42%. Our Metal Treatment and Motion Control segments experienced organic operating income growth of 7% and 5%, respectively. The first nine months of 2008 also benefited from $3 million of incremental operating income.

Overall operating income margins for the first nine months of 2008 declined 30 basis points from 10.8% in the comparable prior year period to 10.5%. Our base businesses experienced 11.3% operating income margins in the first nine months of 2008, while our 2007 acquisitions experienced operating income margins of 3.1% during the same time period. Operating margins from our 2007 acquisitions were negatively impacted by first year intangible amortization expense, which generally runs higher in the earlier years. In our base businesses, the organic operating income growth is primarily attributable to improved operating performance as we experienced higher 2008 sales volume and improved profitability on several long-term contracts. In addition, the 2007 cost overruns on fixed-price development contracts for the U.S. Navy and business consolidation costs in our Flow Control segment that did not recur in 2008. These favorable impacts were partially offset by increased general and administrative expenses, which in total were up $49 million, or 35% over the prior year period. The 2007 acquisitions accounted for $32 million of incremental expense, including $8 million of amortization expense. The base businesses experienced an increase of 11% in general and administrative costs during the first nine months of 2008, ahead of organic sales growth of 9%, primarily due to higher labor costs and associated employee benefits in support of our growing infrastructure. Additionally, foreign currency translation had an unfavorable impact of $2 million on operating income for the first nine months of 2008, as compared to the prior year period.

Net earnings for the first nine months of 2008 totaled $76 million, or $1.68 per diluted share, an increase of 16% as compared to the net earnings for the first nine months of 2007 of $66 million, or $1.47 per diluted share. Interest expense increased $2 million on higher average debt levels partially offset by lower interest rates. Our effective tax rate for the first nine months of 2008 was 35.4% as compared to 34.4% in 2007.

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

Segment Operating Performance:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2008	2007	Change %	2008	2007	Change %
Sales:						
Flow Control	$ 216,231	$ 190,811	13.3%	$ 653,855	$ 491,702	33.0%
Motion Control	153,868	142,524	8.0%	465,361	412,730	12.8%
Metal Treatment	65,600	62,933	4.2%	203,326	190,021	7.0%
Total Sales	$ 435,699	$ 396,268	10.0%	$ 1,322,542	$ 1,094,453	20.8%
Operating Income:						
Flow Control	$ 23,149	$ 18,733	23.6%	$ 58,407	$ 38,758	50.7%
Motion Control	16,113	14,756	9.2%	46,063	43,626	5.6%
Metal Treatment	13,407	12,597	6.4%	41,436	38,554	7.5%
Total Segments	52,669	46,086	14.3%	145,906	120,938	20.6%
Corporate & Other	(4,479)	(1,598)	180.3%	(7,317)	(2,899)	152.4%
Total Operating Income	$ 48,190	$ 44,488	8.3%	$ 138,589	$ 118,039	17.4%
Operating Margins:						
Flow Control	10.7%	9.8%		8.9%	7.9%	
Motion Control	10.5%	10.4%		9.9%	10.6%	
Metal Treatment	20.4%	20.0%		20.4%	20.3%	
Total Curtiss-Wright	11.1%	11.2%		10.5%	10.8%	

Flow Control

Sales for the Corporation's Flow Control segment increased 13% to $216 million for the third quarter of 2008 from $191 million in the third quarter of 2007, an increase of $25 million. The increase in sales was driven by strong organic sales growth of 8% and contributions from our 2007 acquisitions of $10 million. The organic sales growth was driven by an increase in sales to the power generation market of $19 million, and general industrial market of $3 million. These increases were partially offset by a decrease in sales to the oil and gas market of $7 million. Higher organic sales to the power generation market were mainly driven by sales of $16 million of our next-generation reactor coolant pumps for the new AP1000 nuclear reactors being constructed in China. The remaining increase is due to a large international construction order for our specialty hardware products. The increase in the general industrial market was mainly due to higher demand for mission-critical motor controls and protection solutions. The decrease in the oil and gas market was driven primarily by the timing of new order placement, the impact of the recent hurricanes, and general economic conditions on our operations. Foreign currency translation had a slightly negative impact on the sales for the third quarter of 2008, as compared to the prior year period.

Operating income for the third quarter of 2008 was $23 million, an increase of 24% as compared to $19 million for the same period last year, driven mainly by organic growth of 30%. Overall operating income margins for this segment increased 90 basis points to 10.7% for the three months ended September 30, 2008. The increase in the

margin is mainly related to enhance operating performance, as we experienced improved profitability on several long-term contracts and a reduction in research and development costs. Offsetting our organic operating income growth was an inventory adjustment in the third quarter of 2008 at our Benshaw facility, which led to an incremental operating loss of $1 million. Foreign currency translation had a slightly negative impact on the segment's operating income in the third quarter of 2008, as compared to the prior year.

Sales for the first nine months of 2008 were $654 million, an increase of 33% over the same period last year of $492 million. Acquisitions contributed $116 million to this segment's sales during the first nine months of 2008. This segment also experienced organic sales growth of 9% in the first nine months of 2008 as compared to the prior year period primarily resulting from higher sales to the power generation market of $42 million and higher sales to the oil and gas market of $8 million. Partially offsetting these improvements were lower sales to the defense market of $6 million. Higher organic sales to the power generation market were mainly driven by sales of $43 million for our next generation reactor coolant pumps for the new AP1000 nuclear reactors being constructed in China. Increased sales to the oil and gas market were driven primarily by increased demand for our traditional valve products, engineering services, and field service work as worldwide refineries increased capital spending and maintenance expenditures. This was partially offset by a decrease in the sales of our coker valve product primarily due to timing of new order placement, the effects of the recent hurricanes, and general economic conditions. The lower sales to the defense market were driven primarily by decreased generator and pump sales of $3 million to the U.S. Navy resulting from the wind down of funded contracts for the Virginia-class submarines. Partially offsetting these declines in the naval defense market in the first nine months of 2008 were higher sales of instrumentation control devices to the U.S. Navy. Foreign currency translation had a favorable impact of $1 million on this segment's sales for the first nine months of 2008, as compared to the prior year period.

Operating income for the first nine months of 2008 was $58 million, an increase of 51% as compared to $39 million for the same period last year. The improvement in the first nine months of 2008 was driven by strong organic operating income growth of 42%. In addition, acquisitions contributed $3 million in incremental operating income. Overall operating income margins for this segment increased by 100 basis points to 8.9% for the nine months ended September 30, 2008. The organic operating income growth was mainly due to better cost performance and improved profitability on several long-term contracts in the oil and gas market. Additionally, the operating income in the prior year was adversely impacted by cost overruns on fixed priced U.S. Navy development contracts and business consolidation costs associated with integrating our Tapco and Enpro business units, and higher material costs within our oil and gas market. Foreign currency translation negatively impacted this segment's operating income in the first nine months of 2008 by $1 million, as compared to the prior year period.

New orders received for the Flow Control segment totaled $204 million in the third quarter of 2008 and $1,030 million for the first nine months of 2008, representing a decrease of 55% and an increase of 33%, respectively, over the same periods in 2007. The quarter decline was due to AP1000 new orders received in the prior year period that did not recur in the current year period. The increase in the first nine months of 2008 was largely due to a net $62 million increase in new orders related to the supply of reactor coolant pumps for the AP1000 design. The 2007 acquisitions contributed $10 million and $100 million in incremental new orders received in the third quarter and first nine months of 2008, respectively, over the prior year periods. Backlog increased 48% to $1,148 million at September 30, 2008 from $776 million at December 31, 2007.

Motion Control

Sales for our Motion Control segment increased 8% to $154 million in the third quarter of 2008 from $143 million in the third quarter of 2007, an increase of $11 million. The increase in sales was driven by strong organic growth of 8% and the incremental sales of $1 million. The organic sales growth was primarily due to higher sales of $12 million and $4 million to the ground and aerospace defense markets, respectively. This was offset by lower sales to the naval defense and commercial aerospace markets of $2 million each. Ground defense product sales were driven primarily by higher sales of embedded computing products for tanks and light armored vehicles across the major platforms we serve, including the Bradley Fighting Vehicle and Future Combat Systems ("FCS"). The increase in sales to the aerospace defense market was primarily driven by increased demand for our engineered systems products on various

programs, including the F-16 and F-22. Lower revenues for the naval defense market resulted from lower sales of embedded computing radar systems. In addition, the commercial aerospace market has been negatively impacted by the Boeing strike, a delay in the Boeing 787 program, and a realignment of production efforts on the Eclipse program. Foreign currency translation had a slight favorable impact on sales for the third quarter of 2008, as compared to the prior year period.

Operating income for the third quarter of 2008 grew 9% to $16 million over the prior year period, driven mainly by organic growth of 10%. Overall operating income margins for this segment increased 10 basis points to 10.5% for the three months ended September 30, 2008. The slight increase in margin is primarily due to favorable foreign currency translation of $1 million. Excluding the impact from foreign currency translation, our organic operating margin decreased 20 basis points, due mainly to the impacts from the Boeing strike, the delay in the 787 program, and a delay on the Eclipse program. In addition, we continue to have downward pressure on margins due to continued development work primarily within our embedded computing group which will impact future sales.

Sales for the first nine months of 2008 increased 13% to $465 million from sales of $413 million during the first nine months of 2007. The increase in sales was driven by strong organic growth of 10% and incremental sales of $11 million. The sales growth was driven by higher sales across most of the segment's major markets. The majority of the growth was driven by increased sales to the ground and aerospace defense markets of $27 million and $8 million, respectively. The increase in ground defense sales was due to increased upgrades that are continuing on the Bradley Fighting Vehicle platform. Sales of our embedded computing products for the new IBAS program added $13 million to the increase, while the remaining increase was due to higher sales of power control and distribution production and spares units, increases on the Stryker platform, the amphibious Expeditionary Fighting Vehicle program, and the TOW Improved Target Acquisition System. These increases were partially offset by a year to date reduction of sales for the FCS. The improvement in the aerospace defense market for the year-to-date is due primarily to increased demand on the F-16, F-22, V-22, Global Hawk and various military helicopter programs. Sales to the commercial aerospace market increased slightly as demand from original equipment aircraft manufacturers on the Boeing 700 series platforms caused increased shipments for our products on the 737, 747, and 777 aircrafts, which was partially offset by the Boeing 787 delay and a realignment of production efforts on the Eclipse program. Foreign currency translation favorably impacted sales for the first nine months of 2008 by $5 million, as compared to the prior year period.

Operating income for the first nine months of 2008 was $46 million, an increase of 6% over the same period last year of $44 million. Overall operating income margins for this segment declined by 70 basis points to 9.9% for nine months ended September 30, 2008. The decrease in the margin was due to unfavorable foreign currency translation of $2 million. Excluding the impact from foreign currency translation, our organic operating margin increased by 10 basis points. The higher sales volume noted above led to overall growth in margins, which was offset by unfavorable sales mix and additional work on development and new production programs. In addition, the Boeing strike, the 787 delay, and the delay on the Eclipse program also had negative impacts on our operating margins for the nine months ended September 30, 2008. Research and development costs increased $3 million, or 14% as compared to the prior year period due to the support of strategic initiatives, primarily within our embedded computing group.

New orders received for the Motion Control segment totaled $172 million in the third quarter of 2008, an increase of 9% over the same period last year of $158 million, and $536 million for the first nine months of 2008, representing an increase of 14% from 2007 of $469 million. Contributions of $10 million are attributed to incremental new orders in 2008. The year-to-date increase was mainly due to significant contract wins within naval and ground defense markets. Total backlog increased 11% to $582 million at September 30, 2008 from $526 million at December 31, 2007.

Metal Treatment

Sales for our Metal Treatment segment increased 4% to $66 million for the third quarter of 2008 from sales of $63 million in the third quarter of 2007. The sales growth was predominately organic and driven by increased sales in most of this segment's major markets, partially offset by a decline in sales to the automotive industry. Sales to the

commercial aerospace and aerospace defense markets each increased $1 million over the prior year. In the commercial aerospace market, higher European shot peening sales and higher coatings sales, were partially offset by lower North American shot peening sales primarily due to the sale of a shot peening machine in the third quarter of 2007 that did not recur. The increase in sales to the aerospace defense market was driven by higher demand for our North American shot peening services. Sales were down for the automotive market by $1 million, primarily in our North American shot

peening business, due to the industry's lower production requirements. Sales included in the third quarter 2008 from the September acquisition of the Parylene Coating Services ("PCS") business were insignificant. Foreign currency translation had a slight unfavorable impact on third quarter 2008 sales, as compared to the prior year period.

Operating income for the third quarter of 2008 increased 6% over the prior year period. The growth in operating income was mostly organic and due to the increase in sales and favorable product mix. Operating margin increased by 40 basis points to 20.4%, which was due to higher gross margin partially offset by an increase in operating expenses related to the growth of the business. The higher gross margin was driven by increased European shot peening sales, which carry a higher gross margin than this segment's other products and services, in combination with lower North American shot peening sales. PCS's operating income for the quarter was insignificant. Foreign currency translation had a slight unfavorable impact on operating income for the quarter, as compared to the prior year period.

Sales for the first nine months of 2008 increased 7% to $203 million from sales of $190 million for the first nine months of 2007. The sales growth was predominately organic and driven by increased sales in all of this segment's major markets except for the automotive industry. Sales to the commercial aerospace market increased $5 million over the prior year period, while sales to the general industrial, power generation, and aerospace defense markets increased $4 million, $3 million, and $2 million, respectively. The increase in sales to the commercial aerospace market was driven by sales of our European shot peening and North American coatings services to OEM's based on their increased production requirements. The increase experienced within the general industrial market was driven by European demand for shot peening services and domestic demand of our coating and heat treating services. Sales to the power generation market were higher than the prior year primarily due to a shot peening development project in that market. The increase in sales to the aerospace defense market was driven by higher demand for our North American shot peening services. These sales increases were partially offset by a sales decline of $4 million to the automotive market. The decline was most prominent in our North American shot peening business as demand was lower due in part to a United Auto Workers strike and to depressed sales in the industry. Foreign currency translation favorably impacted sales for the first nine months of 2008 by $3 million, as compared to the prior year period.

Operating income for the nine months of 2008 increased 7% to $41 million from $39 million over the prior year period. The growth in operating income was mostly organic and due primarily to the higher sales volume. Operating margin increased 10 basis points to 20.4% for the nine months ended September 30, 2008, which was due to a slight improvement in gross margin, partially offset by higher operating expenses. The improvement in gross margin was the result of favorable sales mix and productivity gains, partially offset by increased labor costs and start up costs related to new shot peening facilities. The operating expense increase was primarily due to increased labor costs to support the growth of the business. Foreign currency translation had a $1 million favorable impact on operating income, as compared to the prior year period.

Corporate and Other

Non-segment operating expense increased for the third quarter of 2008 versus the comparable prior year period by $3 million. The increase in the third quarter was primarily due to higher unallocated medical costs under the Corporation's self-insured medical insurance plan, higher pension expense associated with the Curtiss-Wright pension plans resulting from higher service and interest costs, and higher foreign exchange losses on a forward contract associated with the VMetro acquisition. During the third quarter of 2008, we entered into a forward currency transaction to provide downside protection of the cash purchase price for the VMetro acquisition. As a result of this transaction and the significant strengthening of the U.S. dollar that subsequently occurred, we realized a net cash savings and reduction in the purchase price of approximately $4 million and $7 million, respectively, from the offer date and recorded a pretax charge of $2 million in the third quarter of 2008, and a pre-tax charge of $1 million, which

will be recorded in the fourth quarter of 2008.

Non-segment operating expense increased for the nine months of 2008 versus the comparable prior year period by $4 million. Similar to the third quarter of 2008, the non-segment operating expense increase in the first nine months of 2008 was primarily due to higher pension expense and higher unallocated medical costs, as well as higher legal costs.

Interest Expense

Interest expense decreased $1 million for the third quarter and increased $2 million for the first nine months of 2008 versus the comparable prior year periods, respectively. The decrease for the third quarter was due to lower average interest rates partially offset by higher average outstanding debt levels resulting from our acquisitions. The increase for the first nine months was due to higher average outstanding debt partially offset by lower interest rates. Our average outstanding debt increased approximately 3% for the third quarter and 29% for the nine months of 2008, while our average rate of borrowing decreased 90 basis points for the third quarter of 2008 and 70 basis points for the first nine months of 2008, as compared to the comparable prior year periods.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Use of Cash

We derive the majority of our operating cash inflow from receipts on the sale of goods and services and cash outflow for the procurement of materials and labor; cash flow is therefore subject to market fluctuations and conditions. A substantial portion of our business is in the defense sector, which is characterized by long-term contracts. Most of our long-term contracts allow for several billing points (progress or milestone) that provide us with cash receipts as costs are incurred throughout the project rather than upon contract completion, thereby reducing working capital requirements. In some cases, these payments can exceed the costs incurred on a project.

Operating Activities

Our working capital was $423 million at September 30, 2008, an increase of $63 million from the working capital at December 31, 2007 of $360 million. The ratio of current assets to current liabilities was 2.1 to 1.0 at September 30, 2008 versus 1.9 to 1.0 at December 31, 2007. Cash and cash equivalents totaled $77 million at September 30, 2008, up from $67 million at December 31, 2007. Days sales outstanding at September 30, 2008 were 55 days as compared to 51 days at December 31, 2007. Inventory turns were 4.5 for the nine months ended September 30, 2008, as compared to 5.3 at December 31, 2007.

Excluding cash, working capital increased $54 million from December 31, 2007. Working capital changes were primarily affected by an increase in inventory of $52 million due to build up for future 2008 sales, stocking of new programs, and purchase of long lead materials and a decrease of $35 million in accounts payable and accrued expenses due to lower days payable outstanding and the timing of various accruals. Offsetting these working capital increases was an increase in deferred revenue of $24 million due primarily to the advance payments related mainly to the domestic AP1000 project.

The company currently generates significant operating cash flows, which combined with access to the credit markets provides us with significant discretionary funding capacity. However, current uncertainty in the global economic conditions resulting from the recent disruption in credit markets pose a risk to the overall economy that could impact consumer and customer demand for our products, as well as our ability to manage normal commercial relationships with our customers, suppliers and creditors. If the current situation deteriorates significantly, our business could be negatively impacted, including such areas as reduced demand for our products from a slow-down in the general

economy, or supplier or customer disruptions resulting from tighter credit markets. Additionally, as a result of the significant and recent decline in the securities markets, the fair value of our pension plan assets has been reduced. If these losses are not recovered, we may be required to make accelerated contributions to the master trust of the CW and EMD Pension Plans in 2009 and beyond where none existed in 2008.

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Investing Activities

Capital expenditures were $71 million in the first nine months of 2008. Principal capital expenditures included new and replacement machinery and equipment and the expansion of new product lines and facilities within the business segments, specifically the AP1000 program, which accounted for $28 million in the first nine months of 2008. We expect to make additional capital expenditures of approximately $35 million during the remainder of 2008 on machinery and equipment for ongoing operations at the business segments, expansion of existing facilities, and investments in new product lines and facilities, primarily related to the AP1000 project.

Financing Activities

During the first nine months of 2008, we used $160 million in available credit under the 2007 Senior Unsecured Revolving Credit Agreement to fund investing activities. The unused credit available under this 2007 Senior Unsecured Revolving Credit Agreement at September 30, 2008 was $211 million. The 2007 Senior Unsecured Revolving Credit Agreement expires in August 2012. The loans outstanding under the 2003 and 2005 Senior Notes, 2007 Senior Unsecured Revolving Credit Agreement, and Industrial Revenue Bonds had fixed and variable interest rates averaging 4.7% during the third quarter of 2008 and 5.6% for the comparable prior year period.

CRITICAL ACCOUNTING POLICIES

Our condensed consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of these statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates and assumptions are affected by the application of our accounting policies. Critical accounting policies are those that require application of management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain and may change in subsequent periods. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in our 2007 Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission on February 27, 2008, in the Notes to the Consolidated Financial Statements, Note 1, and the Critical Accounting Policies section of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Recently issued accounting standards:

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (Revised 2007), Business Combinations ("SFAS No. 141(R)"). SFAS No. 141(R) will change the accounting treatment for certain specific items, including, but not limited to: acquisition costs will be generally expensed as incurred; non-controlling interests will be valued at fair value at the acquisition date; acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies; in-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date; restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense. SFAS No. 141(R) also includes several new disclosure requirements. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The impact that the adoption of this statement will have on the Corporation's results of operation or financial condition will depend on future acquisitions.

On March 19, 2008, the FASB issued Statement of Financial Accounting Standards No. 161, Disclosures About Derivative Instruments and Hedging Activities (“SFAS No. 161) – an amendment of FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (“SFAS No. 133”). SFAS No. 161 amends SFAS No. 133 by requiring expanded disclosures about an entity’s derivative

instruments and hedging activities, but does not change the statement's scope or accounting. SFAS No. 161 requires increased qualitative, quantitative, and credit-risk disclosures. The disclosure will require companies to explain how and why the entity is using the derivative instrument, how the entity is accounting for the instrument, and how the instrument affects the entity's financial position, financial performance, and cash flows. SFAS No. 161 also amends Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments ("SFAS No. 107"), to clarify that the derivative instruments are subject to SFAS No. 107's concentration of credit risk disclosures. This statement is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. We do not expect the adoption of this statement will have a material impact on the Corporation's results of operations or financial condition.

In April 2008, the FASB issued FASB Staff Position No. 142-3, Determination of the Useful Life of Intangible Assets ("FSP 142-3"). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). The objective of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141(R), and other generally accepted accounting principles accepted in the United States. FSP 142-3 applies to all intangible assets, whether acquired in a business combination or otherwise and shall be effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years and applied prospectively to intangible assets acquired after the effective date. Early adoption is prohibited. We do not anticipate that the adoption of this FSP will have a material impact on the Corporation's results of operation or financial condition.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. SFAS No. 162 is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The adoption of this statement will not have a material impact on the Corporation's results of operation or financial condition.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the Corporation's market risk during the nine months ended September 30, 2008. Information regarding market risk and market risk management policies is more fully described in item "7A. Quantitative and Qualitative Disclosures about Market Risk" of the Corporation's 2007 Annual Report on Form 10-K.

Item 4. CONTROLS AND PROCEDURES

As of September 30, 2008, the Corporation's management, including the Corporation's Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the Corporation's disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on such evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective, in all material respects, to ensure that information required to be disclosed in the reports the Corporation files and submits under the Exchange Act is recorded, processed, summarized, and reported as and when required.

There have not been any changes in the Corporation's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

In the ordinary course of business, we and our subsidiaries are subject to various pending claims, lawsuits, and contingent liabilities. We do not believe that the disposition of any of these matters, individually or in the aggregate, will have a material adverse effect on our consolidated financial position or results of operations.

We or our subsidiaries have been named in a number of lawsuits that allege injury from exposure to asbestos. To date, neither us nor our subsidiaries have been found liable for or paid any material sum of money in settlement in any case. We believe that the minimal use of asbestos in our past and current operations and the relatively non-friable condition of asbestos in our products makes it unlikely that we will face material liability in any asbestos litigation, whether individually or in the aggregate. We do maintain insurance coverage for these potential liabilities and we believe adequate coverage exists to cover any unanticipated asbestos liability.

Item 1A. RISK FACTORS

There have been no material changes in our Risk Factors during the nine months ended September 30, 2008. Information regarding our Risk Factors is more fully described in Item “1A. Risk Factors” of the Corporation’s 2007 Annual Report on Form 10-K.

Item 5. OTHER INFORMATION

There have been no material changes in our procedures by which our security holders may recommend nominees to our board of directors during the three and nine months ended September 30, 2008. Information regarding security holder recommendations and nominations for directors is more fully described in the section entitled “Stockholder Recommendations and Nominations for Director” of the Corporation’s 2008 Proxy Statement on Schedule 14A, which is incorporated by reference to the Corporation’s 2007 Annual Report on Form 10-K.

Item 6. EXHIBITS

Exhibit 3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to the Registrant’s Registration Statement on Form 8-A/A filed May 24, 2005)
Exhibit 3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to the Registrant’s Registration Statement on Form 8-A/A filed May 24, 2005)
Exhibit 31.1	Certification of Martin R. Benante, Chairman and CEO, Pursuant to Rules 13a – 14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith)
Exhibit 31.2	Certification of Glenn E. Tynan, Chief Financial Officer, Pursuant to Rules 13a – 14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith)
Exhibit 32	Certification of Martin R. Benante, Chairman and CEO, and Glenn E. Tynan, Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350 (filed herewith)

CURTISS-WRIGHT CORPORATION and SUBSIDIARIES

SIGNATURE

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

CURTISS-WRIGHT CORPORATION
(Registrant)

By:_/s/ Glenn E. Tynan___________
Glenn E. Tynan
Vice President Finance / C.F.O.
Dated: November 6, 2008