

**Curtiss Wright Case**  
**Analysis of Operating Cash Flow distortions**

**Identify any distortions to Cash Flow from Operations.**  
**Are the distortions material?**

CURTISS WRIGHT CORP			
Income Statement			
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For the years ended December 31, (In thousands, except per share data)	2002	2001	2000
Net sales	513,278	343,167	329,575
Cost of sales	337,192	215,350	208,605
<b>Gross profit</b>	<b>176,086</b>	<b>127,817</b>	<b>120,970</b>
Research and development costs	11,624	4,383	3,443
Selling expenses	29,553	18,325	18,591
General and administrative expenses	71,843	60,764	49,792
Gain from insurance company demutualization		(2,980)	
Environmental remediation and administrative expenses, net of (recoveries)	1,237	167	(3,041)
<b>Operating income</b>	<b>61,829</b>	<b>47,158</b>	<b>52,185</b>
Investment income, net	591	2,599	2,862
Rental income, net	148	3,585	3,638
Pension income, net	7,208	11,042	7,813
Gain on sale of real property	681	38,882	1,436
Other income (expense), net	3,088	111	(220)
Interest expense	(1,810)	(1,180)	(1,743)
Earnings before income taxes	71,735	102,197	65,971
Provision for income taxes	26,599	39,317	24,897
<b>Net earnings</b>	<b>45,136</b>	<b>62,880</b>	<b>41,074</b>

## CURTISS WRIGHT CORP

## Balance Sheet

At December 31, (In thousands)

2002

2001

	2002	2001
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	47,717	25,495
Short-term investments	330	41,658
Receivables, net	142,800	87,055
Inventories, net	80,166	55,784
Deferred tax assets, net	21,840	9,565
Other current assets	8,833	5,770
<b>Total current assets</b>	<b>301,686</b>	<b>225,327</b>
Property, plant and equipment, net	219,049	105,151
Prepaid pension costs	76,072	70,796
Goodwill, net	181,101	83,585
Other intangible assets, net	21,982	9,045
Other assets	13,034	6,524
<b>Total assets</b>	<b>812,924</b>	<b>500,428</b>

LIABILITIES:	2002	2001
Current liabilities:		
Short-term debt	32,837	
Accounts payable	41,188	19,362
Accrued expenses	32,321	23,163
Income taxes payable	4,528	17,704
Other current liabilities	53,575	15,867
Total current liabilities	164,449	76,096
Long-term debt	119,041	21,361
Deferred tax liabilities, net	6,605	26,043
Accrued pension and other postretirement benefit costs	77,438	6,611
Long-term portion of environmental reserves	22,585	9,525
Other liabilities	11,578	10,838
Total liabilities	401,696	150,474

STOCKHOLDERS' EQUITY:		
Preferred stock, 1 par value, 650,000 shares authorized, none issued		
Common stock, 1 par value, 11,250,000 shares authorized, 10,617,600 shares issued at December 31, 2002 and 2001; outstanding shares were 5,890,177 at December 31, 2002 and 5,692,325 at December 31, 2001	10,618	10,618
Class B common stock, 1 par value, 11,250,000 shares authorized; 4,382,400 shares issued; outstanding shares were 4,382,116 at December 31, 2002 and 4,382,102 at December 31, 2001	4,382	4,382
Additional paid-in capital	52,200	52,532
Retained earnings	508,298	469,303
Unearned portion of restricted stock	(60)	(78)
Accumulated other comprehensive income	6,482	(6,831)
	581,920	529,926
Less: Common treasury stock, at cost (4,727,707 shares at December 31, 2002 and 4,925,573 shares at December 31, 2001)	170,692	179,972
Total stockholders' equity	411,228	349,954
Total liabilities and stockholders' equity	812,924	500,428

CURTISS WRIGHT CORP

Cash Flows

For the years ended December 31, (In thousands)	2002	2001	2000
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net earnings	45,136	62,880	41,074
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	18,693	14,734	14,346
Non-cash pension income	(7,208)	(11,042)	(7,813)
Net gains on sales and disposals of real estate and equipment	(681)	(39,018)	(1,390)
Net unrealized losses (gains) on short-term investments	134	(42)	(206)
Deferred income taxes	4,011	4,167	6,886
Changes in operating assets and liabilities, net of businesses acquired:			
Proceeds from sales of short-term investments	77,050	348,911	523,656
Purchases of short-term investments	(35,600)	(327,761)	(560,656)
Decrease (increase) in receivables	31	(7,203)	3,702
Decrease (increase) in inventories	197	(3,232)	11,534
Increase (decrease) in progress payments	3,464	4,186	(1,552)
(Decrease) increase in accounts payable and accrued expenses	(61)	(2,831)	338
(Decrease) increase in income taxes payable	(11,101)	12,694	(1,046)
(Increase) decrease in other assets	(4,077)	(2,051)	4,499
(Decrease) increase in other liabilities	(664)	6,763	(10,081)
Other, net	(362)	105	838
Total adjustments	43,826	(1,620)	(16,945)
Net cash provided by operating activities	88,962	61,260	24,129

CASH FLOWS FROM INVESTING ACTIVITIES:	2002	2001	2000
Proceeds from sales and disposals of real estate and equipment	2,447	45,201	3,765
Additions to property, plant and equipment	(34,954)	(19,354)	(9,506)
Acquisition of new businesses, net of cash acquired	(164,661)	(58,982)	(1,961)
Net cash used for investing activities	(197,168)	(33,135)	(7,702)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings of debt	221,223		
Principal payments on debt	(92,795)	(8,228)	(7,575)
Reimbursement of recapitalization expenses		1,750	
Proceeds from exercise of stock options	6,226	1,804	
Common stock repurchases			(1,489)
Dividends paid	(6,141)	(5,443)	(5,214)
Net cash provided by (used for) financing activities	128,513	(10,117)	(14,278)
Effect of foreign currency	1,915	(1,205)	(3,004)
Net increase (decrease) in cash and cash equivalents	22,222	16,803	(855)
Cash and cash equivalents at beginning of year	25,495	8,692	9,547
Cash and cash equivalents at end of year	47,717	25,495	8,692