

ESTERLINE TECHNOLOGIES CORP

Form 424B5

November 12, 2004

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The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-117905

PRELIMINARY PROSPECTUS SUPPLEMENT

Subject to Completion

November 11, 2004

(To Prospectus dated August 25, 2004)

3,200,000 Shares

Esterline Technologies Corporation

Common Stock

We are offering 3,200,000 shares of our common stock to be sold in this offering.

Our common stock is traded on the New York Stock Exchange under the symbol **ESL**. On November 10, 2004, the last reported sale price of our common stock on the New York Stock Exchange was \$34.91 per share.

Investing in our common stock involves a high degree of risk. Before buying any shares you should carefully read the discussion of material risks of investing in our common stock in **Risk Factors beginning on page S-11 of this prospectus supplement.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per share	Total
Public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds, before expenses, to us	\$	\$

The underwriters may also purchase from us up to an additional 480,000 shares of our common stock at the public offering price, less the underwriting discounts and commissions, to cover over-allotments, if any, within 30 days from the date of this prospectus supplement. If the underwriters exercise this option in full, the total underwriting discounts and commissions will be \$, and our total proceeds, before expenses, will be \$.

The underwriters are offering the common stock as set forth under **Underwriting**. Delivery of the shares will be made on or about November , 2004.

Sole Book-Running Manager

UBS Investment Bank

Wachovia Securities

KeyBanc Capital Markets

You should rely only on information contained in or incorporated by reference into this prospectus supplement. We have not, and the underwriters have not, authorized anyone to provide you with information that is different from that contained in this prospectus supplement and the accompanying prospectus. We are offering to sell and are seeking offers to buy shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or of any sale of our common stock.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This prospectus supplement is a supplement to the accompanying base prospectus that is also a part of this document. This prospectus supplement and the accompanying base prospectus are part of a registration statement that we filed with the Securities and Exchange Commission (SEC) using a shelf registration process. The shelf registration statement was declared effective by the SEC on August 25, 2004. Under the shelf registration statement, we may sell any combination of the securities described in the accompanying base prospectus up to an aggregate amount of \$300 million of which this offering is a part. In this prospectus supplement, we provide you with specific information about the terms of this offering. Both this prospectus supplement and the

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accompanying base prospectus include important information about us, our common stock and other information you should know before investing in our common stock. This prospectus supplement also adds, updates and changes information contained in the accompanying base prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with the statements made in the accompanying base prospectus, the statements made in the accompanying base prospectus are deemed modified or superseded by the statements made in this prospectus supplement. You should read both this prospectus supplement and the accompanying base prospectus as well as the additional information described under the headings "Information incorporated by reference" on page S-57 and "Where you can find more information" on page S-57 of this prospectus supplement before investing in our common stock.

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Prospectus supplement summary

This summary highlights selected information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary may not contain all the information that you should consider before investing in our common stock. You should read the entire prospectus supplement and the accompanying prospectus carefully, including Risk Factors and the consolidated financial statements included, and incorporated by reference, into this prospectus supplement and the accompanying prospectus, before making an investment decision. Except where we state otherwise, the information we present in this prospectus assumes no exercise of the underwriters' over-allotment option. Unless the context indicates otherwise, references in this prospectus to Esterline, we, our and us refer to Esterline Technologies Corporation and its subsidiaries.

OVERVIEW

Esterline, a Delaware corporation formed in 1967, is a leading specialized manufacturing company principally serving aerospace and defense customers. Our strategy is to maintain a leadership position in niche markets for the development and manufacture of highly engineered products that are essential to our customers. Our current business and strategic growth plan focuses on the continued development of these products in three key technology segments: avionics and controls, sensors and systems, and specialized high-performance elastomers and other complex materials, principally for aerospace and defense markets. Our products are often mission-critical equipment, which have been designed into particular military and commercial platforms and in certain cases can only be replaced by products of other manufacturers following a formal certification process.

Our products have a long history in the aerospace and defense industry and are found on most military and commercial aircraft, helicopters, and land-based systems. For example, our products are used on the majority of active and in-production U.S. military aircraft and on every Boeing commercial aircraft platform manufactured in the past 65 years. In addition, our products are supplied to Airbus, all of the major regional and business jet manufacturers, and the major aircraft engine manufacturers. We differentiate ourselves through our engineering and manufacturing capabilities and our reputation for quality, reliability, and innovation. We work closely with original equipment manufacturers (OEMs) on new, highly engineered product designs which often results in our products being designed into their platforms; this integration often results in sole-source positions for OEM production and aftermarket business. In fiscal 2003, we estimate that over 30% of our sales to commercial and military aerospace customers were derived from aftermarket business. Our aftermarket sales, including retrofits, spare parts, and repair services, historically carry a higher gross margin and have more stability than sales to OEMs. In many cases, aftermarket sales extend well beyond the OEM production period, supporting the platform during its entire life cycle.

Our sales are diversified across three broad markets: defense, commercial aerospace, and general industrial. In recent years, we estimate that we derived approximately 40% of our sales from the defense market, 40% from the commercial aerospace market and 20% from the general industrial market.

In addition, our sales were balanced across programs and customers, with no program accounting for more than 6% of our fiscal 2003 sales, and our largest direct customer, the U.S. Department of Defense, accounting for approximately 17% of our fiscal 2003 sales. For the nine months ended July 30, 2004, earnings from continuing operations before interest, taxes, depreciation and amortization (EBITDA) was \$57.8 million. Our backlog at July 30, 2004 was \$331.1 million.

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INDUSTRY OVERVIEW

The aerospace and defense industry is highly fragmented, consisting of a large number of small, specialized companies and a smaller number of large, well-capitalized companies with a broad range of capabilities. The industry has experienced and continues to experience significant consolidation. Aircraft manufacturers and defense prime contractors are increasingly favoring suppliers with the technical skills, experience and product breadth to integrate components and supply complete systems. This trend favoring the most capable suppliers is further supported by customers' desire to reduce the number of overall suppliers and steps within the supply chain to improve efficiency. These developments have resulted in significant consolidation among suppliers seeking additional capabilities, product breadth, resources, and expertise to best meet evolving customer needs. We believe we are well positioned to benefit from these consolidation and outsourcing trends, with a solid reputation for performance and a proven ability to identify, execute and integrate strategic acquisitions.

The outlook for U.S. defense spending is positive, driven in large measure by changing strategic and tactical threats, the war on terrorism, and broad political support. The Bush administration's proposed fiscal 2005 U.S. Department of Defense budget of approximately \$402 billion reflects the Bush administration's new defense strategy, which calls for a focus on the capabilities needed to counter 21st century threats such as terrorism. The proposed fiscal 2005 budget requests over \$74 billion for procurement and over \$68 billion for research, development, testing, and evaluation (RDT&E). Procurement and RDT&E, together known as defense investment spending, represent the principal source of fundings for most defense contractors. While it is impossible to predict the effect that defense investment spending will have on our business, we expect to benefit to the extent that spending is allocated to the procurement and upgrade of military aircraft, helicopters and combustible ammunition components.

Our operations that focus on the commercial aerospace industry have two major sources of sales: sales of original equipment to aircraft manufacturers; and aftermarket sales, comprised of sales of replacement and spare parts and repair and overhaul services. According to the Aerospace Industries Association, commercial aerospace sales of aircraft, engines and parts totaled \$34 billion in 2003. The attacks of September 11, 2001 and the ongoing concerns of global terrorism have affected the profitability of the commercial aerospace industry and continue to impact our near term outlook for OEM sales and aftermarket business from aircraft operators. We believe, however, that improved security and safety measures over time will restore passenger confidence. Recently, some of the airline operating measures such as available seat miles, revenue passenger miles and active fleet have shown improvement. Longer term, we believe our commercial and regional aircraft business will benefit from increased passenger traffic. In addition, we believe the long term demand for business jets will support a recovery in this market.

BUSINESS SEGMENTS

We organize and manage our operations in the following three business segments: Avionics & Controls; Sensors & Systems; and Advanced Materials.

Avionics & Controls (34.0% of sales for the nine months ended July 30, 2004). The Avionics & Controls segment designs and manufactures technology interface systems for military and commercial aircraft and land- and sea-based military vehicles, secure communications systems, specialized medical equipment, and other industrial applications. Our principal products in this segment focus on the cockpits and control stations found in military and commercial aircraft. We provide lighted push-button and rotary switches, keyboards, lighted indicators, panels and displays, and pilot control wheels and grips to every major commercial, military, regional, and

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business aircraft and helicopter manufacturer. We are a leading manufacturer of pilot control grips for most types of military fighter jets and helicopters. In addition, we are a supplier of custom integrated control components and input devices for specialized medical equipment, communications systems and other military applications outside of the cockpit. For the nine months ended July 30, 2004, some of our largest customers in the Avionics & Controls segment included The Boeing Company, the U.S. Department of Defense, Lockheed Martin, BAE Systems, Smiths Industries and Honeywell.

Sensors & Systems (29.1% of sales for the nine months ended July 30, 2004). The Sensors & Systems segment produces high-precision temperature and pressure sensing devices, fluid control components, micro-motors, motion control sensors, and other related systems, used primarily in aerospace applications. For example, we are the sole-source supplier of temperature probes for use on all versions of the General Electric/ Snecma CFM-56 jet engine. The CFM-56 has an installed base of over 13,000 engines, is standard equipment on new generation Boeing 737 aircraft and has been selected as the engine for approximately 40% of all Airbus aircraft delivered to date. For the nine months ended July 30, 2004, some of our largest customers in the Sensors & Systems segment included Snecma, the British Ministry of Defence, Rolls Royce, Pratt & Whitney, General Electric, BAE Systems, Goodrich, Honeywell, Airbus and Air France.

Advanced Materials (36.9% of sales for the nine months ended July 30, 2004). The Advanced Materials segment develops and manufactures high-performance elastomer products used in a wide range of commercial aerospace and military applications, as well as combustible ordnance and electronic warfare countermeasure devices for military customers. We are a leading U.S. supplier of high-performance elastomer products to the aerospace industry. These products are engineered to address specific customer requirements where superior performance in high temperature, high pressure, caustic, abrasive and other difficult environments is critical. We also manufacture molded fiber cartridge cases, mortar increments, igniter tubing, and other combustible ammunition components primarily for the U.S. Department of Defense. We are currently the sole supplier of combustible casings utilized by the U.S. Armed Forces. In addition, we are currently the only U.S. supplier of radar countermeasure chaff and a principal supplier to the U.S. Army of infrared decoy flares used by aircraft to help protect against radar and infrared guided missiles. For the nine months ended July 30, 2004, some of our largest customers in the Advanced Materials segment included the U.S. Department of Defense, Alliant Techsystems, General Dynamics, The Boeing Company, Honeywell and Goodrich.

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The following tables provide a summary of the principal platforms equipped or to be equipped with products from our three business segments:

Military platforms	Avionics & Controls	Sensors & Systems	Advanced Materials
Fixed-Wing Aircraft			
A-4 Skyhawk, A-10 Thunderbolt, AV-8B Harrier, B-2 Spirit, C-5 Galaxy, C-17 Globemaster III, C-130 Hercules, C-160 Transal, Dassault Electronic Surveillance Aircraft, Eurofighter, F-5 Tiger, F-14 Tomcat, F-15 Eagle, F-35 Joint Strike Force, F-117 Nighthawk, Jas39 Gripen, KC-10 Extender, KC-135 Stratotanker, L-159 Light Attack Aircraft, MIG-21 Fishbed, Mirage 2000, T-45 Goshawk, Taiwan's Indigenous Defense Fighter	X	X	X
F-16 Fighting Falcon, F/A-18 Super Hornet, F/A-22 Raptor	X		X
Rafale		X	
Helicopter/ Tiltrotor			
AH-64 Apache, AS365 Dauphine 2, H-60 Black Hawk, OH-58 Kiowa, SH-60 Sea Hawk	X	X	X
V-22 Osprey	X	X	
CH-47 Chinook, CH-53 Sea Stallion, Puma 330, SH-3 Sea King, UH-1 Huey	X		X
Land Systems			
Bradley Fighting Vehicle, M1-A1/2 Abrams Tank, Stryker, Wolverine Heavy Assault Bridge	X		X
60mm, 81mm, 120mm Mortar Systems; 155mm Modular Artillery Charge Systems			X
Javelin Missile, AS90 Braveheart		X	
Launch			
Delta Launch Vehicle Family, Space Shuttle	X		X
Araire Rocket		X	X
Engines			
Adour, AE-3007, BR-700, EJ-200, RB-199, Tay-406, F110-129, F-414, LM2500+, Pegasus, T-64, T406, TP400M		X	X
Commercial platforms	Avionics & Controls	Sensors & Systems	Advanced Materials
Commercial Aircraft			
Airbus A318, A319, A320, A321, A330, A340, Boeing 717, 737, 747, 757, 767, 777	X	X	X
Airbus A380		X	X
Regional Aircraft			
Bombardier CRJ Family, De Havilland DHC 100/200/300, Embraer ERJ Family	X	X	X
Shorts Brothers SD-330/360	X	X	
Business Aircraft/ General Aviation			
Bombardier Challenger, Global Express; Cessna All Models; Gulfstream I, II, III, IV, V; Hawker Horizon; Israel Aircraft Astra, Galaxy; Jetstream 31, 41; Learjet All Models; Pilatus PC-9; Raytheon King Air, Premier, Starship; Saab 2000; Sikorsky S-76, S-92; Swearingen SJ30	X	X	X
Engines			
CFM International CFM-56; Olympus, Pegasus, RB-211; General Electric CF6-80C, CF34-8C, D & E, LM2500+; Honeywell TFE731; Rolls Royce AE 3007, Trent 700, 800, 900		X	X

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COMPETITIVE STRENGTHS

Leading Positions in Niche Markets with High Barriers to Entry. We are well established and highly regarded in each of our markets, and benefit from decades of experience in our specialized niches. With a long-standing position in our markets, we also benefit from high barriers to entry in our industry. The long-term nature of aircraft manufacturing programs and the extensive U.S. Federal Aviation Administration (FAA), and OEM certification process for manufacturing original equipment and replacement parts make our market niches difficult for new competitors to enter. Similarly, new programs tend to favor suppliers with extensive industry experience.

Broad, Diversified Product Offerings and Customer Base Within Our Markets. We operate in three market segments and offer a wide selection of products for a broad range of platforms to a large customer base. This diversification provides us with reduced exposure to cyclical declines in any one sector or to any one customer or program, allowing for better long-term business planning and more stable short-term results.

Solid Position in Defense Sector. We are a leading supplier of vital military systems, munitions, and aircraft components to U.S. and foreign military customers. We estimate that U.S. government (primarily U.S. Department of Defense) contracts and subcontracts accounted for approximately 29% of our fiscal 2003 sales, while total defense sales were approximately 40%. We have been able to capitalize on our position as a prominent supplier to the U.S. Department of Defense, as defense spending has increased significantly in recent years.

Significant Sole-Source and Aftermarket Sales. We focus on working with our customers on new product designs, which typically result in sole-source positions, both in OEM production and in recurring aftermarket sales. Most of our sales are driven by proprietary designs, preferred supplier positions and industry expertise. The large installed base of our products and our position as a sole-source supplier on many programs typically allow us to capture higher gross margins on aftermarket sales.

Product Innovation and Technological Leadership. We have a proven capability to deliver specialized products designed to perform in demanding applications and environments. Our continued focus on our engineering and design capabilities positions us to exploit new and innovative product opportunities. Our investment in research and development is closely aligned with our customers' requirements.

Experienced Management Team. Our senior executives have an average of 17 years experience with Esterline and a proven record of accomplishment in the aerospace and defense sectors. The team combines extensive market knowledge with entrepreneurial spirit, making it highly sensitive to new market opportunities and cost savings. Our experienced management team has a proven track record of seeking out, executing, and integrating complementary strategic acquisitions. Management has successfully completed over 25 acquisitions since 1996.

BUSINESS STRATEGY

Focus on niche markets with high barriers to entry. The long-term nature of defense and aerospace manufacturing programs, combined with high product development costs and extensive certification requirements, make our markets difficult to enter. Once a supplier's products have been selected for a particular platform, replacement of that supplier typically involves significant cost and a lengthy testing and certification process. In addition, new programs favor suppliers with extensive industry experience and a reputation for sustained performance.

Focus on manufacturing highly engineered, proprietary products. We have developed specialized, value-added product lines that enable us to capture leading positions in our niche markets. We will

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continue to provide solutions to our customers difficult technical issues through sustained investment in research and new product development, which in the past three fiscal years has ranged from 3 - 4% of sales. In addition, a substantial portion of our research and development effort is conducted and funded in conjunction with our customers, further solidifying our position as the supplier of choice.

Selectively expand our technologies and products into new markets. We are applying our technical expertise and capabilities gained from work in our core technologies to other closely aligned markets. Examples include the successful application of certain of our aerospace technologies into military land-based systems, such as specialized control panels for the commander's consoles of M1-A1/2 Abrams tanks and Bradley Fighting Vehicles, and into medical equipment, such as specialized input devices for magnetic resonance imaging (MRI) systems.

Continue to grow and capitalize on aftermarket opportunities. Aftermarket sales, including retrofits, are generally more profitable and have more stability than OEM sales. In addition, the safety and regulatory requirements of the commercial and military aerospace sectors generate recurring repair and replacement activity. We therefore aggressively market spare parts and repair services directly to our customers and end-users. To complement our original equipment sales, we are increasing our aftermarket participation by leveraging our relationships with OEMs and end-users. Our reputation for quality and sole-source supplier status for many parts has allowed us to capture a significant portion of aftermarket sales related to our products. Given the large and growing installed base of our products, we anticipate our aftermarket sales will be an increasing portion of our business.

Capitalize on strategic acquisition opportunities. Selective acquisitions enable us to gain manufacturing economies of scale, broaden our customer and product bases, and access complementary technologies. As a part of the continuing consolidation of the aerospace and defense industry, we believe there will continue to be numerous opportunities to achieve our objectives through strategic acquisitions. We typically target companies that are among the leaders in the markets they serve, possess growth potential, offer competitive advantages, and provide attractive rates of return on investment.

OUR ACQUISITION OF LEACH HOLDING CORPORATION

On August 27, 2004, we completed the acquisition of Leach Holding Corporation (Leach) for \$145.0 million in cash before acquisition costs and an adjustment for the change in working capital of Leach between December 31, 2003 and the closing of the acquisition, pursuant to an Agreement and Plan of Merger dated as of July 8, 2004. For the twelve-month period ended March 31, 2004, Leach generated \$118.7 million in revenues. Proceeds from this offering will be used to repay borrowings under our credit facility which were used to partially finance the acquisition and to replenish our cash position subsequent to the acquisition.

Leach is a manufacturer of electrical power switching, control and data communication devices for the aerospace industry and medical diagnostic, therapeutic and patient monitoring devices, and analytical, optical and biosensor instruments for medical, laboratory and industrial applications. The transaction significantly expands the scale of our existing aerospace operations and fits our strategic acquisition approach of consolidating manufacturers of superior aerospace components.

OUR CORPORATE INFORMATION

We were formed in Delaware in 1967. Our principal executive offices are located at 500 108th Avenue NE, Bellevue, Washington 98004 and our telephone number is (425) 453-9400. Our website address is www.esterline.com. Information contained on our website is not part of this prospectus supplement or the accompanying prospectus.

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The offering

Common stock we are offering 3,200,000 shares

Common stock to be outstanding after this offering 24,496,136 shares

New York Stock Exchange symbol ESL

Use of proceeds We intend to use the net proceeds from this offering to repay outstanding debt under our credit facility and for general corporate purposes, including funding potential future acquisitions and repaying or refinancing debt.

The number of shares of common stock to be outstanding after this offering is based on 21,296,136 shares outstanding as of July 30, 2004, excluding:

4 480,000 shares issuable upon exercise of the underwriters' over-allotment option;

4 1,481,000 shares of common stock issuable upon exercise of options outstanding as of July 30, 2004, of which 888,250 options were exercisable at a weighted-average exercise price of \$16.17 per share;

4 577,250 shares available for future grant under our equity incentive plan; and

4 186,187 shares available for future issuance under our employee stock purchase plan.

Unless otherwise stated, all information contained in this prospectus supplement assumes that the number of shares outstanding is as of July 30, 2004 and that the underwriters do not exercise their over-allotment option. As of October 29, 2004, the number of outstanding shares of the Company's common stock was 21,319,698.

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The following summary consolidated financial information for each of the fiscal years ended October 31, 1999, October 27, 2000, October 26, 2001, October 25, 2002 and October 31, 2003 is derived from our audited consolidated financial statements and notes. The summary consolidated financial information as of and for each of the nine-month periods ended July 30, 2004 and August 1, 2003 are derived from our unaudited consolidated financial statements. The unaudited consolidated financial statements include all adjustments, consisting of normal recurring accruals, which we consider necessary for a fair presentation of our financial position and the results of operations for these periods. Operating results for the nine-month period ended July 30, 2004 are not necessarily indicative of the results that may be expected for the entire year ending October 29, 2004 or for any other future period. The summary consolidated financial information provided below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations, Use of Proceeds, the consolidated financial statements, the related notes, and other financial information, included elsewhere in this prospectus supplement.

Statement of operations data(1) in thousands, except per share amounts	For fiscal years					For nine months ended	For nine months ended
	1999	2000	2001	2002	2003	August 1, 2003	July 30, 2004
Net sales	\$355,879	\$372,551	\$430,923	\$434,809	\$562,454	\$402,128	\$433,406
Cost of sales	212,062	229,516	269,582	293,236	383,825	277,179	295,955
Gross profit	143,817	143,035	161,341	141,573	178,629	124,949	137,451
Selling, general and administrative	85,150	81,968	81,103	79,086	107,797	77,704	84,318
Research, development and engineering	13,888	12,431	14,232	15,433	19,524	14,342	18,822
Operating earnings from continuing operations	44,779	48,636	66,006	47,054	51,308	32,903	34,311
Other (income) expense						62	(574)
Loss (gain) on sale of business(2)	(7,956)	(2,591)			66	66	
Insurance settlement(3)			(4,631)				
Loss (gain) on derivative financial instruments(4)			(786)	1	(2,676)	(2,622)	
Interest income	(2,859)	(2,205)	(3,307)	(1,814)	(868)	(565)	(1,047)
Interest expense	9,011	8,124	7,663	7,122	11,995	7,388	12,867
Income tax expense	16,342	15,764	24,428	10,461	13,050	8,245	4,924
Income from continuing operations	30,241	29,544	42,639	31,284	29,741	20,329	18,141
Income (loss) from discontinued operations, net of tax	(379)	3,043	(9,780)	(25,039)	(5,808)	(5,808)	1,298
Cumulative effect of a change in accounting principle(5)			(403)	(7,574)			
Net earnings (loss)	\$ 29,862	\$ 32,587	\$ 32,456	\$ (1,329)	\$ 23,933	\$ 14,521	\$ 19,439
Earnings (loss) per share diluted:							
Continuing operations	\$ 1.71	\$ 1.68	\$ 2.13	\$ 1.49	\$ 1.41	\$.97	\$.84
Discontinued operations	(.02)	.17	(.49)	(1.19)	(.28)	(.28)	.06
Cumulative effect of a change in accounting principle			(.02)	(.36)			
Earnings (loss) per share diluted	1.69	1.85	1.62	(.06)	1.13	.69	.90

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The consolidated balance sheet data below sets forth certain balance sheet items at July 30, 2004 on (1) an actual basis and (2) an as adjusted basis to give effect to the receipt of the net proceeds by us of the sale of 3,200,000 shares of common stock in this offering, after deducting the estimated underwriting discounts and estimated offering expenses payable by us, and our acquisition of Leach on August 27, 2004 (except as otherwise described in the footnotes).