



In many ways 2001 was two different years for Esterline. The year began with the strongest first-half performance in company history. In the second half, however, an unprecedented downturn in world electronics and telecommunications markets severely impacted demand for our Automation segment products. Even so, Esterline's performance in 2001 was a success by many measures. Our core Aerospace and Advanced Materials segments hit record levels – combined, the segments' sales and

earnings were up 16% and 35% respectively. Esterline continued to generate cash – EBITDA exceeded \$73 million. We completed four bolt-on product line acquisitions – a point I'll come back to – and we accomplished a successful secondary offering, providing tremendous balance sheet flexibility to further capitalize on our acquisition strategy. As we enter 2002, I'm as confident as ever about our prospects – both short- and long-term – and believe our fundamental strategy will afford solid growth for years to come.

One reason for my bullishness is our balance. Balance is one of Esterline's fundamental and often overlooked strengths. It is reflected in our overall market coverage with approximately one third of our total revenues generated from the commercial aircraft industry, another third from defense aerospace and other military applications, and a final third from a wide range of general industrial applications of Esterline's manufacturing technologies.

Balance extends within each of these markets as well. In the commercial aircraft businesses, our customers are airframe manufacturers – including Boeing,