

Consolidated Statements of Cash Flows

| Fiscal Year Ended (in thousands) | October 2, 2005 | October 3, 2004 | September 28, 2003 |
|--|--------------------|--------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income (loss) | \$ (99,469) | \$ 23,742 | \$ (65,310) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Cumulative effect of accounting change | — | — | 114,669 |
| Depreciation and amortization | 16,321 | 18,500 | 16,727 |
| Deferred income taxes | (19,542) | (11,932) | 10,236 |
| Provision for losses on contracts and related receivables | 33,411 | 14,786 | 8,411 |
| Impairment of goodwill and other assets | 108,112 | — | — |
| Gain on sale of discontinued operations | (930) | — | — |
| Loss on disposal of property and equipment | 1,393 | 1,426 | 98 |
| Changes in operating assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | 9,940 | (52,185) | (26,959) |
| Prepaid expenses and other assets | 4,686 | (6,521) | (2,512) |
| Accounts payable | (12,695) | 8,247 | 1,892 |
| Accrued compensation | (3,331) | 7,480 | 6,438 |
| Billings in excess of costs on uncompleted contracts | 19,730 | 11,251 | 911 |
| Other current liabilities | (1,725) | 16,137 | 4,142 |
| Income taxes receivable/payable | (7,406) | (14,731) | (977) |
| Net cash provided by operating activities | 48,495 | 16,200 | 67,766 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (9,791) | (17,892) | (9,419) |
| Payments for business acquisitions, net | (8,374) | (28,853) | (87,233) |
| Proceeds from sale of discontinued operations | 500 | — | — |
| Proceeds on sale of property and equipment | 980 | 2,046 | 1,456 |
| Net cash used in investing activities | (16,685) | (44,699) | (95,196) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payments on long-term obligations | (119,091) | (106,695) | (90,935) |
| Proceeds from borrowings under long-term obligations | 60,000 | 137,756 | 97,000 |
| Net proceeds from issuance of common stock | 5,863 | 12,105 | 7,892 |
| Net cash provided by (used in) financing activities | (53,228) | 43,166 | 13,957 |
| Effect of exchange rate changes on cash | 247 | 201 | 292 |
| Net increase (decrease) in cash and cash equivalents | (21,171) | 14,868 | (13,181) |
| Cash and cash equivalents at beginning of year | 48,032 | 33,164 | 46,345 |
| Cash and cash equivalents at end of year | \$ 26,861 | \$ 48,032 | \$ 33,164 |
| Supplemental cash flow information: | | | |
| Cash paid (received) during the year for: | | | |
| Interest | \$ 10,974 | \$ 9,813 | \$ 10,009 |
| Income taxes, net of refunds received | \$ (401) | \$ 43,138 | \$ 23,165 |

(Continued)

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SUPPLEMENTAL NON-CASH INVESTING AND FINANCING ACTIVITIES:

See Note 4 for non-cash activities relating to business acquisitions in fiscal 2004

In fiscal 2003, the Company's subsidiary, Tetra Tech EC, Inc. formerly known as Tetra Tech FW, Inc., purchased certain assets and assumed certain liabilities of Foster Wheeler Environmental Corporation and Hartman Consulting Corporation. The Company also purchased all of the capital stock of Engineering Management Concepts, Inc. In conjunction with these acquisitions, liabilities were assumed as follows:

| | | |
|-------------------------------|----|----------|
| Fair value of assets acquired | \$ | 135,624 |
| Cash paid | | (90,072) |
| Purchase price receivable | | 3,466 |
| Other acquisition costs | | (955) |
| Liabilities assumed | \$ | 48,063 |

See accompanying Notes to Consolidated Financial Statements