

TRIUMPH GROUP INC  
Form 10-K  
May 19, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K  
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the fiscal year ended March 31, 2014

or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-12235

Triumph Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

51-0347963

(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification Number)

899 Cassatt Road, Suite 210, Berwyn, Pennsylvania 19312

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:(610) 251-1000

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Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value \$.001 per share

New York Stock Exchange

(Title of each class)

(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one)

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Large accelerated filer       Accelerated filer       Non-accelerated filer   
(Do not check if a smaller reporting company)      Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes  No

As of September 30, 2013, the aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant was approximately \$3,578 million. Such aggregate market value was computed by reference to the closing price of the Common Stock as reported on the New York Stock Exchange on September 30, 2013. For purposes of making this calculation only, the Registrant has defined affiliates as including all directors and executive officers. The number of outstanding shares of the Registrant's Common Stock, par value \$.001 per share, on May 1, 2014 was 52,151,782.

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Documents Incorporated by Reference

Portions of the following document are incorporated herein by reference:

The Proxy Statement of Triumph Group, Inc. to be filed in connection with our 2014 Annual Meeting of Stockholders is incorporated in part in Part III hereof, as specified herein.

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PART I

Item 1. Business

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to our future operations and prospects, including statements that are based on current projections and expectations about the markets in which we operate, and management's beliefs concerning future performance and capital requirements based upon current available information. Actual results could differ materially from management's current expectations. Additional capital may be required and, if so, may not be available on reasonable terms, if at all, at the times and in the amounts we need. In addition to these factors and others described elsewhere in this report, other factors that could cause actual results to differ materially include competitive and cyclical factors relating to the aerospace industry, dependence of some of our businesses on key customers, requirements of capital, product liabilities in excess of insurance, uncertainties relating to the integration of acquired businesses, general economic conditions affecting our business segment, technological developments, limited availability of raw materials or skilled personnel, changes in governmental regulation and oversight and international hostilities and terrorism. For a more detailed discussion of these and other factors affecting us, see the Risk Factors described in Item 1A of this Annual Report on Form 10-K. We do not undertake any obligation to revise these forward-looking statements to reflect future events.

General

Triumph Group, Inc. ("Triumph", the "Company", "we", "us", or "our") was incorporated in 1993 in Delaware. Our companies design, engineer, manufacture, repair, overhaul and distribute a broad portfolio of aerostructures, aircraft components, accessories, subassemblies and systems. We serve a broad, worldwide spectrum of the aviation industry, including original equipment manufacturers, or OEMs, of commercial, regional, business and military aircraft and aircraft components, as well as commercial and regional airlines and air cargo carriers.

Effective October 4, 2013, the Company acquired all of the issued and outstanding shares of General Donlee Canada, Inc. ("General Donlee"). General Donlee is based in Toronto, Canada and is a leading manufacturer of precision machined products for the aerospace, nuclear and oil and gas industries. The acquired business now operates as Triumph Gear Systems-Toronto and its results are included in the Aerospace Systems Group.

Effective May 6, 2013, the Company acquired four related entities collectively comprising the Primus Composites business ("Primus") from Precision Castparts Corp. The acquired business, which includes two manufacturing facilities in Farnborough, England and Rayong, Thailand, operates as Triumph Structures - Farnborough and Triumph Structures - Thailand and is included in the Aerostructures segment from the date of acquisition. Together, Triumph Structures - Farnborough and Triumph Structures - Thailand constitute a global supplier of composite and metallic propulsion and structural composites and assemblies. In addition to its composite operations, the Thailand operation also machines and processes metal components.

Effective March 18, 2013, a wholly-owned subsidiary of the Company, Triumph Engine Control Systems, LLC, acquired the assets of Goodrich Pump & Engine Control Systems, Inc. ("GPECS"), a leading independent aerospace fuel system supplier for the commercial, military, helicopter and business jet markets. The acquisition of GPECS provides new capabilities in a market where we did not previously participate and further diversifies our customer base in electronic engine controls, fuel metering units and main fuel pumps for both OEM and aftermarket/spares end markets. The results for Triumph Engine Control Systems, LLC are included in the Aerospace Systems Group segment from the date of acquisition.

Effective December 19, 2012, the Company acquired all of the outstanding shares of Embee, Inc. ("Embee"), renamed Triumph Processing - Embee Division, Inc., which is a leading commercial metal finishing provider offering more than seventy metal finishing, inspecting and testing processes primarily for the aerospace industry. The acquisition of Embee expands our current capabilities to provide comprehensive processing services on precision engineered parts for hydraulics, landing gear, spare parts and electronic actuation systems. The results for Triumph Processing - Embee Division, Inc. are included in the Aerospace Systems Group segment from the date of acquisition.

In June 2010, we acquired Vought Aircraft Industries, Inc. ("Vought") from The Carlyle Group. The acquisition of Vought established the Company as a leading global manufacturer of aerostructures for commercial, military and business jet aircraft.

Products and Services

We offer a variety of products and services to the aerospace industry through three operating segments: (i) Triumph Aerostructures Group, whose companies' revenues are derived from the design, manufacture, assembly and integration of metallic and composite aerostructures and structural components for the global aerospace original equipment manufacturers, or OEM, market; (ii) Triumph Aerospace Systems Group, whose companies design, engineer and manufacture a wide range of proprietary and build-to-print components, assemblies and systems also for the OEM market; and (iii) Triumph Aftermarket

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Services Group, whose companies serve aircraft fleets, notably commercial airlines, the U.S. military and cargo carriers, through the maintenance, repair and overhaul of aircraft components and accessories manufactured by third parties.

Our Aerostructures Group utilizes its capabilities to design, manufacture and build complete metallic and composite aerostructures and structural components. This group also includes companies performing complex manufacturing, machining and forming processes for a full range of structural components, as well as complete assemblies and subassemblies. This group services the full spectrum of aerospace customers, which include aerospace OEMs and the top-tier manufacturers who supply them and airlines, air cargo carriers, and domestic and foreign militaries.

The products that companies within this group design, manufacture, build and repair include:

|                                         |                                                 |
|-----------------------------------------|-------------------------------------------------|
| Acoustic and thermal insulation systems | Engine nacelles                                 |
| Aircraft wings                          | Flight control surfaces                         |
| Composite and metal bonding             | Helicopter cabins                               |
| Composite ducts and floor panels        | Stretch-formed leading edges and fuselage skins |
| Comprehensive processing services       | Windows and window assemblies                   |
| Empennages                              | Wing spars and stringers                        |

Our Aerospace Systems Group utilizes its capabilities to design and engineer mechanical, electromechanical, hydraulic and hydromechanical control systems, while continuing to broaden the scope of detailed parts and assemblies that we supply to the aerospace market. Customers typically return such systems to us for repairs and overhauls and spare parts. This group services the full spectrum of aerospace customers, which include aerospace OEMs and the top-tier manufacturers who supply them and airlines, air cargo carriers, and domestic and foreign militaries.

The products that companies within this group design, engineer, build and repair include:

|                                              |                                        |
|----------------------------------------------|----------------------------------------|
| Aircraft and engine mounted accessory drives | Heat exchangers                        |
| Cargo hooks                                  | High lift actuation                    |
| Cockpit control levers                       | Hydraulic systems and components       |
| Comprehensive processing services            | Landing gear actuation systems         |
| Control system valve bodies                  | Landing gear components and assemblies |
| Electronic engine controls                   | Main engine gear box assemblies        |
| Exhaust nozzles and ducting                  | Main fuel pumps                        |
| Geared transmissions                         | Secondary flight control systems       |
| Fuel metering units                          | Vibration absorbers                    |

Our Aftermarket Services Group performs maintenance, repair and overhaul services ("MRO") and supplies spare parts for the commercial and military aviation industry and primarily services the world's airline and air cargo carrier customers. This group also designs, engineers, manufactures, repairs and overhauls aftermarket aerospace gas turbine engine components, offers comprehensive MRO solutions, leasing packages, exchange programs and parts and services to airline, air cargo and third-party overhaul facilities. We also continue to develop Federal Aviation Administration, or ("FAA"), approved Designated Engineering Representative, or ("DER"), proprietary repair procedures for the components we repair and overhaul, which range from detailed components to complex subsystems. Companies in our Aftermarket Services Group repair and overhaul various components for the aviation industry including:

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|                                 |                                                                         |
|---------------------------------|-------------------------------------------------------------------------|
| Air cycle machines              | Blades and vanes                                                        |
| APUs                            | Cabin interior panes, shades, light lenses and other plastic components |
| Constant speed drives           | Combustors                                                              |
| Engine and airframe accessories | Stators                                                                 |
| Flight control surfaces         | Transition ducts                                                        |
| Integrated drive generators     | Sidewalls                                                               |
| Nacelles                        | Light assemblies                                                        |
| Remote sensors                  | Overhead bins                                                           |

Certain financial information about our three segments can be found in Note 21 of "Notes to Consolidated Financial Statements."

**Proprietary Rights**

We benefit from our proprietary rights relating to designs, engineering and manufacturing processes and repair and overhaul procedures. For some products, our unique manufacturing capabilities are required by the customer's specifications or designs, thereby necessitating reliance on us for the production of such specially designed products. We view our name and mark, as well as the Vought and Embee tradenames, as significant to our business as a whole. Our products are protected by a portfolio of patents, trademarks, licenses or other forms of intellectual property that expire at various dates in the future. We continually develop and acquire new intellectual property and consider all of our intellectual property to be valuable. However, based on the broad scope of our product lines, management believes that the loss or expiration of any single intellectual property right would not have a material effect on our results of operations, our financial position or our business segments. Our policy is to file applications and obtain patents for our new products as appropriate, including product modifications and improvements. While patents generally expire 20 years after the patent application filing date, new patents are issued to us on a regular basis.

In our overhaul and repair businesses, OEMs of equipment that we maintain for our customers increasingly include language in repair manuals that relate to their equipment asserting broad claims of proprietary rights to the contents of the manuals used in our operations. There can be no assurance that OEMs will not try to enforce such claims including the possible use of legal proceedings. In the event of such legal proceedings, there can be no assurance that such actions against the Company will be unsuccessful. However, we believe that our use of manufacture and repair manuals is lawful.

**Raw Materials and Replacement Parts**

We purchase raw materials, primarily consisting of extrusions, forgings, castings, aluminum and titanium sheets and shapes and stainless steel alloys, from various vendors. We also purchase replacement parts, which are utilized in our various repair and overhaul operations. We believe that the availability of raw materials to us is adequate to support our operations.

**Operating Locations**

We conduct our business through operating segments. The following chart describes the operations, customer base and certain other information with respect to our principal operating locations at March 31, 2014:

| Operation                                       | Subsidiary                  | Operating Location                                                                                                                     | Business                                                                                                               | Type of Customers                               | Number of Employees |
|-------------------------------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------|
| <b>TRIUMPH AEROSTRUCTURES GROUP</b>             |                             |                                                                                                                                        |                                                                                                                        |                                                 |                     |
| Triumph Aerostructures—Vought Aircraft Division | Triumph Aerostructures, LLC | Arlington, TX<br>Grand Prairie, TX<br>Red Oak, TX<br>Hawthorne, CA<br>Torrence, CA<br>Nashville, TN<br>Stuart, GA<br>Milledgeville, GA | Develops and manufactures a wide range of complex aerostructures such as aircraft fuselages, wing and tail assemblies, | Commercial, General Aviation and Military OEMs. | 4,725               |



wing panels and  
skins, engine  
nacelles, flight  
control surfaces  
and helicopter  
cabins.

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| Operation                             | Subsidiary                             | Operating Location | Business                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Type of Customers                                                        | Number of Employees |
|---------------------------------------|----------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|---------------------|
| Triumph Fabrications—Fort Worth(1)    | Triumph Fabrications—Fort Worth, Inc.  | Fort Worth, TX     | Manufactures metallic/composite bonded components and assemblies.<br><br>Produces complex sheet metal parts and assemblies, titanium hot forming, and performs chem-milling and other metal finishing processes. Produces aircraft fuselage skins, leading edges and web assemblies through the stretch forming of sheet, extrusion, rolled shape and light plate metals. Produces complex welded and riveted sheet metal assemblies for aerospace applications. | Commercial, General Aviation and Military OEMs and Aftermarket.          | 200                 |
| Triumph Fabrications—Hot Springs      | Triumph Fabrications—Hot Springs, Inc. | Hot Springs, AR    | Produces aircraft fuselage skins, leading edges and web assemblies through the stretch forming of sheet, extrusion, rolled shape and light plate metals. Produces complex welded and riveted sheet metal assemblies for aerospace applications.                                                                                                                                                                                                                  | Commercial, General Aviation and Military OEMs and Aftermarket.          | 344                 |
| Triumph Fabrications—Shelbyville      | The Triumph Group Operations, Inc.     | Shelbyville, IN    | Produces complex welded and riveted sheet metal assemblies for aerospace applications. Components include exhaust systems, ducting, doors, panels, control surfaces and engine components.                                                                                                                                                                                                                                                                       | Commercial, General Aviation and Military OEMs.                          | 112                 |
| Triumph Fabrications—San Diego(1)     | Triumph Fabrications—San Diego, Inc.   | El Cajon, CA       | Designs and manufactures structural and non-structural composites for the aviation industry, including environmental control systems ducting, floor panels, structural                                                                                                                                                                                                                                                                                           | Commercial, General Aviation and Military OEMs.                          | 150                 |
| Triumph Integrated Aircraft Interiors | Triumph Composite Systems, Inc.        | Spokane, WA        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Commercial, General Aviation, and Military OEMs; Commercial Aftermarket. | 615                 |

|                               |                                     |                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |       |
|-------------------------------|-------------------------------------|--------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
|                               |                                     |                                                                                                                    | thermoplastic clips/brackets as well as a variety of composite interior components. Produces insulation systems provided to original equipment manufacturers, airlines, maintenance, repair and overhaul organizations and air cargo carriers. Also provides products in the ancillary aircraft interiors and spares markets. Provides high-quality finishing services to the aerospace, military and commercial industries. Manufactures structural components specializing in complex precision machining primarily for commercial and military aerospace programs. Precision machining of complex aluminum and hard metal structural components and subassemblies, serving commercial and military aerospace customers, ranging in size from a few inches to 120 feet long. |       |
|                               | Triumph Insulation Systems, LLC     | Calexico, CA<br>Hawthorne, CA<br>Taylorsville, NC<br>Hamburg, Germany<br>Mexicali, Mexico<br>Beijing, China<br>(2) | Commercial and Military OEMs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1,066 |
| Triumph Processing            | Triumph Processing, Inc.            | Lynwood, CA                                                                                                        | Commercial, General Aviation, and Military OEMs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 91    |
| Triumph Structures—East Texas | Triumph Structures—East Texas, Inc. | Kilgore, TX                                                                                                        | Commercial and Military OEMs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 106   |
| Triumph Structures—Everett    | Triumph Structures—Everett, Inc.    | Everett, WA                                                                                                        | Commercial, General Aviation and Military OEMs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 146   |



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| Operation                        | Subsidiary                                                    | Operating Location                                               | Business                                                                                                                                                                                                                                            | Type of Customers                               | Number of Employees |
|----------------------------------|---------------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------|
| Triumph Structures—International | Triumph Structures—Farnborough<br>Triumph Structures—Thailand | Farnborough, England<br>Rayong, Thailand                         | Global supplier of composite and metallic propulsion and structural composites assemblies. Manufactures precision machined parts and mechanical assemblies for the aviation, aerospace and defense industries.                                      | Commercial and General Aviation OEMs.           | 746                 |
| Triumph Structures—Kansas City   | Triumph Structures—Kansas City, Inc.                          | Grandview, MO                                                    | Manufactures high-quality structural and dynamic parts and assemblies for commercial and military aerospace programs. Manufactures long structural components, such as stringers, cords, floor beams and spars, for the aviation industry.          | Commercial and Military OEMs.                   | 119                 |
| Triumph Structures—Long Island   | Triumph Structures—Long Island, LLC                           | Westbury, NY                                                     | Machines, welds and assembles large, complex, precision structural components. Specializes in complex, high-speed monolithic precision machining, turning, subassemblies, and sheet metal fabrication, serving domestic and international aerospace | Commercial and Military OEMs.                   | 139                 |
| Triumph Structures—Los Angeles   | Triumph Structures—Los Angeles, Inc.                          | Brea, CA<br>Chatsworth, CA<br>City of Industry, CA<br>Walnut, CA |                                                                                                                                                                                                                                                     | Commercial, General Aviation and Military OEMs. | 336                 |
| Triumph Structures—Wichita       | Triumph Structures—Wichita, Inc.                              | Wichita, KS                                                      |                                                                                                                                                                                                                                                     | Commercial and Military OEMs.                   | 167                 |

TRIUMPH AEROSPACE SYSTEMS GROUP

|                                                                          |                                                     |                                               |                                                                                                                                                                                                                                                                                                         |                                                                                                                      |
|--------------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
|                                                                          |                                                     |                                               | customers.                                                                                                                                                                                                                                                                                              |                                                                                                                      |
| Triumph Actuation & Motion Control Systems                               | Triumph Actuation & Motion Control Systems—UK, Ltd. | Buckley, UK                                   | Designs and builds proprietary advanced control products for flight actuation and motor control applications in all electrical aircraft and Unmanned Aerial Vehicles ("UAVs").                                                                                                                          | Commercial, General Aviation, and Military OEMs. 42                                                                  |
| Triumph Actuation Systems—Clemmons(1) Triumph Actuation Systems—Freeport | Triumph Actuation Systems, LLC                      | Clemmons, NC<br>Freeport, NY                  | Designs, manufactures and repairs complex hydraulic and hydromechanical aircraft components and systems, such as variable displacement pumps and motors, linear actuators and valves, and cargo door actuation systems.                                                                                 | Commercial, General Aviation, and Military OEMs; Commercial Airlines, General Aviation and Military Aftermarket. 274 |
| Triumph Actuation Systems—Connecticut                                    | Triumph Actuation Systems—Connecticut, LLC          | Bloomfield, CT<br>East Lyme, CT<br>Bethel, CT | Designs, manufactures and repairs complex hydraulic, hydromechanical and mechanical components and systems, such as nose wheel steering motors, helicopter blade lag dampers, mechanical hold open rods, coupling and latching devices, as well as mechanical and electromechanical actuation products. | Commercial, General Aviation, and Military OEMs; Military Aftermarket. 151                                           |

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| Operation                              | Subsidiary                                   | Operating Location                 | Business                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Type of Customers                                                  | Number of Employees |
|----------------------------------------|----------------------------------------------|------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|---------------------|
| Triumph Actuation Systems—Valencia(1)  | Triumph Actuation Systems—Valencia, Inc.     | Valencia, CA                       | Designs, manufactures and repairs complex hydraulic and hydromechanical aircraft components and systems, such as accumulators, actuators, complex valve packages, and landing gear retract actuators. Offers a fully integrated range of capabilities, including systems engineering, conceptual engineering, mechanical design and analysis, prototype and limited-rate production, instrumentation, assembly and testing services and complex structural composite design and manufacturing. System engineering and integration for landing gear, hydraulic, deployment, cargo door and | Commercial, General Aviation, and Military OEMs.                   | 196                 |
| Triumph Aerospace Systems—Newport News | Triumph Aerospace Systems—Newport News, Inc. | Newport News, VA<br>San Diego, CA  | electro-mechanical type systems. Capabilities include design, analysis and testing to support these types of systems and components.                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Commercial and Military OEMs; Commercial and Military Aftermarket. | 93                  |
| Triumph Aerospace Systems—Seattle      | Triumph Actuation Systems—Connecticut, LLC   | Redmond, WA<br>Rochester, NY       | Designs and manufactures mechanical and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Commercial, General Aviation and Military OEMs.                    | 116                 |
| Triumph Controls(1)                    | Triumph Controls, LLC                        | North Wales, PA<br>Shelbyville, IN | Designs and manufactures mechanical and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Commercial, General Aviation and                                   | 147                 |

|                                              |                                                            |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                      |     |
|----------------------------------------------|------------------------------------------------------------|---------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-----|
|                                              |                                                            |                                       | electromechanical control systems.                                                                                                                                                                                                                                                                                                                                                                                               | Military OEMs and Aftermarket.                                       |     |
| Triumph Controls—France                      | Construction Brevetees d'Alfortville SAS                   | Alfortville, France                   | Manufactures mechanical ball bearing control assemblies for the aerospace, ground transportation, defense and marine industries. Produces and repairs cable control systems for ground, flight, engine management and cabin comfort features in aircraft.                                                                                                                                                                        | Commercial and Military OEMs, Ground Transportation and Marine OEMs. | 66  |
| Triumph Controls—Germany—Triumph Controls—UK | Triumph Controls—Germany, GmbH<br>Triumph Controls—UK, Ltd | Heiligenhaus, Germany<br>Basildon, UK | Manages aerospace fuel systems including electronic engine controls, fuel metering units and main pumps. Provides maintenance and manufactured solutions for aviation drive train, mechanical, hydraulic and electrical hardware items including gearboxes, cargo hooks and vibration absorbers. Also, produces fabricated textile items such as seat cushions and sound insulation blankets for military rotary-wing platforms. | Commercial and Military OEMs.                                        | 50  |
| Triumph Engine Control Systems               | Triumph Engine Controls Systems, LLC                       | West Hartford, CT                     | Manages aerospace fuel systems including electronic engine controls, fuel metering units and main pumps. Provides maintenance and manufactured solutions for aviation drive train, mechanical, hydraulic and electrical hardware items including gearboxes, cargo hooks and vibration absorbers. Also, produces fabricated textile items such as seat cushions and sound insulation blankets for military rotary-wing platforms. | Commercial, General Aviation and Military OEMs and Aftermarket.      | 543 |
| Triumph Fabrications—Orangeburg              | Triumph Fabrications—Orangeburg SC                         | Orangeburg, SC                        | Manages aerospace fuel systems including electronic engine controls, fuel metering units and main pumps. Provides maintenance and manufactured solutions for aviation drive train, mechanical, hydraulic and electrical hardware items including gearboxes, cargo hooks and vibration absorbers. Also, produces fabricated textile items such as seat cushions and sound insulation blankets for military rotary-wing platforms. | Commercial, General Aviation and Military Aftermarket.               | 59  |



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| Operation                          | Subsidiary                                | Operating Location | Business                                                                                                                                                                                                                                                                                                                                                                                               | Type of Customers                               | Number of Employees |
|------------------------------------|-------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|---------------------|
| Triumph Fabrications—Phoenix       | Triumph Engineered Solutions, Inc.        | Chandler, AZ       | Produces complex welded and riveted sheet metal assemblies for aerospace applications. Components include exhaust systems, ducting, doors, panels, control surfaces and engine components. Specializes in the design, development, manufacture, sale and repair of                                                                                                                                     | Commercial, General Aviation and Military OEMs. | 97                  |
| Triumph Gear Systems—Park City(1)  | Triumph Gear Systems, Inc.                | Park City, UT      | flight control actuators, gear-driven actuators and gears for the aerospace industry. Manufacture superior precision aircraft engine shafts, engine links, helicopter masts, components for landing gears; and perform highly complex precision machining and gearing work for a variety of industries. Machines and fabricates refractory, reactive, heat and corrosion-resistant precision products. | Commercial and Military OEMs and Aftermarket.   | 477                 |
| Triumph Gear Systems—Macomb(1)     | Triumph Gear Systems—Macomb, Inc.         | Macomb, MI         |                                                                                                                                                                                                                                                                                                                                                                                                        |                                                 |                     |
| Triumph Gear Systems—Toronto       | Triumph Gear Systems—Toronto ULC          | Toronto, Canada    |                                                                                                                                                                                                                                                                                                                                                                                                        | Commercial and Military OEMs and Aftermarket.   | 190                 |
| Triumph Northwest                  | The Triumph Group Operations, Inc.        | Albany, OR         |                                                                                                                                                                                                                                                                                                                                                                                                        | Military, Medical and Electronic OEMs.          | 25                  |
| Triumph Processing —Embee Division | Triumph Processing - Embee Division, Inc. | Santa Ana, CA      | Provides comprehensive processing services and Specialty                                                                                                                                                                                                                                                                                                                                               | Commercial and Military OEMs and Specialty      | 403                 |

on precision Automotive,  
engineered parts Medical Device  
for hydraulics, and Electronic  
landing gear, spare Industries  
parts and electronic  
actuation systems.

Designs, Commercial,  
manufactures and General Aviation 192  
repairs engine and and Military  
aircraft thermal OEMs.  
transfer systems  
and components.

Triumph Thermal Triumph Thermal Forest, OH  
Systems(1) Systems, Inc.

TRIUMPH AFTERMARKET SERVICES GROUP

Provides  
maintenance  
services for aircraft  
heavy accessories  
and airborne  
electrical power Commercial,  
generation devices, General Aviation 118  
including constant and Military  
speed drives, Aftermarket.  
integrated drive

Triumph Accessory The Triumph Group  
Services—Wellington(Operations, Inc.  
Wellington, KS

generators, air  
cycle machines and  
electrical  
generators.

Provides  
maintenance  
services for engine  
and airframe  
accessories  
including a variety

Triumph Accessory Triumph Accessory Grand Prairie,  
Services—Grand Services—Grand TX  
Prairie(1) Prairie, Inc.

of engine Commercial and  
gearboxes, Military 135  
pneumatic starters, Aftermarket.  
valves and drive  
units, hydraulic  
actuators, lube  
system pumps, fuel  
nozzles, fuel pumps  
and fuel controls.

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| Operation                         | Subsidiary                          | Operating Location                              | Business                                                                                                                                                                                                                                                                                                                                                                                                                                    | Type of Customers                                      | Number of Employees |
|-----------------------------------|-------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|---------------------|
| Triumph Air Repair(1)             | The Triumph Group Operations, Inc.  | Chandler, AZ<br>Phoenix, AZ                     | Repairs and overhauls auxiliary power units (APUs) and related accessories; sells, leases and exchanges APUs, related components and other aircraft material.                                                                                                                                                                                                                                                                               | Commercial, General Aviation and Military Aftermarket. | 93                  |
| Triumph Airborne Structures(1)    | Triumph Airborne Structures, Inc.   | Hot Springs, AR<br>Indianapolis, IN             | Repairs and overhauls fan reversers, nacelle components, flight control surfaces and other aerostructures.                                                                                                                                                                                                                                                                                                                                  | Commercial Aftermarket.                                | 175                 |
| Triumph Aviation Services—Asia(1) | Triumph Aviation Services Asia Ltd. | Chonburi, Thailand                              | Repairs and overhauls complex aircraft operational components, such as auxiliary power units (APUs), nacelles, constant speed drives, fan reversers and related accessories. Designs, engineers, manufactures, repairs and overhauls aftermarket aerospace gas turbine engine components and provides repair services and aftermarket parts and services to aircraft operators, maintenance providers, and third-party overhaul facilities. | Commercial Aftermarket.                                | 147                 |
| Triumph Engines—Tempe(1)          | Triumph Engineered Solutions, Inc.  | Tempe, AZ                                       | Refurbishes and repairs aircraft interiors such as                                                                                                                                                                                                                                                                                                                                                                                          | Commercial, General Aviation and Military Aftermarket. | 94                  |
| Triumph Interiors(1)              | Triumph Interiors, LLC              | Atlanta, GA<br>Oakdale, PA<br>Grand Prairie, TX |                                                                                                                                                                                                                                                                                                                                                                                                                                             | Commercial Aftermarket.                                | 218                 |

|                                    |                                                            |                 |                                                                                                                                                                                                             |                                      |     |
|------------------------------------|------------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----|
| Triumph San Antonio Support Center | The Triumph Group Operations, Inc.                         | San Antonio, TX | sidewalls, ceiling panels, galleys and overhead storage bins and manufactures a full line of interior lighting and plastic components. Provides maintenance services for aircraft ground support equipment. | Military Aftermarket.                | 33  |
| CORPORATE AND OTHER                |                                                            |                 |                                                                                                                                                                                                             |                                      |     |
| Triumph Group, Inc.                | Triumph Group, Inc.                                        | Berwyn, PA      | Parent company                                                                                                                                                                                              | N/A                                  | 123 |
| Triumph Group—Mexico               | Triumph Group—Mexico, S. Zacatecas, Mexico de R.L. de C.V. |                 | Provides rough machining of gears, actuators and structural components, as well as assembly, fabrications, engineering and composites to Triumph companies and certain customers.                           | Commercial and General Aviation OEMs | 509 |

(1) Designates FAA-certified repair station.

Through an affiliate, Triumph Insulation Systems, LLC acquired a 100% controlling interest in a venture, operating (2) in Beijing, China, from Beijing Kailan Aviation Technology Co., Ltd., an unrelated party based in China, during the fiscal year ended March 31, 2014.

#### Sales, Marketing and Engineering

While each of our operating companies maintains responsibility for selling and marketing its specific products, we have developed two marketing teams at the group level who are focused on cross-selling our broad capabilities. One team supports the Aerostructures and Aerospace Systems Groups and the other the Aftermarket Services Group. These teams are responsible for selling systems, integrated assemblies and repair and overhaul services, reaching across our operating companies, to our OEM, military, airline and air cargo customers. In certain limited cases, we use independent, commission-based representatives to serve our customers' changing needs and the current trends in some of the markets and geographic regions in which we operate. During the fiscal year ended March 31, 2013, we terminated our relationship with Triumph Wichita Support

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Center, a third-party sales organization which had been dedicated solely to a sales effort on behalf of Triumph Group companies.

The two group-level marketing teams operate as the front-end of the selling process, establishing or maintaining relationships, identifying opportunities to leverage our brand, and providing service for our customers. Each individual operating company is responsible for its own technical support, pricing, manufacturing and product support. Also, within the Aerospace Systems Group, we have created a group engineering function to provide integrated solutions to meet our customer needs by designing systems that integrate the capabilities of our companies. A significant portion of our government and defense contracts are awarded on a competitive bidding basis. We generally do not bid or act as the primary contractor, but will typically bid and act as a subcontractor on contracts on a fixed-price basis. We generally sell to our other customers on a fixed-price, negotiated contract or purchase order basis.

### Backlog

We have a number of long-term agreements with several of our customers. These agreements generally describe the terms under which the customer may issue purchase orders to buy our products and services during the term of the agreement. These terms typically include a list of the products or repair services customers may purchase, initial pricing, anticipated quantities and, to the extent known, delivery dates. In tracking and reporting our backlog, however, we only include amounts for which we have actual purchase orders with firm delivery dates or contract requirements generally within the next 24 months, which primarily relate to sales to our OEM customer base. Purchase orders issued by our aftermarket customers are usually completed within a short period of time. As a result, our backlog data relates primarily to the OEM customers. The backlog information set forth below does not include the sales that we expect to generate from long-term agreements for which we do not have actual purchase orders with firm delivery dates.

As of March 31, 2014, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately \$4,751 million, of which \$3,796 million, \$923 million and \$32 million relate to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. As of March 31, 2013, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately \$4,527 million, of which \$3,663 million, \$832 million and \$32 million related to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. Of the existing backlog of \$4,751 million, approximately \$2,017 million will not be shipped by March 31, 2015.

### Dependence on Significant Customer

For the fiscal years ended March 31, 2014, 2013 and 2012, the Boeing Company ("Boeing") represented approximately 45%, 49% and 47%, respectively, of our net sales, covering virtually every Boeing plant and product. A significant reduction in sales to Boeing would have a material adverse impact on our financial position, results of operations, and cash flows.

### United States and International Operations

Our revenues from continuing operations to customers in the United States for the fiscal years ended March 31, 2014, 2013 and 2012 were approximately \$3,142 million, \$3,199 million, and \$2,944 million, respectively. Our revenues from our continuing operations to customers in all other countries for the fiscal years ended March 31, 2014, 2013 and 2012 were approximately \$622 million, \$504 million, and \$464 million, respectively.

As of March 31, 2014 and 2013, our long-lived assets for continuing operations located in the United States were approximately \$3,482 million and \$3,500 million, respectively. As of March 31, 2014 and 2013, our long-lived assets for continuing operations located in all other countries were approximately \$289 million and \$99 million, respectively.

### Competition

We compete primarily with Tier 1 and Tier 2 aerostructures manufacturers, systems integrators and the manufacturers that supply them, some of which are divisions or subsidiaries of other large companies, in the manufacture of aircraft structures, systems components and subassemblies. OEMs are increasingly focusing on assembly and integration activities while outsourcing more manufacturing and, therefore, are less of a competitive force than in previous years. Competition for the repair and overhaul of aviation components comes from three primary sources, some of whom possess greater financial and other resources than we have: OEMs, major commercial airlines, government support

depots and other independent repair and overhaul companies. Some major commercial airlines continue to own and operate their own service centers, while others have begun to sell or outsource their repair and overhaul services to other aircraft operators or third parties. Large domestic and foreign airlines that provide repair and overhaul services typically provide these services not only for their own aircraft but for other airlines as well. OEMs also maintain service centers which provide repair and overhaul

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services for the components they manufacture. Many governments maintain aircraft support depots in their military organizations that maintain and repair the aircraft they operate. Other independent service organizations also compete for the repair and overhaul business of other users of aircraft components.

Participants in the aerospace industry compete primarily on the basis of breadth of technical capabilities, quality, turnaround time, capacity and price.

### Government Regulation and Industry Oversight

The aerospace industry is highly regulated in the United States by the FAA and in other countries by similar agencies. We must be certified by the FAA and, in some cases, by individual OEMs, in order to engineer and service parts and components used in specific aircraft models. If material authorizations or approvals were revoked or suspended, our operations would be adversely affected. New and more stringent government regulations may be adopted, or industry oversight heightened, in the future and these new regulations, if enacted, or any industry oversight, if heightened, may have an adverse impact on us.

We must also satisfy the requirements of our customers, including OEMs, that are subject to FAA regulations, and provide these customers with products and repair services that comply with the government regulations applicable to aircraft components used in commercial flight operations. The FAA regulates commercial flight operations and requires that aircraft components meet its stringent standards. In addition, the FAA requires that various maintenance routines be performed on aircraft components, and we currently satisfy these maintenance standards in our repair and overhaul services. Several of our operating locations are FAA-approved repair stations.

Generally, the FAA only grants licenses for the manufacture or repair of a specific aircraft component, rather than the broader licenses that have been granted in the past. The FAA licensing process may be costly and time-consuming. In order to obtain an FAA license, an applicant must satisfy all applicable regulations of the FAA governing repair stations. These regulations require that an applicant have experienced personnel, inspection systems, suitable facilities and equipment. In addition, the applicant must demonstrate a need for the license. Because an applicant must procure manufacturing and repair manuals from third parties relating to each particular aircraft component in order to obtain a license with respect to that component, the application process may involve substantial cost.

The license approval processes for the European Aviation Safety Agency ("EASA"), which regulates this industry in the European Union, the Civil Aviation Administration of China, and other comparable foreign regulatory authorities are similarly stringent, involving potentially lengthy audits. EASA was formed in 2002 and is handling most of the responsibilities of the national aviation authorities in Europe, such as the United Kingdom Civil Aviation Authority. Our operations are also subject to a variety of worker and community safety laws. For example, the Occupational Safety and Health Act of 1970, or OSHA, mandates general requirements for safe workplaces for all employees in the United States. In addition, OSHA provides special procedures and measures for the handling of hazardous and toxic substances. Specific safety standards have been promulgated for workplaces engaged in the treatment, disposal or storage of hazardous waste. We believe that our operations are in material compliance with OSHA's health and safety requirements.

### Environmental Matters

Our business, operations and facilities are subject to numerous stringent federal, state, local and foreign environmental laws and regulation by government agencies, including the Environmental Protection Agency, ("EPA"). Among other matters, these regulatory authorities impose requirements that regulate the emission, discharge, generation, management, transportation and disposal of hazardous materials, pollutants and contaminants, govern public and private response actions to hazardous or regulated substances which may be or have been released to the environment, and require us to obtain and maintain licenses and permits in connection with our operations. This extensive regulatory framework imposes significant compliance burdens and risks on us. Although management believes that our operations and our facilities are in material compliance with such laws and regulations, future changes in these laws, regulations or interpretations thereof or the nature of our operations or regulatory enforcement actions which may arise, may require us to make significant additional capital expenditures to ensure compliance in the future.

Certain of our facilities, including facilities acquired and operated by us or one of our subsidiaries have at one time or another been under active investigation for environmental contamination by federal or state agencies when acquired, and at least in some cases, continue to be under investigation or subject to remediation for potential environmental

contamination. We are frequently indemnified by prior owners or operators and/or present owners of the facilities for liabilities which we incur as a result of these investigations and the environmental contamination found which pre-dates our acquisition of these facilities, subject to certain limitations. We also maintain a pollution liability policy that provides coverage for material liabilities associated with the clean-up of on-site pollution conditions, as well as defense and indemnity for certain third-party suits



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(including Superfund liabilities at third-party sites), in each case, to the extent not otherwise indemnified. This policy applies to all of our manufacturing and assembly operations worldwide. However, if we are required to pay the expenses related to environmental liabilities because neither indemnification nor insurance coverage is available, these expenses could have a material adverse effect on us.

**Employees**

As of March 31, 2014, we employed 13,828 persons, of whom 3,434 were management employees, 134 were sales and marketing personnel, 559 were technical personnel, 872 were administrative personnel and 8,829 were production workers.

Several of our subsidiaries are parties to collective bargaining agreements with labor unions. Under those agreements, we currently employ approximately 2,918 full-time employees. Currently, approximately 21% of our permanent employees are represented by labor unions and approximately 61% of net sales are derived from the facilities at which at least some employees are unionized. Of the 2,918 employees represented by unions, 546 employees are working under contracts that have expired or will expire within one year and 510 employees in our Red Oak, Texas facility have not yet negotiated an initial contract. Our inability to negotiate an acceptable contract with any of these labor unions could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or other work stoppage, or other employees were to become unionized, we could experience a significant disruption of our operations and higher ongoing labor costs, which could have an adverse effect on our business and results of operations.

We have not experienced any material labor-related work stoppage and consider our relations with our employees to be good.

**Research and Development Expenses**

Certain information about our research and development expenses for the fiscal years ended March 31, 2014, 2013 and 2012 is available in Note 2 of "Notes to Consolidated Financial Statements."

**Executive Officers**

| Name                   | Age | Position                                           |
|------------------------|-----|----------------------------------------------------|
| Richard C. III         | 70  | Chairman                                           |
| Jeffrey D. Frisby      | 59  | President and Chief Executive Officer and Director |
| Jeffrey L. McRae       | 50  | Senior Vice President, Chief Financial Officer     |
| John B. Wright, II     | 60  | Vice President, General Counsel and Secretary      |
| Thomas A. Quigley, III | 37  | Vice President and Controller                      |

Richard C. III was elected Chairman in July 2009, and had been our President and Chief Executive Officer and a director since 1993. Mr. III retired as Chief Executive Officer of the Company in July 2012 and has remained as the Company's Chairman. Mr. III is a director of P.H. Glatfelter Company, Mohawk Industries, Inc. and Baker Industries and a trustee of the Eisenhower Fellowships.

Jeffrey D. Frisby has been our President and Chief Executive Officer since July 2012 and served as President and Chief Operating Officer from July 2009 to July 2012. Mr. Frisby has been a director of Triumph since July 2012. Mr. Frisby joined the Company in 1998 as President of Frisby Aerospace, Inc. upon its acquisition by Triumph. In 2000, Mr. Frisby was named Group President of the Triumph Control Systems Group and was later named Group President of our Aerospace Systems Group upon its formation in April 2003. Mr. Frisby serves on the Board of Directors of Quaker Chemical Corporation.

Jeffrey L. McRae became Senior Vice President and Chief Financial Officer in February 2014. Mr. McRae was named President of Triumph Aerostructures – Vought Aircraft Division in October 2013, having previously served as President of Triumph Aerostructures – Vought Integrated Programs Division and Chief Financial Officer for Triumph Aerostructures – Vought Aircraft Division, a position he had assumed upon the completion of Triumph's acquisition of Vought Aircraft Industries, Inc. in June 2010. Prior to the acquisition, Mr. McRae had served as Vought's Vice President of Business Operations, and had been employed by the Company since 2007.



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John B. Wright, II has been a Vice President and our General Counsel and Secretary since 2004. From 2001 until he joined us, Mr. Wright was a partner with the law firm of Ballard Spahr, LLP, where he practiced corporate and securities law.

Thomas A. Quigley, III has been our Vice President and Controller since November 2012, and serves as the Company's principal accounting officer. Mr. Quigley has served as the Company's SEC Reporting Manager since January 2009. From June 2002 until joining Triumph in 2009, Mr. Quigley held various roles within the audit practice of KPMG LLP, including Senior Audit Manager.

Available Information

For more information about us, visit our website at [www.triumphgroup.com](http://www.triumphgroup.com). The contents of the website are not part of this Annual Report on Form 10-K. Our electronic filings with the Securities and Exchange Commission, ("SEC") (including all Forms 10-K, 10-Q and 8-K, and any amendments to these reports) are available free of charge through our website immediately after we electronically file with or furnish them to the SEC. These filings may also be read and copied at the SEC's Public Reference Room which is located at 100 F Street, N.E., Washington, D.C. 20549. Information about the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers who file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

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Item 1A. Risk Factors

Factors that have an adverse impact on the aerospace industry may adversely affect our results of operations and liquidity.

A substantial percentage of our gross profit and operating income derives from commercial aviation. Our operations have been focused on designing, engineering, manufacturing, repairing and overhauling a broad portfolio of aerostructures, aircraft components, accessories, subassemblies and systems. Therefore, our business is directly affected by economic factors and other trends that affect our customers in the aerospace industry, including a possible decrease in outsourcing by OEMs and aircraft operators or projected market growth that may not materialize or be sustainable. We are also significantly dependent on sales to the commercial aerospace market, which has been cyclical in nature with significant downturns in the past. When these economic and other factors adversely affect the aerospace industry, they tend to reduce the overall customer demand for our products and services, which decreases our operating income. Economic and other factors that might affect the aerospace industry may have an adverse impact on our results of operations and liquidity. We have credit exposure to a number of commercial airlines, some of which have encountered financial difficulties. In addition, an increase in energy costs and the price of fuel to the airlines could result in additional pressure on the operating costs of airlines. The market for jet fuel is inherently volatile and is subject to, among other things, changes in government policy on jet fuel production, fluctuations in the global supply of crude oil and disruptions in oil production or delivery caused by sudden hostility in oil-producing areas. Airlines are sometimes unable to pass on increases in fuel prices to customers by increasing fares due to the competitive nature of the airline industry, and this compounds the pressure on operating costs. Other events of general impact such as natural disasters, war, terrorist attacks against the industry or pandemic health crises may lead to declines in the worldwide aerospace industry that could adversely affect our business and financial condition.

In addition, demand for our maintenance, repair and overhaul services is strongly correlated with worldwide flying activity. A significant portion of the MRO activity required on commercial aircraft is mandated by government regulations that limit the total time or number of flights that may elapse between scheduled MRO events. As a result, although short-term deferrals are possible, MRO activity is ultimately required to continue to operate the aircraft in revenue-producing service. Therefore, over the intermediate and long-term, trends in the MRO market are closely related to the size and utilization level of the worldwide aircraft fleet, as reflected by the number of available seat miles, commonly referred to as ASMs, and cargo miles flown. Consequently, conditions or events which contribute to declines in worldwide ASMs and cargo miles flown, such as those mentioned above, could negatively impact our MRO business.

Demand for military and defense products is dependent upon government spending.

The military and defense market is largely dependent upon government budgets, particularly the U.S. defense budget, and an increase in defense spending may not be allocated to programs that would benefit our business. Moreover, the military aircraft programs in which we participate may not enter full-scale production as expected. A change in the levels of defense spending or levels of military flight operations could curtail or enhance our prospects in the military and defense market depending upon the programs affected.

A substantial portion of our net sales were derived from the military and defense market, which includes primarily indirect sales to the U.S. Government. As a result, our exposure to the military and defense market is significant. The programs in which we participate must compete with other programs and policy imperatives for consideration during the budget and appropriation process. Concerns about increased deficit spending, along with continued economic challenges, continue to place pressure on U.S. and international customer budgets. While we believe that our programs are well aligned with national defense and other priorities, shifts in domestic and international spending and tax policy, changes in security, defense, and intelligence priorities, the affordability of our products and services, general economic conditions and developments, and other factors may affect a decision to fund or the level of funding for existing or proposed programs.

In August 2011, the Budget Control Act (the "Act") reduced the United States defense top-line budget by approximately \$490 billion through 2021. The Act further reduced the defense top-line budget by an additional \$500 billion through 2021 if Congress did not enact \$1.2 trillion in further budget reductions by January 15, 2012. Should

Congress in future years provide funding above the yearly spending limits of the Act, sequestration will automatically take effect and cancel any excess amount above the limits. The annual spending limits of the Act will remain unless and until the current law is changed.

On March 1, 2013, sequestration was implemented for the U.S. government fiscal year 2013. The lack of agreement between Congress and the Administration to end sequestration, certain Office of Management and Budget reports and communications from the U.S. Department of Defense ("U.S. DoD") indicate that there are likely to be reductions to our military business. Reductions, cancellations or delays impacting existing contracts or programs could have a material effect on our results of operations, financial position and/or cash flows. While the U.S. DoD would sustain the bulk of sequestration cuts affecting us, civil programs and agencies could be significantly impacted as well.

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As previously announced by Boeing in September 2013 and then subsequently revised in March 2014, the decision has been made to cease production of the C-17 Globemaster ("C-17") during calendar year 2015. Major production related to this program is expected to cease during the first quarter of fiscal 2016. We currently have agreements in place with Boeing for orders to support C-17 production through March 2014 and Boeing has authorized and funded Triumph to begin long lead procurement for an additional 10 units that would extend our production through March 2015. Boeing currently has confirmed orders with the U.S. Air Force, India and various other foreign governments to support production of C-17 through 2014 at a rate of approximately 10 aircraft per year. We have received inquiries regarding proposal for spares which could extend production through the end of fiscal 2016, as we believe the United States Air Force will want to have continued contractor support for the C-17 program. The loss of the C-17 program and the failure to win additional work to replace the C-17 program could materially reduce our cash flow and results of operations.

Cancellations, reductions or delays in customer orders may adversely affect our results of operations.

Our overall operating results are affected by many factors, including the timing of orders from large customers and the timing of expenditures to manufacture parts and purchase inventory in anticipation of future sales of products and services. A large portion of our operating expenses are relatively fixed. Because several of our operating locations typically do not obtain long-term purchase orders or commitments from our customers, they must anticipate the future volume of orders based upon the historic purchasing patterns of customers and upon our discussions with customers as to their anticipated future requirements. These historic patterns may be disrupted by many factors, including changing economic conditions, inventory adjustments, or work stoppages or labor disruptions at our customers' locations.

Cancellations, reductions or delays in orders by a customer or group of customers could have a material adverse effect on our business, financial condition and results of operations.

Our acquisition strategy exposes us to risks, including the risk that we may not be able to successfully integrate acquired businesses.

We have a consistent strategy to grow, in part, through the acquisition of additional businesses in the aerospace industry and are continuously evaluating various acquisition opportunities, including those outside the United States and those that may have a material impact on our business. Our ability to grow by acquisition is dependent upon, among other factors, the availability of suitable acquisition candidates. Growth by acquisition involves risks that could adversely affect our operating results, including difficulties in integrating the operations and personnel of acquired companies, the risk of diverting the attention of senior management from our existing operations, the potential amortization of acquired intangible assets, the potential impairment of goodwill and the potential loss of key employees of acquired companies. We may not be able to consummate acquisitions on satisfactory terms or, if any acquisitions are consummated, successfully integrate these acquired businesses.

A significant decline in business with a key customer could have a material adverse effect on us.

Boeing, or Boeing Commercial, Military and Space, represented approximately 45% of our net sales for the fiscal year ended March 31, 2014, covering virtually every Boeing plant and product. As a result, a significant reduction in purchases by Boeing could have a material adverse impact on our financial position, results of operations, and cash flows. In addition, some of our other group companies rely significantly on particular customers, the loss of which could have an adverse effect on those businesses.

Future volatility in the financial markets may impede our ability to successfully access capital markets and ensure adequate liquidity and may adversely affect our customers and suppliers.

Future turmoil in the capital markets may impede our ability to access the capital markets when we would like, or need, to raise capital or restrict our ability to borrow money on favorable terms. Such market conditions could have an adverse impact on our flexibility to react to changing economic and business conditions and on our ability to fund our operations and capital expenditures in the future. In addition, interest rate fluctuations, financial market volatility or credit market disruptions may also negatively affect our customers' and our suppliers' ability to obtain credit to finance their businesses on acceptable terms. As a result, our customers' need for and ability to purchase our products or services may decrease, and our suppliers may increase their prices, reduce their output or change their terms of sale. If our customers' or suppliers' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, our customers may not be able to pay, or may delay payment of, accounts receivable owed

to us, and our suppliers may restrict credit or impose different payment terms. Any inability of customers to pay us for our products and services or any demands by suppliers for different payment terms may adversely affect our earnings and cash flow.

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Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.

We must comply with all applicable export control laws and regulations of the United States and other countries. United States laws and regulations applicable to us include the Arms Export Control Act, the International Traffic in Arms Regulations ("ITAR"), the Export Administration Regulations ("EAR") and the trade sanctions laws and regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC"). EAR restricts the export of dual-use products and technical data to certain countries, while ITAR restricts the export of defense products, technical data and defense services. The U.S. Government agencies responsible for administering EAR and ITAR have significant discretion in the interpretation and enforcement of these regulations. We cannot provide services to certain countries subject to United States trade sanctions unless we first obtain the necessary authorizations from OFAC. In addition, we are subject to the Foreign Corrupt Practices Act which generally bars bribes or unreasonable gifts to foreign governments or officials.

Violations of these laws or regulations could result in significant additional sanctions, including fines, more onerous compliance requirements, more extensive debarments from export privileges, loss of authorizations needed to conduct aspects of our international business and criminal penalties and may harm our ability to enter into contracts with the U.S. Government. A future violation of ITAR or the other regulations enumerated above could materially adversely affect our business, financial condition and results of operations.

Our expansion into international markets may increase credit, currency and other risks, and our current operations in international markets expose us to such risks.

As we pursue customers in Asia, South America and other less developed aerospace markets throughout the world, our inability to ensure the creditworthiness of our customers in these areas could adversely impact our overall profitability. In addition, with operations in Canada, China, France, Germany, Mexico, Thailand and the United Kingdom, and customers throughout the world, we will be subject to the legal, political, social and regulatory requirements and economic conditions of other jurisdictions. In the future, we may also make additional international capital investments, including further acquisitions of companies outside the United States or companies having operations outside the United States. Risks inherent to international operations include, but are not limited to, the following:

- difficulty in enforcing agreements in some legal systems outside the United States;
- imposition of additional withholding taxes or other taxes on our foreign income, tariffs or other restrictions on foreign trade and investment, including currency exchange controls;
- fluctuations in exchange rates which may affect demand for our products and services and may adversely affect our profitability in U.S. dollars;
- inability to obtain, maintain or enforce intellectual property rights;
- changes in general economic and political conditions in the countries in which we operate;
  - unexpected adverse changes in the laws or regulatory requirements outside the United States, including those with respect to environmental protection, export duties and quotas;
- failure by our employees or agents to comply with U.S. laws affecting the activities of U.S. companies abroad;
- difficulty with staffing and managing widespread operations; and
- difficulty of and costs relating to compliance with the different commercial and legal requirements of the countries in which we operate.

We may need additional financing for acquisitions and capital expenditures and additional financing may not be available on terms acceptable to us.

A key element of our strategy has been, and continues to be, internal growth supplemented by growth through the acquisition of additional aerospace companies and product lines. In order to grow internally, we may need to make significant capital expenditures, such as investing in facilities in low-cost countries, and may need additional capital to do so. Our ability to grow is dependent upon, and may be limited by, among other things, access to markets and conditions of markets, availability under the Credit Facility and the Securitization Facility (each as defined in Note 10 of the "Notes to Consolidated Financial Statements") and by particular restrictions contained in the Credit Facility and our other financing arrangements. In that case, additional funding sources may be needed, and we may not be able to



obtain the additional capital necessary to pursue our internal growth and acquisition strategy or, if we can obtain additional financing, the additional financing may not be on financial terms that are satisfactory to us.

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Competitive pressures may adversely affect us.

We have numerous competitors in the aerospace industry. We compete primarily with the top-tier systems integrators and the manufacturers that supply them, some of which are divisions or subsidiaries of OEMs and other large companies that manufacture aircraft components and subassemblies. Our OEM competitors, which include Boeing, Airbus, Bell Helicopter, Bombardier, Cessna, General Electric, Gulfstream, Honeywell, Lockheed Martin, Northrop Grumman, Raytheon, Rolls Royce and Sikorsky, may choose not to outsource production of aerostructures or other components due to, among other things, their own direct labor and overhead considerations, capacity utilization at their own facilities and desire to retain critical or core skills. Consequently, traditional factors affecting competition, such as price and quality of service, may not be significant determinants when OEMs decide whether to produce a part in-house or to outsource. We also face competition from non-OEM component manufacturers, including Alenia Aeronautica, Fuji Heavy Industries, GKN Westland Aerospace (U.K.), UTC Aerospace Systems, Kawasaki Heavy Industries, Mitsubishi Heavy Industries, Spirit AeroSystems and Fokker Technologies. Competition for the repair and overhaul of aviation components comes from three primary sources: OEMs, major commercial airlines and other independent repair and overhaul companies.

We may need to expend significant capital to keep pace with technological developments in our industry.

The aerospace industry is constantly undergoing development and change and it is likely that new products, equipment and methods of repair and overhaul service will be introduced in the future. In order to keep pace with any new developments, we may need to expend significant capital to purchase new equipment and machines or to train our employees in the new methods of production and service.

The construction of aircraft is heavily regulated and failure to comply with applicable laws could reduce our sales or require us to incur additional costs to achieve compliance, and we may incur significant expenses to comply with new or more stringent governmental regulation.

The aerospace industry is highly regulated in the United States by the FAA and in other countries by similar agencies. We must be certified by the FAA and, in some cases, by individual OEMs in order to engineer and service parts, components and aerostructures used in specific aircraft models. If any of our material authorizations or approvals were revoked or suspended, our operations would be adversely affected. New or more stringent governmental regulations may be adopted, or industry oversight heightened in the future, and we may incur significant expenses to comply with any new regulations or any heightened industry oversight.

Some contractual arrangements with customers may cause us to bear significant up-front costs that we may not be able to recover.

Many new aircraft programs require that major suppliers bear the cost of design, development and engineering work associated with the development of the aircraft usually in exchange for a long-term agreement to supply critical parts once the aircraft is in production. If the aircraft fails to reach the full production stage or we fail to win the long-term contract, the outlays we have made in research and development and other start-up costs may not generate our anticipated return on investment.

We may not realize our anticipated return on capital commitments made to expand our capabilities.

We continually make significant capital expenditures to implement new processes and to increase both efficiency and capacity. Some of these projects require additional training for our employees and not all projects may be implemented as anticipated. If any of these projects do not achieve the anticipated increase in efficiency or capacity, our returns on these capital expenditures may be lower than expected.

Any product liability claims in excess of insurance may adversely affect our financial condition.

Our operations expose us to potential liability for personal injury or death as a result of the failure of an aircraft component that has been serviced by us or the failure of an aircraft component designed or manufactured by us. While we believe that our liability insurance is adequate to protect us from these liabilities, our insurance may not cover all liabilities. Additionally, as the number of insurance companies providing general aviation product liability insurance coverage has decreased in recent years, insurance coverage may not be available in the future at a cost acceptable to us. Any material liability not covered by insurance or for which third-party indemnification is not available could have a material adverse effect on our financial condition.



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The lack of available skilled personnel may have an adverse effect on our operations.

From time to time, some of our operating locations have experienced difficulties in attracting and retaining skilled personnel to design, engineer, manufacture, repair and overhaul sophisticated aircraft components. Our ability to operate successfully could be jeopardized if we are unable to attract and retain a sufficient number of skilled personnel to conduct our business.

Our fixed-price contracts may commit us to unfavorable terms.

A significant portion of our net sales are derived from fixed-price contracts under which we have agreed to provide components or aerostructures for a price determined on the date we entered into the contract. Several factors may cause the costs we incur in fulfilling these contracts to vary substantially from our original estimates, and we bear the risk that increased or unexpected costs may reduce our profit or cause us to sustain losses on these contracts. In a fixed-price contract, we must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs we will incur in performing these contracts. Because our ability to terminate contracts is generally limited, we may not be able to terminate our performance requirements under these contracts at all or without substantial liability and, therefore, in the event we are sustaining reduced profits or losses, we could continue to sustain these reduced profits or losses for the duration of the contract term. Our failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance of a fixed-price contract may reduce our profitability or cause significant losses on programs such as Boeing 747-8 ("747-8").

Due to the size and long-term nature of many of our contracts, we are required by GAAP to estimate sales and expenses relating to these contracts in our financial statements, which may cause actual results to differ materially from those estimated under different assumptions or conditions.

Our financial statements are prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). These principles require our management to make estimates and assumptions regarding our contracts that affect the reported amounts of revenue and expenses during the reporting period. Contract accounting requires judgment relative to assessing risks, estimating contract sales and costs, and making assumptions for schedule and technical issues. Due to the size and nature of many of our contracts, the estimation of total sales and cost at completion is complicated and subject to many variables. While we base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances at the time made, actual results may differ materially from those estimated.

Any exposure to environmental liabilities may adversely affect us.

Our business, operations and facilities are subject to numerous stringent federal, state, local and foreign environmental laws and regulations, and we are subject to potentially significant fines or penalties, including criminal sanctions, if we fail to comply with these requirements. In addition, we could be affected by future laws and regulations, including those imposed in response to climate change concerns and other actions commonly referred to as "green initiatives." Compliance with current and future environmental laws and regulations currently requires and is expected to continue to require significant operating and capital costs.

Pursuant to certain environmental laws, a current or previous owner or operator of a contaminated site may be held liable for the entire cost of investigation, removal or remediation of hazardous materials at such property, whether or not the owner or operator knew of, or was responsible for, the presence of any hazardous materials. Although management believes that our operations and facilities are in material compliance with such laws and regulations, future changes in such laws, regulations or interpretations thereof or the nature of our operations or regulatory enforcement actions which may arise, may require us to make significant additional capital expenditures to ensure compliance in the future. Certain of our facilities, including facilities acquired and operated by us or one of our subsidiaries, have at one time or another been under active investigation for environmental contamination by federal or state agencies when acquired and, at least in some cases, continue to be under investigation or subject to remediation for potential or identified environmental contamination. Lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. Individual facilities of ours have also been subject to investigation on occasion for possible past waste disposal practices which might have contributed to contamination at or from remote third-party waste disposal sites. In some instances, we are indemnified by prior owners or operators and/or present owners of the facilities for liabilities which we incur as a result of these investigations and the

environmental contamination found which pre-dates our acquisition of these facilities, subject to certain limitations, including but not limited to specified exclusions, deductibles and limitations on the survival period of the indemnity. We also maintain a pollution liability policy that provides coverage, subject to specified limitations, for specified material liabilities associated with the clean-up of certain on-site pollution conditions, as well as defense and indemnity for certain third-party suits (including Superfund liabilities at third-party sites), in each case, to the extent not otherwise indemnified. However, if we are required to

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pay the expenses related to environmental liabilities because neither indemnification nor insurance coverage is available, these expenses could have a material adverse effect on our financial position, results of operations, and cash flows.

We are currently involved in intellectual property litigation, which could have a material and adverse impact on our profitability, and we could become so involved again in the future.

We and other companies in our industry possess certain proprietary rights relating to designs, engineering, manufacturing processes and repair and overhaul procedures. In the event that we believe that a third party is infringing upon our proprietary rights, we may bring an action to enforce such rights. In addition, third parties may claim infringement by us with respect to their proprietary rights and may initiate legal proceedings against us in the future. The expense and time of bringing an action to enforce such rights or defending against infringement claims can be significant. Intellectual property litigation involves complex legal and factual questions which makes the outcome of any such proceedings subject to considerable uncertainty. Not only can such litigation divert management's attention, but it can also expose the Company to damages and potential injunctive relief which, if granted, may preclude the Company from making, using or selling particular products or technology. The expense and time associated with such litigation may have a material and adverse impact on our profitability.

We do not own certain intellectual property and tooling that is important to our business.

In our overhaul and repair businesses, OEMs of equipment that we maintain for our customers include language in repair manuals relating to their equipment asserting broad claims of proprietary rights to the contents of the manuals used in our operations. Although we believe that our use of manufacture and repair manuals is lawful, there can be no assurance that OEMs will not try to enforce such claims, including through the possible use of legal proceedings, or that any such actions will be unsuccessful.

Our business also depends on using certain intellectual property and tooling that we have rights to use pursuant to license grants under our contracts with our OEM customers. These contracts contain restrictions on our use of the intellectual property and tooling and may be terminated if we violate certain of these restrictions. Our loss of a contract with an OEM customer and the related license rights to use an OEM's intellectual property or tooling would materially adversely affect our business.

Any significant disruption from key suppliers of raw materials and key components could delay production and decrease revenue.

We are highly dependent on the availability of essential raw materials such as carbon fiber, aluminum and titanium, and purchased engineered component parts from our suppliers, many of which are available only from single customer-approved sources. Moreover, we are dependent upon the ability of our suppliers to provide raw materials and components that meet our specifications, quality standards and delivery schedules. Our suppliers' failure to provide expected raw materials or component parts could require us to identify and enter into contracts with alternate suppliers that are acceptable to both us and our customers, which could result in significant delays, expenses, increased costs and management distraction and adversely affect production schedules and contract profitability.

We have from time to time experienced limited interruptions of supply, and we may experience a significant interruption in the future. Our continued supply of raw materials and component parts are subject to a number of risks including:

- availability of capital to our suppliers;
- the destruction of our suppliers' facilities or their distribution infrastructure;
- a work stoppage or strike by our suppliers' employees;
- the failure of our suppliers to provide raw materials or component parts of the requisite quality;
- the failure of essential equipment at our suppliers' plants;
- the failure or shortage of supply of raw materials to our suppliers;
- contractual amendments and disputes with our suppliers; and
- geopolitical conditions in the global supply base.

In addition, some contracts with our suppliers for raw materials, component parts and other goods are short-term contracts, which are subject to termination on a relatively short-term basis. The prices of our raw materials and component parts fluctuate depending on market conditions, and substantial increases in prices could increase our

operating costs, which, as a result of our fixed-price contracts, we may not be able to recoup through increases in the prices of our products.

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Due to economic difficulty, we may face pressure to renegotiate agreements resulting in lower margins. Our suppliers may discontinue provision of products to us at attractive prices or at all, and we may not be able to obtain such products in the future from these or other providers on the scale and within the time periods we require. Furthermore, substitute raw materials or component parts may not meet the strict specifications and quality standards we and our customers demand, or that the U.S. Government requires. If we are not able to obtain key products on a timely basis and at an affordable cost, or we experience significant delays or interruptions of their supply, revenues from sales of products that use these supplies will decrease.

Our operations depend on our manufacturing facilities, which are subject to physical and other risks that could disrupt production.

Our manufacturing facilities could be damaged or disrupted by a natural disaster, war, or terrorist activity. We maintain property damage and business interruption insurance at the levels typical in our industry, however, a major catastrophe, such as an earthquake, hurricane, fire, flood, tornado or other natural disaster at any of our sites, or war or terrorist activities in any of the areas where we conduct operations could result in a prolonged interruption of our business. Any disruption resulting from these events could cause significant delays in shipments of products and the loss of sales and customers and we may not have insurance to adequately compensate us for any of these events.

If we are unable to protect our information technology infrastructure against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.

We rely on information technology networks and systems to manage and support a variety of business activities, including procurement and supply chain, engineering support, and manufacturing. Our information technology systems, some of which are managed by third-parties, may be susceptible to damage, disruptions or shutdown due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunications failures, user errors or catastrophic events. In addition, security breaches could result in unauthorized disclosures of confidential information. If our information technology systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our manufacturing process could be disrupted resulting in late deliveries or even no deliveries if there is a total shutdown.

Significant consolidation by aerospace industry suppliers could adversely affect our business.

The aerospace industry has recently experienced consolidation among suppliers. Suppliers have consolidated and formed alliances to broaden their product and integrated system offerings and achieve critical mass. This supplier consolidation is in part attributable to aircraft manufacturers more frequently awarding long-term sole-source or preferred supplier contracts to the most capable suppliers, thus reducing the total number of suppliers. This consolidation could cause us to compete against certain competitors with greater financial resources, market penetration and purchasing power. When we purchase component parts and services from suppliers to manufacture our products, consolidation reduces price competition between our suppliers, which could diminish incentives for our suppliers to reduce prices. If this consolidation continues, our operating costs could increase and it may become more difficult for us to be successful in obtaining new customers.

We may be subject to work stoppages at our facilities or those of our principal customers and suppliers, which could seriously impact the profitability of our business.

At March 31, 2014, we employed 13,828 people, of which 21.1% belonged to unions. Our unionized workforces and those of our customers and suppliers may experience work stoppages. For example, the International Association of Machinists-represented employees at Vought's Nashville, Tennessee, plant engaged in a strike that continued for approximately 16 weeks during 2008 and 2009 (prior to our acquisition of Vought). A contingency plan was implemented that allowed production to continue in Nashville during the course of that strike. Additionally, our union contract with Local 848 of the United Auto Workers with employees at Grand Prairie, Texas, facility expired in October 2013, and the employees at this facility are currently working without a contract. If we are unable to negotiate a new contract with that workforce, our operations may be disrupted and we may be prevented from completing production and delivery of products from those facilities, which would negatively impact our results of operations.



Many aircraft manufacturers, airlines and aerospace suppliers have unionized workforces. Strikes, work stoppages or slowdowns experienced by aircraft manufacturers, airlines or aerospace suppliers could reduce our customers' demand for our products or prevent us from completing production. In turn, this may have a material adverse effect on our financial condition, results of operations and cash flows.

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Financial market conditions may adversely affect the benefit plan assets for our defined benefit plans, increase funding requirements and materially impact our statements of financial position and cash flows.

Our benefit plan assets are invested in a diversified portfolio of investments in both the equity and debt categories, as well as limited investments other alternative investments. The current market values of all of these investments, as well as the related benefit plan liabilities are impacted by the movements and volatility in the financial markets. In accordance with the Compensation—Retirement Benefits topic of the Accounting Standards Codification ("ASC"), we have recognized the over-funded or under-funded status of a defined benefit postretirement plan as an asset or liability in our balance sheet, and will recognize changes in that funded status in the year in which the changes occur. The funded status is measured as the difference between the fair value of the plan's assets and the projected benefit obligation. A decrease in the fair value of these plan assets or a decrease in interest rates resulting from movements in the financial markets will increase the under-funded status of the plans recorded in our statement of financial position and result in additional cash funding requirements to meet the minimum required funding levels.

The U.S. Government is a significant customer of our largest customers, and we and they are subject to specific U.S. Government contracting rules and regulations.

As a result of the acquisition of Vought, we have become a more significant provider of aerostructures to military aircraft manufacturers. The military aircraft manufacturers' business, and by extension, our business, is affected by the U.S. Government's continued commitment to programs under contract with our customers. The terms of defense contracts with the U.S. Government generally permit the government to terminate contracts partially or completely, either for its convenience or if we default by failing to perform under the contract. Termination for convenience provisions provide only for our recovery of unrecovered costs incurred or committed, settlement expenses and profit on the work completed prior to termination. Termination for default provisions provide for the contractor to be liable for excess costs incurred by the U.S. Government in procuring undelivered items from another source. On contracts where the price is based on cost, the U.S. Government may review our costs and performance, as well as our accounting and general business practices. Based on the results of such audits, the U.S. Government may adjust our contract-related costs and fees, including allocated indirect costs. In addition, under U.S. Government purchasing regulations, some of our costs, including most financing costs, portions of research and development costs, and certain marketing expenses may not be subject to reimbursement.

We bear the potential risk that the U.S. Government may unilaterally suspend our customers or us from new contracts pending the resolution of alleged violations of procurement laws or regulations. Sales to the U.S. Government are also subject to changes in the government's procurement policies in advance of design completion. An unexpected termination of, or suspension from, a significant government contract, a reduction in expenditures by the U.S. Government for aircraft using our products, lower margins resulting from increasingly competitive procurement policies, a reduction in the volume of contracts awarded to us, or substantial cost overruns could have a material adverse effect on our financial condition, results of operations and cash flows.

We are subject to the requirements of the National Industrial Security Program Operating Manual for facility security clearance, which is a prerequisite for our ability to perform on classified contracts for the U.S. Government. U.S. DoD, facility security clearance is required in order to be awarded and perform on classified contracts for the DoD and certain other agencies of the U.S. Government, which is a significant part of our business. We have obtained clearance at appropriate levels that require stringent qualifications, and we may be required to seek higher level clearances in the future. We cannot assure you that we will be able to maintain our security clearance. If for some reason our security clearance is invalidated or terminated, we may not be able to continue to perform our present classified contracts or be able to enter into new classified contracts, which could affect our ability to compete for and capture new business.

New regulations related to conflict minerals have and will continue to force us to incur additional expenses, may make our supply chain more complex, and could adversely impact our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 contains provisions to improve transparency and accountability concerning the supply of certain minerals and metals, known as conflict minerals, originating from the Democratic Republic of Congo (the "DRC") and adjoining countries. As a result, in August 2012, the SEC adopted annual investigation, disclosure and reporting requirements for those companies that manufacture or

contract to manufacture products that contain conflict minerals that originated from the DRC and adjoining countries. As initial disclosure requirements commence in May 2014 (with respect to 2013), we have and will continue to incur compliance costs, including costs related to determining the sources of conflict minerals used in our products and other potential changes to processes or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in certain of our products. As there may be only a limited number of suppliers offering "conflict

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free" minerals, we cannot be sure that we will be able to obtain necessary conflict-free minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free.

Item 1B. Unresolved Staff Comments

None.

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## Item 2. Properties

As of March 31, 2014, we owned or leased the following facilities:

| Location                            | Description                                     | Square Footage | Owned/<br>Leased |
|-------------------------------------|-------------------------------------------------|----------------|------------------|
| <b>TRIUMPH AEROSTRUCTURES GROUP</b> |                                                 |                |                  |
| Hot Springs, AR                     | Manufacturing facility/office                   | 195,200        | Owned            |
| Brea, CA                            | Manufacturing facility                          | 90,000         | Leased           |
| Calexico, CA                        | Warehouse                                       | 4,600          | Leased           |
| Chatsworth, CA                      | Manufacturing facility/office                   | 101,900        | Owned            |
| City of Industry, CA                | Manufacturing facility/office                   | 75,000         | Leased           |
| El Cajon, CA                        | Manufacturing facility/office                   | 94,300         | Leased           |
| Hawthorne, CA                       | Manufacturing facility                          | 1,348,700      | Leased           |
| Lynwood, CA                         | Processing and finishing facility/office        | 59,700         | Leased           |
| Lynwood, CA                         | Office/warehouse/aerospace metal processing     | 105,000        | Leased           |
| Torrance, CA                        | Processing facility                             | 86,000         | Leased           |
| Walnut, CA                          | Manufacturing facility/office                   | 207,000        | Leased           |
| Beijing, China                      | Manufacturing facility/office                   | 57,500         | Leased           |
| Farnborough, England                | Manufacturing facility/office                   | 31,600         | Leased           |
| Stuart, FL                          | Manufacturing facility                          | 519,700        | Leased           |
| Milledgeville, GA                   | Manufacturing facility/assembly facility        | 566,200        | Owned            |
| Milledgeville, GA                   | Manufacturing facility/assembly facility        | 66,000         | Leased           |
| Hamburg, Germany                    | Office                                          | 1,200          | Leased           |
| Shelbyville, IN                     | Manufacturing facility/office                   | 193,900        | Owned            |
| Wichita, KS                         | Manufacturing facility/office                   | 172,275        | Leased           |
| Mexicali, Mexico                    | Manufacturing facility/office                   | 261,000        | Owned            |
| Grandview, MO                       | Manufacturing facility/office                   | 78,000         | Owned            |
| Taylorsville, NC                    | Manufacturing facility/office                   | 52,100         | Lease            |
| Westbury, NY                        | Manufacturing facility/office                   | 93,500         | Leased           |
| Westbury, NY                        | Aerospace metal processing                      | 12,500         | Leased           |
| Westbury, NY                        | Office                                          | 10,700         | Owned            |
| Nashville, TN                       | Manufacturing facility/assembly facility/office | 2,198,700      | Owned            |
| Arlington, TX                       | Office                                          | 111,400        | Leased           |
| Dallas, TX                          | High-speed wind tunnel                          | 28,900         | Owned            |
| Fort Worth, TX                      | Manufacturing facility/office                   | 114,100        | Owned            |
| Grand Prairie, TX                   | Manufacturing facility                          | 804,500        | Leased           |
| Kilgore, TX                         | Manufacturing facility/office                   | 83,000         | Owned            |
| Red Oak, TX                         | Manufacturing facility/office                   | 904,500        | Owned            |
| Rayong, Thailand                    | Manufacturing facility/office                   | 158,000        | Leased           |
| Everett, WA                         | Manufacturing facility                          | 153,000        | Leased           |
| Spokane, WA                         | Manufacturing facility/office                   | 392,000        | Owned            |

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| Location                               | Description                              | Square Footage | Owned/Leased |
|----------------------------------------|------------------------------------------|----------------|--------------|
| <b>TRIUMPH AEROSPACE SYSTEMS GROUP</b> |                                          |                |              |
| Chandler, AZ                           | Manufacturing facility/office            | 34,300         | Leased       |
| Santa Ana, CA                          | Processing and finishing facility/office | 105,145        | Owned        |
| San Diego, CA                          | Force measurement systems facility       | 7,000          | Leased       |
| Valencia, CA                           | Manufacturing facility/office            | 87,000         | Leased       |
| Toronto, Canada                        | Manufacturing facility/office            | 76,800         | Owned        |
| Bethel, CT                             | Office                                   | 1,700          | Leased       |
| Bloomfield, CT                         | Manufacturing facility/office            | 29,800         | Leased       |
| East Lyme, CT                          | Manufacturing facility/office            | 59,600         | Owned        |
| West Hartford, CT                      | Manufacturing facility/office            | 250,000        | Owned        |
| Alfortville, France                    | Manufacturing facility/office            | 18,200         | Leased       |
| Heiligenhaus, Germany                  | Manufacturing facility/office            | 19,214         | Leased       |
| Shelbyville, IN                        | Manufacturing facility/office            | 100,000        | Owned        |
| Macomb, MI                             | Manufacturing facility/office            | 86,000         | Leased       |
| Freeport, NY                           | Manufacturing facility/office/warehouse  | 29,000         | Owned        |
| Rochester, NY                          | Engineering office                       | 3,900          | Leased       |
| Clemmons, NC                           | Manufacturing facility/repair/office     | 110,000        | Owned        |
| Forest, OH                             | Manufacturing facility/office            | 125,000        | Owned        |
| Albany, OR                             | Machine shop/office                      | 25,000         | Owned        |
| North Wales, PA                        | Manufacturing facility/office            | 111,400        | Owned        |
| Orangeburg, SC                         | Machine shop                             | 52,000         | Owned        |
| Basildon, UK                           | Manufacturing facility/office            | 9,110          | Leased       |
| Buckley, UK                            | Manufacturing facility/office            | 8,000          | Leased       |
| Park City, UT                          | Manufacturing facility/office            | 180,000        | Owned        |
| Newport News, VA                       | Engineering/manufacturing/office         | 93,000         | Leased       |
| Redmond, WA                            | Manufacturing facility/office            | 41,800         | Leased       |

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| Location                                  | Description                        | Square Footage | Owned/Leased |
|-------------------------------------------|------------------------------------|----------------|--------------|
| <b>TRIUMPH AFTERMARKET SERVICES GROUP</b> |                                    |                |              |
| Hot Springs, AR                           | Machine shop/office                | 219,700        | Owned        |
| Hot Springs, AR                           | Machine shop/office                | 257,500        | Owned        |
| Chandler, AZ                              | Thermal processing facility/office | 15,000         | Leased       |
| Chandler, AZ                              | Repair and overhaul/office         | 91,013         | Leased       |
| Phoenix, AZ                               | Repair and overhaul/office         | 48,900         | Leased       |
| Tempe, AZ                                 | Manufacturing facility/office      | 59,500         | Owned        |
| Tempe, AZ                                 | Machine shop                       | 7,000          | Owned        |
| Atlanta, GA                               | Manufacturing facility/office      | 32,000         | Leased       |
| Indianapolis, IN                          | Machine shop/office                | 21,000         | Leased       |
| Wellington, KS                            | Repair and overhaul/office         | 83,400         | Leased       |
| Oakdale, PA                               | Production/warehouse/office        | 48,000         | Leased       |
| Grand Prairie, TX                         | Production/office                  | 28,600         | Leased       |
| Grand Prairie, TX                         | Repair and overhaul shop/office    | 60,000         | Leased       |
| San Antonio, TX                           | Repair and overhaul/office         | 30,000         | Leased       |
| Chonburi, Thailand                        | Repair and overhaul shop/office    | 85,000         | Owned        |
| <b>CORPORATE AND OTHER</b>                |                                    |                |              |
| Berwyn, PA                                | Office                             | 17,000         | Leased       |
| Zacatecas, Mexico                         | Manufacturing facility/office      | 270,000        | Owned        |

We believe that our properties are adequate to support our operations for the foreseeable future.

#### Item 3. Legal Proceedings

In the ordinary course of our business, we are involved in disputes, claims, lawsuits, and governmental and regulatory inquiries that we deem to be immaterial. Some may involve claims or potential claims of substantial damages, fines or penalties. While we cannot predict the outcome of any pending or future litigation or proceeding, we do not believe that any pending matter will have a material effect, individually or in the aggregate, on our financial position or results of operations, although no assurances can be given to that effect.

#### Item 4. Mine Safety Disclosures

Not applicable.

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## PART II

## Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## Range of Market Price

Our common stock is traded on the New York Stock Exchange under the symbol "TGI." The following table sets forth the range of high and low prices for our common stock for the periods indicated:

|             | High    | Low     |
|-------------|---------|---------|
| Fiscal 2013 |         |         |
| 1st Quarter | \$66.89 | \$53.46 |
| 2nd Quarter | 63.88   | 55.71   |
| 3rd Quarter | 67.51   | 60.79   |
| 4th Quarter | 79.77   | 65.73   |
| Fiscal 2014 |         |         |
| 1st Quarter | \$81.80 | \$71.02 |
| 2nd Quarter | 85.50   | 67.90   |
| 3rd Quarter | 76.37   | 68.56   |
| 4th Quarter | 79.90   | 61.41   |

On May 1, 2014, the reported closing price for our common stock was \$65.17. As of May 1, 2014, there were approximately 102 holders of record of our common stock and we believe that our common stock was beneficially owned by approximately 30,000 persons.

## Dividend Policy

During fiscal 2014 and 2013, we paid cash dividends of \$0.16 per share and \$0.16 per share, respectively. However, our declaration and payment of cash dividends in the future and the amount thereof will depend upon our results of operations, financial condition, cash requirements, future prospects, limitations imposed by credit agreements or indentures governing debt securities and other factors deemed relevant by our Board of Directors. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all. Certain of our debt arrangements, including the Credit Facility, restrict our paying dividends and making distributions on our capital stock, except for the payment of stock dividends and redemptions of an employee's shares of capital stock upon termination of employment. On April 29, 2014, the Company announced that its Board of Directors declared a regular quarterly dividend of \$0.04 per share on its outstanding Common Stock. The dividend is next payable on June 15, 2014 to stockholders of record as of May 30, 2014.

## Repurchases of Stock

The following summarizes repurchases made pursuant to the Company's share repurchase plan during the three years ended March 31, 2014. In December 1998, we announced a program to repurchase up to 500,000 shares of our common stock. In February 2008, the Company's Board of Directors authorized an increase in the Company's existing stock repurchase program by up to an additional 500,000 shares of its common stock. In February 2014, the Company's Board of Directors authorized an increase in the Company's existing stock repurchase program by up to an additional 5,000,000 shares of its common stock. From the inception of the program through March 31, 2013, we have repurchased 499,200 shares (prior to fiscal 2012 stock split) for a purchase price of \$19.2 million. During the fiscal year ended March 31, 2014, we repurchased 300,000 shares (subsequent to fiscal 2012 stock split) for a purchase price of \$19.1 million. Repurchases may be made from time to time in open market transactions, block purchases, privately negotiated transactions or otherwise at prevailing prices. No time limit has been set for completion of the program. In May 2014, under the existing stock repurchase program, the Company repurchased 324,841 shares for \$22.1 million. As a result, as of May 17, 2014, the Company remains able to purchase an additional 4,875,959 shares.

| Period | Total number of | Average price | Total number of |
|--------|-----------------|---------------|-----------------|
|--------|-----------------|---------------|-----------------|



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|                                | shares purchased | paid per share | shares purchased<br>as part of<br>publicly<br>announced plans | Maximum<br>number<br>of shares that<br>may<br>yet be purchased<br>under the plans |
|--------------------------------|------------------|----------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------|
| March 1, 2014 - March 31, 2014 | 300,000          | \$63.78        | 799,200                                                       | 5,200,800                                                                         |

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## Equity Compensation Plan Information

The information required regarding equity compensation plan information will be included in our Proxy Statement in connection with our 2014 Annual Meeting of Stockholders to be held on July 18, 2014, under the heading "Equity Compensation Plan Information" and is incorporated herein by reference.

The following graph compares the cumulative 5-year total return provided stockholders on our common stock relative to the cumulative total returns of the Russell 1000 and Russell 2000 indexes and the S&P Aerospace & Defense index. An investment of \$100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on March 31, 2009 and its relative performance is tracked through March 31, 2014.

## COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN\*

Among Triumph Group, Inc., The Russell 1000 and Russell 2000 Indexes

And The S&P Aerospace & Defense Index

\* \$100 invested on March 31, 2009 in stock or index, including reinvestment of dividends.

\*\* During fiscal year ended March 31, 2013, we moved from the Russell 2000 index to the Russell 1000 index.

|                         | Fiscal year ended March 31 |        |        |        |        |        |
|-------------------------|----------------------------|--------|--------|--------|--------|--------|
|                         | 3/09                       | 3/10   | 3/11   | 3/12   | 3/13   | 3/14   |
| Triumph Group, Inc.     | 100.00                     | 184.14 | 232.87 | 330.77 | 415.43 | 342.52 |
| Russell 1000            | 100.00                     | 151.60 | 176.91 | 190.82 | 218.35 | 267.29 |
| Russell 2000            | 100.00                     | 162.77 | 204.75 | 204.37 | 237.69 | 296.87 |
| S&P Aerospace & Defense | 100.00                     | 170.93 | 188.98 | 197.56 | 229.16 | 328.21 |

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

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## Item 6. Selected Financial Data

The following selected financial data should be read in conjunction with the Consolidated Financial Statements and related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

|                                                           | Fiscal Year Ended March 31,           |             |             |             |             |
|-----------------------------------------------------------|---------------------------------------|-------------|-------------|-------------|-------------|
|                                                           | 2014(1)                               | 2013(2)     | 2012(3)     | 2011(4)     | 2010(5)     |
|                                                           | (in thousands, except per share data) |             |             |             |             |
| <b>Operating Data:</b>                                    |                                       |             |             |             |             |
| Net sales                                                 | \$3,763,254                           | \$3,702,702 | \$3,407,929 | \$2,905,348 | \$1,294,780 |
| Cost of sales                                             | 2,911,802                             | 2,763,488   | 2,564,995   | 2,231,864   | 927,211     |
|                                                           | 851,452                               | 939,214     | 842,934     | 673,484     | 367,569     |
| Selling, general and administrative expense               | 254,715                               | 241,349     | 242,553     | 238,889     | 157,870     |
| Depreciation and amortization                             | 164,277                               | 129,506     | 119,724     | 99,657      | 54,418      |
| Relocation costs                                          | 31,290                                | —           | —           | —           | —           |
| Acquisition and integration expenses                      | —                                     | 2,665       | 6,342       | 20,902      | —           |
| Curtailments, settlements and early retirement incentives | 1,166                                 | 34,481      | (40,400)    | —           | —           |
| Operating income                                          | 400,004                               | 531,213     | 514,715     | 314,036     | 155,281     |
| Interest expense and other                                | 87,771                                | 68,156      | 77,138      | 79,559      | 28,865      |
| Gain on early extinguishment of debt                      | —                                     | —           | —           | —           | (39)        |
| Income from continuing operations, before income taxes    | 312,233                               | 463,057     | 437,577     | 234,477     | 126,455     |
| Income tax expense                                        | 105,977                               | 165,710     | 155,955     | 82,066      | 41,167      |
| Income from continuing operations                         | 206,256                               | 297,347     | 281,622     | 152,411     | 85,288      |
| Loss from discontinued operations                         | —                                     | —           | (765)       | (2,512)     | (17,526)    |
| Net income                                                | \$206,256                             | \$297,347   | \$280,857   | \$149,899   | \$67,762    |
| <b>Earnings per share:</b>                                |                                       |             |             |             |             |
| <b>Income from continuing operations:</b>                 |                                       |             |             |             |             |
| Basic                                                     | \$3.99                                | \$5.99      | \$5.77      | \$3.39      | \$2.59      |
| Diluted(6)                                                | \$3.91                                | \$5.67      | \$5.43      | \$3.21      | \$2.56      |
| Cash dividends declared per share                         | \$0.16                                | \$0.16      | \$0.14      | \$0.08      | \$0.08      |
| <b>Shares used in computing earnings per share:</b>       |                                       |             |             |             |             |
| Basic                                                     | 51,711                                | 49,663      | 48,821      | 45,006      | 32,918      |
| Diluted(6)                                                | 52,787                                | 52,446      | 51,873      | 47,488      | 33,332      |
| <b>As of March 31,</b>                                    |                                       |             |             |             |             |
|                                                           | 2014(1)                               | 2013(2)     | 2012(3)     | 2011(4)     | 2010(5)     |
|                                                           | (in thousands)                        |             |             |             |             |
| <b>Balance Sheet Data:</b>                                |                                       |             |             |             |             |
| Working capital                                           | \$1,142,144                           | \$892,818   | \$741,105   | \$436,638   | \$487,411   |
| Total assets                                              | 5,553,283                             | 5,239,179   | 4,597,224   | 4,477,234   | 1,692,578   |
| Long-term debt, including current portion                 | 1,550,383                             | 1,329,863   | 1,158,862   | 1,312,004   | 505,780     |
| Total stockholders' equity                                | \$2,283,911                           | \$2,045,158 | \$1,793,369 | \$1,632,217 | \$860,686   |

Includes the acquisitions of Insulfab Product Line (Chase Corporation) (October 2013), General Donlee Canada, (1)Inc. (October 2013) and Primus Composites (May 2013) from the date of each respective acquisition. See Note 3 to the Consolidated Financial Statements.

(2)

Includes the acquisitions of Goodrich Pump & Engine Control Systems, Inc. (March 2013) and Embee, Inc. (December 2012) from the date of each respective acquisition. See Note 3 to the Consolidated Financial Statements.

(3) Includes the acquisition of Aviation Network Services, LLC. (October 2011) from the date of acquisition.

(4) Includes the acquisition of Vought Aircraft Industries, Inc. (June 2010) from the date of acquisition.

(5) Includes the acquisition of DCL Avionics, Inc. (January 2010) and Fabritech, Inc. (March 2010) from the date of each respective acquisition.

(6) Diluted earnings per share for the fiscal years ended March 31, 2014, 2013, 2012 and 2011, included 811,083, 2,400,439, 2,606,189 and 2,040,896 shares, respectively, related to the dilutive effects of the Company's Convertible Notes.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto contained elsewhere herein.

OVERVIEW

We are a major supplier to the aerospace industry and have three operating segments: (i) Triumph Aerostructures Group, whose companies' revenues are derived from the design, manufacture, assembly and integration of metallic and composite aerostructures and structural components for the global aerospace original equipment manufacturers, or OEM, market; (ii) Triumph Aerospace Systems Group, whose companies design, engineer and manufacture a wide range of proprietary and build-to-print components, assemblies and systems also for the OEM market; and (iii) Triumph Aftermarket Services Group, whose companies serve aircraft fleets, notably commercial airlines, the U.S. military and cargo carriers, through the maintenance, repair and overhaul of aircraft components and accessories manufactured by third parties.

Effective October 4, 2013, the Company acquired all of the issued and outstanding shares of General Donlee. General Donlee is based in Toronto, Canada and is a leading manufacturer of precision machined products for the aerospace, nuclear and oil and gas industries. The acquired business now operates as Triumph Gear Systems-Toronto and its results are included in the Aerospace Systems Group.

Effective May 6, 2013, the Company acquired four related entities collectively comprising Primus from Precision Castparts Corp. The acquired business, which includes two manufacturing facilities in Farnborough, England and Rayong, Thailand, operates as Triumph Structures - Farnborough and Triumph Structures - Thailand and is included in the Aerostructures segment from the date of acquisition. Together, Triumph Structures - Farnborough and Triumph Structures - Thailand constitute a global supplier of composite and metallic propulsion and structural composites and assemblies. In addition to its composite operations, the Thailand operation also machines and processes metal components.

Financial highlights for the fiscal year ended March 31, 2014 include:

• Net sales for fiscal 2014 increased 1.6% to \$3.76 billion, including a 6.1% decrease in organic sales.

• Operating income in fiscal 2014 decreased 24.7% to \$400.0 million.

• Net income for fiscal 2014 decreased 30.6% to \$206.3 million.

• Backlog increased 4.9% over the prior year to \$4.75 billion.

For the fiscal year ended March 31, 2014, net sales totaled \$3.76 billion, a 1.6% increase from fiscal year 2013 net sales of \$3.70 billion. Net income for fiscal year 2014 decreased 30.6% to \$206.3 million, or \$3.91 per diluted common share, versus \$297.3 million, or \$5.67 per diluted common share, for fiscal year 2013. As discussed in further detail below under "Results of Operations," the decrease in net income is attributable to additional 747-8 program costs (\$85.0 million) and cost associated with the relocation from our Jefferson Street facility (\$70.3 million). Our working capital needs are generally funded through cash flows from operations and borrowings under our credit arrangements. For the fiscal year ended March 31, 2014, we generated \$135.1 million of cash flows from operating activities, used \$246.7 million in investing activities and received \$103.2 million from financing activities. Cash flows from operating activities in fiscal year 2014 included \$46.3 million in pension contributions versus \$109.8 million in fiscal year 2013.

We continue to remain focused on growing our core businesses as well as growing through strategic acquisitions. Our organic sales decreased in fiscal 2014 due to production rate cuts by our customers on the 747-8 and 767 program as it transitions from the commercial variant to the tanker and a decrease in military sales. Our Company has an aggressive but selective acquisition approach that adds capabilities and increases our capacity for strong and consistent internal growth.

In August 2011, the Budget Control Act (the "Act") reduced the United States defense top-line budget by approximately \$490 billion through 2021. The Act further reduced the defense top-line budget by an additional \$500

billion through 2021 if Congress did not enact \$1.2 trillion in further budget reductions by January 15, 2012. Should Congress in future years provide funding above the yearly spending limits of the Act, sequestration will automatically take effect and cancel any excess amount above the limits. The annual spending limits of the Act will remain unless and until the current law is changed.

On March 1, 2013, sequestration was implemented for the U.S. Government fiscal year 2013. The lack of agreement between Congress and the Administration to end sequestration, certain Office of Management and Budget reports and

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communications from the U.S. Department of Defense ("U.S. DoD") indicate that there are likely to be reductions to our military business. Reductions, cancellations or delays impacting existing contracts or programs could have a material effect on our results of operations, financial position and/or cash flows. While the U.S. DoD would sustain the bulk of sequestration cuts affecting us, civil programs and agencies could be significantly impacted as well. In fiscal 2012, we began efforts to establish a new facility in Red Oak, Texas to expand our manufacturing capacity, particularly under the Bombardier Global 7000/8000 program. In fiscal 2013, we started construction on a second facility in association with our relocation from our Jefferson Street facilities. As of March 31, 2014, we have incurred approximately \$86.6 million in capital expenditures and \$111.9 million in inventory costs associated with the Bombardier Global 7000/8000 program, for which we have not yet begun to deliver. The move was substantially completed during the fiscal year ended March 31, 2014.

As disclosed during fiscal 2014, we identified additional program costs in the current year of approximately \$85.0 million, primarily related to the 747-8 program which we expected to record during fiscal 2014. These changes in program cost estimates were largely due to production rate changes, continued inefficiency, rework, high overtime levels, increased costs from suppliers and expedited delivery charges. While we have experienced improvements in performance metrics since the issues were identified, we have not yet recovered to the levels previously expected or as quickly as expected. These amounts have resulted primarily from reductions to the profitability estimates of our recent 747-8 production lots. Both the current and future production lots are expected to be profitable and not result in loss reserves.

While we are currently projecting the recurring production contracts to be profitable, there is still a substantial amount of risk similar to what we have experienced on these programs (particularly the 747-8). Particularly, our ability to manage risks related to supplier performance, execution of cost reduction strategies, hiring and retaining skilled production and management personnel, quality and manufacturing execution, program schedule delays and many other risks, will determine the ultimate performance of these programs.

The next twelve months will be a critical time for these programs as we attempt to return to baseline performance for the recurring cost structure. Recognition of forward-losses in the future periods continues to be a significant risk and will depend upon several factors including our market forecast, possible airplane program delays, our ability to successfully perform under revised design and manufacturing plans, achievement of forecasted cost reductions as we continue production and our ability to successfully resolve claims and assertions with our customers and suppliers. Our union contract with Local 848 of the United Auto Workers with employees at our Dallas and Grand Prairie, Texas, facilities expired in October 2013. The employees are currently working without a contract. If we are unable to negotiate a new contract with that workforce, our operations may be disrupted and we may be prevented from completing production and delivery of products from those facilities, which would negatively impact our results. A contingency plan has been developed that would allow production to continue in the event of a strike.

As previously announced by Boeing in September 2013 and then subsequently revised in March 2014 to curtail production by an additional three months, the decision has been made to cease production of the C-17 during calendar year 2015. Major production related to this program is expected to cease by the end of fiscal 2015. We have received inquiries regarding proposal for spares which could extend production through the end of fiscal 2016, as we believe the United States Air Force will want to have continued contractor support for the C-17 program.

Effective March 18, 2013, a wholly-owned subsidiary of the Company, Triumph Engine Control Systems, LLC, acquired the assets of GPECS, a leading independent aerospace fuel system supplier for the commercial, military, helicopter and business jet markets. The acquisition of GPECS provides new capabilities in a market where we did not previously participate and further diversifies our customer base in electronic engine controls, fuel metering units and main fuel pumps for both OEM and aftermarket/spares end markets. The results for Triumph Engine Control Systems, LLC are included in the Aerospace Systems Group segment from the date of acquisition.

Effective December 19, 2012, the Company acquired all of the outstanding shares of Embee, renamed Triumph Processing - Embee Division, Inc., which is a leading commercial metal finishing provider offering more than seventy metal finishing, inspecting and testing processes primarily for the aerospace industry. The acquisition of Embee expands our current capabilities to provide comprehensive processing services on precision engineered parts for hydraulics, landing gear, spare parts and electronic actuation systems. The results for Triumph Processing - Embee

Division, Inc. are included in the Aerospace Systems Group segment from the date of acquisition. The acquisitions of GPECS and Embee are collectively referred to hereafter as the "fiscal 2013 acquisitions."



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RESULTS OF OPERATIONS

The following includes a discussion of our consolidated and business segment results of operations. The Company's diverse structure and customer base do not provide for precise comparisons of the impact of price and volume changes to our results. However, we have disclosed the significant variances between the respective periods.

Non-GAAP Financial Measures

We prepare and publicly release quarterly unaudited financial statements prepared in accordance with GAAP. In accordance with Securities and Exchange Commission (the "SEC") guidance on Compliance and Disclosure Interpretations, we also disclose and discuss certain non-GAAP financial measures in our public releases. Currently, the non-GAAP financial measure that we disclose is Adjusted EBITDA, which is our income from continuing operations before interest, income taxes, amortization of acquired contract liabilities, curtailments, settlements and early retirement incentives and depreciation and amortization. We disclose Adjusted EBITDA on a consolidated and a reportable segment basis in our earnings releases, investor conference calls and filings with the SEC. The non-GAAP financial measures that we use may not be comparable to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-GAAP financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations. We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is income from continuing operations. In calculating Adjusted EBITDA, we exclude from income from continuing operations the financial items that we believe should be separately identified to provide additional analysis of the financial components of the day-to-day operation of our business. We have outlined below the type and scope of these exclusions and the material limitations on the use of these non-GAAP financial measures as a result of these exclusions. Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as a measure of liquidity, as an alternative to net income (loss), income from continuing operations, or as an indicator of any other measure of performance derived in accordance with GAAP. Investors and potential investors in our securities should not rely on Adjusted EBITDA as a substitute for any GAAP financial measure, including net income (loss) or income from continuing operations. In addition, we urge investors and potential investors in our securities to carefully review the reconciliation of Adjusted EBITDA to income from continuing operations set forth below, in our earnings releases and in other filings with the SEC and to carefully review the GAAP financial information included as part of our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K that are filed with the SEC, as well as our quarterly earnings releases, and compare the GAAP financial information with our Adjusted EBITDA.

Adjusted EBITDA is used by management to internally measure our operating and management performance and by investors as a supplemental financial measure to evaluate the performance of our business that, when viewed with our GAAP results and the accompanying reconciliation, we believe provides additional information that is useful to gain an understanding of the factors and trends affecting our business. We have spent more than 15 years expanding our product and service capabilities partially through acquisitions of complementary businesses. Due to the expansion of our operations, which included acquisitions, our income from continuing operations has included significant charges for depreciation and amortization. Adjusted EBITDA excludes these charges and provides meaningful information about the operating performance of our business, apart from charges for depreciation and amortization. We believe the disclosure of Adjusted EBITDA helps investors meaningfully evaluate and compare our performance from quarter to quarter and from year to year. We also believe Adjusted EBITDA is a measure of our ongoing operating performance because the isolation of non-cash charges, such as depreciation and amortization, and non-operating items, such as interest and income taxes, provides additional information about our cost structure, and, over time, helps track our operating progress. In addition, investors, securities analysts and others have regularly relied on Adjusted EBITDA to provide a financial measure by which to compare our operating performance against that of other companies in our industry.

Set forth below are descriptions of the financial items that have been excluded from our income from continuing operations to calculate Adjusted EBITDA and the material limitations associated with using this non-GAAP financial measure as compared to income from continuing operations:

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Curtailments, settlements and early retirement incentives may be useful for investors to consider because it represents the current period impact of the change in the defined benefit obligation due to the reduction in future service costs as well as the incremental cost of retirement incentive benefits paid to participants. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.

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Amortization of acquired contract liabilities may be useful for investors to consider because it represents the non-cash earnings on the fair value of off-market contracts acquired through acquisitions. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.

Amortization expense may be useful for investors to consider because it represents the estimated attrition of our acquired customer base and the diminishing value of product rights and licenses. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.

Depreciation may be useful for investors to consider because it generally represents the wear and tear on our property and equipment used in our operations. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.

The amount of interest expense and other we incur may be useful for investors to consider and may result in current cash inflows or outflows. However, we do not consider the amount of interest expense and other to be a representative component of the day-to-day operating performance of our business.

Income tax expense may be useful for investors to consider because it generally represents the taxes which may be payable for the period and the change in deferred income taxes during the period and may reduce the amount of funds otherwise available for use in our business. However, we do not consider the amount of income tax expense to be a representative component of the day-to-day operating performance of our business.

Management compensates for the above-described limitations of using non-GAAP measures by using a non-GAAP measure only to supplement our GAAP results and to provide additional information that is useful to gain an understanding of the factors and trends affecting our business.

The following table shows our Adjusted EBITDA reconciled to our income from continuing operations for the indicated periods (in thousands):

|                                                           | Fiscal year ended March 31, |           |           |
|-----------------------------------------------------------|-----------------------------|-----------|-----------|
|                                                           | 2014                        | 2013      | 2012      |
| Income from continuing operations                         | \$206,256                   | \$297,347 | \$281,622 |
| Amortization of acquired contract liabilities             | (42,629 )                   | (25,644 ) | (26,684 ) |
| Depreciation and amortization                             | 164,277                     | 129,506   | 119,724   |
| Curtailments, settlements and early retirement incentives | 1,166                       | 34,481    | (40,400 ) |
| Interest expense and other                                | 87,771                      | 68,156    | 77,138    |
| Income tax expense                                        | 105,977                     | 165,710   | 155,955   |
| Adjusted EBITDA                                           | \$522,818                   | \$669,556 | \$567,355 |

The following tables show our Adjusted EBITDA by reportable segment reconciled to our operating income for the indicated periods (in thousands):

|                                                           | Fiscal year ended March 31, 2014 |                |                   |                      |                         |
|-----------------------------------------------------------|----------------------------------|----------------|-------------------|----------------------|-------------------------|
|                                                           | Total                            | Aerostructures | Aerospace Systems | Aftermarket Services | Corporate/ Eliminations |
| Operating income                                          | \$400,004                        | \$252,910      | \$149,721         | \$42,265             | \$(44,892 )             |
| Curtailments, settlements and early retirement incentives | 1,166                            | —              | —                 | —                    | 1,166                   |
| Amortization of acquired contract liabilities             | (42,629 )                        | (25,207 )      | (17,422 )         | —                    | —                       |
| Depreciation and amortization                             | 164,277                          | 114,302        | 37,453            | 7,529                | 4,993                   |
| Adjusted EBITDA                                           | \$522,818                        | \$342,005      | \$169,752         | \$49,794             | \$(38,733 )             |

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|                                                           | Fiscal year ended March 31, 2013 |                |                      |                         |                            |
|-----------------------------------------------------------|----------------------------------|----------------|----------------------|-------------------------|----------------------------|
|                                                           | Total                            | Aerostructures | Aerospace<br>Systems | Aftermarket<br>Services | Corporate/<br>Eliminations |
| Operating income                                          | \$531,213                        | \$469,873      | \$103,179            | \$45,380                | \$(87,219 )                |
| Curtailments, settlements and early retirement incentives | 34,481                           | —              | —                    | —                       | 34,481                     |
| Amortization of acquired contract liabilities             | (25,644 )                        | (25,457 )      | (187 )               | —                       | —                          |
| Depreciation and amortization                             | 129,506                          | 95,884         | 19,870               | 9,118                   | 4,634                      |
| Adjusted EBITDA                                           | \$669,556                        | \$540,300      | \$122,862            | \$54,498                | \$(48,104 )                |
|                                                           | Fiscal year ended March 31, 2012 |                |                      |                         |                            |
|                                                           | Total                            | Aerostructures | Aerospace<br>Systems | Aftermarket<br>Services | Corporate/<br>Eliminations |
| Operating income                                          | \$514,715                        | \$403,414      | \$90,035             | \$31,859                | \$(10,593 )                |
| Curtailments, settlements and early retirement incentives | (40,400 )                        | —              | —                    | —                       | (40,400 )                  |
| Amortization of acquired contract liabilities             | (26,684 )                        | (26,684 )      | —                    | —                       | —                          |
| Depreciation and amortization                             | 119,724                          | 89,113         | 17,363               | 9,487                   | 3,761                      |
| Adjusted EBITDA                                           | \$567,355                        | \$465,843      | \$107,398            | \$41,346                | \$(47,232 )                |

The fluctuations from period to period within the amounts of the components of the reconciliations above are discussed further below within Results of Operations.

Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013

|                                               | Year Ended March 31, |             |
|-----------------------------------------------|----------------------|-------------|
|                                               | 2014                 | 2013        |
|                                               | (in thousands)       |             |
| Net sales                                     | \$3,763,254          | \$3,702,702 |
| Segment operating income                      | \$444,896            | \$618,432   |
| Corporate general and administrative expenses | (44,892 )            | (87,219 )   |
| Total operating income                        | 400,004              | 531,213     |
| Interest expense and other                    | 87,771               | 68,156      |
| Income tax expense                            | 105,977              | 165,710     |
| Net income                                    | \$206,256            | \$297,347   |

Net sales increased by \$60.6 million, or 1.6%, to \$3.8 billion for the fiscal year ended March 31, 2014 from \$3.7 billion for the fiscal year ended March 31, 2013. The fiscal 2014 and fiscal 2013 acquisitions, net of current year and prior year divestitures contributed \$282.6 million. Organic sales decreased \$222.0 million, or 6.1%, due to production rate cuts by our customers on the 747-8 program and, as it transitions from the commercial variant to the tanker, the 767 program, and a decrease in military sales. The prior fiscal year was positively impacted by our customers' increased production rates on existing programs and new product introductions.

Cost of sales increased by \$148.3 million, or 5.4%, to \$2.9 billion for the fiscal year ended March 31, 2014 from \$2.8 billion for the fiscal year ended March 31, 2013. This increase in cost of sales was largely due to increased sales. Gross margin for the fiscal year ended March 31, 2014 was 22.6% compared with 25.4% for the fiscal year ended March 31, 2013. This change was impacted by reductions in profitability estimates on the 747-8 program, driven largely by the identification of additional 747-8 program costs (\$85.0 million) identified during the year, additional program costs resulting from disruption and accelerated depreciation associated with the relocation from our Jefferson Street Facilities (\$38.4 million), price concessions (\$4.0 million) and a non-recurring termination customer settlement

(\$9.5 million) which had a favorable impact on the prior year gross margin.

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Gross margin included net unfavorable cumulative catch-up adjustments on long-term contracts (\$53.2 million) resulting from changes in contract values and estimated costs that arose during the fiscal year. The unfavorable cumulative catch-up adjustments to operating income included gross favorable adjustments of \$14.3 million and gross unfavorable adjustments of \$67.5 million, of which \$29.8 million was related to the additional 747-8 program costs from reductions to profitability estimates on the 747-8 production lots that were completed during the fiscal year discussed above and \$15.6 million of disruption and accelerated depreciation costs related to our exit from the Jefferson Street facilities which reduced profitability estimates on production lots completed during the year. These decreases were offset by lower pension and other postretirement benefit expense of \$12.7 million. Gross margins for fiscal 2013 included net unfavorable cumulative catch-up adjustments of \$14.6 million.

Segment operating income decreased by \$173.5 million, or 28.1%, to \$444.9 million for the fiscal year ended March 31, 2014 from \$618.4 million for the fiscal year ended March 31, 2013. The organic operating income decreased \$173.7 million, or 30.2%, and was a direct result of the decrease in organic sales, the decreased gross margins noted above, moving costs related to the relocation from our Jefferson Street facilities (\$31.3 million), and legal fees (\$4.3 million), offset by an insurance claim related to Hurricane Sandy (\$6.8 million).

Corporate expenses decreased by \$42.3 million, or 48.5% to \$44.9 million for the fiscal year ended March 31, 2014 from \$87.2 million for the fiscal year ended March 31, 2013. Corporate expenses decreased primarily due to pension curtailment losses and early retirement incentives (\$34.5 million) for the fiscal year ended March 31, 2013, offset by a pension settlement charge (\$2.1 million) for the fiscal year ended March 31, 2014. Corporate expenses also included lower compensation expense of \$4.6 million due to decreased performance.

Interest expense and other increased by \$19.6 million, or 28.8%, to \$87.8 million for the fiscal year ended March 31, 2014 compared to \$68.2 million for the prior year. Interest expense and other for the fiscal year ended March 31, 2014 increased due to the redemption of the 2017 Notes, which included \$11.0 million of pre-tax losses associated with the 4% redemption premium, and the write-off of the remaining related unamortized discount and deferred financing fees. Interest expense and other for the fiscal year ended March 31, 2014 also increased due to higher average debt outstanding during the period as compared to the fiscal year ended March 31, 2013.

The effective income tax rate was 33.9% for the fiscal year ended March 31, 2014 and 35.8% for the fiscal year ended March 31, 2013. The income tax provision for the fiscal year ended March 31, 2014 was reduced to reflect unrecognized tax benefits of \$0.7 million and an additional research and development tax credit carryforward and NOL carryforward of \$2.3 million. The effective income tax rate for the fiscal year ended March 31, 2013 reflects the retroactive reinstatement of the research and development tax credit back to January 2012. The income tax provision for the fiscal year ended March 31, 2013 included \$2.2 million of tax expense due to the recapture of domestic production deductions taken in earlier years associated with a refund claim of \$25.2 million filed in the second quarter of fiscal 2013. The refund claim receivable is included in "Other, net" in the consolidated balance sheet as of March 31, 2014 and 2013.

In January 2014, the Company sold all of its shares of Triumph Aerospace Systems-Wichita, Inc. for total cash proceeds of \$23.0 million, which resulted in no gain or loss from the sale.

In April 2013, the Company sold the assets and liabilities of Triumph Instruments-Burbank and Triumph Instruments-Ft. Lauderdale for total proceeds of \$11.2 million, resulting in a loss of \$1.5 million.

The Company expects to have significant continuing involvement in the businesses and markets of the disposed entities and therefore, the disposal groups did not meet the criteria to be classified as discontinued operations.

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Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012

|                                               | Year Ended March 31, |             |
|-----------------------------------------------|----------------------|-------------|
|                                               | 2013                 | 2012        |
|                                               | (in thousands)       |             |
| Net sales                                     | \$3,702,702          | \$3,407,929 |
| Segment operating income                      | \$618,432            | \$525,308   |
| Corporate general and administrative expenses | (87,219 )            | (10,593 )   |
| Total operating income                        | 531,213              | 514,715     |
| Interest expense and other                    | 68,156               | 77,138      |
| Income tax expense                            | 165,710              | 155,955     |
| Income from continuing operations             | 297,347              | 281,622     |
| Loss from discontinued operations, net        | —                    | (765 )      |
| Net income                                    | \$297,347            | \$280,857   |

Net sales increased by \$294.8 million, or 8.6%, to \$3.7 billion for the fiscal year ended March 31, 2013 from \$3.4 billion for the fiscal year ended March 31, 2012. The results for fiscal 2013 included an increase in organic sales of \$272.6 million, or 8.0%, due to the expected increase in commercial production rates of various customer programs. The fiscal 2013 acquisitions contributed \$22.2 million in increased net sales.

Cost of sales increased by \$198.5 million, or 7.7%, to \$2.8 billion for the fiscal year ended March 31, 2013 from \$2.6 billion for the fiscal year ended March 31, 2012. This increase in cost of sales resulted from the increase in sales.

Gross margin for the fiscal year ended March 31, 2013 was 25.4% compared with 24.7% for the fiscal year ended March 31, 2012. Gross margin was favorably impacted by decreased pension and other postretirement benefit expense (\$14.6 million), changes in the overall sales mix, as well as the margin on nonrecurring customer settlements (\$9.5 million). These favorable items were partially offset by the net unfavorable cumulative catch-up adjustments on long-term contracts discussed further below.

Segment operating income increased by \$93.1 million, or 17.7%, to \$618.4 million for the fiscal year ended March 31, 2013 from \$525.3 million for the fiscal year ended March 31, 2012. The segment operating income increase was a direct result of the sales volume increases and contribution from the fiscal 2013 acquisitions (\$5.0 million). These improvements were partially offset by net unfavorable cumulative catch-up adjustments (\$14.6 million), increased legal fees (\$1.5 million) and production delay and related costs due to Hurricane Sandy (\$1.6 million). The unfavorable cumulative catch-up adjustments to operating income included gross favorable adjustments of \$15.9 million and gross unfavorable adjustments of \$30.5 million. The cumulative catch-up adjustments were principally due to provisions for technical problems on production lots on early-stage programs and revisions in our mix of various material and labor costs related to our efforts to gain efficiencies through expansion of our in-sourcing capabilities. Segment operating income for the fiscal year ended March 31, 2012 included net favorable cumulative catch-up adjustments of \$18.3 million.

Corporate expenses increased by \$76.6 million, or 723.4% (almost entirely attributed to net curtailment increases of \$74.9 million) to \$87.2 million for the fiscal year ended March 31, 2013 from \$10.6 million for the fiscal year ended March 31, 2012. Corporate expenses increased primarily due to pension curtailment losses and early retirement incentives (\$34.5 million) for the fiscal year ended March 31, 2013, as compared to a curtailment gain, net of special termination benefits associated with amendments made to certain defined benefit plans of \$40.4 million for the fiscal year ended March 31, 2012. Corporate expenses also included \$4.1 million in acquisition-related transaction costs associated with the fiscal 2013 acquisitions.

Interest expense and other decreased by \$9.0 million, or 11.6%, to \$68.2 million for the fiscal year ended March 31, 2013 compared to \$77.1 million for the prior year. This decrease was due to lower average debt outstanding during the fiscal year ended March 31, 2013 due to the net decrease of the Credit Facility, along with lower interest rates. During the fiscal year ended March 31, 2012, interest expense and other included the write-off of \$7.7 million of unamortized discounts and deferred financing fees associated with the extinguishment of the Term Loan and an additional \$2.5 million amortization of discount on the Convertible Notes offset by a \$2.9 million favorable fair value adjustment due

to the reduction of the fair value of a contingent earnout liability associated with a prior acquisition due to reductions in the projected earnings over the respective earnout periods. The discount on the Convertible Notes was fully amortized as of September 30, 2011.

The effective income tax rate was 35.8% for the fiscal year ended March 31, 2013 and 35.6% for the fiscal year ended March 31, 2012. The effective income tax rate for the fiscal year ended March 31, 2013 reflects the retroactive reinstatement



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of the research and development tax credit back to January 2012. The income tax provision for the fiscal year ended March 31, 2013 included \$2.2 million of tax expense due to the recapture of domestic production deductions taken in earlier years associated with a refund claim of \$25.2 million filed in the second quarter. The refund claim receivable is included in "Other, net" in the consolidated balance sheet as of March 31, 2013. The income tax provision for the fiscal year ended March 31, 2012 included \$1.6 million of tax expense due to the recapture of domestic production deductions taken in prior carryback periods, offset by a \$1.2 million net tax benefit related to provision to return adjustments upon filing our fiscal 2011 tax return. The effective income tax rate for fiscal 2012 was impacted by the expiration of the research and development tax credit as of December 31, 2011 and the absence of the domestic production deduction due to the Company's net operating loss position for the fiscal year ended March 31, 2012. In July 2011, the Company completed the sale of Triumph Precision Castings Co. for proceeds of \$3.9 million, resulting in no gain or loss on the disposition. For the fiscal year ended March 31, 2013, there was no gain or loss from discontinued operations.

**Business Segment Performance**

We report our financial performance based on the following three reportable segments: the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group. The Company's Chief Operating Decision Maker ("CODM") utilizes Adjusted EBITDA as a primary measure of profitability to evaluate performance of its segments and allocate resources.

The results of operations among our reportable segments vary due to differences in competitors, customers, extent of proprietary deliverables and performance. For example, our Aerostructures segment generally includes long-term sole-source or preferred supplier contracts and the success of these programs provides a strong foundation for our business and positions us well for future growth on new programs and new derivatives. This compares to our Aerospace Systems segment which generally includes proprietary products and/or arrangements where we become the primary source or one of a few primary sources to our customers, where our unique manufacturing capabilities command a higher margin. Also, OEMs are increasingly focusing on assembly activities while outsourcing more manufacturing and repair to third parties, and as a result, are less of a competitive force than in previous years. In contrast, our Aftermarket Services segment provides MRO services on components and accessories manufactured by third parties, with more diverse competition, including airlines, OEMs and other third-party service providers. In addition, variability in the timing and extent of customer requests performed in the Aftermarket Services segment can provide for greater volatility and less predictability in revenue and earnings than that experienced in the Aerostructures and Aerospace Systems segments.

The Aerostructures segment consists of the Company's operations that manufacture products primarily for the aerospace OEM market. The Aerostructures segment's revenues are derived from the design, manufacture, assembly and integration of both build-to-print and proprietary metallic and composite aerostructures and structural components, including aircraft wings, fuselage sections, tail assemblies, engine nacelles, flight control surfaces as well as helicopter cabins. Further, the segment's operations also design and manufacture composite assemblies for floor panels and environmental control system ducts. These products are sold to various aerospace OEMs on a global basis. The Aerospace Systems segment consists of the Company's operations that also manufacture products primarily for the aerospace OEM market. The segment's operations design a wide range of proprietary and build-to-print components and engineer mechanical and electromechanical controls, such as hydraulic systems, main engine gearbox assemblies, engine control systems, accumulators, mechanical control cables, non-structural cockpit components and metal processing. These products are sold to various aerospace OEMs on a global basis.

The Aftermarket Services segment consists of the Company's operations that provide maintenance, repair and overhaul services to both commercial and military markets on components and accessories manufactured by third parties. Maintenance, repair and overhaul revenues are derived from services on auxiliary power units, airframe and engine accessories, including constant-speed drives, cabin compressors, starters and generators, and pneumatic drive units. In addition, the segment's operations repair and overhaul thrust reversers, nacelle components and flight control surfaces. The segment's operations also perform repair and overhaul services and supply spare parts for various types of gauges for a broad range of commercial airlines on a worldwide basis.

We currently generate a majority of our revenue from clients in the commercial aerospace industry, the military, the business jet industry and the regional airline industry. Our growth and financial results are largely dependent on continued demand for our products and services from clients in these industries. If any of these industries experiences a downturn, our clients in these sectors may conduct less business with us. The following table summarizes our net sales by end market by business segment. The loss of one or more of our major customers or an economic downturn in the commercial airline or the military and defense markets could have a material adverse effect on our business.

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|                                      | Year Ended March 31, |         |         |   |
|--------------------------------------|----------------------|---------|---------|---|
|                                      | 2014                 | 2013    | 2012    |   |
| Aerostructures                       |                      |         |         |   |
| Commercial aerospace                 | 42.3                 | % 43.9  | % 39.4  | % |
| Military                             | 16.1                 | 18.9    | 23.5    |   |
| Business Jets                        | 10.0                 | 11.2    | 11.3    |   |
| Regional                             | 0.4                  | 0.5     | 0.5     |   |
| Non-aviation                         | 0.5                  | 0.7     | 0.7     |   |
| Total Aerostructures net sales       | 69.3                 | % 75.2  | % 75.4  | % |
| Aerospace Systems                    |                      |         |         |   |
| Commercial aerospace                 | 8.5                  | % 6.3   | % 5.9   | % |
| Military                             | 11.4                 | 7.9     | 7.7     |   |
| Business Jets                        | 1.0                  | 0.7     | 0.8     |   |
| Regional                             | 1.0                  | 0.4     | 0.5     |   |
| Non-aviation                         | 1.3                  | 1.2     | 1.1     |   |
| Total Aerospace Systems net sales    | 23.2                 | % 16.5  | % 16.0  | % |
| Aftermarket Services                 |                      |         |         |   |
| Commercial aerospace                 | 6.3                  | % 6.8   | % 6.6   | % |
| Military                             | 0.7                  | 1.0     | 0.9     |   |
| Business Jets                        | —                    | 0.3     | 0.4     |   |
| Regional                             | 0.2                  | 0.1     | 0.2     |   |
| Non-aviation                         | 0.3                  | 0.1     | 0.5     |   |
| Total Aftermarket Services net sales | 7.5                  | % 8.3   | % 8.6   | % |
| Total Consolidated net sales         | 100.0                | % 100.0 | % 100.0 | % |

We continue to experience a higher proportion of our sales mix in the commercial aerospace end market. While we have recently seen an increase in our military end market, we experienced a slight decrease in our organic military end market, which has been offset by our recent acquisitions. Due to the continued strength in the commercial aerospace end market and the planned reductions in defense spending under the Budget Act and the sequestration discussed above, we expect the declining trend in the military end market to continue.

Business Segment Performance—Fiscal year ended March 31, 2014 compared to fiscal year ended March 31, 2013

|                                    | Year Ended March 31, |             | %      | % of Total Sales |          |    |
|------------------------------------|----------------------|-------------|--------|------------------|----------|----|
|                                    | 2014                 | 2013        | Change | 2014             | 2013     |    |
|                                    | (in thousands)       |             |        |                  |          |    |
| <b>NET SALES</b>                   |                      |             |        |                  |          |    |
| Aerostructures                     | \$2,612,439          | \$2,781,344 | (6.1)  | )% 69.4          | % 75.1   | %  |
| Aerospace Systems                  | 871,751              | 615,771     | 41.6   | % 23.2           | % 16.6   | %  |
| Aftermarket Services               | 287,343              | 314,507     | (8.6)  | )% 7.6           | % 8.5    | %  |
| Elimination of inter-segment sales | (8,279 )             | (8,920 )    | (7.2)  | )% (0.2)         | )% (0.2) | )% |
| Total net sales                    | \$3,763,254          | \$3,702,702 | 1.6    | % 100.0          | % 100.0  | %  |

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|                                 | Year Ended March 31, |           | %<br>Change | % of Segment<br>Sales |      |        |   |
|---------------------------------|----------------------|-----------|-------------|-----------------------|------|--------|---|
|                                 | 2014                 | 2013      |             | 2014                  | 2013 |        |   |
|                                 | (in thousands)       |           |             |                       |      |        |   |
| <b>SEGMENT OPERATING INCOME</b> |                      |           |             |                       |      |        |   |
| Aerostructures                  | \$252,910            | \$469,873 | (46.2)      | )%                    | 9.7  | % 16.9 | % |
| Aerospace Systems               | 149,721              | 103,179   | 45.1        | %                     | 17.2 | % 16.8 | % |
| Aftermarket Services            | 42,265               | 45,380    | (6.9)       | )%                    | 14.7 | % 14.4 | % |
| Corporate                       | (44,892 )            | (87,219 ) | (48.5)      | )%                    | n/a  | n/a    |   |
| Total segment operating income  | \$400,004            | \$531,213 | (24.7)      | )%                    | 10.6 | % 14.3 | % |

|                        | Year Ended March 31, |           | %<br>Change | % of Segment<br>Sales |      |        |   |
|------------------------|----------------------|-----------|-------------|-----------------------|------|--------|---|
|                        | 2014                 | 2013      |             | 2014                  | 2013 |        |   |
|                        | (in thousands)       |           |             |                       |      |        |   |
| <b>Adjusted EBITDA</b> |                      |           |             |                       |      |        |   |
| Aerostructures         | \$342,005            | \$540,300 | (36.7)      | )%                    | 13.1 | % 19.4 | % |
| Aerospace Systems      | 169,752              | 122,862   | 38.2        | %                     | 19.5 | % 20.0 | % |
| Aftermarket Services   | 49,794               | 54,498    | (8.6)       | )%                    | 17.3 | % 17.3 | % |
| Corporate              | (38,733 )            | (48,104 ) | (19.5)      | )%                    | n/a  | n/a    |   |
|                        | \$522,818            | \$669,556 | (21.9)      | )%                    | 13.9 | % 18.1 | % |

**Aerostructures:** The Aerostructures segment net sales decreased by \$168.9 million, or 6.1%, to \$2.6 billion for the fiscal year ended March 31, 2014 from \$2.8 billion for the fiscal year ended March 31, 2013. Organic sales decreased \$228.9 million, or 8.3%, and the acquisition of Primus contributed \$65.5 million in net sales. Organic sales decreased due to production rate cuts by our customers on the 747-8 program and as it transitions from the commercial variant to the tanker, the 767 program and a decrease in military sales.

Aerostructures cost of sales increased by \$5.3 million, or 0.3%, to \$2.1 billion for the fiscal year ended March 31, 2014 from \$2.1 billion for the fiscal year ended March 31, 2013. Organic cost of sales decreased \$51.7 million, or 2.5% and the acquisition of Primus contributed \$61.0 million to cost of sales. Organic cost of sales declined due to decreased organic revenues discussed above partially offset by reductions in profitability estimates on the 747-8 programs, driven largely by the identification of additional program costs (\$85.0 million) identified during the year and additional program costs resulting from disruption and accelerated depreciation associated with the relocation from our Jefferson Street facilities (\$38.4 million).

Organic gross margin for the fiscal year ended March 31, 2014 was 18.9% compared with 23.8% for the fiscal year ended March 31, 2013. The organic gross margin included net unfavorable cumulative catch-up adjustments resulting from changes in contract values and estimated costs that arose during the fiscal year. The net unfavorable cumulative catch-up adjustments included gross favorable adjustments of \$14.3 million and gross unfavorable adjustments of \$67.5 million, of which \$29.8 million was related to the additional 747-8 program costs from reductions to profitability estimates on the 747-8 production lots that were completed during the fiscal year and \$15.6 million of disruption and accelerated depreciation costs related to our exit from the Jefferson Street facilities which reduced profitability estimates on production lots completed during the year. These decreases were offset by lower pension and other postretirement benefit expense of \$12.7 million. Segment cost of sales for the fiscal year ended March 31, 2013 included net unfavorable cumulative catch-up adjustments of \$14.6 million.

Aerostructures segment operating income decreased by \$217.0 million, or 46.2%, to \$252.9 million for the fiscal year ended March 31, 2014 from \$469.9 million for the fiscal year ended March 31, 2013. Operating income was directly affected by the decrease in organic sales, the decreased organic gross margins noted above, and moving costs related to the relocation from our Jefferson Street facilities (\$31.3 million). Additionally, these same factors contributed to the decrease in Adjusted EBITDA year over year.

Aerostructures segment operating income as a percentage of segment sales decreased to 9.7% for the fiscal year ended March 31, 2014 as compared with 16.9% for the fiscal year ended March 31, 2013, due to decreased sales, additional 747-8

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program costs, relocation costs related to our exit from the Jefferson Street facilities, offset by lower compensation and benefits and lower pension and other postretirement benefit expenses discussed above, which also caused the decline in the Adjusted EBITDA margin.

**Aerospace Systems:** The Aerospace Systems segment net sales increased by \$256.0 million, or 41.6%, to \$871.8 million for the fiscal year ended March 31, 2014 from \$615.8 million for the fiscal year ended March 31, 2013. The acquisition of General Donlee and the fiscal 2013 acquisitions contributed \$248.2 million of increased sales. Organic net sales increased \$7.8 million, or 1.3%.

Aerospace Systems cost of sales increased by \$156.8 million, or 37.8%, to \$571.8 million for the fiscal year ended March 31, 2014 from \$415.0 million for the fiscal year ended March 31, 2013. Organic cost of sales increased \$11.6 million, or 2.9%, the acquisition of General Donlee and the fiscal 2013 acquisitions contributed \$145.3 million in cost of sales. Organic gross margin for the fiscal year ended March 31, 2014 was 31.2% compared with 32.2% for the fiscal year ended March 31, 2013.

Aerospace Systems segment operating income increased by \$46.5 million, or 45.1%, to \$149.7 million for the fiscal year ended March 31, 2014 from \$103.2 million for the fiscal year ended March 31, 2013. Operating income increased primarily due to the acquisition of General Donlee and fiscal 2013 acquisitions and by an insurance claim related to Hurricane Sandy (\$6.8 million). These same factors contributed to the increase in Adjusted EBITDA year over year. Aerospace Systems segment operating income as a percentage of segment sales increased to 17.2% for the fiscal year ended March 31, 2014 as compared with 16.8% for the fiscal year ended March 31, 2013, increased primarily due to the acquisition of General Donlee and fiscal 2013 acquisitions, as noted above. Adjusted EBITDA margin decreased due to the insurance gain from Hurricane Sandy.

**Aftermarket Services:** The Aftermarket Services segment net sales decreased by \$27.2 million, or 8.6%, to \$287.3 million for the fiscal year ended March 31, 2014 from \$314.5 million for the fiscal year ended March 31, 2013. Organic sales decreased \$1.6 million, or 0.6%, and the previously divested Triumph Instruments companies contributed \$25.5 million in net sales for the fiscal year ended March 31, 2013.

Aftermarket Services cost of sales decreased by \$15.6 million, or 6.8%, to \$213.9 million for the fiscal year ended March 31, 2014 from \$229.5 million for the fiscal year ended March 31, 2013. The organic cost of sales increased \$3.0 million, or 1.4%, and the previously divested Triumph Instruments companies contributed \$18.5 million to cost of sales for the fiscal year ended March 31, 2013. Organic gross margin for the fiscal year ended March 31, 2014 was 25.6% compared with 27.0% for the fiscal year ended March 31, 2013. The decrease in gross margin was impacted by decreased military sales and changes in sales mix.

Aftermarket Services segment operating income decreased by \$3.1 million, or 6.9%, to \$42.3 million for the fiscal year ended March 31, 2014 from \$45.4 million for the fiscal year ended March 31, 2013. Operating income decreased primarily due to the decrease in gross margin noted above. These same factors contributed to the increase in Adjusted EBITDA year over year.

Aftermarket Services segment operating income as a percentage of segment sales increased to 14.7% for the fiscal year ended March 31, 2014 as compared with 14.4% for the fiscal year ended March 31, 2013.

**Business Segment Performance—Fiscal year ended March 31, 2013 compared to fiscal year ended March 31, 2012**

|                                    | Year Ended March 31, |             | %    | % of Total Sales |          |   |
|------------------------------------|----------------------|-------------|------|------------------|----------|---|
|                                    | 2013                 | 2012        |      | Change           | 2013     |   |
|                                    | (in thousands)       |             |      |                  |          |   |
| <b>NET SALES</b>                   |                      |             |      |                  |          |   |
| Aerostructures                     | \$2,781,344          | \$2,571,576 | 8.2  | % 75.1           | % 75.5   | % |
| Aerospace Systems                  | 615,771              | 551,800     | 11.6 | % 16.6           | % 16.2   | % |
| Aftermarket Services               | 314,507              | 292,674     | 7.5  | % 8.5            | % 8.6    | % |
| Elimination of inter-segment sales | (8,920 )             | (8,121 )    | 9.8  | % (0.2 )         | % (0.2 ) | % |
| Total net sales                    | \$3,702,702          | \$3,407,929 | 8.6  | % 100.0          | % 100.0  | % |



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|                                 | Year Ended March 31, |           | %<br>Change | % of Segment<br>Sales |       |
|---------------------------------|----------------------|-----------|-------------|-----------------------|-------|
|                                 | 2013                 | 2012      |             | 2013                  | 2012  |
|                                 | (in thousands)       |           |             |                       |       |
| <b>SEGMENT OPERATING INCOME</b> |                      |           |             |                       |       |
| Aerostructures                  | \$469,873            | \$403,414 | 16.5%       | 16.9%                 | 15.7% |
| Aerospace Systems               | 103,179              | 90,035    | 14.6%       | 16.8%                 | 16.3% |
| Aftermarket Services            | 45,380               | 31,859    | 42.4%       | 14.4%                 | 10.9% |
| Corporate                       | (87,219 )            | (10,593 ) | 723.4%      | n/a                   | n/a   |
| Total segment operating income  | \$531,213            | \$514,715 | 3.2%        | 14.3%                 | 15.1% |

|                        | Year Ended March 31, |           | %<br>Change | % of Total<br>Sales |        |   |
|------------------------|----------------------|-----------|-------------|---------------------|--------|---|
|                        | 2013                 | 2012      |             | 2013                | 2012   |   |
|                        | (in thousands)       |           |             |                     |        |   |
| <b>Adjusted EBITDA</b> |                      |           |             |                     |        |   |
| Aerostructures         | \$540,300            | \$465,843 | 16.0        | % 19.4              | % 18.1 | % |
| Aerospace Systems      | 122,862              | 107,398   | 14.4        | % 20.0              | % 19.5 | % |
| Aftermarket Services   | 54,498               | 41,346    | 31.8        | % 17.3              | % 14.1 | % |
| Corporate              | (48,104 )            | (47,232 ) | 1.8         | % n/a               | n/a    |   |
|                        | \$669,556            | \$567,355 | 18.0        | % 18.1              | % 16.6 | % |

**Aerostructures:** The Aerostructures segment net sales increased by \$209.8 million, or 8.2%, to \$2.8 billion for the fiscal year ended March 31, 2013 from \$2.6 billion for the fiscal year ended March 31, 2012. The increase was entirely organic and was due to increases in our customers' production rates on existing programs and recent product introductions.

Aerostructures cost of sales increased by \$153.8 million, or 7.8%, to \$2.1 billion for the fiscal year ended March 31, 2013 from \$2.0 billion for the fiscal year ended March 31, 2012. The increase primarily resulted from the increase in sales, as noted above. Gross margin for the fiscal year ended March 31, 2013 was 23.6% compared with 23.4% for the fiscal year ended March 31, 2012. While the gross margin percent was relatively flat, during the fiscal year ended March 31, 2013 there were offsetting charges consisting of net unfavorable cumulative catch-up adjustments with gross favorable adjustments of \$15.9 million and gross unfavorable adjustments of \$30.5 million, lower pension and other postretirement benefit expense of \$14.6 million and nonrecurring customer settlements of \$9.5 million. Segment cost of sales for the fiscal year ended March 31, 2012 included net favorable cumulative catch-up adjustments of \$18.3 million.

Aerostructures segment operating income increased by \$66.5 million, or 16.5%, to \$469.9 million for the fiscal year ended March 31, 2013 from \$403.4 million for the fiscal year ended March 31, 2012. Operating income increased due to the increase in sales and gross margin mentioned above. In addition, operating income improved due to lower compensation and benefits (\$3.1 million) as a result of continued integration including early retirements offered to salaried employees and expanded in-sourcing. Additionally, these same factors contributed to the increase in Adjusted EBITDA year over year.

Aerostructures segment operating income as a percentage of segment sales increased to 16.9% for the fiscal year ended March 31, 2013 as compared with 15.7% for the fiscal year ended March 31, 2012, due to increased sales, lower compensation and benefits and lower pension and other postretirement benefit expenses discussed above, which also caused the improvements in the Adjusted EBITDA margin.

**Aerospace Systems:** The Aerospace Systems segment net sales increased by \$64.0 million, or 11.6%, to \$615.8 million for the fiscal year ended March 31, 2013 from \$551.8 million for the fiscal year ended March 31, 2012. The fiscal 2013 acquisitions contributed \$22.2 million of increased sales. Organic net sales increased due to continued improvements in the broader commercial market and benefits from large outsourcing programs.



Aerospace Systems cost of sales increased by \$38.9 million, or 10.3%, to \$415.0 million for the fiscal year ended March 31, 2013 from \$376.1 million for the fiscal year ended March 31, 2012. The increase resulted from increased net sales. Gross margin for the fiscal year ended March 31, 2013 was 32.6% compared with 31.8% for the fiscal year ended March 31,

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2012. The improvement in gross margin was due to changes in our sales mix, as well as increased efficiencies in production associated with a higher volume of work.

Aerospace Systems segment operating income increased by \$13.1 million, or 14.6%, to \$103.2 million for the fiscal year ended March 31, 2013 from \$90.0 million for the fiscal year ended March 31, 2012. Operating income increased primarily due to increases in gross margin due to sales mix and increased efficiencies in production associated with higher volume of work and increased sales, offset by increased legal fees (\$2.1 million), increased development costs (\$2.1 million), increased amortization expense (\$1.5 million) due to additional intangible assets from the fiscal 2013 acquisitions and production delay and related costs due to Hurricane Sandy (\$1.6 million). These same factors, except for the increased amortization expense, contributed to the increase in Adjusted EBITDA year over year.

Aerospace Systems segment operating income as a percentage of segment sales increased to 16.8% for the fiscal year ended March 31, 2013 as compared with 16.3% for the fiscal year ended March 31, 2012, due to improvements in gross margin and operating income as noted above, which also caused the improvements in Adjusted EBITDA margin.

**Aftermarket Services:** The Aftermarket Services segment net sales increased by \$21.8 million, or 7.5%, to \$314.5 million for the fiscal year ended March 31, 2013 from \$292.7 million for the fiscal year ended March 31, 2012.

Organic sales increased \$13.7 million, or 4.7%, and the acquisition of Aviation Network Services, LLC ("ANS") contributed \$8.2 million in net sales. Organic net sales increased primarily due to higher military sales and market share gains.

Aftermarket Services cost of sales increased by \$7.9 million, or 3.5%, to \$229.5 million for the fiscal year ended March 31, 2013 from \$221.6 million for the fiscal year ended March 31, 2012. The increase resulted primarily from increased sales. Gross margin for the fiscal year ended March 31, 2013 was 27.0% compared with 24.3% for the fiscal year ended March 31, 2012. The increase in gross margin was impacted by the changes in our sales mix and increased efficiencies in production associated with higher volume of work.

Aftermarket Services segment operating income increased by \$13.5 million, or 42.4%, to \$45.4 million for the fiscal year ended March 31, 2013 from \$31.9 million for the fiscal year ended March 31, 2012. Operating income increased primarily due to the improved gross margin noted above. These same factors contributed to the increase in Adjusted EBITDA year over year.

Aftermarket Services segment operating income as a percentage of segment sales increased to 14.4% for the fiscal year ended March 31, 2013 as compared with 10.9% for the fiscal year ended March 31, 2012, due to the gross margin improvements noted above, which also caused improvements in Adjusted EBITDA margin.

#### Liquidity and Capital Resources

Our working capital needs are generally funded through cash flow from operations and borrowings under our credit arrangements. During the year ended March 31, 2014, we generated approximately \$135.1 million of cash flow from operating activities, used approximately \$246.7 million in investing activities and received approximately \$103.2 million from financing activities. Cash flows from operating activities included \$46.3 million in pension contributions in fiscal 2014, compared to \$109.8 million in fiscal 2013.

For the fiscal year ended March 31, 2014, we had a net cash inflow of \$135.1 million from operating activities, an inflow decrease of \$185.8 million, compared to a net cash inflow of \$320.9 million for the fiscal year ended March 31, 2013. During fiscal 2014, the decrease in net cash inflows were primarily due to relocation costs related to our exit from the Jefferson Street facilities (\$31.3 million), disruption related to relocation from the Jefferson Street facilities (\$24.7 million), additional 747-8 program costs (\$85 million), offset by increased receipts on accounts receivable of approximately \$14.2 million driven by additional sales from the fiscal 2014 and fiscal 2013 acquisitions.

We continue to invest in inventory for new programs and additional production costs for ramp-up activities in support of increasing build rates on several programs and build ahead for the relocation from our largest facilities. During fiscal 2014, inventory build for capitalized pre-production costs on new programs, including the Bombardier Global 7000/8000 and the Embraer E-Jet programs, were \$58.9 million and \$19.5 million, respectively. Additionally, inventory build ahead of programs impacted by our facility relocation was approximately \$22.8 million. Unliquidated progress payments netted against inventory increased \$40.9 million due to timing of receipts. Capitalized pre-production costs are expected to continue to increase, while our production is expected to remain flat over the next

few quarters.

Cash flows used in investing activities for the fiscal year ended March 31, 2014 decreased \$220.6 million from the fiscal year ended March 31, 2013. Cash flows used in investing activities included the fiscal 2014 acquisitions of \$94.5 million, as compared to \$349.6 million for fiscal 2013 acquisitions, and \$86.6 million in capital expenditures associated with our new facilities in Red Oak, Texas.

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Cash flows from financing activities for the fiscal year ended March 31, 2014 decreased \$45.4 million from the fiscal year ended March 31, 2013 principally due to additional borrowings on our Credit Facility and the addition of the Term Loan to fund the acquisitions of General Donlee and Primus, the redemption of the 2017 Notes and purchase of shares (\$19.1 million) offset by the redemption of certain Convertible Notes (\$96.5 million).

As of March 31, 2014, \$769.1 million was available under the Credit Facility. On March 31, 2014, an aggregate amount of approximately \$194.4 million was outstanding under the Credit Facility, all of which was accruing interest at LIBOR plus applicable basis points totaling 2.00% per annum. Amounts repaid under the Credit Facility may be reborrowed.

On November 19, 2013, the Company amended the Credit Facility with its lenders to (i) provide for a \$375.0 million Term Loan with a maturity date of May 14, 2019, (ii) maintain a Revolving Line of Credit under the Credit Facility to \$1,000.0 million and increase the accordion feature to \$250.0 million, and (iii) amend certain other terms and covenants. The amendment resulted in a more favorable pricing grid and a more streamlined package of covenants and restrictions.

The level of unused borrowing capacity under the Company's revolving Credit Facility varies from time to time depending in part upon its compliance with financial and other covenants set forth in the related agreement. The Credit Facility contains certain affirmative and negative covenants including limitations on specified levels of indebtedness to earnings before interest, taxes, depreciation and amortization, and interest coverage requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, payment of dividends and incurrence of debt. As of March 31, 2014, the Company was in compliance with all such covenants.

In February 2013, the Company issued the 2021 Notes for \$375.0 million in principal amount. The 2021 Notes were sold at 100% of principal amount and have an effective interest yield of 4.875%. Interest on the 2021 Notes is payable semiannually in cash in arrears on April 1 and October 1 of each year. We used the net proceeds to repay borrowings under our Credit Facility and pay related fees and expenses, and for general corporate purposes. In connection with the issuance of the 2021 Notes, the Company incurred approximately \$6.3 million of costs, which were deferred and are being amortized on the effective interest method over the term of the notes.

For further information on the Company's long-term debt, see Note 10 of "Notes to Consolidated Financial Statements".

During the fiscal year ended March 31, 2013, we generated approximately \$320.9 million of cash flow from operating activities, used approximately \$467.4 million in investing activities and received approximately \$148.6 million from financing activities. Cash flows from operating activities included \$109.8 million in pension contributions in fiscal 2013, compared to \$122.2 million in fiscal 2012.

For the fiscal year ended March 31, 2013, we had a net cash inflow of \$320.9 million from operating activities, an inflow increase of \$93.1 million, compared to a net cash inflow of \$227.8 million for the fiscal year ended March 31, 2012. During fiscal 2013, net cash provided by operating activities was primarily due to increased receipts on accounts receivable of approximately \$314.4 million driven by additional sales from the expected increases in commercial production rates on various programs.

We continue to invest in inventory for new programs and additional production costs for ramp-up activities in support of increasing build rates on several programs. During fiscal 2013, inventory build for capitalized pre-production costs on new programs, including the Bombardier Global 7000/8000 program, was \$51.9 million, an increase of \$32.7 million, compared to the prior year. Additionally, inventory build for mature programs, including costs associated with announced increasing build rates on several programs was approximately \$47.9 million, a decrease of \$6.4 million compared to the same period in the prior year. Unliquidated progress payments netted against inventory decreased \$40.3 million due to timing of receipts. Capitalized pre-production costs are expected to continue to increase, while our production is expected to remain flat over the next few quarters.

Cash flows used in investing activities for the fiscal year ended March 31, 2013 increased \$397.6 million from the fiscal year ended March 31, 2012 principally due to the Fiscal 2013 Acquisitions (\$350.4 million). Cash flows from financing activities for the fiscal year ended March 31, 2013 increased \$314.9 million from the fiscal year ended March 31, 2012 principally due to the proceeds from the issuance of the 2021 Notes (\$375.0 million) offset by the redemption of certain Convertible Notes (\$19.3 million).

At March 31, 2014, \$25.0 million of cash and cash equivalents were held by foreign subsidiaries and were primarily denominated in foreign currencies. If these amounts would be remitted as dividends, the Company may be subject to additional U.S. taxes, net of allowable foreign tax credits. We currently expect to utilize the balances to fund our foreign operations.

Capital expenditures were \$206.4 million for the fiscal year ended March 31, 2014 which includes the construction of our facilities in Red Oak, Texas. We funded these expenditures through cash from operations and borrowings under the Credit

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Facility. We expect capital expenditures and investments in new major programs of approximately \$240.0 million to \$260.0 million for our fiscal year ending March 31, 2015, of which \$125.0 million will be reflected in inventory. The expenditures are expected to be used mainly to expand capacity or replace old equipment at several facilities.

Our expected future cash flows for the next five years for long-term debt, leases and other obligations are as follows:

| Contractual Obligations | Payments Due by Period |                     |             |             |                  |
|-------------------------|------------------------|---------------------|-------------|-------------|------------------|
|                         | Total                  | Less than<br>1 Year | 1 - 3 Years | 4 - 5 Years | After<br>5 Years |
|                         | (in thousands)         |                     |             |             |                  |
| Debt principal(1)       | \$1,551,960            | \$49,575            | \$236,128   | \$874,514   | \$391,743        |
| Debt-interest(2)        | 294,417                | 62,012              | 123,029     | 98,011      | 11,365           |
| Operating leases        | 129,974                | 21,038              | 34,332      | 22,357      | 52,247           |
| Contingent payments     | 1,900                  | 900                 | 1,000       | —           | —                |
| Purchase obligations    | 1,679,184              | 1,212,396           | 435,620     | 30,959      | 209              |
| Total                   | \$3,657,435            | \$1,345,921         | \$830,109   | \$1,025,841 | \$455,564        |

(1) Included in the Company's consolidated balance sheet at March 31, 2014, plus discount on 2018 Notes of \$1.6 million, being amortized to expense through July 2018.

(2) Includes fixed-rate interest only.

The above table excludes unrecognized tax benefits of \$7.7 million as of March 31, 2014 since we cannot predict with reasonable certainty the timing of cash settlements with the respective taxing authorities.

During the fiscal year ended March 31, 2013, the Company committed to relocate the operations of its largest facility in Dallas, Texas and to expand its Red Oak, Texas ("Red Oak") facility to accommodate this relocation. The Company incurred approximately \$86.6 million and \$18.1 million in capital expenditures during the fiscal years ended March 31, 2014 and 2013, respectively, associated with this plan. The Company incurred approximately \$69.7 million and \$1.8 million of expenses related to the relocation, disruption and accelerated depreciation during fiscal years March 31, 2014 and 2013, respectively. The relocation was substantially completed during the fiscal year ended March 31, 2014.

In addition to the financial obligations detailed in the table above, we also had obligations related to our benefit plans at March 31, 2014 as detailed in the following table. Our other postretirement benefits are not required to be funded in advance, so benefit payments are paid as they are incurred. Our expected net contributions and payments are included in the table below:

|                                                | Pension<br>Benefits | Other<br>Postretirement<br>Benefits |
|------------------------------------------------|---------------------|-------------------------------------|
|                                                | (in thousands)      |                                     |
| Projected benefit obligation at March 31, 2014 | \$2,160,708         | \$311,012                           |
| Plan assets at March 31, 2014                  | 1,933,269           | —                                   |
| Projected contributions by fiscal year         |                     |                                     |
| 2015                                           | 114,822             | 26,572                              |
| 2016                                           | 40,000              | 26,411                              |
| 2017                                           | 40,000              | 26,421                              |
| 2018                                           | —                   | 26,305                              |
| 2019                                           | —                   | 26,289                              |
| Total 2015 - 2019                              | \$194,822           | \$131,998                           |

Current plan documents reserve our right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees.

We believe that cash generated by operations and borrowings under the Credit Facility will be sufficient to meet anticipated cash requirements for our current operations for the foreseeable future. However, we have a stated policy

to grow

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through acquisitions and are continuously evaluating various acquisition opportunities, while opportunistically buying back shares to return capital to our shareholders. As a result, we currently are pursuing the potential purchase of a number of candidates. In the event that more than one of these transactions is successfully consummated, the availability under the Credit Facility might be fully utilized and additional funding sources may be needed. There can be no assurance that such funding sources will be available to us on terms favorable to us, if at all.

Loans under the Credit Facility bear interest, at the Company's option, by reference to a base rate or a rate based on LIBOR, in either case plus an applicable margin determined quarterly based on the Company's Total Leverage Ratio (as defined in the Credit Facility) as of the last day of each fiscal quarter. The Company is also required to pay a quarterly commitment fee on the average daily unused portion of the Credit Facility for each fiscal quarter and fees in connection with the issuance of letters of credit. All outstanding principal and interest under the Credit Facility will be due and payable on the maturity date.

The Credit Facility contains representations, warranties, events of default and covenants customary for financings of this type including, without limitation, financial covenants under which the Company is obligated to maintain on a consolidated basis, as of the end of each fiscal quarter, a certain minimum Interest Coverage Ratio, maximum Total Leverage Ratio and maximum Senior Leverage Ratio (in each case as defined in the Credit Facility).

### CRITICAL ACCOUNTING POLICIES

Critical accounting policies are those accounting policies that can have a significant impact on the presentation of our financial condition and results of operations, and that require the use of complex and subjective estimates based upon past experience and management's judgment. Because of the uncertainty inherent in such estimates, actual results may differ from these estimates. Below are those policies applied in preparing our financial statements that management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see Note 2 of "Notes to Consolidated Financial Statements."

#### Allowance for Doubtful Accounts

Trade receivables are presented net of an allowance for doubtful accounts. In determining the appropriate allowance, we consider a combination of factors, such as industry trends, our customers' financial strength and credit standing, and payment and default history. The calculation of the required allowance requires a judgment as to the impact of these and other factors on the ultimate realization of our trade receivables. We believe that these estimates are reasonable and historically have not resulted in material adjustments in subsequent periods when the estimates are adjusted to actual amounts.

#### Inventories

The Company records inventories at the lower of cost or estimated net realizable value. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production or contract-specific facilities and equipment, allocable operating overhead and advances to suppliers. Pursuant to contract provisions, agencies of the U.S. Government and certain other customers have title to, or a security interest in, inventories related to such contracts as a result of advances, performance-based payments, and progress payments. The Company reflects those advances and payments as an offset against the related inventory balances. The Company expenses general and administrative costs related to products and services provided essentially under commercial terms and conditions as incurred. The Company determines the costs of inventories by the first-in, first-out or average cost methods.

Advance payments and progress payments received on contracts-in-process are first offset against related contract costs that are included in inventory, with any remaining amount reflected in current liabilities.

Work-in-process inventory includes capitalized pre-production costs. Company policy allows for the capitalization of pre-production costs after it establishes a contractual arrangement with a customer that explicitly states that the cost of recovery of pre-production costs is allowed.

Capitalized pre-production costs include nonrecurring engineering, planning and design, including applicable overhead, incurred before production is manufactured on a regular basis. Significant customer-directed work changes can also cause pre-production costs to be incurred. These costs are typically recovered over a contractually determined number of ship set deliveries and the Company believes these amounts will be fully recovered (see Note 5 of "Notes to Consolidated Financial Statements for further discussion).





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## Revenue and Profit Recognition

Revenues are recognized in accordance with the contract terms when products are shipped, delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured.

A significant portion of our contracts are within the scope of Accounting Standards Codification ("ASC") 605-35, Revenue—Construction-Type and Production-Type Contracts, and revenue and costs on contracts are recognized using the percentage-of-completion method of accounting. Accounting for the revenue and profit on a contract requires estimates of (1) the contract value or total contract revenue, (2) the total costs at completion, which is equal to the sum of the actual incurred costs to date on the contract and the estimated costs to complete the contract's scope of work and (3) the measurement of progress towards completion. Depending on the contract, we measure progress toward completion using either the cost-to-cost method or the units-of-delivery method, with the great majority measured under the units-of-delivery method.

Under the cost-to-cost method, progress toward completion is measured as the ratio of total costs incurred to our estimate of total costs at completion. We recognize costs as incurred. Profit is determined based on our estimated profit margin on the contract multiplied by our progress toward completion. Revenue represents the sum of our costs and profit on the contract for the period.

Under the units-of-delivery method, revenue on a contract is recorded as the units are delivered and accepted during the period at an amount equal to the contractual selling price of those units. The costs recorded on a contract under the units-of-delivery method are equal to the total costs at completion divided by the total units to be delivered. As our contracts can span multiple years, we often segment the contracts into production lots for the purposes of accumulating and allocating cost. Profit is recognized as the difference between revenue for the units delivered and the estimated costs for the units delivered.

Adjustments to original estimates for a contract's revenues, estimated costs at completion and estimated total profit are often required as work progresses under a contract, as experience is gained and as more information is obtained, even though the scope of work required under the contract may not change, or if contract modifications occur. These estimates are also sensitive to the assumed rate of production. Generally, the longer it takes to complete the contract quantity, the more relative overhead that contract will absorb. The impact of revisions in cost estimates is recognized on a cumulative catch-up basis in the period in which the revisions are made. Provisions for anticipated losses on contracts are recorded in the period in which they become evident ("forward losses") and are first offset against costs that are included in inventory, with any remaining amount reflected in accrued contract liabilities in accordance with ASC 605-35. Revisions in contract estimates, if significant, can materially affect our results of operations and cash flows, as well as our valuation of inventory. Furthermore, certain contracts are combined or segmented for revenue recognition in accordance with ASC 605-35.

For the fiscal year ended March 31, 2014, cumulative catch-up adjustments resulting from changes in contract values and estimated costs that arose during the fiscal year decreased operating income, net income and earnings per share by approximately \$(53.2) million, \$(35.1) million and \$(0.67), respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2014 included gross favorable adjustments of approximately \$14.3 million and gross unfavorable adjustments of approximately \$67.5 million. For the fiscal year ended March 31, 2013, cumulative catch-up adjustments resulting from changes in estimates decreased operating income, net income and earnings per share by approximately \$(14.6) million, \$(9.4) million and \$(0.18), respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2013 included gross favorable adjustments of approximately \$15.9 million and gross unfavorable adjustments of approximately \$30.5 million. For the fiscal year ended March 31, 2012, cumulative catch-up adjustments resulting from changes in estimates increased operating income, net income and earnings per share by approximately \$18.3 million, \$11.8 million and \$0.23, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2012 included gross favorable adjustments of approximately \$29.5 million and gross unfavorable adjustments of approximately \$11.3 million.

Amounts representing contract change orders or claims are only included in revenue when such change orders or claims have been settled with our customer and to the extent that units have been delivered. Additionally, some contracts may contain provisions for revenue sharing, price re-determination, requests for equitable adjustments,

change orders or cost and/or performance incentives. Such amounts or incentives are included in contract value when the amounts can be reliably estimated and their realization is reasonably assured. Although fixed-price contracts, which extend several years into the future, generally permit us to keep unexpected profits if costs are less than projected, we also bear the risk that increased or unexpected costs may reduce our profit or cause the Company to sustain losses on the contract. In a fixed-price contract, we must fully absorb cost overruns, notwithstanding the

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difficulty of estimating all of the costs we will incur in performing these contracts and in projecting the ultimate level of revenue that may otherwise be achieved.

Our failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the profitability of a fixed-price contract or cause a loss. We believe we have recorded adequate provisions in the financial statements for losses on fixed-price contracts, but we cannot be certain that the contract loss provisions will be adequate to cover all actual future losses.

While the Company is currently projecting its recurring production contracts to be profitable, there is still a substantial amount of risk similar to what the Company has experienced on certain programs. Particularly, the Company's ability to manage risks related to supplier performance, execution of cost reduction strategies, hiring and retaining skilled production and management personnel, quality and manufacturing execution, program schedule delays and many other risks, will determine the ultimate performance of these programs.

For example, significant cost growth experienced on the 747-8 program during fiscal 2014 resulted in lower than expected margins during the year, but the current year deliveries were still profitable. We have assessed the profitability of future production related to the 747-8 program and currently project that the program will continue to be profitable. However, if significant cost growth is experienced and cost reduction strategies are not successfully implemented, profit margin on the 747-8 program could continue to deteriorate or a loss might be incurred on future recurring production blocks.

Included in net sales of the Aerostructures Group is the non-cash amortization of acquired contract liabilities recognized as fair value adjustments through purchase accounting of the acquisitions of Vought and Primus. For the fiscal years ended March 31, 2014, 2013 and 2012, we recognized \$25.2 million, \$25.5 million and \$26.7 million, respectively, in net sales in our consolidated statements of income.

Included in net sales of the Aerospace Systems Group is the non-cash amortization of acquired contract liabilities recognized as fair value adjustments through purchase accounting of the acquisition of GPECS. For the fiscal years ended March 31, 2014 and 2013, we recognized \$17.4 million and \$0.2 million, respectively, in net sales in our consolidated statements of income.

The Aftermarket Services Group provides repair and overhaul services, certain of which are provided under long-term power-by-the-hour contracts, comprising approximately 5% of the segment's fiscal 2013 net sales. The Company applies the proportional performance method to recognize revenue under these contracts. Revenue is recognized over the contract period as units are delivered based on the relative value in proportion to the total estimated contract consideration. In estimating the total contract consideration, management evaluates the projected utilization of its customer's fleet over the term of the contract, in connection with the related estimated repair and overhaul servicing requirements to the fleet based on such utilization. Changes in utilization of the fleet by customers, among other factors, may have an impact on these estimates and require adjustments to estimates of revenue to be realized.

### Goodwill and Intangible Assets

Goodwill and intangible assets with indefinite lives are not amortized; rather, they are tested for impairment on at least an annual basis. Additionally, intangible assets with finite lives continue to be amortized over their useful lives. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include but are not limited to: future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining fair values.

The Company's operating segments of Aerostructures, Aerospace Systems and Aftermarket Services are also its reporting units under ASC 350, Intangibles—Goodwill and Other. The Chief Executive Officer and the Chief Financial Officer comprise the Company's CODM. The Company's CODM evaluates performance and allocates resources based upon review of segment information. Each of the operating segments is comprised of a number of operating units which are considered to be components under ASC 350. The components, for which discrete financial information exists, are aggregated for purposes of goodwill impairment testing. The Company's acquisition strategy is to acquire companies that complement and enhance the capabilities of the operating segments of the Company. Each acquisition

is assigned to either the Aerostructures reporting unit, the Aerospace Systems reporting unit or the Aftermarket Services reporting unit. The goodwill that results from each acquisition is also assigned to the reporting unit to which the acquisition is allocated, because it is that reporting unit which is intended to benefit from the synergies of the acquisition.

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The Company assesses whether goodwill impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed using a two-step approach required by ASC 350 to determine whether a goodwill impairment exists at the reporting unit.

The first step of the quantitative test is to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further work is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step is required to be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being applied to goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill. The determination of the fair value of our reporting units is based, among other things, on estimates of future operating performance of the reporting unit being valued. We are required to complete an impairment test for goodwill and record any resulting impairment losses at least annually. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments.

When performing the two-step quantitative impairment test, the Company's methodology includes the use of an income approach which discounts future net cash flows to their present value at a rate that reflects the Company's cost of capital, otherwise known as the discounted cash flow method ("DCF"). These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued market acceptance of the products and services offered by the businesses, the development of new products and services by the businesses and the underlying cost of development, the future cost structure of the businesses, and future technological changes. The Company also incorporates market multiples for comparable companies in determining the fair value of our reporting units. Any such impairment would be recognized in full in the reporting period in which it has been identified.

We incurred no impairment of goodwill as a result of our annual goodwill impairment tests in fiscal 2014, 2013 or 2012. In the fourth quarter of fiscal 2014, the Company chose to perform the quantitative assessment, in lieu of the qualitative assessment for each of the Company's three reporting units, which indicated that the fair value of the reporting unit exceeded its carrying amount, including goodwill.

As of March 31, 2014 and 2013, the Company had a \$438.4 million indefinite-lived intangible asset associated with the Vought and Embee tradenames. The Company assesses whether indefinite-lived intangible assets impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on this qualitative assessment the Company determines it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed to determine whether an indefinite-lived intangible asset impairment exists. We test the indefinite-lived intangible assets for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess carry value over the amount of fair value is recognized as an impairment.

We incurred no impairment of indefinite-lived intangible assets as a result of our annual indefinite-lived intangible assets impairment tests in fiscal years 2014, 2013 or 2012. In the fourth quarter of fiscal 2014, the Company chose to perform the quantitative assessment, in lieu of the qualitative assessment, for each of the Company's indefinite-lived intangible assets, which indicated that the fair value of the indefinite-lived intangible assets exceeded its carrying amount.

Finite-lived intangible assets are amortized over their useful lives ranging from 5 to 32 years. We continually evaluate whether events or circumstances have occurred that would indicate that the remaining estimated useful lives of our long-lived assets, including intangible assets, may warrant revision or that the remaining balance may not be recoverable. Intangible assets are evaluated for indicators of impairment. When factors indicate that long-lived assets,

including intangible assets, should be evaluated for possible impairment, an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets, including intangible assets, is used to measure recoverability. Some of the more important factors we consider include our financial performance relative to our expected and historical performance, significant changes in the way we manage our operations, negative events that have occurred, and negative industry and economic trends. If the carrying amount is less than the estimated fair value, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset group, generally determined based on the present value of expected future cash flows associated with the use of the asset. During the fiscal year ended March 31, 2012, a \$2.9 million favorable fair value adjustment was recorded due to the reduction of the fair value of a contingent earnout liability associated with a prior acquisition due to changes in the projected

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earnings over the respective earnout periods. The Company also considered these changes in projected earnings to be an indicator of impairment of the long-lived assets directly related to this acquisition and, as a result, tested these long-lived assets for recoverability and concluded that the asset group was recoverable. For the fiscal years ended March 31, 2014, 2013 and 2012, there were no reductions to the remaining useful lives and no write-downs of long-lived assets, including intangible assets, were required.

Acquired Contract Liabilities, net

In connection with several of our acquisitions, we assumed existing long-term contracts. Based on our review of these contracts, we concluded that the terms of certain contracts to be either more or less favorable than could be realized in market transactions as of the date of the acquisition. As a result, we recognized acquired contract liabilities, net of acquired contract assets as of the acquisition date of each respective acquisition, based on the present value of the difference between the contractual cash flows of the executory contracts and the estimated cash flows had the contracts been executed at the acquisition date. The liabilities principally relate to long-term life of program contracts that were initially executed 5 - 15 years ago (see Note 3 of "Notes to Consolidated Financial Statements" for further discussion).

The acquired contract liabilities, net, are being amortized as non-cash revenues over the terms of the respective contracts. The Company recognized net amortization of contract liabilities of approximately \$42.6 million, \$25.5 million and \$26.7 million in the fiscal years ended March 31, 2014, 2013 and 2012, respectively, and such amounts have been included in revenues in our results of operations. The balance of the liability as of March 31, 2014 is approximately \$141.5 million and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows 2015—\$30.8 million; 2016—\$26.9 million; 2017—\$21.6 million; 2018—\$16.8 million; 2019—\$17.1 million; Thereafter—\$28.4 million.

Postretirement Plans

The liabilities and net periodic cost of our pension and other postretirement plans are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate, the expected long-term rate of asset return, the assumed average rate of compensation increase and rate of growth for medical costs. The actuarial assumptions used to calculate these costs are reviewed annually or when a remeasurement is necessary. Assumptions are based upon management's best estimates, after consulting with outside investment advisors and actuaries, as of the measurement date.

The assumed discount rate utilized is based on a point-in-time estimate as of our annual measurement date or as of remeasurement dates as needed. This rate is determined based upon a review of yield rates associated with long-term, high-quality corporate bonds as of the measurement date and use of models that discount projected benefit payments using the spot rates developed from the yields on selected long-term, high-quality corporate bonds. The effects of hypothetical changes in the discount rate for a single year may not be representative and may be asymmetrical or nonlinear for future years because of the application of the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required. The discount rate at March 31, 2014 increased to 4.32% from 4.07% at March 31, 2013.

The assumed expected long-term rate of return on assets is the weighted-average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the Projected Benefit Obligation ("PBO"). The expected average long-term rate of return on assets is based on several factors including actual historical market index returns, anticipated long-term performance of individual asset classes with consideration given to the related investment strategy, plan expenses and the potential to outperform market index returns. This rate is utilized principally in calculating the expected return on plan assets component of the annual pension expense. To the extent the actual rate of return on assets realized over the course of a year differs from the assumed rate, that year's annual pension expense is not affected. The gain or loss reduces or increases future pension expense over the average remaining service period of active plan participants expected to receive benefits. The expected long-term rate of return for fiscal 2015, 2014 and 2013, respectively, is 8.25%.

The assumed average rate of compensation increase represents the average annual compensation increase expected over the remaining employment periods for the participating employees. This rate is utilized principally in calculating the PBO and annual pension expense.



In addition to our defined benefit pension plans, we provide certain healthcare and life insurance benefits for some retired employees. Such benefits are unfunded as of March 31, 2014. Employees achieve eligibility to participate in these contributory plans upon retirement from active service if they meet specified age and years of service requirements. Election to participate for eligible employees must be made at the date of retirement. Qualifying dependents at the date of retirement are also eligible for medical coverage. Current plan documents reserve our right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees. From time to time, we have made changes to the benefits provided to various groups of plan participants. Premiums charged to most retirees for medical coverage prior to

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age 65 are based on years of service and are adjusted annually for changes in the cost of the plans as determined by an independent actuary. In addition to this medical inflation cost-sharing feature, the plans also have provisions for deductibles, co-payments, coinsurance percentages, out-of-pocket limits, schedules of reasonable fees, preferred provider networks, coordination of benefits with other plans, and a Medicare carve-out.

In accordance with ASC 715, Compensation—Retirement Benefits topic, we recognized the funded status of our benefit obligation. This funded status is remeasured as of our annual remeasurement date. The funded status is measured as the difference between the fair value of the plan's assets and the PBO or accumulated postretirement benefit obligation of the plan. In order to recognize the funded status, we determined the fair value of the plan assets. The majority of our plan assets are publicly traded investments which were valued based on the market price as of the date of remeasurement. Investments that are not publicly traded were valued based on the estimated fair value of those investments as of the remeasurement date based on our evaluation of data from fund managers and comparable market data.

The Company periodically experiences events or makes changes to its benefit plans that result in curtailment or special charges. Curtailments are recognized when events occur that significantly reduce the expected years of future service of present employees or eliminates the benefits for a significant number of employees for some or all of their future service.

Curtailment losses are recognized when it is probable the curtailment will occur and the effects are reasonably estimable. Curtailment gains are recognized when the related employees are terminated or a plan amendment is adopted, whichever is applicable.

As required under ASC 715, the Company remeasures plan assets and obligations during an interim period whenever a significant event occurs that results in a material change in the net periodic pension cost. The determination of significance is based on judgment and consideration of events and circumstances impacting the pension costs. See Note 15 of "Notes to Consolidated Financial Statements" for a summary of the key events that affected on our net periodic benefit cost and obligations that occurred during the fiscal years ended March 31, 2014, 2013 and 2012. Pension income, excluding curtailments, settlements and special termination benefits (early retirement incentives) for the fiscal year ended March 31, 2014 was \$35.0 million compared with pension income of \$26.0 million for the fiscal year ended March 31, 2013 and \$14.0 million for the fiscal year ended March 31, 2012. For the fiscal year ending March 31, 2015, the Company expects to recognize pension income of approximately \$31.0 million. Excluding the effect of the net curtailments in fiscal 2013, the increase in expected pension income in fiscal year 2014 results principally from asset performance in fiscal year 2013 exceeding the expected long-term rate of return on plan assets.

Recently Issued Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update 2013-11 ("ASU") 2013-11, Presentation of Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 provides that a liability related to an unrecognized tax benefit would be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In that case, the liability associated with the unrecognized tax benefit is presented in the financial statements as a reduction to the related deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. The provisions of ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of the provisions of ASU 2013-11 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2013, The FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). ASU 2013-02 amended ASC 220 to require companies to report, in one place, information about reclassifications out of other comprehensive income (loss) to net income by their respective income statement line item. For items not reclassified to net income in their entirety, the Company is required to reference other disclosures that provide greater detail about these reclassifications. The Company adopted the guidance effective April 1, 2013. Other than the additional disclosures, the adoption of the guidance did not have an impact on the Company's financial statements.

In July 2012, The FASB issued authoritative guidance included in ASC Topic 350, Intangibles-Goodwill and Other. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired, as a basis for determining whether it is necessary to perform the quantitative impairment test described in FASB ASC Topic 350, Intangibles-Goodwill and Other. This guidance allows the Company to

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adopt the topic early to use it in its annual impairment testing for the fiscal year ending March 31, 2013. This guidance did not have a material impact on the Company's consolidated balance sheets, statements of income, or statements of cash flows.

### Forward-Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to our future operations and prospects, including statements that are based on current projections and expectations about the markets in which we operate, and management's beliefs concerning future performance and capital requirements based upon current available information. Such statements are based on management's beliefs as well as assumptions made by and information currently available to management. When used in this document, words like "may," "might," "will," "expect," "anticipate," "believe," "potential," and similar expressions are intended to identify forward-looking statements. Actual results could differ materially from management's current expectations. For example, there can be no assurance that additional capital will not be required or that additional capital, if required, will be available on reasonable terms, if at all, at such times and in such amounts as may be needed by us. In addition to these factors, among other factors that could cause actual results to differ materially, are uncertainties relating to the integration of acquired businesses, general economic conditions affecting our business segments, dependence of certain of our businesses on certain key customers, the risk that we will not realize all of the anticipated benefits from acquisitions as well as competitive factors relating to the aerospace industry. For a more detailed discussion of these and other factors affecting us, see the risk factors described in "Item 1A. Risk Factors."

### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

#### Commodity Price Risk

Some contracts with our suppliers for raw materials, component parts and other goods are short-term contracts, which are subject to termination on a relatively short-term basis. The prices of our raw materials and component parts fluctuate depending on market conditions, and substantial increases in prices could increase our operating costs, which, as a result of our fixed-price contracts, we may not be able to recoup through increases in the prices of our products. We generally do not employ forward contracts or other financial instruments to hedge commodity price risk, although we continue to review a full range of business options focused on strategic risk management for all material commodities.

Any failure by our suppliers to provide acceptable raw materials, components, kits or subassemblies could adversely affect our production schedules and contract profitability. We assess qualification of suppliers and continually monitor them to control risk associated with such supply base reliance.

To a lesser extent, we also are exposed to fluctuations in the prices of certain utilities and services, such as electricity, natural gas, chemicals and freight. We utilize a range of long-term agreements to minimize procurement expense and supply risk in these areas.

#### Foreign Exchange Risk

In addition, even when revenues and expenses are matched, we must translate foreign denominated results of operations, assets and liabilities for our foreign subsidiaries to U.S. dollars in our consolidated financial statements. Consequently, increases and decreases in the value of the U.S. dollar as compared to the respective foreign currencies will affect our reported results of operations and the value of our assets and liabilities on our consolidated balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in its original currency. These transactions could significantly affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and stockholders' equity.

We are subject to foreign currency exchange rate risk relating to receipts from customers and payments to suppliers in foreign currencies. We use foreign currency forward contracts to hedge the price risk associated with forecasted foreign denominated payments related to our ongoing business. Foreign currency forward contracts are sensitive to changes in foreign currency exchange rates. At March 31, 2014, a 10% change in the exchange rate in our portfolio of foreign currency contracts would not have material impact on our unrealized gains. Consistent with the use of these contracts to neutralize the effect of exchange rate fluctuations, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions being hedged. When

taken together, these forward currency contracts and the offsetting underlying commitments do not create material market risk.

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## Interest Rate Risk

Our primary exposure to market risk consists of changes in interest rates on borrowings. An increase in interest rates would adversely affect our operating results and the cash flow available after debt service to fund operations and expansion. In addition, an increase in interest rates would adversely affect our ability to pay dividends on our common stock, if permitted to do so under certain of our debt arrangements, including the Credit Facility. We manage exposure to interest rate fluctuations by optimizing the use of fixed and variable rate debt. As of March 31, 2014, approximately 53% of our debt was fixed-rate debt. Our financing policy states that we generally maintain between 50% and 75% of our debt as fixed-rate debt, however, a portion of our variable debt is fixed through an interest rate swap. The information below summarizes our market risks associated with debt obligations and should be read in conjunction with Note 10 of "Notes to Consolidated Financial Statements."

The following table presents principal cash flows and the related interest rates. Fixed interest rates disclosed represent the weighted-average rate as of March 31, 2014. Variable interest rates disclosed fluctuate with the LIBOR, federal funds rates and other weekly rates and represent the weighted-average rate at March 31, 2014.

## Expected Years of Maturity

|                                            | Next<br>12 Months | 13 - 24<br>Months | 25 - 36<br>Months | 37 - 48<br>Months | 49 - 60<br>Months | Thereafter | Total       |
|--------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------|-------------|
| Fixed-rate cash flows<br>(in thousands)    | \$44,829          | \$37,308          | \$34,072          | \$40,877          | \$646,260         | \$389,371  | \$1,192,717 |
| Weighted-average interest<br>rate (%)      | 5.34              | % 5.40            | % 5.46            | % 5.54            | % 5.38            | % 2.48     | %           |
| Variable-rate cash flows<br>(in thousands) | \$—               | \$—               | \$162,400         | \$194,406         | \$—               | \$2,178    | \$358,984   |
| Weighted-average interest<br>rate (%)      | 1.32              | % 1.32            | % 1.32            | % 1.73            | % 0.03            | % 2.50     | %           |

There are no other significant market risk exposures.

## Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Triumph Group, Inc.

We have audited the accompanying consolidated balance sheets of Triumph Group, Inc. as of March 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2014. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Triumph Group, Inc. at March 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Triumph Group, Inc.'s internal control over financial reporting as of March 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated May 17, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania  
May 17, 2014

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TRIUMPH GROUP, INC.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands, except per share data)

|                                                                                                                                                      | March 31,<br>2014 | 2013        |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------|
| <b>ASSETS</b>                                                                                                                                        |                   |             |
| Current assets:                                                                                                                                      |                   |             |
| Cash and cash equivalents                                                                                                                            | \$28,998          | \$32,037    |
| Trade and other receivables, less allowance for doubtful accounts of \$6,535 and \$5,372                                                             | 517,707           | 448,865     |
| Inventories, net of unliquidated progress payments of \$165,019 and \$124,128                                                                        | 1,111,767         | 985,535     |
| Rotable assets                                                                                                                                       | 41,666            | 34,853      |
| Deferred income taxes                                                                                                                                | 57,308            | 99,546      |
| Prepaid expenses and other                                                                                                                           | 24,897            | 24,481      |
| Assets held for sale                                                                                                                                 | —                 | 14,747      |
| Total current assets                                                                                                                                 | 1,782,343         | 1,640,064   |
| Property and equipment, net                                                                                                                          | 930,973           | 815,084     |
| Goodwill                                                                                                                                             | 1,791,831         | 1,721,720   |
| Intangible assets, net                                                                                                                               | 978,182           | 995,519     |
| Other, net                                                                                                                                           | 69,954            | 66,792      |
| Total assets                                                                                                                                         | \$5,553,283       | \$5,239,179 |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                          |                   |             |
| Current liabilities:                                                                                                                                 |                   |             |
| Current portion of long-term debt                                                                                                                    | \$49,575          | \$133,930   |
| Accounts payable                                                                                                                                     | 317,334           | 327,008     |
| Accrued expenses                                                                                                                                     | 273,290           | 283,687     |
| Liabilities related to assets held for sale                                                                                                          | —                 | 2,621       |
| Total current liabilities                                                                                                                            | 640,199           | 747,246     |
| Long-term debt, less current portion                                                                                                                 | 1,500,808         | 1,195,933   |
| Accrued pension and other postretirement benefits, noncurrent                                                                                        | 508,524           | 671,175     |
| Deferred income taxes, noncurrent                                                                                                                    | 385,085           | 310,794     |
| Other noncurrent liabilities                                                                                                                         | 234,756           | 268,873     |
| Stockholders' equity:                                                                                                                                |                   |             |
| Common stock, \$.001 par value, 100,000,000 shares authorized, 52,459,020 and 50,123,035 shares issued; 52,159,020 and 50,123,035 shares outstanding | 52                | 50          |
| Capital in excess of par value                                                                                                                       | 866,281           | 848,372     |
| Treasury stock, at cost, 300,000 and 0 shares                                                                                                        | (19,134 )         | —           |
| Accumulated other comprehensive loss                                                                                                                 | (18,908 )         | (60,972 )   |
| Retained earnings                                                                                                                                    | 1,455,620         | 1,257,708   |
| Total stockholders' equity                                                                                                                           | 2,283,911         | 2,045,158   |
| Total liabilities and stockholders' equity                                                                                                           | \$5,553,283       | \$5,239,179 |

See notes to consolidated financial statements.



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TRIUMPH GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except per share data)

|                                                                  | Year ended March 31, |             |             |
|------------------------------------------------------------------|----------------------|-------------|-------------|
|                                                                  | 2014                 | 2013        | 2012        |
| Net sales                                                        | \$3,763,254          | \$3,702,702 | \$3,407,929 |
| Operating costs and expenses:                                    |                      |             |             |
| Cost of sales (exclusive of depreciation shown separately below) | 2,911,802            | 2,763,488   | 2,564,995   |
| Selling, general and administrative                              | 254,715              | 241,349     | 242,553     |
| Depreciation and amortization                                    | 164,277              | 129,506     | 119,724     |
| Relocation costs                                                 | 31,290               | —           | —           |
| Integration expenses                                             | —                    | 2,665       | 6,342       |
| Curtailments, settlements and early retirement incentives        | 1,166                | 34,481      | (40,400 )   |
|                                                                  | 3,363,250            | 3,171,489   | 2,893,214   |
| Operating income                                                 | 400,004              | 531,213     | 514,715     |
| Interest expense and other                                       | 87,771               | 68,156      | 77,138      |
| Income from continuing operations before income taxes            | 312,233              | 463,057     | 437,577     |
| Income tax expense                                               | 105,977              | 165,710     | 155,955     |
| Income from continuing operations                                | 206,256              | 297,347     | 281,622     |
| Loss from discontinued operations, net                           | —                    | —           | (765 )      |
| Net income                                                       | \$206,256            | \$297,347   | \$280,857   |
| Earnings per share—basic:                                        |                      |             |             |
| Income from continuing operations                                | \$3.99               | \$5.99      | \$5.77      |
| Loss from discontinued operations, net                           | —                    | —           | (0.02 )     |
| Net income                                                       | \$3.99               | \$5.99      | \$5.75      |
| Weighted-average common shares outstanding—basic                 | 51,711               | 49,663      | 48,821      |
| Earnings per share—diluted:                                      |                      |             |             |
| Income from continuing operations                                | \$3.91               | \$5.67      | \$5.43      |
| Loss from discontinued operations, net                           | —                    | —           | (0.01 )     |
| Net income                                                       | \$3.91               | \$5.67      | \$5.41 *    |
| Weighted-average common shares outstanding—diluted               | 52,787               | 52,446      | 51,873      |

\* Difference due to rounding.

See notes to consolidated financial statements.

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TRIUMPH GROUP, INC.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)

|                                                                                                                                | Year ended March 31, |           |            |
|--------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------|------------|
|                                                                                                                                | 2014                 | 2013      | 2012       |
| Net income                                                                                                                     | \$206,256            | \$297,347 | \$280,857  |
| Other comprehensive (loss) income:                                                                                             |                      |           |            |
| Foreign currency translation adjustment                                                                                        | (3,315 )             | (1,832 )  | (2,852 )   |
| Defined benefit pension plans and other postretirement benefits:                                                               |                      |           |            |
| Amounts arising during the period - gains (losses), net of tax (expense) benefit:                                              |                      |           |            |
| Prior service credit, net of taxes \$21, \$0 and (\$2,715), respectively                                                       | (37 )                | —         | 4,430      |
| Actuarial gain (loss), net of taxes (\$27,546), \$27,375, and \$58,737, respectively                                           | 45,995               | (45,976 ) | (95,832 )  |
| Reclassification from net income - (gains) losses, net of tax expense (benefit):                                               |                      |           |            |
| Amortization of net loss, net of taxes of (\$5,647), (\$119), and (\$41), respectively                                         | 9,402                | 199       | 67         |
| Recognized prior service credits, net of taxes of \$6,814, \$2,453 and \$22,036, respectively                                  | (11,346 )            | (4,056 )  | (35,954 )  |
| Total defined benefit pension plans and other postretirement benefits, net of taxes                                            | 44,014               | (49,833 ) | (127,289 ) |
| Cash flow hedges:                                                                                                              |                      |           |            |
| Unrealized gain arising during period, net of tax (expense) benefit of (\$884), (\$25) and \$0, respectively                   | 1,384                | 41        | —          |
| Reclassification of (gain) loss included in net earnings, net of tax expense (benefit) of \$11, \$26 and (\$222), respectively | (19 )                | (42 )     | 364        |
| Net unrealized gain (loss) on cash flow hedges, net of tax                                                                     | 1,365                | (1 )      | 364        |
| Total other comprehensive (loss) income                                                                                        | 42,064               | (51,666 ) | (129,777 ) |
| Total comprehensive income                                                                                                     | \$248,320            | \$245,681 | \$151,080  |

See notes to consolidated financial statements.

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TRIUMPH GROUP, INC.  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
(Dollars in thousands)

|                                                                                                   | Outstanding<br>Shares | Common<br>Stock<br>All<br>Classes | Capital in<br>Excess of<br>Par Value | Treasury<br>Stock | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income | Retained<br>Earnings | Total       |
|---------------------------------------------------------------------------------------------------|-----------------------|-----------------------------------|--------------------------------------|-------------------|--------------------------------------------------------|----------------------|-------------|
| Balance at March 31,<br>2011                                                                      | 48,513,422            | \$49                              | \$819,197                            | \$(5,085)         | \$120,471                                              | \$697,585            | \$1,632,217 |
| Net income                                                                                        | —                     | —                                 | —                                    | —                 | —                                                      | 280,857              | 280,857     |
| Foreign currency<br>translation adjustment                                                        | —                     | —                                 | —                                    | —                 | (2,852)                                                | —                    | (2,852)     |
| Pension liability<br>adjustment, net of<br>income taxes of \$77,523                               | —                     | —                                 | —                                    | —                 | (127,289)                                              | —                    | (127,289)   |
| Change in fair value of<br>foreign currency hedges,<br>net of income taxes of<br>\$222            | —                     | —                                 | —                                    | —                 | 364                                                    | —                    | 364         |
| Issuance of stock upon<br>conversion of<br>convertible notes                                      | 772,438               | —                                 | 5,524                                | —                 | —                                                      | —                    | 5,524       |
| Reclassification<br>adjustment to temporary<br>equity for exercisable<br>put on convertible notes | —                     | —                                 | 2,506                                | —                 | —                                                      | —                    | 2,506       |
| Exercise of stock options                                                                         | 136,254               | —                                 | —                                    | 3,978             | —                                                      | (1,137)              | 2,841       |
| Cash dividends (\$0.14<br>per share)                                                              | —                     | —                                 | —                                    | —                 | —                                                      | (6,899)              | (6,899)     |
| Share-based<br>compensation                                                                       | 123,890               | 1                                 | 4,828                                | —                 | —                                                      | —                    | 4,829       |
| Repurchase of restricted<br>shares for minimum tax<br>obligation                                  | (14,264)              | —                                 | —                                    | (609)             | —                                                      | —                    | (609)       |
| Excess tax benefit from<br>exercise of stock options                                              | —                     | —                                 | 1,880                                | —                 | —                                                      | —                    | 1,880       |
| Balance at March 31,<br>2012                                                                      | 49,531,740            | 50                                | 833,935                              | (1,716)           | (9,306)                                                | 970,406              | 1,793,369   |
| Net income                                                                                        | —                     | —                                 | —                                    | —                 | —                                                      | 297,347              | 297,347     |
| Foreign currency<br>translation adjustment                                                        | —                     | —                                 | —                                    | —                 | (1,832)                                                | —                    | (1,832)     |
| Pension liability<br>adjustment, net of<br>income taxes of<br>(\$29,710)                          | —                     | —                                 | —                                    | —                 | (49,833)                                               | —                    | (49,833)    |
| Change in fair value of<br>foreign currency hedges,<br>net of income taxes of \$1                 | —                     | —                                 | —                                    | —                 | (1)                                                    | —                    | (1)         |

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|                                                                              |            |      |           |            |            |             |             |
|------------------------------------------------------------------------------|------------|------|-----------|------------|------------|-------------|-------------|
| Issuance of stock upon conversion of convertible notes                       | 395,269    | —    | 2,597     | —          | —          | —           | 2,597       |
| Exercise of stock options                                                    | 128,356    | —    | 622       | 3,556      | —          | (2,040)     | 2,138       |
| Cash dividends (\$0.16 per share)                                            | —          | —    | —         | —          | —          | (8,005)     | (8,005)     |
| Share-based compensation                                                     | 97,947     | —    | 6,590     | —          | —          | —           | 6,590       |
| Repurchase of restricted shares for minimum tax obligation                   | (30,277)   | —    | —         | (1,840)    | —          | —           | (1,840)     |
| Excess tax benefit from exercise of stock options                            | —          | —    | 4,628     | —          | —          | —           | 4,628       |
| Balance at March 31, 2013                                                    | 50,123,035 | 50   | 848,372   | —          | (60,972)   | 1,257,708   | 2,045,158   |
| Net income                                                                   | —          | —    | —         | —          | —          | 206,256     | 206,256     |
| Foreign currency translation adjustment                                      | —          | —    | —         | —          | (3,315)    | —           | (3,315)     |
| Pension liability adjustment, net of income taxes of \$26,358                | —          | —    | —         | —          | 44,014     | —           | 44,014      |
| Change in fair value of interest rate swap, net of taxes, (\$945)            | —          | —    | —         | —          | 1,481      | —           | 1,481       |
| Change in fair value of foreign currency hedges, net of income taxes of \$72 | —          | —    | —         | —          | (116)      | —           | (116)       |
| Issuance of stock upon conversion of convertible notes                       | 2,290,755  | 2    | 14,000    | —          | —          | —           | 14,002      |
| Purchase of 300,000 shares of common stock                                   | (300,000)  | —    | —         | (19,134)   | —          | —           | (19,134)    |
| Exercise of stock options                                                    | 18,170     | —    | 290       | —          | —          | —           | 290         |
| Cash dividends (\$0.16 per share)                                            | —          | —    | —         | —          | —          | (8,344)     | (8,344)     |
| Share-based compensation                                                     | 61,413     | —    | 6,306     | —          | —          | —           | 6,306       |
| Repurchase of restricted shares for minimum tax obligation                   | (34,353)   | —    | (2,726)   | —          | —          | —           | (2,726)     |
| Excess tax benefit from exercise of stock options                            | —          | —    | 39        | —          | —          | —           | 39          |
| Balance at March 31, 2014                                                    | 52,159,020 | \$52 | \$866,281 | \$(19,134) | \$(18,908) | \$1,455,620 | \$2,283,911 |

See notes to consolidated financial statements.

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TRIUMPH GROUP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)

|                                                                                                                             | Year ended March 31, |            |            |
|-----------------------------------------------------------------------------------------------------------------------------|----------------------|------------|------------|
|                                                                                                                             | 2014                 | 2013       | 2012       |
| Operating Activities                                                                                                        |                      |            |            |
| Net income                                                                                                                  | \$206,256            | \$297,347  | \$280,857  |
| Adjustments to reconcile net income to net cash provided by operating activities:                                           |                      |            |            |
| Depreciation and amortization                                                                                               | 164,277              | 129,506    | 119,724    |
| Amortization of acquired contract liability                                                                                 | (42,629 )            | (25,644 )  | (26,684 )  |
| Curtailments, settlements and early retirement incentives                                                                   | 1,166                | 34,481     | (40,400 )  |
| Accretion of debt discount                                                                                                  | 1,946                | 548        | 4,529      |
| Other amortization included in interest expense                                                                             | 6,702                | 3,638      | 9,601      |
| Provision for doubtful accounts receivable                                                                                  | 2,191                | 1,974      | 1,282      |
| Provision for deferred income taxes                                                                                         | 102,869              | 186,767    | 153,453    |
| Employee stock compensation                                                                                                 | 4,653                | 6,367      | 4,988      |
| Changes in other current assets and liabilities, excluding the effects of acquisitions:                                     |                      |            |            |
| Accounts receivable                                                                                                         | (46,378 )            | 24,718     | (82,062 )  |
| Inventories                                                                                                                 | (94,341 )            | (140,025 ) | (47,487 )  |
| Rotable assets                                                                                                              | (6,813 )             | 1,683      | (8,206 )   |
| Prepaid expenses and other current assets                                                                                   | (406 )               | 752        | (4,821 )   |
| Accounts payable, accrued expenses and income taxes payable                                                                 | (60,209 )            | (57,861 )  | 17,604     |
| Accrued pension and other postretirement benefits                                                                           | (100,929 )           | (142,975 ) | (157,111 ) |
| Changes in discontinued operations                                                                                          | —                    | —          | 241        |
| Other                                                                                                                       | (3,218 )             | (358 )     | 2,273      |
| Net cash provided by operating activities                                                                                   | 135,137              | 320,918    | 227,781    |
| Investing Activities                                                                                                        |                      |            |            |
| Capital expenditures                                                                                                        | (206,414 )           | (126,890 ) | (93,969 )  |
| Reimbursements of capital expenditures from insurance and other                                                             | 9,086                | 5,156      | 3,437      |
| Proceeds from sale of assets                                                                                                | 45,047               | 3,993      | 8,758      |
| Acquisitions, net of cash acquired                                                                                          | (94,456 )            | (349,632 ) | 11,951     |
| Net cash used in investing activities                                                                                       | (246,737 )           | (467,373 ) | (69,823 )  |
| Financing Activities                                                                                                        |                      |            |            |
| Net increase (decrease) in revolving credit facility                                                                        | 98,557               | (224,151 ) | 235,000    |
| Proceeds from issuance of long-term debt                                                                                    | 451,003              | 528,135    | 92,253     |
| Retirement of debt and capital lease obligations                                                                            | (416,645 )           | (142,338 ) | (484,538 ) |
| Payment of deferred financing costs                                                                                         | (3,297 )             | (8,838 )   | (3,999 )   |
| Purchase of common stock                                                                                                    | (19,134 )            | —          | —          |
| Dividends paid                                                                                                              | (8,344 )             | (8,005 )   | (6,899 )   |
| Net proceeds (repayment) of government grant                                                                                | 3,456                | (1,090 )   | (2,180 )   |
| Repurchase of restricted shares for minimum tax obligations                                                                 | (2,726 )             | (1,840 )   | (609 )     |
| Proceeds from exercise of stock options, including excess tax benefit of \$39, \$4,628, and \$1,880 in 2014, 2013, and 2012 | 329                  | 6,766      | 4,721      |
| Net cash provided by (used in) financing activities                                                                         | 103,199              | 148,639    | (166,251 ) |
| Effect of exchange rate changes on cash                                                                                     | 5,362                | 191        | (1,373 )   |
| Net change in cash and cash equivalents                                                                                     | (3,039 )             | 2,375      | (9,666 )   |
| Cash and cash equivalents at beginning of year                                                                              | 32,037               | 29,662     | 39,328     |
| Cash and cash equivalents at end of year                                                                                    | \$28,998             | \$32,037   | \$29,662   |

See notes to consolidated financial statements.

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

1. BACKGROUND AND BASIS OF PRESENTATION

Triumph Group, Inc. ("Triumph" or the "Company") is a Delaware corporation which, through its operating subsidiaries, designs, engineers, manufactures and sells products for the global aerospace original equipment manufacturers ("OEMs") of aircraft and aircraft components and repairs and overhauls aircraft components and accessories for commercial airline, air cargo carrier and military customers on a worldwide basis. Triumph and its subsidiaries (collectively, the "Company") is organized based on the products and services that it provides. Under this organizational structure, the Company has three reportable segments: the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group.

The Aerostructures segment consists of the Company's operations that manufacture products primarily for the aerospace OEM market. The Aerostructures segment's revenues are derived from the design, manufacture, assembly and integration of metallic and composite aerostructures and structural components, including aircraft wings, fuselage sections, tail assemblies, engine nacelles, flight control surfaces, and helicopter cabins. Further, the segment's operations also design and manufacture composite assemblies for floor panels and environmental control system ducts. These products are sold to various aerospace OEMs on a global basis.

The Aerospace Systems segment consists of the Company's operations that also manufacture products primarily for the aerospace OEM market. The segment's operations design and engineer mechanical and electromechanical controls, such as hydraulic systems, main engine gearbox assemblies, engine control systems, accumulators, mechanical control cables and non-structural cockpit components. These products are sold to various aerospace OEMs on a global basis.

The Aftermarket Services segment consists of the Company's operations that provide maintenance, repair and overhaul services to both commercial and military markets on components and accessories manufactured by third parties. Maintenance, repair and overhaul revenues are derived from services on auxiliary power units, airframe and engine accessories, including constant-speed drives, cabin compressors, starters and generators, and pneumatic drive units. In addition, the segment's operations repair and overhaul thrust reversers, nacelle components and flight control surfaces. The segment's operations also perform repair and overhaul services and supply spare parts for various types of cockpit instruments and gauges for a broad range of commercial airlines on a worldwide basis.

Repair services generally involve the replacement of parts and/or the remanufacture of parts, which is similar to the original manufacture of the part. The processes that the Company performs related to repair and overhaul services are essentially the repair of wear parts or replacement of parts that are beyond economic repair. The repair service generally involves remanufacturing a complete part or a component of a part.

The accompanying consolidated financial statements include the accounts of Triumph and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated from the consolidated financial statements. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications have been made to prior-year amounts in order to conform to the current-year presentation related to the completion of the measurement period adjustments for the acquisition of GPECS (Note 3).

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase.

Fair value of cash equivalents approximates carrying value.

## Trade and Other Receivables, net

Trade and other receivables are recorded net of an allowance for doubtful accounts. Trade and other receivables include amounts billed and currently due from customers, amounts currently due but unbilled, certain estimated contract changes and amounts retained by the customer pending contract completion. Unbilled amounts are generally billed and collected within one year. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company records the allowance for doubtful accounts based on prior experience and for specific collectibility matters when they arise. The Company writes off balances against the reserve when collectibility is deemed remote. The Company's trade and other receivables are exposed to credit risk; however, the risk is limited due to the diversity of the customer base.

Trade and other receivables, net comprised of the following:

|                                        | March 31, |           |
|----------------------------------------|-----------|-----------|
|                                        | 2014      | 2013      |
| Billed                                 | \$487,747 | \$435,319 |
| Unbilled                               | 12,333    | 12,120    |
| Total trade receivables                | 500,080   | 447,439   |
| Other receivables                      | 24,162    | 6,798     |
| Total trade and other receivables      | 524,242   | 454,237   |
| Less: Allowance for doubtful accounts  | (6,535    | ) (5,372  |
| Total trade and other receivables, net | \$517,707 | \$448,865 |

## Inventories

The Company records inventories at the lower of cost (average-cost or specific-identification methods) or market.

Costs on long-term contracts and programs in progress represent recoverable costs incurred for production or contract-specific facilities and equipment, allocable operating overhead and advances to suppliers. Pursuant to contract provisions, agencies of the U.S. Government and certain other customers have title to, or a security interest in, inventories related to such contracts as a result of advances, performance-based payments, and progress payments. The Company reflects those advances and payments as an offset against the related inventory balances. The Company expenses general and administrative costs related to products and services provided essentially under commercial terms and conditions as incurred. The Company determines the costs of inventories by the first-in, first-out or average cost methods.

Work-in-process inventory includes capitalized pre-production costs. Company policy allows for the capitalization of pre-production costs after it establishes a contractual arrangement with a customer that explicitly states that the cost of recovery of pre-production costs is allowed.

Capitalized pre-production costs include nonrecurring engineering, planning and design, including applicable overhead, incurred before production is manufactured on a regular basis. Significant customer-directed work changes can also cause pre-production costs to be incurred. These costs are generally recovered over a contractually determined number of ship set deliveries and the Company believes these amounts will be fully recovered (see Note 5 for further discussion).

## Advance Payments and Progress Payments

Advance payments and progress payments received on contracts-in-process are first offset against related contract costs that are included in inventory, with any excess amount reflected in current liabilities under the Accrued expenses caption within the accompanying Consolidated Balance Sheets.





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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

Property and Equipment

Property and equipment, which includes equipment under capital lease and leasehold improvements, are recorded at cost and depreciated over the estimated useful lives of the related assets, or the lease term if shorter in the case of leasehold improvements, by the straight-line method. Buildings and improvements are depreciated over a period of 15 to 39.5 years, and machinery and equipment are depreciated over a period of 7 to 15 years (except for furniture, fixtures and computer equipment which are depreciated over a period of 3 to 10 years).

Goodwill and Intangible Assets

The Company accounts for purchased goodwill and intangible assets in accordance with Accounting Standards Codification ("ASC") 350, Intangibles—Goodwill and Other. Under ASC 350, purchased goodwill and intangible assets with indefinite lives are not amortized; rather, they are tested for impairment on at least an annual basis. Intangible assets with finite lives are amortized over their useful lives. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include but are not limited to: future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining the fair values.

The Company's operating segments of Aerostructures, Aerospace Systems and Aftermarket Services are also its reporting units. The Chief Executive Officer and the Chief Financial Officer comprise the Company's Chief Operating Decision Maker ("CODM"). The Company's CODM evaluates performance and allocates resources based upon review of segment information. Each of the operating segments is comprised of a number of operating units which are considered to be components. The components, for which discrete financial information exists, are aggregated for purposes of goodwill impairment testing. The Company's acquisition strategy is to acquire companies that complement and enhance the capabilities of the operating segments of the Company. Each acquisition is assigned to either the Aerostructures reporting unit, the Aerospace Systems reporting unit or the Aftermarket Services reporting unit. The goodwill that results from each acquisition is also assigned to the reporting unit to which the acquisition is allocated, because it is that reporting unit which is intended to benefit from the synergies of the acquisition.

The Company assesses whether goodwill impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed using a two-step approach required by ASC 350 to determine whether a goodwill impairment exists at the reporting unit.

The first step of the quantitative test is to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further work is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step is required to be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being applied to goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill. The determination of the fair value of our reporting units is based, among other things, on estimates of future operating performance of the reporting unit being valued. We are required to complete an impairment test for goodwill and record any resulting impairment losses at least annually. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments.

When performing the two-step quantitative impairment test, the Company's methodology includes the use of an income approach which discounts future net cash flows to their present value at a rate that reflects the Company's cost of capital, otherwise known as the discounted cash flow method ("DCF"). These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued

market acceptance of the products and services offered by the businesses, the development of new products and services by the businesses and the underlying cost of development, the future cost structure of the businesses, and future technological changes. The Company also incorporates market multiples for comparable companies in determining the fair value of our reporting units. Any such impairment would be recognized in full in the reporting period in which it has been identified.

We incurred no impairment of goodwill as a result of our annual goodwill impairment tests in fiscal years 2014, 2013 or 2012. In the fourth quarter of fiscal 2014, the Company chose to perform the quantitative assessment, in lieu of the qualitative assessment for each of the Company's three reporting units, which indicated that the fair value of the reporting unit exceeded its carrying amount, including goodwill.

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

As of March 31, 2014 and 2013, the Company had a \$438,400 indefinite-lived intangible asset associated with the tradenames acquired in the acquisitions of Vought Aircraft Industries, Inc. ("Vought") and Embee Inc. ("Embee"). The Company assesses whether indefinite-lived intangible assets impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on this qualitative assessment, the Company determines it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed to determine whether an indefinite-lived intangible asset impairment exists. We test the indefinite-lived intangible assets for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess of the carrying value over the amount of fair value is recognized as an impairment.

We incurred no impairment of indefinite-lived intangible assets as a result of our annual indefinite-lived intangible assets impairment tests in fiscal years 2014, 2013 or 2012. In the fourth quarter of fiscal 2014, the Company chose to perform the quantitative assessment, in lieu of the qualitative assessment, for each of the Company's indefinite-lived intangible assets, which indicated that the fair value of the indefinite-lived intangible assets exceeded its carrying amount.

Finite-lived intangible assets are amortized over their useful lives ranging from 5 to 32 years. The Company continually evaluates whether events or circumstances have occurred that would indicate that the remaining estimated useful lives of long-lived assets, including intangible assets, may warrant revision or that the remaining balance may not be recoverable. Intangible assets are evaluated for indicators of impairment. When factors indicate that long-lived assets, including intangible assets, should be evaluated for possible impairment, an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets, including intangible assets, is used to measure recoverability. Some of the more important factors management considers include the Company's financial performance relative to expected and historical performance, significant changes in the way the Company manages its operations, negative events that have occurred, and negative industry and economic trends. If the carrying amount is less than the estimated fair value, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset group, generally determined based on the present value of expected future cash flows associated with the use of the asset.

During the fiscal year ended March 31, 2012, a \$2,870 fair value adjustment was recorded due to the reduction of the fair value of a contingent earnout liability associated with a prior acquisition due to changes in the projected earnings over the respective earnout periods. The Company also considered these changes in projected earnings to be an indicator of impairment of the long-lived assets directly related to this acquisition and, as a result, tested these long-lived assets for recoverability and concluded that the asset group was recoverable. For the fiscal years ended March 31, 2014, 2013 and 2012, exclusive of the charges recorded in connection with the assets held for sale, there were no reductions to the remaining useful lives and no write-downs of long-lived assets, including intangible assets, were required.

**Deferred Financing Costs**

Financing costs are deferred and amortized to Interest expense and other in the accompanying Consolidated Statements of Income over the related financing period using the effective interest method or the straight-line method when it does not differ materially from the effective interest method. Deferred financing costs, net of accumulated amortization of \$19,499 and \$22,906, respectively, are recorded in Other, net in the accompanying Consolidated Balance Sheets as of March 31, 2014 and 2013. Make-whole payments in connection with early debt retirements are classified as cash flows used in financing activities.

**Acquired Contract Liabilities, net**

In connection with the acquisition of Vought, the Company assumed existing long-term contracts. Based on a review of these contracts, the Company concluded that the terms of certain contracts were either more or less favorable than

could be realized in market transactions as of the date of the acquisition. As a result, the Company recognized acquired contract liabilities, net of acquired contract assets of \$124,548 at the acquisition date of Vought based on the present value of the difference between the contractual cash flows of the executory contracts and the estimated cash flows had the contracts been executed at the acquisition date. The liabilities principally relate to long-term life of program contracts that were initially executed by Vought over 15 years ago, as well as loss contracts for which Vought had recognized significant pre-acquisition contract loss reserves.

In connection with the acquisition of GPECS, the Company assumed existing long-term contracts. Based on a review of these contracts, the Company concluded that the terms of certain contracts were either more or less favorable than could be realized in market transactions as of the date of the acquisition. As a result, the Company recognized acquired contract liabilities, net of acquired contract assets of \$113,117 at the acquisition date of GPECS based on the present value of the

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

difference between the contractual cash flows of the executory contracts and the estimated cash flows had the contracts been executed at the acquisition date. The liabilities principally relate to long-term life of program contracts that were initially executed by GPECS 5 to 8 years ago.

In connection with the acquisition of Primus Composites ("Primus"), the Company assumed existing long-term contracts. Based on a review of the long-term contracts of Primus, the Company concluded that the terms of certain contracts to be either more or less favorable than could be realized in market transactions as of the date of the acquisition. As a result, the Company recognized provisional acquired contract liabilities, net of acquired contract assets of \$26,280 at the acquisition date based on the present value of the difference between the contractual cash flows of the executory contracts and the estimated cash flows had the contracts been executed at the acquisition date. The net liabilities principally relate to long-term life of program contracts were initially executed by Primus 5 to 8 years ago.

The Company measured these net liabilities under the measurement provisions of ASC 820, Fair Value Measurements and Disclosures, which is based on the price to transfer the obligation to a market participant at the measurement date, assuming that the net liabilities will remain outstanding in the marketplace. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each long-term contracts can materially impact our results of operations.

The acquired contract liabilities, net for Vought, GPECS and Primus are being amortized as non-cash revenues over the terms of the respective contracts. The Company recognized net amortization of contract liabilities of \$42,629, \$25,457 and \$26,684 in the fiscal years ended March 31, 2014, 2013 and 2012, respectively, and such amounts have been included in revenues in results of operations. The balance of the liability as of March 31, 2014 is \$141,505 and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows: 2015—\$30,775; 2016—\$26,914; 2017—\$21,596; 2018—\$16,772; and 2019—\$17,055.

**Revenue Recognition**

Revenues are generally recognized in accordance with the contract terms when products are shipped, delivery has occurred or services have been rendered, pricing is fixed or determinable, and collection is reasonably assured. The Company's policy with respect to sales returns and allowances generally provides that the customer may not return products or be given allowances, except at the Company's option. Accruals for sales returns, other allowances and estimated warranty costs are provided at the time of shipment based upon past experience.

A significant portion of the Company's contracts are within the scope of ASC 605-35, Revenue—Construction-Type and Production-Type Contracts, and revenue and costs on contracts are recognized using the percentage-of-completion method of accounting. Accounting for the revenue and profit on a contract requires estimates of (1) the contract value or total contract revenue, (2) the total costs at completion, which is equal to the sum of the actual incurred costs to date on the contract and the estimated costs to complete the contract's scope of work and (3) the measurement of progress towards completion. Depending on the contract, the Company measures progress toward completion using either the cost-to-cost method or the units-of-delivery method, with the great majority measured under the units-of-delivery method.

Under the cost-to-cost method, progress toward completion is measured as the ratio of total costs incurred to estimated total costs at completion. Costs are recognized as incurred. Profit is determined based on estimated profit margin on the contract multiplied by progress toward completion. Revenue represents the sum of costs and profit on the contract for the period.

Under the units-of-delivery method, revenue on a contract is recorded as the units are delivered and accepted during the period at an amount equal to the contractual selling price of those units. The costs recorded on a contract under the units-of-delivery method are equal to the total costs at completion divided by the total units to be delivered. As contracts can span multiple years, the Company often segments the contracts into production lots for the purposes of accumulating and allocating cost. Profit is recognized as the difference between revenue for the units delivered and

the estimated costs for the units delivered.

Adjustments to original estimates for a contract's revenues, estimated costs at completion and estimated total profit are often required as work progresses under a contract, as experience is gained and as more information is obtained, even though the scope of work required under the contract may not change, or if contract modifications occur. These estimates are also sensitive to the assumed rate of production. Generally, the longer it takes to complete the contract quantity, the more relative overhead that contract will absorb. The impact of revisions in cost estimates is recognized on a cumulative catch-up basis in the period in which the revisions are made. Provisions for anticipated losses on contracts are recorded in the period in which they become probable ("forward losses") and are first offset against costs that are included in inventory, with any remaining amount

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

reflected in accrued contract liabilities in accordance with ASC 605-35. Revisions in contract estimates, if significant, can materially affect results of operations and cash flows, as well as valuation of inventory. Furthermore, certain contracts are combined or segmented for revenue recognition in accordance with ASC 605-35.

For the fiscal year ended March 31, 2014, cumulative catch-up adjustments resulting from changes in contract values and estimated costs that arose during the fiscal year decreased operating income, net income and earnings per share by approximately \$(53,166), \$(35,121) and \$(0.67), respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2014 included gross favorable adjustments of approximately \$14,341 and gross unfavorable adjustments of approximately \$(67,507). For the fiscal year ended March 31, 2013, cumulative catch-up adjustments resulting from changes in estimates decreased operating income, net income and earnings per share by approximately \$(14,560), \$(9,350) and \$(0.18), respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2013 included gross favorable adjustments of approximately \$15,913 and gross unfavorable adjustments of approximately \$(30,473). For the fiscal year ended March 31, 2012, cumulative catch-up adjustments resulting from changes in estimates increased operating income, net income and earnings per share by approximately \$18,264 \$11,755 and \$0.23, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2012 included gross favorable adjustments of approximately \$29,549 and gross unfavorable adjustments of approximately \$(11,285).

Amounts representing contract change orders or claims are only included in revenue when such change orders or claims have been settled with the customer and to the extent that units have been delivered. Additionally, some contracts may contain provisions for revenue sharing, price re-determination, requests for equitable adjustments, change orders or cost and/or performance incentives. Such amounts or incentives are included in contract value when the amounts can be reliably estimated and their realization is reasonably assured.

Although fixed-price contracts, which extend several years into the future, generally permit the Company to keep unexpected profits if costs are less than projected, the Company also bears the risk that increased or unexpected costs may reduce profit or cause the Company to sustain losses on the contract. In a fixed-price contract, the Company must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs the Company will incur in performing these contracts and in projecting the ultimate level of revenue that may otherwise be achieved.

Failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the profitability of a fixed-price contract or cause a loss. The Company believes that it has recognized adequate provisions in the financial statements for losses on fixed-price contracts, but cannot be certain that the contract loss provisions will be adequate to cover all actual future losses.

While the Company is currently projecting its recurring production contracts to be profitable, there is still a substantial amount of risk similar to what the Company has experienced on certain programs. Particularly, the Company's ability to manage risks related to supplier performance, execution of cost reduction strategies, hiring and retaining skilled production and management personnel, quality and manufacturing execution, program schedule delays and many other risks, will determine the ultimate performance of these programs.

For example, significant cost growth experienced on the 747-8 program during fiscal 2014 resulted in lower than expected margins during the year, but the current year deliveries were still profitable. We have assessed the profitability of future production related to the 747-8 program and currently project that the program will continue to be profitable. However, if significant cost growth is experienced and cost reduction strategies are not successfully implemented, profit margin on the 747-8 program could continue to deteriorate or a loss might be incurred on future recurring production blocks.

Included in net sales of the Aerostructures and Aerospace Systems group is the non-cash amortization of acquired contract liabilities recognized as fair value adjustments through purchase accounting of various acquisitions. For the fiscal years ended March 31, 2014, 2013 and 2012, the Company recognized \$42,629, \$25,457 and \$26,684, respectively, in net sales in the accompanying Consolidated Statements of Income.



The Aftermarket Services Group provides repair and overhaul services, certain of which services are provided under long-term power-by-the-hour contracts, comprising approximately 5% of the segment's net sales. The Company applies the proportional performance method to recognize revenue under these contracts. Revenue is recognized over the contract period as units are delivered based on the relative value in proportion to the total estimated contract consideration. In estimating the total contract consideration, management evaluates the projected utilization of its customer's fleet over the term of the contract, in connection with the related estimated repair and overhaul servicing requirements to the fleet based on such utilization. Changes in utilization of the fleet by customers, among other factors, may have an impact on these estimates and require adjustments to estimates of revenue to be realized.

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

Shipping and Handling Costs

The cost of shipping and handling products is included in cost of products sold.

Research and Development Expense

Research and development expense (which includes certain amounts subject to reimbursement from customers) was approximately \$61,657, \$61,270 and \$50,116 for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

Retirement Benefits

Defined benefit pension plans are recognized in the consolidated financial statements on an actuarial basis. A significant element in determining the Company's pension income (expense) is the expected long-term rate of return on plan assets. This expected return is an assumption as to the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the projected pension benefit obligation. The Company applies this assumed long-term rate of return to a calculated value of plan assets, which recognizes changes in the fair value of plan assets in a systematic manner over five years. This produces the expected return on plan assets that is included in pension income (expense). The difference between this expected return and the actual return on plan assets is deferred. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension income (expense).

The Company periodically experiences events or makes changes to its benefit plans that result in curtailment or special charges. Curtailments are recognized when events occur that significantly reduce the expected years of future service of present employees or eliminates the benefits for a significant number of employees for some or all of their future service.

Curtailment losses are recognized when it is probable the curtailment will occur and the effects are reasonably estimable. Curtailment gains are recognized when the related employees are terminated or a plan amendment is adopted, whichever is applicable.

As required under ASC 715, Compensation - Retirement Benefits, the Company remeasures plan assets and obligations during an interim period whenever a significant event occurs that results in a material change in the net periodic pension cost. The determination of significance is based on judgment and consideration of events and circumstances impacting the pension costs.

At March 31 of each year, the Company determines the fair value of its pension plan assets as well as the discount rate to be used to calculate the present value of plan liabilities. The discount rate is an estimate of the interest rate at which the pension benefits could be effectively settled. In estimating the discount rate, the Company looks to rates of return on high-quality, fixed-income investments currently available and expected to be available during the period to maturity of the pension benefits. The Company uses a portfolio of fixed-income securities, which receive at least the second-highest rating given by a recognized ratings agency.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and also considers assumptions that market participants would use when pricing an asset or liability. The fair value hierarchy has three levels of inputs that may be used to measure fair value: Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and Level 3—Unobservable inputs for the asset or liability. The Company has applied fair value measurements to its interest rate swap (see Note 10) and to its pension and postretirement plan assets (see Note 15).

Foreign Currency Translation

The determination of the functional currency for the Company's foreign subsidiaries is made based on appropriate economic factors. The functional currency of the Company's subsidiaries Triumph Aviation Services—Asia and Triumph Structures—Thailand is the U.S. dollar since that is the currency in which that entity primarily generates and expends cash. The functional currency of the Company's remaining subsidiaries is the local currency, since that is the currency in which those entities primarily generate and expend cash. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average monthly rates of exchange. The resultant translation

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adjustments are included in accumulated other comprehensive income (see Note 13). Gains and losses arising from foreign currency transactions of these subsidiaries are included in net income.

**Income Taxes**

The Company accounts for income taxes using the asset and liability method. The asset and liability method requires recognition of deferred tax assets and liabilities for expected future tax consequences of temporary differences that currently exist between tax bases and financial reporting bases of the Company's assets and liabilities. A valuation allowance is provided on deferred taxes if it is determined that it is more likely than not that the asset will not be realized. The Company recognizes penalties and interest accrued related to income tax liabilities in the provision for income taxes in its consolidated statements of income.

Significant management judgment is required to determine the amount of benefit to be recognized in relation to an uncertain tax position. The Company uses a two-step process to evaluate tax positions. The first step requires an entity to determine whether it is more likely than not (greater than 50% chance) that the tax position will be sustained. The second step requires an entity to recognize in the financial statements the benefit of a tax position that meets the more-likely-than-not recognition criterion. The amounts ultimately paid upon resolution of issues raised by taxing authorities may differ materially from the amounts accrued and may materially impact the financial statements of the Company in future periods.

**Recently Issued Accounting Pronouncements**

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2013-11 ("ASU") 2013-11, Presentation of Unrecognized Tax Benefit when a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists ("ASU 2013-11"). ASU 2013-11 provides that a liability related to an unrecognized tax benefit would be offset against a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In that case, the liability associated with the unrecognized tax benefit is presented in the financial statements as a reduction to the related deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. The provisions of ASU 2013-11 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of the provisions of ASU 2013-11 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2013, The FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). ASU 2013-02 amended ASC 220 to require companies to report, in one place, information about reclassifications out of other comprehensive income (loss) to net income by their respective income statement line item. For items not reclassified to net income in their entirety, the Company is required to reference other disclosures that provide greater detail about these reclassifications. The Company adopted the guidance effective April 1, 2013. Other than the additional disclosures, the adoption of the guidance did not have an impact on the Company's financial statements.

In July 2012, The FASB issued authoritative guidance included in ASC Topic 350. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired, as a basis for determining whether it is necessary to perform the quantitative impairment test described in FASB ASC Topic 350. The Company elected to early adopt the guidance for the annual impairment test performed during the year ended March 31, 2013. This guidance did not have a material impact on the Company's consolidated balance sheets, statements of income, or statements of cash flows.

**Stock-Based Compensation**

The Company recognizes compensation expense for share-based awards based on the fair value of those awards at the date of grant. Stock-based compensation expense for fiscal years ended March 31, 2014, 2013 and 2012 was \$4,653, \$6,367 and \$4,988, respectively. The benefits of tax deductions in excess of recognized compensation expense were \$39, \$4,628 and \$1,880 for fiscal years ended March 31, 2014, 2013 and 2012, respectively. Included in the stock-based compensation for fiscal years ended March 31, 2014 and 2013, is \$0 and \$1,649, respectively, classified

as a liability as of March 31, 2014 and 2013 associated with each year's grant. The Company has classified share-based compensation within selling, general and administrative expenses to correspond with the same line item as the majority of the cash compensation paid to employees. Upon the exercise of stock options or vesting of restricted stock, the Company first transfers treasury stock, then will issue new shares. (see Note 16 for further details.)

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(Dollars in thousands, except per share data)

Supplemental Cash Flow Information

For the fiscal years ended March 31, 2014 and 2013, the Company paid \$4,157 and \$3,109, respectively, for income taxes, net of income tax refunds received. For the fiscal year ended March 31, 2012, the Company received \$29,439 in income tax refunds, net of income tax payments. The Company made interest payments of \$81,100, \$62,229 and \$72,563 for fiscal years ended March 31, 2014, 2013 and 2012.

During the fiscal years ended March 31, 2014, 2013 and 2012, the Company financed \$36, \$66 and \$84 of property and equipment additions through capital leases, respectively. During the fiscal years ended March 31, 2014, 2013 and 2012, the Company issued 2,290,755, 395,269 and 772,438 shares, respectively, in connection with certain redemptions of convertible senior subordinated notes (see Note 10).

Warranty Reserves

A reserve has been established to provide for the estimated future cost of warranties on our delivered products. The Company periodically reviews the reserves and adjustments are made accordingly. A provision for warranty on products delivered is made on the basis of historical experience and identified warranty issues. Warranties cover such factors as non-conformance to specifications and defects in material and workmanship. The majority of the Company's agreements include a three-year warranty, although certain programs have warranties up to 20 years. Warranty reserves are included in accrued expenses and other noncurrent liabilities. The warranty reserves for the fiscal years ended March 31, 2014 and 2013 were \$25,651 and \$17,020, respectively.

3. ACQUISITIONS

FISCAL 2014 ACQUISITIONS

Acquisition of Insulfab Product Line (Chase Corporation)

Effective October 7, 2013, the Company's wholly-owned subsidiary, Triumph Insulation Systems, LLC, acquired substantially all of the assets comprising the Insulfab product line from Chase Corporation ("Insulfab"). Insulfab primarily focuses on manufacturing high-quality, engineered barrier laminates used in aerospace applications. The results for Triumph Insulation Systems, LLC will continue to be included in the Aerostructures Group.

The Company paid \$7,394 in cash at closing for Insulfab, and in January 2014, paid \$2,516 in cash after the working capital was finalized. Goodwill in the amount of \$4,660 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as assembled workforce. The goodwill is deductible for tax purposes.

Acquisition of General Donlee Canada, Inc.

Effective October 4, 2013, the Company acquired all of the issued and outstanding shares of General Donlee Canada, Inc. ("General Donlee"). General Donlee is based in Toronto, Canada and is a leading manufacturer of precision machined products for the aerospace, nuclear and oil and gas industries. The acquired business now operates as Triumph Gear Systems-Toronto ULC and its results are included in the Aerospace Systems Group.

The purchase price for the General Donlee acquisition was \$56,622 plus assumed debt of \$32,382, which was settled at closing. Additionally, on October 7, 2013, the Company, at its option, called General Donlee's Convertible Notes for \$26,000, which were paid on November 12, 2013. Goodwill in the amount of \$46,468 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as assembled workforce. The goodwill is not deductible for tax purposes. The Company has also identified intangible assets related to customer relationships valued at approximately \$24,607 with a weighted-average life of 15.0 years.

The accounting for a business combination is dependent upon obtaining valuations and other information for certain assets and liabilities which have not yet been completed or obtained to a point where definitive estimates can be made. The process for estimating the fair values of identified intangible assets, certain tangible assets and assumed liabilities

require the use of judgment to determine the appropriate assumptions.

As the Company finalizes estimates of the fair value of assets acquired and liabilities assumed, substantially all of the purchase price allocation for General Donlee is provisional. Additional purchase price adjustments will be recorded during the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

measurement period not to exceed one year beyond the acquisition date. These adjustments may have a material impact on the Company's results of operations and financial position.

The table below presents the provisional estimated fair value of assets acquired and liabilities assumed on the acquisition date based on the best information it has received to date, in accordance with Accounting Standards Codification Topic 805, Business Combinations ("ASC 805"). The Company is awaiting final appraisal of tangible assets, intangible assets and certain contingent liabilities related to the General Donlee acquisition. Accordingly, the Company has recorded the value of intangible assets and property and equipment to draft appraisals. The allocation of the purchase price of the General Donlee acquisition is not complete and the amounts below represent the Company's best estimates of the fair value based on the current information:

|                            | October 4, 2013 |
|----------------------------|-----------------|
| Accounts receivable        | \$10,976        |
| Inventory                  | 15,645          |
| Prepaid expenses and other | 184             |
| Property and equipment     | 31,495          |
| Goodwill                   | 46,468          |
| Intangible assets          | 24,607          |
| Total assets               | \$129,375       |
| Accounts payable           | \$2,841         |
| Accrued expenses           | 3,620           |
| Deferred taxes             | 11,336          |
| Debt                       | 54,956          |
| Total liabilities          | \$72,753        |

The provisional amounts recognized above are based on the Company's best estimates using information that it has obtained as of the reporting date. The Company will finalize its estimates once it is able to determine that it has obtained all necessary information that existed as of the acquisition date related to these matters or one year following the acquisition of General Donlee, whichever is earlier.

The General Donlee acquisition has been accounted for under the acquisition method and, accordingly, is included in the consolidated financial statements from the effective date of the acquisition. The General Donlee acquisition was funded by the Company's long-term borrowings in place at the date of acquisition. The Company incurred \$754 in acquisition-related costs in connection with the General Donlee acquisition, which is recorded in selling, general and administrative expenses in the accompanying Consolidated Statements of Income.

Acquisition of Primus Composites

Effective May 6, 2013, the Company acquired four related entities collectively comprising the Primus Composites ("Primus") business from Precision Castparts Corp. The acquired business, which includes two manufacturing facilities in Farnborough, England and Rayong, Thailand, operates as Triumph Structures - Farnborough and Triumph Structures - Thailand and is included in the Aerostructures Group. Together, Triumph Structures - Farnborough and Triumph Structures - Thailand constitute a global supplier of composite and metallic propulsion and structural composites and assemblies. In addition to its composite operations, the Thailand operation also machines and processes metal components.

The purchase price for the Primus acquisition was \$33,530 in cash and \$30,000 in assumed debt settled at closing. Goodwill in the amount of \$29,138 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as assembled workforce. The goodwill is not deductible for tax purposes. The Company has also identified intangible assets related to customer relationships valued at approximately \$3,514 with a weighted-average life of 16.0 years. Prior to the anniversary of the acquisition



date, the Company finalized the purchase price allocation.

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(Dollars in thousands, except per share data)

The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate for the acquisition of Primus, in accordance with ASC 805.

|                              |             |
|------------------------------|-------------|
|                              | May 6, 2013 |
| Cash                         | \$2,201     |
| Accounts receivable          | 17,392      |
| Inventory                    | 21,053      |
| Prepaid expenses and other   | 883         |
| Property and equipment       | 28,457      |
| Goodwill                     | 29,138      |
| Intangible assets            | 3,514       |
| Other noncurrent assets      | 13,138      |
| Total assets                 | \$115,776   |
| Accounts payable             | \$10,027    |
| Accrued expenses             | 15,939      |
| Other noncurrent liabilities | 26,280      |
| Total liabilities            | \$52,246    |

The Company finalized its estimates after it was able to determine that it had obtained all necessary information that existed as of the acquisition date related to these matters.

The Primus acquisition has been accounted for under the acquisition method and, accordingly, is included in the consolidated financial statements from the effective date of the acquisition. The Primus acquisition was funded by the Company's long-term borrowings in place at the date of acquisition. The Company incurred \$743 in acquisition-related costs in connection with the Primus acquisition, which is recorded in selling, general and administrative expenses in the accompanying Consolidated Statements of Income.

The acquisitions of Insulfab, General Donlee and Primus are referred to in this report as the "fiscal 2014 acquisitions." The following table presents information for the fiscal 2014 acquisitions which are included in the Company's Consolidated Statement of Income from their respective dates of acquisitions through the end of fiscal 2014:

|                         |                                      |
|-------------------------|--------------------------------------|
|                         | For the Year Ended March<br>31, 2014 |
| Net sales               | \$89,200                             |
| Operating income (loss) | (1,620 )                             |

**FISCAL 2013 ACQUISITIONS****Acquisition of Goodrich Corporation (Goodrich Pump & Engine Control Systems)**

Effective March 18, 2013, a wholly-owned subsidiary of the Company, Triumph Engine Control Systems, LLC, acquired the assets of Goodrich Corporation (Goodrich Pump & Engine Control Systems) ("GPECS"), a leading independent aerospace fuel system supplier for the commercial, military, helicopter and business jet markets. The acquisition of GPECS provides new capabilities in a market where the Company does not currently participate and further diversifies its customer base in electronic engine controls, fuel metering units and main fuel pumps for both OE and aftermarket/spares end markets. The results for Triumph Engine Control Systems, LLC are included in the Aerospace Systems Group segment from the date of acquisition.

The purchase price for the GPECS acquisition was \$208,650. Goodwill in the amount of \$99,651 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as



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(Dollars in thousands, except per share data)

assembled workforce. The goodwill is deductible for tax purposes. The Company has also identified intangible assets related to customer relationships valued at approximately \$146,200 with a weighted-average life of 18.7 years. During the fourth quarter of fiscal 2014, the Company finalized the purchase price allocation. During the fiscal year ended March 31, 2014, the Company recognized an increase of \$14,848 in the value of accounts receivable, an increase of \$66,611 in the value of intangible assets as a result of the recognition of a definite-lived technology intangible asset and changes in the fair value of customer relationships acquired, an increase of \$20,275 in the value of other noncurrent assets, an increase of \$11,597 in the value of accrued expenses, an increase of \$33,117 in the value of acquired contract liabilities, net and an increase of \$32,000 in the value of other noncurrent liabilities as a result of changes in fair value. Additionally, the Company recognized other immaterial adjustments to various assets acquired and liabilities assumed as of the acquisition date. These purchase price adjustments decreased the recognized goodwill by \$23,105 and have been reflected retrospectively as of March 31, 2013 in the accompanying Consolidated Balance Sheet. The effect on net income for these adjustments to the previously recorded provisional amounts for the fiscal year ended March 31, 2013 was not material.

The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate for the acquisition of GPECS, in accordance with ASC 805.

|                                    |                |
|------------------------------------|----------------|
|                                    | March 18, 2013 |
| Accounts receivable                | \$30,770       |
| Inventory                          | 39,202         |
| Prepaid expenses and other         | 568            |
| Property and equipment             | 26,906         |
| Goodwill                           | 99,651         |
| Intangibles assets                 | 146,200        |
| Deferred taxes                     | 54,297         |
| Total assets                       | \$397,594      |
| Accounts payable                   | \$15,581       |
| Accrued expenses                   | 22,757         |
| Acquired contract liabilities, net | 113,117        |
| Other noncurrent liabilities       | 37,489         |
| Total liabilities                  | \$188,944      |

The following table is a summary of the fair value estimates of the identifiable intangible assets and their estimated useful lives:

|                        | Estimated Useful Life | Estimated Fair Value |
|------------------------|-----------------------|----------------------|
| Technology             | 10 years              | \$19,100             |
| Customer relationships | 20 years              | 127,100              |
|                        |                       | \$146,200            |

Based on the information accumulated during the measurement period, the Company's assessment of the probable outcome of environmental and legal contingencies, the Company has recognized liabilities and estimated indemnification asset which resulted in a net liability of \$19,055. The amounts recognized are based on the Company's best estimates using information that it has obtained through the measurement period. The Company finalized its estimate after it was able to determine that it had obtained all necessary information that existed as of the acquisition date related to this matter.

The GPECS acquisition has been accounted for under the acquisition method and, accordingly, is included in the consolidated financial statements from the effective date of acquisition. The GPECS acquisition was funded by the Company's long-term borrowings in place at the date of acquisition. The Company incurred \$2,936 in

acquisition-related costs in connection with the GPECS acquisition, which is recorded in selling, general and administrative expenses in the accompanying Consolidated Statement of Income.

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## Acquisition of Embee, Inc.

Effective December 19, 2012, the Company acquired all of the outstanding shares of Embee, Inc. ("Embee"), renamed Triumph Processing — Embee Division, Inc., which is a leading commercial metal finishing provider offering more than seventy metal finishing, inspecting and testing processes primarily for the aerospace industry. The acquisition of Embee expands the Company's current capabilities to provide comprehensive processing services on precision engineered parts for hydraulics, landing gear, spare parts and electronic actuation systems. The results for Triumph Processing — Embee Division, Inc. are included in the Aerospace Systems Group segment.

The purchase price for the Embee acquisition was \$141,864. The Company received \$888 as part of the finalization of working capital. Goodwill in the amount of \$68,809 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as assembled workforce. The goodwill is deductible for tax purposes. The Company has also identified intangible assets valued at \$55,561 with a weighted-average life of 10.0 years. During the third quarter of fiscal 2014, the Company finalized the purchase price allocation. The finalization of the Company's purchase accounting assessment did not result in significant measurement period adjustments and did not have a material impact on the Company's Consolidated Balance Sheet, Statement of Income, or Statement of Cash Flows.

The following condensed balance sheet represent the amounts assigned to each major asset and liability caption in the aggregate for the acquisition of Embee, in accordance with ASC 805:

|                              | December 19, 2012 |
|------------------------------|-------------------|
| Cash                         | \$750             |
| Accounts receivable          | 7,013             |
| Inventory                    | 261               |
| Prepaid expenses and other   | 517               |
| Property and equipment       | 14,360            |
| Goodwill                     | 68,809            |
| Intangible assets            | 55,561            |
| Other assets                 | 7,165             |
| Total assets                 | \$154,436         |
|                              |                   |
| Accounts payable             | \$1,591           |
| Accrued expenses             | 2,309             |
| Other noncurrent liabilities | 9,560             |
| Total liabilities            | \$13,460          |

Based on the information accumulated during the measurement period, and the Company's current assessment of the probable outcome of environmental contingencies, the Company has recognized a liability and an estimated indemnification asset, which resulted in a net amount of \$3,505. The amounts recognized are based on the Company's best estimate using information that it has obtained through the measurement period. The Company finalized its estimate after it was able to determine that it had obtained all necessary information that existed as of the acquisition date related to this matter.



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(Dollars in thousands, except per share data)

The following table is a summary of the fair value of the identifiable intangible assets and their estimated useful lives:

| Tradename              | Estimated Useful Life | Estimated Fair Value |
|------------------------|-----------------------|----------------------|
| Favorable leaseholds   | Indefinite-lived      | \$ 13,400            |
| Customer relationships | 3 years               | 48                   |
|                        | 10 years              | 42,113               |
|                        |                       | \$55,561             |

The Embee acquisition has been accounted for under the acquisition method and, accordingly, is included in the consolidated financial statements from the effective date of acquisition. The Embee acquisition was funded by the Company's long-term borrowings in place at the date of acquisition. The Company incurred \$805 in acquisition-related costs in connection with the Embee acquisition, which is recorded in selling, general and administrative expenses in the accompanying Consolidated Statement of Income.

The acquisitions of GPECS and Embee are herein referred to as the "fiscal 2013 acquisitions."

The unaudited pro forma results presented below include the effects of the fiscal 2014 and fiscal 2013 acquisitions as if they had been consummated as of April 1, 2012 and 2011, respectively. The pro forma results include the amortization associated with an estimate of acquired intangible assets and interest expense on debt to fund these acquisitions, as well as fair value adjustments for property and equipment and off-market contracts. To better reflect the combined operating results, nonrecurring charges directly attributable to the transaction have been excluded. In addition, the unaudited pro forma results do not include any expected benefits of the acquisitions. Accordingly, the unaudited pro forma results are not necessarily indicative of either future results of operations or results that might have been achieved had the fiscal 2014 and fiscal 2013 acquisitions been consummated as of April 1, 2012 and 2011, respectively, and had been included in the Company's results of operations for the full fiscal years 2014 and 2013.

|                                                      | (unaudited) Year Ended |             |
|------------------------------------------------------|------------------------|-------------|
|                                                      | March 31,              |             |
|                                                      | 2014                   | 2013        |
| Net Sales                                            | \$3,790,885            | \$4,021,259 |
| Income from continuing operations                    | 206,893                | 314,355     |
| Income from continuing operations, per share—basic   | \$4.00                 | \$6.33      |
| Income from continuing operations, per share—diluted | \$3.92                 | \$5.99      |

**4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE****Sale of Triumph Aerospace Systems - Wichita**

In January 2014, the Company sold all of the shares of Triumph Aerospace Systems-Wichita, Inc. ("TAS-Wichita") for total cash proceeds of \$23,000. As a result of the sale of TAS-Wichita, the Company recognized no gain or loss. The operating results of TAS-Wichita were included in the Aerostructures Group through the date of disposal.

**Sale of Triumph Instruments - Burbank and Triumph Instruments - Ft. Lauderdale**

In April 2013, the Company sold the assets and liabilities of Triumph Instruments - Burbank and Triumph Instruments - Ft. Lauderdale ("Triumph Instruments") for total proceeds of \$11,200 including cash received at closing of \$9,676, a note of \$1,500, and the remaining amount held in escrow and received in the second quarter of fiscal 2014, resulting in a loss of \$1,462 recognized during the year ended March 31, 2013. The assets and liabilities of Triumph Instruments were classified as held for sale as of March 31, 2013. The loss on the sale of the assets and liabilities of Triumph Instruments is included in the Consolidated Statements of Income within selling, general and administrative expenses for the year ended March 31, 2013. The operating results are included in the Aftermarket Services Group through the date of disposal.





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(Dollars in thousands, except per share data)

The Company expects to have significant continuing involvement in the business and markets of the disposed entities, as defined by ASC 250-20, Discontinued Operations; and therefore as a result, the disposal group does not meet the criteria to be classified as discontinued operations.

To measure the amount of impairment related to Triumph Instruments, the Company compared the fair value of assets and liabilities at the evaluation date to the carrying amount at the end of the month prior to the evaluation date. The sale of the Triumph Instruments assets and liabilities are categorized as Level 2 within the fair value hierarchy. The key assumption included the negotiated sales price of the assets and the assumptions of the liabilities (see Note 2 for definition of levels).

**Sale of Triumph Precision Casting Co.**

In September 2007, the Company decided to sell Triumph Precision Castings Co. ("TPC"), a casting facility in its Aftermarket Services segment that specializes in producing high-quality hot gas path components for aero and land-based gas turbines.

In July 2011, the Company completed the sale of TPC for proceeds of \$3,902, plus contingent consideration, resulting in no gain or loss on the disposal.

Revenues of discontinued operations were \$286 for the fiscal year ended March 31, 2012. The loss from discontinued operations was \$765 net of income tax benefit of \$412 for the fiscal year ended March 31, 2012. Interest expense of \$68 was allocated to discontinued operations for the fiscal year ended March 31, 2012, based upon the actual borrowings of the operations, and such interest expense is included in the loss from discontinued operations.

**5. INVENTORIES**

Inventories are stated at the lower of cost (average-cost or specific-identification methods) or market. The components of inventories are as follows:

|                                      | March 31,   |           |
|--------------------------------------|-------------|-----------|
|                                      | 2014        | 2013      |
| Raw materials                        | \$106,552   | \$99,126  |
| Work-in-process                      | 1,102,626   | 963,658   |
| Finished goods                       | 67,608      | 46,879    |
| Less: unliquidated progress payments | (165,019)   | (124,128) |
| Total inventories                    | \$1,111,767 | \$985,535 |

According to the provisions of U.S. Government contracts, the customer has title to, or a security interest in, substantially all inventories related to such contracts. Included above is total net inventory on government contracts of \$64,418 and \$59,616, respectively, at March 31, 2014 and 2013.

Work-in-process inventory includes capitalized pre-production costs. Capitalized pre-production costs include nonrecurring engineering, planning and design, including applicable overhead, incurred before production is manufactured on a regular basis. Significant customer-directed work changes can also cause pre-production costs to be incurred. These costs are typically recovered over a contractually determined number of ship set deliveries and the Company believes these amounts will be fully recovered. The balance of capitalized pre-production costs at March 31, 2014 and 2013 was \$131,358 and \$71,167, respectively, related to the Company's contracts with Bombardier for the Global 7000/8000 program ("Bombardier") and Embraer for the second generation E-Jet ("Embraer").

The Company is still in the early-development stages for the Bombardier and Embraer programs, as these aircrafts are not scheduled to enter service until 2016 and 2018, respectively, or later. Transition of these programs from development to recurring production levels is dependent upon the success of the programs at achieving flight testing and certification, as well as the ability of the Bombardier and Embraer programs to generate acceptable levels of aircraft sales. The failure to achieve these milestones and level of sales or significant cost overruns may result in an impairment of the capitalized pre-production costs.



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(Dollars in thousands, except per share data)

## 6. PROPERTY AND EQUIPMENT

Net property and equipment at March 31, 2014 and 2013 is:

|                                            | March 31, |           |
|--------------------------------------------|-----------|-----------|
|                                            | 2014      | 2013      |
| Land                                       | \$74,835  | \$46,745  |
| Construction in process                    | 68,904    | 81,949    |
| Buildings and improvements                 | 353,096   | 269,205   |
| Furniture, fixtures and computer equipment | 135,986   | 119,773   |
| Machinery and equipment                    | 840,984   | 778,352   |
|                                            | 1,473,805 | 1,296,024 |
| Less accumulated depreciation              | 542,832   | 480,940   |
|                                            | \$930,973 | \$815,084 |

Depreciation expense for the fiscal years ended March 31, 2014, 2013 and 2012 was \$117,553, \$93,848 and \$85,811, respectively, which includes depreciation of assets under capital lease. Included in furniture, fixtures and computer equipment above is \$80,361 and \$69,811, respectively, of capitalized software at March 31, 2014 and 2013, which were offset by accumulated depreciation of \$43,793 and \$33,087, respectively.

## 7. GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a summary of the changes in the carrying value of goodwill by reportable segment, for the fiscal years ended March 31, 2014 and 2013:

|                                                     | Aerostructures | Aerospace<br>Systems | Aftermarket<br>Services | Total       |
|-----------------------------------------------------|----------------|----------------------|-------------------------|-------------|
| Balance, March 31, 2013                             | \$1,316,450    | \$349,284            | \$55,986                | \$1,721,720 |
| Goodwill recognized in connection with acquisitions | 33,798         | 46,468               | —                       | 80,266      |
| Goodwill associated with disposition                | (10,123)       | ) —                  | —                       | (10,123)    |
| Purchase accounting adjustments                     | 33             | —                    | —                       | 33          |
| Effect of exchange rate changes                     | (165)          | ) 100                | —                       | (65)        |
| Balance, March 31, 2014                             | \$1,339,993    | \$395,852            | \$55,986                | \$1,791,831 |
|                                                     | Aerostructures | Aerospace<br>Systems | Aftermarket<br>Services | Total       |
| Balance, March 31, 2012                             | \$1,307,709    | \$182,443            | \$55,986                | \$1,546,138 |
| Goodwill recognized in connection with acquisitions | —              | 168,461              | —                       | 168,461     |
| Purchase accounting adjustments                     | 8,741          | —                    | —                       | 8,741       |
| Effect of exchange rate changes                     | —              | (1,620)              | ) —                     | (1,620)     |
| Balance, March 31, 2013                             | \$1,316,450    | \$349,284            | \$55,986                | \$1,721,720 |

The fiscal years ended March 31, 2014 and 2013, purchase accounting adjustments of \$33 and \$8,741, respectively, relate to an earnout on an acquisition accounted for prior to the adoption of ASC 805 for which the earnings target was achieved during the period.



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## Intangible Assets

The components of intangible assets, net are as follows:

|                                         | March 31, 2014                          |                          |                             |             |
|-----------------------------------------|-----------------------------------------|--------------------------|-----------------------------|-------------|
|                                         | Weighted-<br>Average Life<br>(in Years) | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net         |
| Customer relationships                  | 16.7                                    | \$650,210                | \$(136,970)                 | ) \$513,240 |
| Product rights, technology and licenses | 11.7                                    | 52,405                   | (28,437)                    | ) 23,968    |
| Noncompete agreements and other         | 13.6                                    | 3,679                    | (1,105)                     | ) 2,574     |
| Tradenames                              | Indefinite-lived                        | 438,400                  | —                           | 438,400     |
| Total intangibles, net                  |                                         | \$1,144,694              | \$(166,512)                 | ) \$978,182 |
|                                         | March 31, 2013                          |                          |                             |             |
|                                         | Weighted-<br>Average Life<br>(in Years) | Gross Carrying<br>Amount | Accumulated<br>Amortization | Net         |
| Customer relationships                  | 15.3                                    | \$625,873                | \$(98,483)                  | ) \$527,390 |
| Product rights, technology and licenses | 12.0                                    | 56,876                   | (27,775)                    | ) 29,101    |
| Noncompete agreements and other         | 8.8                                     | 2,253                    | (1,625)                     | ) 628       |
| Tradenames                              | Indefinite-lived                        | 438,400                  | —                           | 438,400     |
| Total intangibles, net                  |                                         | \$1,123,402              | \$(127,883)                 | ) \$995,519 |

Amortization expense for the fiscal years ended March 31, 2014, 2013 and 2012 was \$46,724, \$35,658 and \$33,913, respectively. Amortization expense for the five fiscal years succeeding March 31, 2014 by year is expected to be as follows: 2015: \$45,812; 2016: \$45,804; 2017: \$42,078; 2018: \$40,382; 2019: \$37,751 and thereafter: \$226,573.

## 8. ACCRUED EXPENSES

Accrued expenses are composed of the following items:

|                                                  | March 31,<br>2014 | 2013      |
|--------------------------------------------------|-------------------|-----------|
| Accrued pension                                  | \$3,960           | \$3,923   |
| Deferred revenue, advances and progress billings | 20,428            | 32,302    |
| Accrued other postretirement benefits            | 26,038            | 32,430    |
| Accrued compensation                             | 92,857            | 116,382   |
| Accrued interest                                 | 17,966            | 16,714    |
| Warranty reserve                                 | 13,628            | 11,550    |
| Accrued workers' compensation                    | 15,010            | 15,402    |
| Accrued insurance                                | 11,105            | 12,738    |
| Legal contingencies                              | 38,000            | —         |
| All other                                        | 34,298            | 42,246    |
| Total accrued expenses                           | \$273,290         | \$283,687 |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## 9. LEASES

At March 31, 2014, future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year were as follows: 2015—\$21,038; 2016—\$18,953; 2017—\$15,379; 2018—\$13,002; 2019—\$9,355 and thereafter—\$52,247 through 2027. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Total rental expense was \$41,508, \$38,349 and \$39,625 for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.

## 10. LONG-TERM DEBT

Long-term debt consists of the following:

|                                       | March 31,<br>2014 | 2013        |
|---------------------------------------|-------------------|-------------|
| Revolving credit facility             | \$194,406         | \$95,849    |
| Term loan                             | 375,000           | —           |
| Receivable securitization facility    | 162,400           | 150,000     |
| Equipment leasing facility            | 74,342            | 61,449      |
| Secured promissory notes              | —                 | 8,741       |
| Senior subordinated notes due 2017    | —                 | 173,344     |
| Senior notes due 2018                 | 348,423           | 348,133     |
| Senior notes due 2021                 | 375,000           | 375,000     |
| Convertible senior subordinated notes | 12,834            | 109,369     |
| Other debt                            | 7,978             | 7,978       |
|                                       | 1,550,383         | 1,329,863   |
| Less: current portion                 | 49,575            | 133,930     |
|                                       | \$1,500,808       | \$1,195,933 |

## Revolving Credit Facility

On November 19, 2013, the Company amended and restated its existing credit agreement (the "Credit Facility") with its lenders to (i) provide for a \$375,000 term loan with a maturity date of May 14, 2019 (the "2013 Term Loan"), (ii) maintain a Revolving Line of Credit under the Credit Facility of \$1,000,000, with a \$250,000 accordion feature, (iii) extend the maturity date to November 19, 2018, and (iv) amend certain other terms and covenants. In connection with the amendment to the Credit Facility, the Company incurred approximately \$2,795 of financing costs. These costs, along with the \$6,507 of unamortized financing costs prior to the amendment, are being amortized over the remaining term of the Credit Facility.

The Company will repay the outstanding principal amount of the 2013 Term Loan in quarterly installments, on the first business day of each January, April, July and October, commencing April 2014.

The obligation under the Credit Facility and related documents are secured by liens on substantially all assets of the Company and its domestic subsidiaries pursuant to an Amended and Restated Guarantee and Collateral Agreement, dated as of November 19, 2013, among the administrative agent, the Company and the subsidiaries of the Company party thereto.

Pursuant to the Credit Facility, the Company can borrow, repay and re-borrow revolving credit loans, and cause to be issued letters of credit, in an aggregate principal amount not to exceed \$1,000,000 outstanding at any time. The Credit Facility bears interest at either: (i) LIBOR plus between 1.38% and 2.50%; (ii) the prime rate; or (iii) an overnight rate at the option of the Company. The applicable interest rate is based upon the Company's ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization. In addition, the Company is required to pay a

commitment fee of between 0.25% and 0.45% on the unused portion of the Credit Facility. The Company's obligations under the Credit Facility are guaranteed by the Company's domestic subsidiaries.



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

At March 31, 2014, there were \$194,406 in outstanding borrowings and \$36,445 in letters of credit under the Credit Facility primarily to support insurance policies. At March 31, 2013, there were \$95,849 in borrowings and \$31,415 in letters of credit outstanding. The level of unused borrowing capacity under the Credit Facility varies from time to time depending in part upon the Company's compliance with financial and other covenants set forth in the related agreement. The Credit Facility contains certain affirmative and negative covenants including limitations on specified levels of indebtedness to earnings before interest, taxes, depreciation and amortization, and interest coverage requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, payment of dividends and incurrence of debt. If an event of default were to occur under the Credit Facility, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the Credit Facility could also cause the acceleration of obligations under certain other agreements. The Company is in compliance with all such covenants as of March 31, 2014. As of March 31, 2014, the Company had borrowing capacity under the Credit Facility of \$769,149 after reductions for borrowings and letters of credit outstanding under the Credit Facility.

In connection with the Company amending and restating the Credit Facility to add the 2013 Term Loan, the Company also entered into an interest rate swap agreement through November 2018 to reduce its exposure to interest on the variable rate portion of its long-term debt. On the date of inception, the Company designated the interest rate swap as a cash flow hedge in accordance with FASB guidance on accounting for derivatives and hedges and linked the interest rate swap to the 2013 Term Loan. The Company formally documented the hedging relationship between 2013 Term Loan and the interest rate swap, as well as its risk-management objective and strategy for undertaking the hedge, the nature of the risk being hedged, how the hedging instrument's effectiveness will be assessed and a description of the method of measuring the ineffectiveness. The Company also formally assesses, both at the hedge's inception and on a quarterly basis, whether the derivative item is highly effective offsetting changes in cash flows.

As of March 31, 2014, the interest rate swap agreement had a notional amount of \$375,000 and a fair value of \$2,426, which is recorded in other comprehensive income net of applicable taxes (Level 2). The interest rate swap settles on a monthly basis when interest payments are made. These settlements occur through the maturity date.

**Receivables Securitization Program**

In February 2013, the Company amended its \$175,000 receivable securitization facility (the "Securitization Facility"), extending the term through February 2016. In connection with the Securitization Facility, the Company sells on a revolving basis certain eligible accounts receivable to Triumph Receivables, LLC, a wholly owned special-purpose entity, which in turn sells a percentage ownership interest in the receivables to commercial paper conduits sponsored by financial institutions. The Company is the servicer of the accounts receivable under the Securitization Facility. As of March 31, 2014, the maximum amount available under the Securitization Facility was \$175,000. Interest rates are based on prevailing market rates for short-term commercial paper plus a program fee and a commitment fee. The program fee is 0.43% on the amount outstanding under the Securitization Facility. Additionally, the commitment fee is 0.43% on 102% of the maximum amount available under the Securitization Facility. At March 31, 2014, \$162,400 was outstanding under the Securitization Facility. In connection with amending the Securitization Facility, the Company incurred approximately \$196 of financing costs. These costs, along with the \$537 of unamortized financing costs prior to the amendment, are being amortized over the life of the Securitization Facility. The Company securitizes its accounts receivable, which are generally non-interest bearing, in transactions that are accounted for as borrowings pursuant to the Transfers and Servicing topic of the ASC.

The agreement governing the Securitization Facility contains restrictions and covenants which include limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and the sale of substantially all assets. The Company was in compliance with all such covenants as of March 31, 2014.

**Equipment Leasing Facility and Other Capital Leases**

During March 2009, the Company entered into a seven-year Master Lease Agreement (the "Leasing Facility") creating a capital lease of certain existing property and equipment. The net proceeds from the Leasing Facility were used to repay a portion of the outstanding indebtedness under the Company's 2009 Credit Agreement. The Leasing Facility bears interest at a weighted-average fixed rate of 6.2% per annum.

During the fiscal years ended March 31, 2014, 2013 and 2012, the Company entered into new capital leases in the amounts of \$36, \$66 and \$84, respectively, to finance a portion of the Company's capital additions for the respective years. During the fiscal years ended March 31, 2014, 2013 and 2012, the Company obtained financing for existing fixed assets in the amount of \$30,503, \$14,435 and \$5,853, respectively.

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## Senior Subordinated Notes Due 2017

On November 16, 2009, the Company issued \$175,000 principal amount of 8.00% Senior Subordinated Notes due 2017 (the "2017 Notes"). The 2017 Notes were sold at 98.56% of principal amount and have an effective interest yield of 8.25%. Interest on the 2017 Notes is payable semiannually in cash in arrears on May 15 and November 15 of each year. In connection with the issuance of the 2017 Notes, the Company incurred approximately \$4,390 of costs, which were deferred and are being amortized on the effective interest method over the term of the 2017 Notes.

On November 15, 2013, the Company completed the redemption of the 2017 Notes. The principal amount of \$175,000 was redeemed at a price of 104% plus accrued and unpaid interest. As a result of the redemption, the Company recognized a pre-tax loss on redemption of \$11,069, consisting of early termination premium, unamortized discount and deferred financing fees and is presented on the accompanying Consolidated Statements of Income as a component of "Interest expense and other."

## Senior Notes due 2018

On June 16, 2010, in connection with the acquisition of Vought, the Company issued \$350,000 principal amount of 8.63% Senior Notes due 2018 (the "2018 Notes"). The 2018 Notes were sold at 99.27% of principal amount and have an effective interest yield of 8.75%. Interest on the 2018 Notes accrues at the rate of 8.63% per annum and is payable semiannually in cash in arrears on January 15 and July 15 of each year, commencing on January 15, 2011. In connection with the issuance of the 2018 Notes, the Company incurred approximately \$7,307 of costs, which were deferred and are being amortized on the effective interest method over the term of the 2018 Notes.

The 2018 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness. The 2018 Notes are guaranteed on a full, joint and several basis by each of the Company's domestic restricted subsidiaries that guarantees any of the Company's debt or that of any of the Company's restricted subsidiaries under the Credit Facility, and in the future by any domestic restricted subsidiaries that guarantee any of the Company's debt or that of any of the Company's domestic restricted subsidiaries incurred under any credit facility (collectively, the "Guarantor Subsidiaries"), in each case on a senior subordinated basis.

The Company may redeem some or all of the 2018 Notes prior to July 15, 2014 by paying a "make-whole" premium. The Company may redeem some or all of the 2018 Notes on or after July 15, 2014 at specified redemption prices. In addition, prior to July 15, 2013, the Company may redeem up to 35% of the 2018 Notes with the net proceeds of certain equity offerings at a redemption price equal to 108.63% of the aggregate principal amount plus accrued and unpaid interest, if any, subject to certain limitations set forth in the indenture governing the 2018 Notes (the "2018 Indenture").

The Company is obligated to offer to repurchase the 2018 Notes at a price of (i) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (ii) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These restrictions and prohibitions are subject to certain qualifications and exceptions.

The 2018 Indenture contains covenants that, among other things, limit the Company's ability and the ability of any of the Guarantor Subsidiaries to (i) grant liens on its assets, (ii) make dividend payments, other distributions or other restricted payments, (iii) incur restrictions on the ability of the Guarantor Subsidiaries to pay dividends or make other payments, (iv) enter into sale and leaseback transactions, (v) merge, consolidate, transfer or dispose of substantially all of their assets, (vi) incur additional indebtedness, (vii) use the proceeds from sales of assets, including capital stock of restricted subsidiaries, and (viii) enter into transactions with affiliates.

## Senior Notes due 2021

On February 26, 2013, the Company issued \$375,000 principal amount of 4.875% Senior Notes due 2021 (the "2021 Notes"). The 2021 Notes were sold at 100% of principal amount and have an effective interest yield of 4.875%.

Interest on the Notes accrues at the rate of 4.875% per annum and is payable semiannually in cash in arrears on April 1 and October 1 of each year, commencing on October 1, 2013. In connection with the issuance of the 2021 Notes, the

Company incurred approximately \$6,327 of costs, which were deferred and are being amortized on the effective interest method over the term of the 2021 Notes.

The 2021 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness. The 2021 Notes are guaranteed on a full, joint and several basis by each of the Guarantor Subsidiaries.

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

The Company may redeem some or all of the 2021 Notes prior to April 1, 2017 by paying a "make-whole" premium. The Company may redeem some or all of the 2021 Notes on or after April 1, 2017 at specified redemption prices. In addition, prior to April 1, 2016, the Company may redeem up to 35% of the 2021 Notes with the net proceeds of certain equity offerings at a redemption price equal to 104.875% of the aggregate principal amount plus accrued and unpaid interest, if any, subject to certain limitations set forth in the indenture governing the 2021 Notes (the "2021 Indenture").

The Company is obligated to offer to repurchase the 2021 Notes at a price of (i) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change of control events and (ii) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These restrictions and prohibitions are subject to certain qualifications and exceptions.

The 2021 Indenture contains covenants that, among other things, limit the Company's ability and the ability of any of the Guarantor Subsidiaries to (i) grant liens on its assets, (ii) make dividend payments, other distributions or other restricted payments, (iii) incur restrictions on the ability of the Guarantor Subsidiaries to pay dividends or make other payments, (iv) enter into sale and leaseback transactions, (v) merge, consolidate, transfer or dispose of substantially all of their assets, (vi) incur additional indebtedness, (vii) use the proceeds from sales of assets, including capital stock of restricted subsidiaries, and (viii) enter into transactions with affiliates.

Convertible Senior Subordinated Notes

On September 18, 2006, the Company issued \$201,250 in convertible senior subordinated notes (the "Convertible Notes"). The Convertible Notes are direct, unsecured, senior subordinated obligations of the Company, and rank (i) junior in right of payment to all of the Company's existing and future senior indebtedness, (ii) equal in right of payment with any other future senior subordinated indebtedness, and (iii) senior in right of payment to all subordinated indebtedness.

The Company received net proceeds from the sale of the Convertible Notes of approximately \$194,998 after deducting debt issuance costs of approximately \$6,252. The issuance costs were allocated to the respective liability and equity components, with the liability component recorded as other assets and the equity component recorded as a reduction of equity in the accompanying Consolidated Balance Sheets. Debt issuance costs were fully amortized as of September 30, 2011.

The Convertible Notes bear interest at a fixed rate of 2.63% per annum, payable in cash semiannually in arrears on each April 1 and October 1 beginning April 1, 2007. During the period commencing on October 6, 2011 and ending on, but excluding, April 1, 2012 and each semiannual period from October 1 to March 31 or from April 1 to September 30 thereafter, the Company pays contingent interest during the applicable interest period if the average trading price of a note for the five consecutive trading days ending on the third trading day immediately preceding the first day of the relevant semiannual period equals or exceeds 120% of the principal amount of the Convertible Notes. The contingent interest payable per note in respect of any semiannual period will equal 0.25% per annum calculated on the average trading price of a note for the relevant five trading day period. This contingent interest feature represents an embedded derivative. The value of the derivative was not material at March 31, 2014 due to overall market volatility, recent conversions by holders of the Convertible Notes, as well as the Company's ability to call the Convertible Notes at any time after October 6, 2011.

Prior to fiscal 2011, the Company paid \$19,414 to purchase \$22,200 in principal amount of the Convertible Notes. The Convertible Notes mature on October 1, 2026 unless earlier redeemed, repurchased or converted. The Company may redeem the Convertible Notes for cash, either in whole or in part, anytime on or after October 6, 2011 at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of redemption. In addition, holders of the Convertible Notes will have the right to require the Company to repurchase for cash all or a portion of their Convertible Notes on October 1, 2011, 2016 and 2021, at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased plus accrued and unpaid interest, including

contingent interest and additional amounts, if any, up to, but not including, the date of repurchase. The Convertible Notes are convertible into the Company's common stock at a rate equal to 36.8572 shares per \$1 principal amount of the Convertible Notes (equal to an initial conversion price of approximately \$27.13 per share), subject to adjustment as described in the Indenture. Upon conversion, the Company will deliver to the holder surrendering the Convertible Notes for conversion, for each \$1 principal amount of Convertible Notes, an amount consisting of cash equal to the lesser of \$1 and the Company's total conversion obligation and, to the extent that the Company's total conversion obligation exceeds \$1, at the Company's election, cash or shares of the Company's common stock in respect of the remainder.

A holder may surrender its Convertible Notes for conversion: (i) during any fiscal quarter if the last reported sale price of the Company's common stock for at least twenty trading days during the period of thirty consecutive trading days ending on the

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

last trading day of the previous fiscal quarter is more than 130% of the applicable conversion price per share of the Company's common stock on such trading day; (ii) during the five business days immediately following any five consecutive trading-day period in which the trading price per \$1 principal amount of a note for each day of that period was less than 98% of the product of the closing price of the Company's common stock and the conversion rate of the Convertible Notes on each such day; (iii) if the Company has called the Convertible Notes for redemption; (iv) on the occurrence of a specified corporate transaction as provided in the indenture governing the Notes (i.e., change in control, distribution of rights or warrants to purchase common stock below market value, distribution of assets (including cash) with a per share value exceeding 10% of the market value of common stock); or (v) during the two-month period prior to maturity (starting August 1, 2026). The last reported sale price of the Company's common stock on any date means the closing sales price per share on such date as reported by the New York Stock Exchange. The Convertible Notes are eligible for conversion upon meeting certain conditions as provided in the indenture governing the Convertible Notes. Since January 1, 2011, the Convertible Notes were eligible for conversion. During the fiscal years ended March 31, 2014, 2013 and 2012, the Company settled the conversion of \$96,535, \$19,286 and \$50,395, respectively, in principal value of the Convertible Notes, as requested by the respective holders, with the principal settled in cash and the conversion benefit settled through the issuance of 2,290,755, 395,269 and 772,438 shares, respectively. In March through May 2014, the Company received notice of conversion from holders of \$2,658 in principal value of the Convertible Notes. These conversions were settled in the first quarter of fiscal 2015 with the principal and the conversion benefit settled in cash. In April 2014, the Company delivered a notice to holders of the Convertible Notes to the effect that, for at least twenty trading days during the thirty consecutive trading days preceding March 31, 2014, the closing price of the Company's common stock was greater than or equal to 130% of the conversion price of such notes on the last trading day. Under the terms of the Convertible Notes, the increase in the Company's stock price triggered a provision, which gave holders of the Convertible Notes a put option through June 30, 2014. Accordingly, the balance sheet classification of the Convertible Notes will be short term for as long as the put option remains in effect.

To be included in the calculation of diluted earnings per share, the average price of the Company's common stock for the fiscal year must exceed the conversion price per share of \$27.13. The average price of the Company's common stock for the fiscal years ended March 31, 2014, 2013 and 2012 was \$73.94, \$64.30 and \$53.26, respectively. Therefore, 811,083, 2,400,439 and 2,606,189 additional shares, respectively, were included in the diluted earnings per share calculation.

**Term Loan Credit Agreement**

The Company entered into a Term Loan dated as of June 16, 2010 (the "Term Loan"), which proceeds were used to partially finance the acquisition of Vought. The Term Loan provided for a six-year term loan in a principal amount of \$350,000, repayable in equal quarterly installments at a rate of 1.00% of the original principal amount per year, with the balance payable on the final maturity date. The proceeds of the loans under the Term Loan, which were 99.50% of the principal amount, were used to consummate the acquisition of Vought. In connection with the closing on the Term Loan, the Company incurred approximately \$7,133 of costs, which were deferred and were being amortized into expense over the term of the Term Loan.

The obligations under the Term Loan were guaranteed by substantially all of the Company's domestic subsidiaries and secured by liens on substantially all of the Company's and the guarantors' assets pursuant to a Guarantee and Collateral Agreement (the "Term Loan Guarantee and Collateral Agreement") and certain other collateral agreements, in each case subject to the Intercreditor Agreement. Borrowings under the Term Loan bear interest, at the Company's option, at either the base rate (subject to a 2.50% floor), plus a margin between 1.75% and 2.00%, or at the Eurodollar Rate (subject to a 1.50% floor), plus a margin driven by net leverage between 2.75% and 3.00%.

On April 5, 2011, in connection with the amendment and restatement of the current Credit Facility, the Company extinguished the Term Loan at face value of \$350,000, plus accrued interest. As a result, the Company recognized a pre-tax loss on extinguishment of debt of \$7,712 associated with the write-off of the remaining unamortized discount

and deferred financing fees on the Term Loan included in Interest expense and other.



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## Financial Instruments Not Recorded at Fair Value

Carrying amounts and the related estimated fair values of the Company's long-term debt not recorded at fair value in the financial statements are as follows:

| March 31, 2014 |             | March 31, 2013 |             |
|----------------|-------------|----------------|-------------|
| Carrying Value | Fair Value  | Carrying Value | Fair Value  |
| \$1,550,383    | \$1,580,447 | \$1,329,863    | \$1,594,800 |

The fair value of the long-term debt was calculated based on either interest rates available for debt with terms and maturities similar to the Company's existing debt arrangements or broker quotes on our existing debt (Level 2 inputs). Interest paid on indebtedness during the fiscal years ended March 31, 2014, 2013 and 2012 amounted to \$81,100, \$62,229 and \$72,563, respectively. Interest capitalized during the fiscal years ended March 31, 2014, 2013 and 2012 was \$4,246, \$1,114 and \$1,077, respectively.

As of March 31, 2014, the maturities of long-term debt are as follows: 2015—\$44,829; 2016—\$37,308; 2017—\$196,472; 2018—\$235,283; 2019—\$646,260; and thereafter—\$391,549 through 2021.

## 11. OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities are composed of the following items:

|                                    | March 31, |           |
|------------------------------------|-----------|-----------|
|                                    | 2014      | 2013      |
| Acquired contract liabilities, net | \$141,505 | \$156,022 |
| Deferred grant income              | 21,905    | 26,205    |
| Accrued workers' compensation      | 18,077    | 18,793    |
| Environmental contingencies        | 9,959     | 11,633    |
| Accrued warranties                 | 12,022    | 5,470     |
| Income tax reserves                | 3,196     | 2,060     |
| Contingent consideration           | 1,740     | 2,614     |
| Legal contingencies                | 9,500     | 34,500    |
| All other                          | 16,852    | 11,576    |
| Total other noncurrent liabilities | \$234,756 | \$268,873 |

## 12. INCOME TAXES

The components of pretax income are as follows:

|          | Year ended March 31, |           |           |
|----------|----------------------|-----------|-----------|
|          | 2014                 | 2013      | 2012      |
| Foreign  | \$3,482              | \$11,829  | \$10,200  |
| Domestic | 308,751              | 451,228   | 427,377   |
|          | \$312,233            | \$463,057 | \$437,577 |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

The components of income tax expense are as follows:

|           | Year ended March 31, |            |           |
|-----------|----------------------|------------|-----------|
|           | 2014                 | 2013       | 2012      |
| Current:  |                      |            |           |
| Federal   | \$672                | \$(24,403) | ) \$2,012 |
| State     | 1,346                | 1,830      | 352       |
| Foreign   | 1,090                | 1,516      | 138       |
|           | 3,108                | (21,057)   | ) 2,502   |
| Deferred: |                      |            |           |
| Federal   | 100,191              | 176,187    | 137,642   |
| State     | 3,102                | 10,789     | 16,359    |
| Foreign   | (424)                | ) (209)    | ) (548)   |
|           | 102,869              | 186,767    | 153,453   |
|           | \$105,977            | \$165,710  | \$155,955 |

A reconciliation of the statutory federal income tax rate to the effective tax rate is as follows:

|                                                          | Year ended March 31, |         |         |   |   |
|----------------------------------------------------------|----------------------|---------|---------|---|---|
|                                                          | 2014                 | 2013    | 2012    |   |   |
| Statutory federal income tax rate                        | 35.0                 | % 35.0  | % 35.0  |   | % |
| State and local income taxes, net of federal tax benefit | 0.9                  | 1.8     | 2.5     |   |   |
| Miscellaneous permanent items and nondeductible accruals | 0.5                  | (0.3)   | ) (0.8) | ) | ) |
| Research and development tax credit                      | (1.8)                | ) (1.1) | ) (0.7) | ) | ) |
| Foreign tax credits                                      | —                    | —       | (0.1)   | ) | ) |
| Other                                                    | (0.7)                | ) 0.4   | (0.3)   | ) | ) |
| Effective income tax rate                                | 33.9                 | % 35.8  | % 35.6  |   | % |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

The components of deferred tax assets and liabilities are as follows:

|                                                   | March 31,<br>2014 | 2013       |
|---------------------------------------------------|-------------------|------------|
| Deferred tax assets:                              |                   |            |
| Net operating loss and other credit carryforwards | \$ 196,599        | \$93,941   |
| Inventory                                         | 6,687             | 12,556     |
| Accruals and reserves                             | 34,339            | 65,230     |
| Pension and other postretirement benefits         | 186,941           | 273,386    |
| Acquired contract liabilities, net                | 48,540            | 47,991     |
| Other                                             | 737               | 849        |
|                                                   | 473,843           | 493,953    |
| Valuation allowance                               | (1,424            | ) (549     |
| Net deferred tax assets                           | 472,419           | 493,404    |
| Deferred tax liabilities:                         |                   |            |
| Long-term contract accounting                     | 317,377           | 205,171    |
| Property and equipment                            | 141,788           | 151,307    |
| Goodwill and other intangible assets              | 333,892           | 327,395    |
| Prepaid expenses and other                        | 7,139             | 20,151     |
|                                                   | 800,196           | 704,024    |
| Net deferred tax liabilities                      | \$ 327,777        | \$ 210,620 |

As of March 31, 2014, the Company has federal and state net operating loss carryforwards of \$966,376 expiring in various years through 2033. The Company also has a foreign net operating loss carryforward of \$11,348. There was an increase in total valuation allowance for fiscal 2014 in the amount of \$875, primarily associated with the establishment of the valuation allowance on state and foreign net operating loss carryforwards.

The effective income tax rate for the fiscal year ended March 31, 2014 was 33.9% as compared to 35.8% for the fiscal year ended March 31, 2013. The effective income tax rate for the fiscal year ended March 31, 2014 was reduced to reflect unrecognized tax benefits of \$704 and additional research and development tax credit carryforward and NOL carryforward of \$2,345. In fiscal 2013, the Company filed a refund claim for approximately \$25,189 as a result of carrying back tax losses to prior years which is included in other long term assets on the accompanying Consolidated Balance Sheet.

The Company has been granted income tax holiday as an incentive to attract foreign investment by the Government of Thailand. The tax holidays expire in various years through 2026. We do not have any other tax holidays in the jurisdictions in which we operate. The income tax benefit attributable to the tax status of our subsidiary in Thailand was approximately \$347 or \$0.01 per diluted share in fiscal 2014, \$1,549 or \$0.03 per diluted share in fiscal 2013 and \$2,514 or \$0.05 per diluted share in fiscal 2012.

Cumulative undistributed earnings of foreign subsidiaries, for which no U.S. income or foreign withholding taxes have been recorded, is \$42,123 at March 31, 2014. As the Company currently intends to indefinitely reinvest all such earnings, no provision has been made for income taxes that may become payable upon distribution of such earnings, and it is not practicable to determine the amount of the related unrecognized deferred income tax liability.

The Company has classified uncertain tax positions as noncurrent income tax liabilities unless expected to be paid in one year. Penalties and tax-related interest expense are reported as a component of income tax expense. As of March 31, 2014 and 2013, the total amount of accrued income tax-related interest and penalties was \$204 and \$236, respectively.

As of March 31, 2014 and 2013, the total amount of unrecognized tax benefits was \$8,865 and \$7,728, respectively, of which \$7,082 and \$5,945, respectively, would impact the effective rate, if recognized. The Company anticipates that total unrecognized tax benefits may be reduced by \$0 in the next 12 months.



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

With a few exceptions, the Company is no longer subject to U.S. federal income tax examinations for fiscal years ended before March 31, 2009, state or local examinations for fiscal years ended before March 31, 2009, or foreign income tax examinations by tax authorities for fiscal years ended before March 31, 2009.

As of March 31, 2014, the Company was subject to examination in one state jurisdictions for the fiscal years ended March 31, 2009 through March 31, 2011. The Company has filed appeals in a prior state examination related to fiscal years ended March 31, 1999 through March 31, 2005. The fiscal year ended March 31, 2011 is currently being examined by the Internal Revenue Service. The Company was also subject to one foreign jurisdictions for fiscal year ended March 31, 2012. Because of net operating losses acquired as part of the acquisition of Vought, the Company is subject to U.S. federal income tax examinations and various state jurisdiction examinations for the years ended December 31, 2004 and after related to previously filed Vought tax returns. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

During the fiscal years ended March 31, 2014, 2013 and 2012, the Company added \$32, \$3 and \$82 of interest and penalties related to activity for identified uncertain tax positions, respectively.

A reconciliation of the liability for uncertain tax positions, which are included in noncurrent liabilities for the fiscal years ended March 31, 2014 and 2013 follows:

|                                                             |         |
|-------------------------------------------------------------|---------|
| Ending Balance—March 31, 2012                               | \$7,133 |
| Additions for tax positions related to the current year     | 544     |
| Additions for tax positions of prior years                  | 33      |
| Reductions for tax positions of prior years                 | —       |
| Reductions as a result of a lapse of statute of limitations | —       |
| Settlements                                                 | —       |
| Ending Balance—March 31, 2013                               | 7,710   |
| Additions for tax positions related to the current year     | 774     |
| Additions for tax positions of prior years                  | 1,475   |
| Reductions for tax positions of prior years                 | (666)   |
| Reductions as a result of a lapse of statute of limitations | —       |
| Settlements                                                 | —       |
| Ending Balance—March 31, 2014                               | \$9,293 |

## 13. STOCKHOLDERS' EQUITY

In February 2014, the Company's Board of Directors authorized an increase in the Company's existing stock repurchase program by up to 5,000,000 shares of its common stock in addition to the 500,800 shares authorized under prior authorizations. In March 2014, the Company repurchased 300,000 of its common stock for \$19,134. As a result, as of May 17, 2014, the Company remains able to purchase an additional 5,200,800 shares. Repurchases may be made from time to time in open market transactions, block purchases, privately negotiated transactions or otherwise at prevailing prices. No time limit has been set for completion of the program.

During the fiscal year ended March 31, 2014 and 2013, the Company settled the conversion of \$96,535 and \$19,286, respectively, in principal value of the Convertible Notes, as requested by the respective holders, with the principal settled in cash and the conversion benefit settled through the issuance of 2,290,755 shares and 395,269 shares, respectively.

The holders of the common stock are entitled to one vote per share on all matters to be voted upon by the stockholders of Triumph.

The Company has preferred stock of \$0.01 par value, 250,000 shares authorized. At March 31, 2014 and 2013, zero shares of preferred stock were outstanding.



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive loss ("AOCI") by component for the years ended March 31, 2014 and 2013 were as follows:

|                                | Currency<br>Translation<br>Adjustment | Unrealized Gains<br>and Losses on<br>Derivative<br>Instruments | Defined Benefit<br>Pension Plans and<br>Other<br>Postretirement<br>Benefits | Total (1)   |
|--------------------------------|---------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------|-------------|
| Balance March 31, 2012         | \$5,345                               | \$132                                                          | \$(14,783)                                                                  | \$(9,306)   |
| OCI before reclassifications   | (1,832)                               | )41                                                            | (45,976)                                                                    | (47,767)    |
| Amounts reclassified from AOCI | —                                     | (42)                                                           | ) (3,857)                                                                   | (2) (3,899) |
| Net current period OCI         | (1,832)                               | ) (1)                                                          | ) (49,833)                                                                  | (51,666)    |
| Balance March 31, 2013         | 3,513                                 | 131                                                            | (64,616)                                                                    | (60,972)    |
| OCI before reclassifications   | (3,315)                               | ) 1,384                                                        | 45,958                                                                      | 44,027      |
| Amounts reclassified from AOCI | —                                     | (19)                                                           | ) (1,944)                                                                   | (3) (1,963) |
| Net current period OCI         | (3,315)                               | ) 1,365                                                        | 44,014                                                                      | 42,064      |
| Balance March 31, 2014         | \$198                                 | \$1,496                                                        | \$(20,602)                                                                  | \$(18,908)  |

(1) Net of tax.

(2) Primarily relates to amortization of actuarial losses for the year ended March 31, 2013 totaling \$199 (net of tax of \$119) which is included in the net periodic pension cost of which a portion is allocated to production as inventoried costs.

(3) Primarily relates to amortization of actuarial losses for the year ended March 31, 2014 totaling \$9,402 (net of tax of \$5,647) which is included in the net periodic pension cost of which a portion is allocated to production as inventoried costs.

## 14. EARNINGS PER SHARE

The following is a reconciliation between the weighted-average common shares outstanding used in the calculation of basic and diluted earnings per share:

|                                                          | Year ended March 31, |        |        |
|----------------------------------------------------------|----------------------|--------|--------|
|                                                          | 2014                 | 2013   | 2012   |
|                                                          | (thousands)          |        |        |
| Weighted-average common shares outstanding—basic         | 51,711               | 49,663 | 48,821 |
| Net effect of dilutive stock options and nonvested stock | 265                  | 382    | 446    |
| Net effect of convertible debt                           | 811                  | 2,401  | 2,606  |
| Weighted-average common shares outstanding—diluted       | 52,787               | 52,446 | 51,873 |

## 15. EMPLOYEE BENEFIT PLANS

## Defined Contribution Pension Plan

The Company sponsors a defined contribution 401(k) plan, under which salaried and certain hourly employees may defer a portion of their compensation. Eligible participants may contribute to the plan up to the allowable amount as determined by the plan of their regular compensation before taxes. The Company generally matches contributions up to 60% of the first 6% of compensation contributed by the participant, calculated as 100% of the first 2% contributed, plus 40% of the next 4% contributed. All contributions and Company matches are invested at the direction of the employee in one or more mutual funds. Company matching contributions vest immediately and aggregated \$21,208,

\$19,509 and \$19,701 for the fiscal years ended March 31, 2014, 2013 and 2012, respectively.



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

Defined Benefit Pension and Other Postretirement Benefit Plans

The Company sponsors several defined benefit pension plans covering some of its employees. Certain employee groups are ineligible to participate in the plans or have ceased to accrue additional benefits under the plans based upon their service to the Company or years of service accrued under the defined benefit pension plans. Benefits under the defined benefit plans are based on years of service and, for most non-represented employees, on average compensation for certain years. It is the Company's policy to fund at least the minimum amount required for all qualified plans, using actuarial cost methods and assumptions acceptable under U.S. Government regulations, by making payments into a trust separate from us.

In addition to the defined benefit pension plans, the Company provides certain healthcare and life insurance benefits for eligible retired employees. Such benefits are unfunded as of March 31, 2014. Employees achieve eligibility to participate in these contributory plans upon retirement from active service if they meet specified age and years of service requirements. Election to participate for some employees must be made at the date of retirement. Qualifying dependents at the date of retirement are also eligible for medical coverage. Current plan documents reserve the right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees. From time to time, changes have been made to the benefits provided to various groups of plan participants. Premiums charged to most retirees for medical coverage prior to age 65 are based on years of service and are adjusted annually for changes in the cost of the plans as determined by an independent actuary. In addition to this medical inflation cost-sharing feature, the plans also have provisions for deductibles, co-payments, coinsurance percentages, out-of-pocket limits, schedules of reasonable fees, preferred provider networks, coordination of benefits with other plans and a Medicare carve-out.

The Company also sponsors an unfunded supplemental executive retirement plan ("SERP") that provides retirement benefits to certain key employees.

In accordance with ASC 715, the Company has recognized the funded status of the benefit obligation as of March 31, 2014, in the accompanying Consolidated Balance Sheet. The funded status is measured as the difference between the fair value of the plans' assets and the PBO or accumulated post retirement benefit obligation of the plan. The majority of the plan assets are publicly traded investments which were valued based on the market price as of the measurement date. Investments that are not publicly traded were valued based on the estimated fair value of those investments based on our evaluation of data from fund managers and comparable market data.



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

The following table sets forth the Company's consolidated defined benefit pension plans for its union and non-union employees and its SERP as of March 31, 2014 and 2013, and the amounts recorded in the Consolidated Balance Sheets at March 31, 2014 and 2013. Company contributions include amounts contributed directly to plan assets and indirectly as benefits are paid from the Company's assets. Benefit payments reflect the total benefits paid from the plans and the Company's assets. Information on the plans includes both the domestic qualified and nonqualified plans and the foreign qualified plans.

|                                                                                   | Pension Benefits     |             | Other Postretirement Benefits |            |   |
|-----------------------------------------------------------------------------------|----------------------|-------------|-------------------------------|------------|---|
|                                                                                   | Year ended March 31, |             | Year ended March 31,          |            |   |
|                                                                                   | 2014                 | 2013        | 2014                          | 2013       |   |
| Change in projected benefit obligations                                           |                      |             |                               |            |   |
| Projected benefit obligation at beginning of year                                 | \$2,390,201          | \$2,241,741 | \$347,555                     | \$380,802  |   |
| Service cost                                                                      | 12,854               | 18,503      | 3,060                         | 3,538      |   |
| Interest cost                                                                     | 92,938               | 98,348      | 12,552                        | 15,762     |   |
| Actuarial loss (gain)                                                             | (24,361)             | ) 179,046   | (22,078)                      | ) (25,523) | ) |
| Acquisitions                                                                      | 13,324               | 1,000       | —                             | 2,008      |   |
| Plan amendments                                                                   | 58                   | —           | —                             | —          |   |
| Participant contributions                                                         | —                    | —           | 6,449                         | 6,760      |   |
| Curtailments                                                                      | (7,851)              | ) 19,812    | —                             | —          |   |
| Settlements                                                                       | (171,450)            | ) —         | —                             | —          |   |
| Special termination benefits                                                      | —                    | 10,819      | —                             | —          |   |
| Benefits paid                                                                     | (144,078)            | ) (179,068) | ) (36,526)                    | ) (35,792) | ) |
| Currency translation adjustment                                                   | (927)                | ) —         | —                             | —          |   |
| Projected benefit obligation at end of year                                       | \$2,160,708          | \$2,390,201 | \$311,012                     | \$347,555  |   |
| Accumulated benefit obligation at end of year                                     | \$2,148,824          | \$2,365,235 | \$311,012                     | \$347,555  |   |
| Weighted-average assumptions used to determine benefit obligations at end of year |                      |             |                               |            |   |
| Discount rate                                                                     | 4.32                 | % 4.07      | % 4.14                        | % 3.79     | % |
| Rate of compensation increase                                                     | 3.50                 | % 3.50      | % N/A                         | N/A        |   |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

|                                                                                | Pension Benefits             |              | Other Postretirement Benefits |              |
|--------------------------------------------------------------------------------|------------------------------|--------------|-------------------------------|--------------|
|                                                                                | Year ended March 31,<br>2014 | 2013         | Year ended March 31,<br>2014  | 2013         |
| Change in fair value of plan assets                                            |                              |              |                               |              |
| Fair value of plan assets at beginning of year                                 | \$2,030,210                  | \$1,881,954  | \$—                           | \$—          |
| Actual return on plan assets                                                   | 160,297                      | 217,506      | —                             | —            |
| Settlements                                                                    | (171,450                     | ) —          | —                             | —            |
| Participant contributions                                                      | —                            | —            | 6,449                         | 6,760        |
| Company contributions                                                          | 46,347                       | 109,818      | 30,077                        | 29,032       |
| Acquisitions                                                                   | 12,853                       | —            | —                             | —            |
| Benefits paid                                                                  | (144,078                     | ) (179,068   | ) (36,526                     | ) (35,792    |
| Currency translation adjustment                                                | (910                         | ) —          | —                             | —            |
| Fair value of plan assets at end of year                                       | \$1,933,269                  | \$2,030,210  | \$—                           | \$—          |
| Funded status (underfunded)                                                    |                              |              |                               |              |
| Funded status                                                                  | \$(227,439                   | ) \$(359,991 | ) \$(311,012                  | ) \$(347,555 |
| Reconciliation of amounts recognized in the consolidated balance sheets        |                              |              |                               |              |
| Pension asset—noncurrent                                                       | \$71                         | \$—          | \$—                           | \$—          |
| Accrued benefit liability—current                                              | (3,960                       | ) (3,923     | ) (26,038                     | ) (32,448    |
| Accrued benefit liability—noncurrent                                           | (223,550                     | ) (356,068   | ) (284,974                    | ) (315,107   |
| Net amount recognized                                                          | \$(227,439                   | ) \$(359,991 | ) \$(311,012                  | ) \$(347,555 |
| Reconciliation of amounts recognized in accumulated other comprehensive income |                              |              |                               |              |
| Prior service credits                                                          | \$(25,493                    | ) \$(39,181  | ) \$(13,211                   | ) \$(17,740  |
| Actuarial losses (gains)                                                       | 85,076                       | 151,582      | (13,354                       | ) 8,724      |
| Income tax (benefits) related to above items                                   | (22,462                      | ) (42,152    | ) 9,968                       | 3,383        |
| Unamortized benefit plan costs (gains)                                         | \$37,121                     | \$70,249     | \$(16,597                     | ) \$(5,633   |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

The components of net periodic benefit cost for fiscal years ended March 31, 2014, 2013 and 2012 are as follows:

|                                                                          | Pension Benefits     |            |             | Other Postretirement Benefits |          |          |
|--------------------------------------------------------------------------|----------------------|------------|-------------|-------------------------------|----------|----------|
|                                                                          | Year Ended March 31, |            |             | Year Ended March 31,          |          |          |
|                                                                          | 2014                 | 2013       | 2012        | 2014                          | 2013     | 2012     |
| Components of net periodic pension cost                                  |                      |            |             |                               |          |          |
| Service cost                                                             | \$12,854             | \$18,503   | \$16,456    | \$3,060                       | \$3,538  | \$3,393  |
| Interest cost                                                            | 92,938               | 98,348     | 108,059     | 12,552                        | 15,762   | 18,473   |
| Expected return on plan assets                                           | (147,545 )           | (137,334 ) | (127,603 )  | —                             | —        | —        |
| Amortization of prior service credit cost                                | (6,731 )             | (5,829 )   | (11,014 )   | (4,529 )                      | (4,529 ) | (4,529 ) |
| Amortization of net loss                                                 | 13,487               | 318        | 109         | —                             | —        | —        |
| Curtailment (gain) loss                                                  | (395 )               | 23,662     | (42,446 )   | —                             | —        | —        |
| Settlements                                                              | 1,561                | —          | —           | —                             | —        | —        |
| Special termination benefits                                             | —                    | 10,819     | 1,625       | —                             | —        | 421      |
| Total net periodic benefit (income) expense                              | \$(33,831 )          | \$8,487    | \$(54,814 ) | \$11,083                      | \$14,771 | \$17,758 |
| Weighted-average assumptions used to determine net periodic pension cost |                      |            |             |                               |          |          |
| Discount rate                                                            | 4.07                 | % 4.62     | % 5.58      | % 3.79                        | % 4.35   | % 5.25   |
| Expected long-term rate on assets                                        | 8.25                 | % 8.25     | % 8.50      | % N/A                         | N/A      | N/A      |
| Rate of compensation increase                                            | 3.50                 | % 3.50     | % 3.50      | % N/A                         | N/A      | N/A      |

The discount rate is determined annually as of each measurement date, based on a review of yield rates associated with long-term, high-quality corporate bonds. At the end of each year, the discount rate is primarily determined using the results of bond yield curve models based on a portfolio of high-quality bonds matching notional cash inflows with the expected benefit payments for each significant benefit plan.

The Company periodically experiences events or makes changes to its benefit plans that result in curtailment or special charges. Curtailments are recognized when events occur that significantly reduce the expected years of future service of present employees or eliminates the benefits for a significant number of employees for some or all of their future service.

Curtailment losses are recognized when it is probable the curtailment will occur and the effects are reasonably estimable. Curtailment gains are recognized when the related employees are terminated or a plan amendment is adopted, whichever is applicable.

As required under ASC 715, the Company remeasures plan assets and obligations during an interim period whenever a significant event occurs that results in a material change in the net periodic pension cost. The determination of significance is based on judgment and consideration of events and circumstances impacting the pension costs.

The following summarizes the key events whose effects on net periodic benefit cost and obligations are included in the tables above:

-

In March 2014, the Company announced an amendment to the retirement plan of its non-represented employee participants. Effective April 1, 2015, actively accruing participants with 30 years of service will no longer continue to accrue a benefit. Those changes resulted in a decrease in the projected pension obligation of \$14,355 and a related curtailment gain of \$8,427 included in "Curtailments, settlements and early retirement incentives" on the Consolidated Statement of Income for the fiscal year ended March 31, 2014.

In March 2014, in connection with the Company's relocation plan, the Company has restructured the remaining workforce resulting in the termination of a number of defined benefit plan participants. The Company concluded that these terminations will result in a significant reduction in the remaining service period and recorded a curtailment loss

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

of \$8,031 included in "Curtailments and early retirement incentives" on the Consolidated Statement of Income for the fiscal year ended March 31, 2014. This curtailment loss included an increase in the projected pension obligation of \$6,503. Additionally, as part of the layoffs, the Company recorded an early retirement incentive severance charge of \$916 included in "Selling, General and Administrative" on the Consolidated Statement of Income for the fiscal year ended March 31, 2014.

In December 2013, the Company completed an incentive offer in the form of lump-sum payments to non-represented deferred vested employees who were not of retirement age in lieu of any future benefits. In addition, cumulative lump-sum payments to union-represented plan participants for previously offered early retirement incentives exceeded the service and interest costs of the respective plan. The aforementioned changes led to a remeasurement of the affected plan's assets and obligations as of December 2013, which resulted in a \$118,391 decrease in projected benefit obligation. Additionally, these distributions resulted in settlement charges of \$1,561 and are presented on the accompanying Consolidated Statements of Income as "Early retirement incentive expense."

In April 2012, the Company completed an early retirement incentive offer with a portion of its second largest union-represented group of production and maintenance employees. The early retirement incentive offer provided for an increase in the pension benefits payable to covered employees who retire no later than November 30, 2012. This early retirement incentive resulted in a special termination benefit expense of \$1,150 and is presented on the accompanying Consolidated Statement of Income as "Curtailments and early retirement incentives."

In July 2012, the Company completed a similar early retirement incentive offer to its non-represented employee participants. This early retirement incentive provided for an increase in the termination benefits payable through the pension plan to covered employees who retire no later than November 30, 2012. This early retirement incentive resulted in a special termination benefit expense of \$1,957 and is presented on the accompanying Consolidated Statement of Income as "Curtailments and early retirement incentives," as well as severance charges of \$1,182 included in "Acquisition and integration expenses" on the accompanying Consolidated Statement of Income.

In October 2012, the Company completed an early retirement incentive offer with a portion of its largest union-represented group of production and maintenance employees. The early retirement offer provided for an increase in the pension benefits to covered employees who retire no later than March 31, 2013. This early retirement incentive resulted in a special termination benefit expense of \$2,030 and is presented on the accompanying Consolidated Statement of Income within "Curtailments and early retirement incentives."

In February 2013, the Company completed a second early retirement incentive offer with an expanded portion of its largest union-represented group of production and maintenance employees. The early retirement offer provided for the same increase, as the October 2012 offer, in pension benefits to covered employees who retire no later than September 1, 2013. This early retirement incentive resulted in a special termination benefit expense of \$5,682. In addition, the Company concluded that the February 2013 offer and the October 2012 offer represented such similar actions that they needed to be combined to assess whether the resulting change in the remaining service period indicated that a curtailment had occurred. The Company concluded that a curtailment had occurred and recorded a curtailment loss of \$21,843 included in "Curtailments and early retirement incentives" on the Consolidated Statement of Income for the fiscal year ended March 31, 2013.

In February 2013, the Company committed to a plan to relocate from its largest operating facility. In connection with this relocation plan, the Company will exit this facility's Fabrications operations resulting in the termination of a number of defined benefit plan participants. The Company concluded that these terminations will result in a significant reduction in the remaining service period and recorded a curtailment loss of \$1,819 included in "Curtailments and early retirement incentives" on the Consolidated Statement of Income for the fiscal year ended March 31, 2013.

In December 2011, the Company negotiated the termination of one of its smaller defined benefit plans. This termination resulted in a \$1,625 special termination benefit, included in "Curtailments and early retirement incentives" on the Consolidated Statement of Income for the fiscal year ended March 31, 2012.

In February 2012, the Company's second largest union-represented group of production and maintenance employees ratified a new collective bargaining agreement. The agreement provides actively employed participants the option to elect a lump-sum distribution upon retirement effective April 1, 2012. This change resulted in a reduction to the projected benefit obligation of approximately \$7,145.

In March 2012, the Company announced an amendment to the retirement plans of its non-represented employee participants. Effective April 1, 2013, most actively employed participants with 30 years of service and certain highly



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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

compensated employees as of April 1, 2012 will no longer continue to accrue a benefit. Those changes resulted in a reduction of the projected pension obligation of \$56,701 and a related curtailment gain of \$42,446 included in "Curtailments and early retirement incentives" on the Consolidated Statement of Income for the fiscal year ended March 31, 2012.

The following table shows those amounts expected to be recognized in net periodic benefit costs during the fiscal year ending March 31, 2015:

|                                                                         | Pension Benefits | Other Postretirement Benefits |
|-------------------------------------------------------------------------|------------------|-------------------------------|
| Amounts expected to be recognized in FY 2015 net periodic benefit costs |                  |                               |
| Prior service cost (\$3,303 and \$2,830 net of tax, respectively)       | \$(5,288         | ) \$(4,530 )                  |
| Expected Pension Benefit Payments                                       |                  |                               |

The total estimated future benefit payments for the pension plans are expected to be paid from the plan assets and company funds. The other postretirement plan benefit payments reflect the Company's portion of the funding. Estimated future benefit payments from plan assets and Company funds for the next ten years are as follows:

| Year        | Pension Benefits | Other Postretirement Benefits* |
|-------------|------------------|--------------------------------|
| 2015        | \$185,075        | \$26,572                       |
| 2016        | 164,801          | 26,411                         |
| 2017        | 161,963          | 26,421                         |
| 2018        | 158,813          | 26,305                         |
| 2019        | 155,058          | 26,289                         |
| 2020 - 2024 | 738,709          | 119,374                        |

\* Net of expected Medicare Part D subsidies of \$1,000 to \$1,500 per year.

## Plan Assets, Investment Policy and Strategy

The table below sets forth the Company's target asset allocation for fiscal 2014 and the actual asset allocations at March 31, 2014 and 2013.

| Asset Category               | Target Allocation Fiscal 2015 | Actual Allocation March 31, 2014 | 2013  |   |
|------------------------------|-------------------------------|----------------------------------|-------|---|
| Equity securities            | 50 - 65%                      | 47                               | % 48  | % |
| Fixed income securities      | 20 - 45%                      | 48                               | 47    |   |
| Alternative investment funds | 2 - 10%                       | 5                                | 5     |   |
| Total                        |                               | 100                              | % 100 | % |

Pension plan assets are invested in various asset classes that are expected to produce a sufficient level of diversification and investment return over the long-term. The investment goals are to exceed the assumed actuarial rate of return over the long-term within reasonable and prudent levels of risks and to meet future obligations.

Asset / liability studies are conducted on a regular basis to provide guidance in setting investment goals for the pension portfolio and its asset allocation. The asset allocation aims to prudently achieve a strong, risk-adjusted return while seeking to minimize funding level volatility and improve the funded status of the plans. The pension plans currently employ a liability-driven investment (LDI) approach, where assets and liabilities move in the same direction. The goal is to limit the volatility of the funding status and cover part, but not all, of the changes in liabilities. Most of the liabilities' changes are due to interest rate movements.

To balance expected risk and return, allocation targets are established and monitored against acceptable ranges. All investment policies and procedures are designed to ensure that the plans' investments are in compliance with the Employee

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

Retirement Income Security Act of 1974 ("ERISA"). Guidelines are established defining permitted investments within each asset class. Each investment manager has contractual guidelines to ensure that investments are made within the parameters of their asset class or in the case of multi-asset class managers, the parameters of their multi-asset class strategy. Certain investments are not permitted at any time including investment directly in employer securities and uncovered short sales.

The tables below provide the fair values of the Company's plan assets at March 31, 2014 and 2013 by asset category. The table also identifies the level of inputs used to determine the fair value of assets in each category (see Note 2 for definition of levels).

March 31, 2014

|                                       | Level 1     | Level 2   | Level 3  | Total       |
|---------------------------------------|-------------|-----------|----------|-------------|
| Assets                                |             |           |          |             |
| Cash and cash equivalents             | \$26,261    | \$805     | \$—      | \$27,066    |
| Equity securities                     |             |           |          |             |
| International                         | 196,008     | —         | —        | 196,008     |
| US equity                             | 70,520      | —         | —        | 70,520      |
| US commingled fund                    | 563,116     | —         | —        | 563,116     |
| International commingled fund         | 26,579      | 42,497    | —        | 69,076      |
| Fixed income securities               |             |           |          |             |
| Corporate bonds                       | —           | 19,628    | —        | 19,628      |
| Government securities                 | —           | 163,241   | —        | 163,241     |
| Commingled fund                       | 636,476     | 88,125    | —        | 724,601     |
| Other fixed income                    | —           | 8,362     | —        | 8,362       |
| Other                                 |             |           |          |             |
| Private equity and infrastructure     | —           | —         | 89,113   | 89,113      |
| Total investment in securities—assets | \$1,518,960 | \$322,658 | \$89,113 | \$1,930,731 |
| Receivables                           |             |           |          | 2,568       |
| Payables                              |             |           |          | (30 )       |
| Total plan assets                     |             |           |          | \$1,933,269 |

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TRIUMPH GROUP, INC.

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(Dollars in thousands, except per share data)

March 31, 2013

|                                       | Level 1     | Level 2   | Level 3  | Total       |
|---------------------------------------|-------------|-----------|----------|-------------|
| Assets                                |             |           |          |             |
| Cash and cash equivalents             | \$33,851    | \$800     | \$—      | \$34,651    |
| Equity securities                     |             |           |          |             |
| International                         | 213,785     | —         | —        | 213,785     |
| US equity                             | 62,071      | —         | —        | 62,071      |
| US commingled fund                    | 625,671     | —         | —        | 625,671     |
| International commingled fund         | 31,879      | 29,367    | —        | 61,246      |
| Fixed income securities               |             |           |          |             |
| Corporate bonds                       | —           | 14,572    | —        | 14,572      |
| Government securities                 | —           | 161,879   | —        | 161,879     |
| Commingled fund                       | 664,609     | 84,651    | —        | 749,260     |
| Mortgage-backed securities            | —           | 10,234    | —        | 10,234      |
| Other                                 |             |           |          |             |
| Private equity and infrastructure     | —           | —         | 95,015   | 95,015      |
| Total investment in securities—assets | \$1,631,866 | \$301,503 | \$95,015 | \$2,028,384 |
| Receivables                           |             |           |          | 2,120       |
| Payables                              |             |           |          | (294)       |
| Total plan assets                     |             |           |          | \$2,030,210 |

Cash equivalents and other short-term investments are primarily held in registered short-term investment vehicles which are valued using a market approach based on quoted market prices of similar instruments.

Public equity securities, including common stock, are primarily valued using a market approach based on the closing fair market prices of identical or comparable instruments, in the principal market on which they are traded.

Commingled equity funds are public investment vehicles valued using the net asset value ("NAV") provided by the fund manager. The NAV is the total value of the fund divided by the number of shares outstanding. Commingled equity funds are categorized as Level 1 if traded at their NAV on a nationally recognized securities exchange or categorized as Level 2 if the NAV is corroborated by observable market data (e.g., purchases or sale activity).

Fixed income securities are primarily valued using a market approach with inputs that include broker quotes, benchmark yields, base spreads and reported trades.

Other investments include the net unrealized gain/loss for the Company's futures, the fair value of the swaps, as well as private equity and real estate. Futures are financial contracts obligating the Company to purchase assets at a predetermined date and time. Swaps are an exchange of one security for another to change the maturity or the quality of the investments. These securities are valued using the most accurate pricing service. Private equity, real estate values, and infrastructure investments, which are not readily marketable, are carried at estimated fair value as determined based on an evaluation of data provided by fund managers, including valuations of the underlying investments derived using inputs such as cost, operating results, discounted future cash flows, and market-based comparable data.

The following table represents a rollforward of the balances of our pension plan assets that are valued using Level 3 inputs:

|                      | March 31, 2013<br>Balance | Net Purchases<br>(Sales) | Net Realized<br>Appreciation<br>(Depreciation) | Net Unrealized<br>Appreciation<br>(Depreciation) | March 31, 2014<br>Balance |
|----------------------|---------------------------|--------------------------|------------------------------------------------|--------------------------------------------------|---------------------------|
| Private equity funds | \$95,015                  | \$(18,976)               | \$11,157                                       | \$1,917                                          | \$89,113                  |
|                      | March 31, 2012<br>Balance | Net Purchases<br>(Sales) | Net Realized<br>Appreciation                   | Net Unrealized<br>Appreciation                   | March 31, 2013<br>Balance |

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|                      |           |           |                             |                         |          |
|----------------------|-----------|-----------|-----------------------------|-------------------------|----------|
| Private equity funds | \$109,727 | \$(17,743 | (Depreciation)<br>) \$2,241 | (Depreciation)<br>\$790 | \$95,015 |
|----------------------|-----------|-----------|-----------------------------|-------------------------|----------|

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(Dollars in thousands, except per share data)

## Assumptions and Sensitivities

The discount rate is determined as of each measurement date, based on a review of yield rates associated with long-term, high-quality corporate bonds. The calculation separately discounts benefit payments using the spot rates from a long-term, high-quality corporate bond yield curve.

The effect of a 25 basis-point change in discount rates as of March 31, 2014 is shown below:

|                             | Pension Benefits | Other Postretirement Benefits |
|-----------------------------|------------------|-------------------------------|
| Increase of 25 basis points |                  |                               |
| Obligation                  | * \$(60,800 )    | \$(6,474 )                    |
| Net periodic expense        | (10,300 )        | 425 )                         |
| Decrease of 25 basis points |                  |                               |
| Obligation                  | * \$62,700       | \$6,732                       |
| Net periodic expense        | 10,500           | (443 )                        |

\* Excludes impact to plan assets due to the LDI investment approach discussed above under "Plan Assets, Investment Policy and Strategy."

The long-term rate of return assumption represents the expected average rate of earnings on the funds invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses and the potential to outperform market index returns. The expected long-term rate of return on assets was 8.25%. For fiscal 2015, the expected long-term rate of return is 8.25%.

A significant factor used in estimating future per capita cost of covered healthcare benefits for our retirees and us is the healthcare cost trend rate assumption. The rate used at March 31, 2014 was 7.50% and is assumed to decrease gradually to 4.50% by fiscal 2019 and remain at that level thereafter. The effect of a one-percentage-point change in the healthcare cost trend rate in each year is shown below:

|                      | Other Postretirement Benefits One-Percentage-Point Increase | Other Postretirement Benefits One-Percentage-Point Decrease |
|----------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Net periodic expense | \$643                                                       | \$(563 )                                                    |
| Obligation           | 12,429                                                      | (10,980 )                                                   |

## Anticipated Contributions to Defined Benefit Plans

Assuming a normal retirement age of 65, the Company expects to contribute \$114,822 to its defined benefit pension plans and \$26,572 to its OPEB during fiscal 2015. No plan assets are expected to be returned to the Company in fiscal 2015.

## 16. STOCK COMPENSATION PLANS

The Company has stock incentive plans under which employees and non-employee directors may be granted options to purchase shares of the Company's common stock at the fair value at the time of the grant. Employee options and non-employee director options are fully vested as of March 31, 2014. There were no employee or non-employee director options granted during fiscal years ended March 31, 2014, 2013 and 2012.

In fiscal 2006, the Company approved the granting of restricted stock as its primary form of share-based incentive. The restricted shares are subject to forfeiture should the grantee's employment be terminated prior to the third or fourth anniversary of the date of grant, and are included in capital in excess of par value. Restricted shares generally vest in full after three or four years. The fair value of restricted shares under the Company's restricted stock plans is determined by the product of the number of shares granted and the grant date market price of the Company's common stock. Certain of these awards contain performance conditions, in addition to service conditions. The fair value of

restricted shares is expensed on a straight-line basis over the requisite service period of three or four years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

The Company recognized \$4,653, \$6,367 and \$4,988 of share-based compensation expense during the fiscal years ended March 31, 2014, 2013 and 2012, respectively. The total income tax benefit recognized for share-based compensation arrangements for fiscal years ended March 31, 2014, 2013 and 2012 was \$1,629, \$2,228 and \$1,746, respectively.

A summary of the Company's stock option activity and related information for its option plans for the fiscal year ended March 31, 2014 was as follows:

|                               | Options  | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in Years) | Aggregate Intrinsic Value |
|-------------------------------|----------|---------------------------------|--------------------------------------------------------|---------------------------|
| Outstanding at March 31, 2013 | 70,888   | \$ 15.85                        |                                                        |                           |
| Exercised                     | (18,170) | ) 16.01                         |                                                        |                           |
| Forfeited                     | (3,000)  | ) 16.90                         |                                                        |                           |
| Outstanding at March 31, 2014 | 49,718   | \$ 15.72                        | 0.8                                                    | \$2,894                   |
| Exercisable at March 31, 2014 | 49,718   | \$ 15.72                        | 0.8                                                    | \$2,894                   |

As of March 31, 2014 and 2013, all stock options are fully vested with no expected future compensation expense related to them. The intrinsic value of stock options exercised during the fiscal years ended March 31, 2014, 2013 and 2012 was \$1,043, \$6,281 and \$4,928, respectively.

At March 31, 2014 and 2013, 2,227,227 shares and 2,306,925 shares of common stock, respectively, were available for issuance under the plans. A summary of the status of the Company's nonvested shares of restricted stock and deferred stock units as of March 31, 2014 and changes during the fiscal year ended March 31, 2014, is presented below:

|                                                                       | Shares    | Weighted-Average Grant Date Fair Value |
|-----------------------------------------------------------------------|-----------|----------------------------------------|
| Nonvested restricted stock and deferred stock units at March 31, 2013 | 363,463   | \$46.41                                |
| Granted                                                               | 79,698    | 79.8                                   |
| Vested                                                                | (159,540) | ) 40.24                                |
| Forfeited                                                             | (12,410)  | ) 56.97                                |
| Nonvested restricted stock and deferred stock units at March 31, 2014 | 271,211   | \$59.37                                |

The fair value of restricted stock which vested during fiscal 2014 was \$14,678. The tax benefit from vested restricted stock was \$2,726, \$1,840 and \$609 during the fiscal years ended March 31, 2014, 2013 and 2012, respectively. The weighted-average grant date fair value of share-based grants in the fiscal years ended March 31, 2014, 2013 and 2012 was \$79.80, \$62.25 and \$42.76, respectively. Expected future compensation expense on restricted stock net of expected forfeitures, is approximately \$3,272, which is expected to be recognized over the remaining weighted-average vesting period of 1.5 years.

During the fiscal years ended March 31, 2014, 2013 and 2012, 7,875, 17,000 and 6,650 deferred stock units were granted to the non-employee members of the Board of Directors, respectively, under the Directors' Plan. Each deferred stock unit represents the contingent right to receive one share of the Company's common stock. The deferred stock units vest over a three or four-year period and the shares of common stock underlying vested deferred stock units will be delivered on January 1 of the year following the year in which the non-employee director terminates service as a Director of the Company.

## 17. COMMITMENTS AND CONTINGENCIES

Trade Secret Litigation over Claims of Eaton Corporation



On July 9, 2004, Eaton Corporation and several of its subsidiaries ("Eaton") sued the Company, a subsidiary and certain employees of the Company and the subsidiary on claims alleging misappropriation of trade secrets and intellectual property allegedly belonging to Eaton relating to the design and manufacture of hydraulic pumps and motors used in military and commercial aviation. The subsidiary and the individual engineer defendants answered Eaton's claims and filed counterclaims. In the course of discovery in the suit, the court began an investigation of allegations of wrongdoing by Eaton in its conduct of the litigation. On December 22, 2010, the court dismissed all of Eaton's claims with prejudice based on the court's conclusion that a fraud had been perpetrated on the court by counsel for Eaton of which Eaton was aware or should have been aware. Eaton appealed, but on November 21, 2013, the Supreme Court of Mississippi, in a unanimous en banc decision, affirmed the lower

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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court's dismissal. Eaton has moved for a rehearing of the Mississippi Supreme Court's affirmance but on March 20, 2014, the Supreme Court denied Eaton's motion for rehearing. Meanwhile, the Company, several subsidiaries, and the employees sued by Eaton are now pursuing claims (including antitrust claims) and counterclaims against Eaton based on the Eaton misconduct that led to the dismissal of Eaton's claims. Given the Mississippi Supreme Court's decision affirming the dismissal of Eaton's claims and the denial of Eaton's motion for rehearing, we have concluded that the probability of a loss arising from Eaton's claims is remote.

**Other**

Certain of the Company's business operations and facilities are subject to a number of federal, state, local and foreign environmental laws and regulations. Former owners generally indemnify the Company for environmental liabilities related to the assets and businesses acquired which existed prior to the acquisition dates. In the opinion of management, there are no significant environmental contingent liabilities which would have a material effect on the financial condition or operating results of the Company which are not covered by such indemnification.

The Company's risk related to pension projected obligations as of March 31, 2014 is significant. This amount is currently in excess of the related plan assets. Benefit plan assets are invested in a diversified portfolio of investments in both the equity and debt categories, as well as limited investments in real estate and other alternative investments. The market value of all of these investment categories may be adversely affected by external events and the movements and volatility in the financial markets including such events as the current credit and real estate market conditions. Declines in the market values of our plan assets could expose the total asset balance to significant risk which may cause an increase to future funding requirements. The Company's potential risk related to OPEB projected obligations as of March 31, 2014 is also significant.

Some raw materials and operating supplies are subject to price and supply fluctuations caused by market dynamics. The Company's strategic sourcing initiatives seek to find ways of mitigating the inflationary pressures of the marketplace. In recent years, these inflationary pressures have affected the market for raw materials. However, the Company believes that raw material prices will remain stable through the remainder of fiscal 2015 and after that, experience increases that are in line with inflation. Additionally, the Company generally does not employ forward contracts or other financial instruments to hedge commodity price risk.

The Company's suppliers' failure to provide acceptable raw materials, components, kits and subassemblies would adversely affect production schedules and contract profitability. The Company maintains an extensive qualification and performance surveillance system to control risk associated with such supply base reliance. The Company is dependent on third parties for certain information technology services. To a lesser extent, the Company is also exposed to fluctuations in the prices of certain utilities and services, such as electricity, natural gas, chemical processing and freight. The Company utilizes a range of long-term agreements and strategic aggregated sourcing to optimize procurement expense and supply risk in these categories.

In the ordinary course of business, the Company is also involved in disputes, claims, lawsuits, and governmental and regulatory inquiries that it deems to be immaterial. Some may involve claims or potential claims of substantial damages, fines or penalties. While the Company cannot predict the outcome of any pending or future litigation or proceeding and no assurances can be given, the Company does not believe that any pending matter will have a material effect, individually or in the aggregate, on its financial position or results of operations.

**18. RELOCATION COSTS**

During the fiscal year ended March 31, 2013, the Company committed to relocate the operations of its largest facility in Dallas, TX and to expand its Red Oak, Texas ("Red Oak") facility to accommodate this relocation. The Company incurred approximately \$86,640 and \$18,113 in capital expenditures during the fiscal years ended March 31, 2014 and 2013, respectively, associated with this plan. The Company incurred \$31,290 of moving expenses related to the relocation during the fiscal year ended March 31, 2014, shown separately on the Consolidated Statements of Income. The relocation was substantially completed during the fiscal year ended March 31, 2014.



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TRIUMPH GROUP, INC.

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(Dollars in thousands, except per share data)

19. CUSTOMER CONCENTRATION

Trade accounts receivable from The Boeing Company ("Boeing") represented approximately 32% and 32% of total accounts receivable as of March 31, 2014 and 2013, respectively. The Company had no other significant concentrations of credit risk. Sales to Boeing for fiscal 2014 were \$1,689,635, or 45% of net sales, of which \$1,576,113, \$87,374 and \$26,148 were from the Aerostructures segment, the Aerospace Systems segment and the Aftermarket Services segment, respectively. Sales to Boeing for fiscal 2013 were \$1,829,200, or 49% of net sales, of which \$1,719,485, \$73,794 and \$35,921 were from the Aerostructures segment, the Aerospace Systems segment and the Aftermarket Services segment, respectively. Sales to Boeing for fiscal 2012 were \$1,589,432, or 47% of net sales, of which \$1,493,786, \$65,159 and \$30,487 were from the Aerostructures segment, the Aerospace Systems segment and the Aftermarket Services segment, respectively. No other single customer accounted for more than 10% of the Company's net sales; however, the loss of any significant customer, including Boeing, could have a material adverse effect on the Company and its operating subsidiaries.

The Company currently generates a majority of its revenue from clients in the commercial aerospace industry, the military, and the regional airline industry. The Company's growth and financial results are largely dependent on continued demand for its products and services from clients in these industries. If any of these industries experiences a downturn, clients in these sectors may conduct less business with the Company.

20. COLLECTIVE BARGAINING AGREEMENTS

Approximately 21% of the Company's labor force is covered under collective bargaining agreements. Approximately 36% of the Company's collectively bargained workforce are working under contracts that have expired or are set to expire within one year.

21. SEGMENTS

The Company reports financial performance based on the following three reportable segments: the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group. The Company's CODM utilizes Adjusted EBITDA as a primary measure of profitability to evaluate performance of its segments and allocate resources.

The Aerostructures segment consists of the Company's operations that manufacture products primarily for the aerospace OEM market. The Aerostructures segment's revenues are derived from the design, manufacture, assembly and integration of metallic and composite aerostructures and structural components, including aircraft wings, fuselage sections, tail assemblies, engine nacelles, flight control surfaces as well as helicopter cabins. Further, the segment's operations also design and manufacture composite assemblies for floor panels and environmental control system ducts. These products are sold to various aerospace OEMs on a global basis.

The Aerospace Systems segment consists of the Company's operations that also manufacture products primarily for the aerospace OEM market. The segment's operations design and engineer mechanical and electromechanical controls, such as hydraulic systems, main engine gearbox assemblies, engine control systems, accumulators, mechanical control cables and non-structural cockpit components. These products are sold to various aerospace OEMs on a global basis.

The Aftermarket Services segment consists of the Company's operations that provide maintenance, repair and overhaul services to both commercial and military markets on components and accessories manufactured by third parties. Maintenance, repair and overhaul revenues are derived from services on auxiliary power units, airframe and engine accessories, including constant-speed drives, cabin compressors, starters and generators, and pneumatic drive units. In addition, the segment's operations repair and overhaul thrust reversers, nacelle components and flight control surfaces. The segment's operations also perform repair and overhaul services and supply spare parts for various types of cockpit instruments and gauges for a broad range of commercial airlines on a worldwide basis.

Segment Adjusted EBITDA is total segment revenue reduced by operating expenses (less depreciation and amortization) identifiable with that segment. Corporate includes general corporate administrative costs and any other costs not identifiable with one of the Company's segments, including curtailments and early retirement incentives on

the Company's defined benefit plans, such as the \$1,166 curtailments, settlements and early retirement incentives for the fiscal year ended March 31, 2014.

The Company does not accumulate net sales information by product or service or groups of similar products and services, and therefore the Company does not disclose net sales by product or service because to do so would be impracticable.

Selected financial information for each reportable segment and the reconciliation of Adjusted EBITDA to operating income before interest is as follows:

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(Dollars in thousands, except per share data)

|                                                     | Year Ended March 31, |             |             |
|-----------------------------------------------------|----------------------|-------------|-------------|
|                                                     | 2014                 | 2013        | 2012        |
| Net sales:                                          |                      |             |             |
| Aerostructures                                      | \$2,612,439          | \$2,781,344 | \$2,571,576 |
| Aerospace systems                                   | 871,751              | 615,771     | 551,800     |
| Aftermarket services                                | 287,343              | 314,507     | 292,674     |
| Elimination of inter-segment sales                  | (8,279               | ) (8,920    | ) (8,121    |
|                                                     | \$3,763,254          | \$3,702,702 | \$3,407,929 |
| Income before income taxes:                         |                      |             |             |
| Operating income (loss):                            |                      |             |             |
| Aerostructures                                      | \$252,910            | \$469,873   | \$403,414   |
| Aerospace systems                                   | 149,721              | 103,179     | 90,035      |
| Aftermarket services                                | 42,265               | 45,380      | 31,859      |
| Corporate                                           | (44,892              | ) (87,219   | ) (10,593   |
|                                                     | 400,004              | 531,213     | 514,715     |
| Interest expense and other                          | 87,771               | 68,156      | 77,138      |
|                                                     | \$312,233            | \$463,057   | \$437,577   |
| Depreciation and amortization:                      |                      |             |             |
| Aerostructures                                      | \$114,302            | \$95,884    | \$89,113    |
| Aerospace systems                                   | 37,453               | 19,870      | 17,363      |
| Aftermarket services                                | 7,529                | 9,118       | 9,487       |
| Corporate                                           | 4,993                | 4,634       | 3,761       |
|                                                     | \$164,277            | \$129,506   | \$119,724   |
| Amortization of acquired contract liabilities, net: |                      |             |             |
| Aerostructures                                      | \$25,207             | \$25,457    | \$26,684    |
| Aerospace systems                                   | 17,422               | 187         | —           |
|                                                     | \$42,629             | \$25,644    | \$26,684    |
| Adjusted EBITDA:                                    |                      |             |             |
| Aerostructures                                      | \$342,005            | \$540,300   | \$465,843   |
| Aerospace systems                                   | 169,752              | 122,862     | 107,398     |
| Aftermarket services                                | 49,794               | 54,498      | 41,346      |
| Corporate                                           | (38,733              | ) (48,104   | ) (47,232   |
|                                                     | \$522,818            | \$669,556   | \$567,355   |
|                                                     | Year Ended March 31, |             |             |
|                                                     | 2014                 | 2013        | 2012        |
| Capital expenditures:                               |                      |             |             |
| Aerostructures                                      | \$167,198            | \$90,466    | \$64,633    |
| Aerospace systems                                   | 21,935               | 19,388      | 14,747      |
| Aftermarket services                                | 13,940               | 14,820      | 8,682       |
| Corporate                                           | 3,341                | 2,216       | 5,907       |
|                                                     | \$206,414            | \$126,890   | \$93,969    |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

|                      | March 31,<br>2014 | 2013        |
|----------------------|-------------------|-------------|
| Total Assets:        |                   |             |
| Aerostructures       | \$3,880,645       | \$3,707,527 |
| Aerospace systems    | 1,255,033         | 1,095,706   |
| Aftermarket services | 316,643           | 327,609     |
| Corporate            | 100,962           | 108,337     |
|                      | \$5,553,283       | \$5,239,179 |

During fiscal years ended March 31, 2014, 2013 and 2012, the Company had foreign sales of \$621,625, \$504,079 and \$463,864, respectively. The Company reports as foreign sales those sales with delivery points outside of the United States. As of March 31, 2014 and 2013, the Company had foreign long-lived assets of \$289,027 and \$98,828, respectively.

## 22. SELECTED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS

The Company's the 2018 Notes and the 2021 Notes are fully and unconditionally guaranteed on a joint and several basis by Guarantor Subsidiaries. The total assets, stockholder's equity, revenue, earnings and cash flows from operating activities of the Guarantor Subsidiaries exceeded a majority of the consolidated total of such items as of and for the periods reported. The only consolidated subsidiaries of the Company that are not guarantors of the 2018 Notes and the 2021 Notes (the "Non-Guarantor Subsidiaries") are: (i) the receivables securitization special purpose entity, and (ii) the foreign operating subsidiaries. The following tables present condensed consolidating financial statements including Triumph Group, Inc. (the "Parent"), the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries. Such financial statements include balance sheets as of March 31, 2014 and 2013, statements of income and comprehensive income for the fiscal years ended March 31, 2014, 2013 and 2012, and statements of cash flows for the fiscal years ended March 31, 2014, 2013 and 2012.

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## SUMMARY CONSOLIDATING BALANCE SHEETS:

|                                                                     | March 31, 2014 |                           |                               |                |                       |
|---------------------------------------------------------------------|----------------|---------------------------|-------------------------------|----------------|-----------------------|
|                                                                     | Parent         | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations   | Consolidated<br>Total |
| Current assets:                                                     |                |                           |                               |                |                       |
| Cash and cash equivalents                                           | \$2,820        | \$1,149                   | \$25,029                      | \$—            | \$28,998              |
| Trade and other receivables,<br>net                                 | 1,591          | 226,407                   | 289,709                       | —              | 517,707               |
| Inventories                                                         | —              | 1,041,719                 | 70,048                        | —              | 1,111,767             |
| Rotable assets                                                      | —              | 28,113                    | 13,553                        | —              | 41,666                |
| Deferred income taxes                                               | —              | 57,291                    | 17                            | —              | 57,308                |
| Prepaid expenses and other                                          | 6,977          | 13,674                    | 4,246                         | —              | 24,897                |
| Total current assets                                                | 11,388         | 1,368,353                 | 402,602                       | —              | 1,782,343             |
| Property and equipment, net                                         | 9,933          | 801,560                   | 119,480                       | —              | 930,973               |
| Goodwill and other intangible<br>assets, net                        | —              | 2,625,121                 | 144,892                       | —              | 2,770,013             |
| Other, net                                                          | 58,536         | 7,860                     | 3,558                         | —              | 69,954                |
| Intercompany investments<br>and advances                            | 4,094,443      | 84,180                    | 12,333                        | (4,190,956 )   | —                     |
| Total assets                                                        | \$4,174,300    | \$4,887,074               | \$682,865                     | \$(4,190,956 ) | \$5,553,283           |
| Current liabilities:                                                |                |                           |                               |                |                       |
| Current portion of long-term<br>debt                                | \$31,844       | \$17,731                  | \$—                           | \$—            | \$49,575              |
| Accounts payable                                                    | 1,150          | 296,968                   | 19,216                        | —              | 317,334               |
| Accrued expenses                                                    | 36,034         | 212,984                   | 24,272                        | —              | 273,290               |
| Total current liabilities                                           | 69,028         | 527,683                   | 43,488                        | —              | 640,199               |
| Long-term debt, less current<br>portion                             | 1,279,694      | 58,714                    | 162,400                       | —              | 1,500,808             |
| Intercompany debt                                                   | 525,216        | 2,021,330                 | 304,613                       | (2,851,159 )   | —                     |
| Accrued pension and other<br>postretirement benefits,<br>noncurrent | 6,795          | 501,716                   | 13                            | —              | 508,524               |
| Deferred income taxes and<br>other                                  | 9,656          | 586,174                   | 24,011                        | —              | 619,841               |
| Total stockholders' equity                                          | 2,283,911      | 1,191,457                 | 148,340                       | (1,339,797 )   | 2,283,911             |
| Total liabilities and<br>stockholders' equity                       | \$4,174,300    | \$4,887,074               | \$682,865                     | \$(4,190,956 ) | \$5,553,283           |



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## SUMMARY CONSOLIDATING BALANCE SHEETS:

|                                                                     | March 31, 2013 |                           |                               |                |                       |
|---------------------------------------------------------------------|----------------|---------------------------|-------------------------------|----------------|-----------------------|
|                                                                     | Parent         | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations   | Consolidated<br>Total |
| Current assets:                                                     |                |                           |                               |                |                       |
| Cash and cash equivalents                                           | \$3,110        | \$1,537                   | \$27,390                      | \$—            | \$32,037              |
| Trade and other receivables,<br>net                                 | 1,141          | 186,067                   | 261,657                       | —              | 448,865               |
| Inventories                                                         | —              | 954,713                   | 30,822                        | —              | 985,535               |
| Rotable assets                                                      | —              | 24,903                    | 9,950                         | —              | 34,853                |
| Deferred income taxes                                               | —              | 99,546                    | —                             | —              | 99,546                |
| Prepaid and other                                                   | 5,533          | 16,058                    | 2,890                         | —              | 24,481                |
| Assets held for sale                                                | —              | 14,747                    | —                             | —              | 14,747                |
| Total current assets                                                | 9,784          | 1,297,571                 | 332,709                       | —              | 1,640,064             |
| Property and equipment, net                                         | 9,999          | 753,510                   | 51,575                        | —              | 815,084               |
| Goodwill and other intangible<br>assets, net                        | 335            | 2,671,388                 | 45,516                        | —              | 2,717,239             |
| Other, net                                                          | 58,526         | 7,873                     | 393                           | —              | 66,792                |
| Intercompany investments<br>and advances                            | 3,137,667      | 325,786                   | 2,777                         | (3,466,230 )   | —                     |
| Total assets                                                        | \$3,216,311    | \$5,056,128               | \$432,970                     | \$(3,466,230 ) | \$5,239,179           |
| Current liabilities:                                                |                |                           |                               |                |                       |
| Current portion of long-term<br>debt                                | \$109,648      | \$24,282                  | \$—                           | \$—            | \$133,930             |
| Accounts payable                                                    | 9,400          | 308,945                   | 8,663                         | —              | 327,008               |
| Accrued expenses                                                    | 35,894         | 238,279                   | 9,514                         | —              | 283,687               |
| Liabilities related to assets<br>held for sale                      | —              | 2,621                     | —                             | —              | 2,621                 |
| Total current liabilities                                           | 154,942        | 574,127                   | 18,177                        | —              | 747,246               |
| Long-term debt, less current<br>portion                             | 998,200        | 47,733                    | 150,000                       | —              | 1,195,933             |
| Intercompany debt                                                   | —              | 2,193,874                 | 202,621                       | (2,396,495 )   | —                     |
| Accrued pension and other<br>postretirement benefits,<br>noncurrent | 7,264          | 663,911                   | —                             | —              | 671,175               |
| Deferred income taxes and<br>other                                  | 10,747         | 570,169                   | —                             | (1,249 )       | 579,667               |
| Total stockholders' equity                                          | 2,045,158      | 1,006,314                 | 62,172                        | (1,068,486 )   | 2,045,158             |
| Total liabilities and<br>stockholders' equity                       | \$3,216,311    | \$5,056,128               | \$432,970                     | \$(3,466,230 ) | \$5,239,179           |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME:

|                                                              | Fiscal year ended March 31, 2014 |                           |                               |              |                       |
|--------------------------------------------------------------|----------------------------------|---------------------------|-------------------------------|--------------|-----------------------|
|                                                              | Parent                           | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |
| Net sales                                                    | \$—                              | \$3,569,094               | \$197,987                     | \$(3,827)    | ) \$3,763,254         |
| Operating costs and expenses:                                |                                  |                           |                               |              |                       |
| Cost of sales                                                | —                                | 2,760,627                 | 155,002                       | (3,827)      | ) 2,911,802           |
| Selling, general and<br>administrative                       | 36,670                           | 192,422                   | 25,623                        | —            | 254,715               |
| Depreciation and amortization                                | 2,782                            | 152,593                   | 8,902                         | —            | 164,277               |
| Relocation costs                                             | —                                | 31,290                    | —                             | —            | 31,290                |
| Curtailments, settlements and<br>early retirement incentives | 1,166                            | —                         | —                             | —            | 1,166                 |
|                                                              | 40,618                           | 3,136,932                 | 189,527                       | (3,827)      | ) 3,363,250           |
| Operating (loss) income                                      | (40,618)                         | ) 432,162                 | 8,460                         | —            | 400,004               |
| Intercompany interest and<br>charges                         | (215,079)                        | ) 207,397                 | 7,682                         | —            | —                     |
| Interest expense and other                                   | 86,094                           | 6,103                     | (4,426)                       | ) —          | 87,771                |
| Income from continuing<br>operations, before income<br>taxes | 88,367                           | 218,662                   | 5,204                         | —            | 312,233               |
| Income tax expense                                           | 20,478                           | 85,061                    | 438                           | —            | 105,977               |
| Net income                                                   | 67,889                           | 133,601                   | 4,766                         | —            | 206,256               |
| Other comprehensive income<br>(loss)                         | 1,481                            | 43,898                    | (3,315)                       | ) —          | 42,064                |
| Total comprehensive income                                   | \$69,370                         | \$177,499                 | \$1,451                       | \$—          | \$248,320             |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME:

|                                                              | Fiscal year ended March 31, 2013 |                           |                               |              |                       |
|--------------------------------------------------------------|----------------------------------|---------------------------|-------------------------------|--------------|-----------------------|
|                                                              | Parent                           | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |
| Net sales                                                    | \$—                              | \$3,608,064               | \$99,593                      | \$(4,955)    | ) \$3,702,702         |
| Operating costs and expenses:                                |                                  |                           |                               |              |                       |
| Cost of sales                                                | —                                | 2,703,416                 | 65,027                        | (4,955)      | ) 2,763,488           |
| Selling, general and<br>administrative                       | 8,530                            | 213,408                   | 19,411                        | —            | 241,349               |
| Depreciation and amortization                                | 2,430                            | 122,626                   | 4,450                         | —            | 129,506               |
| Acquisition and integration                                  | 588                              | 2,077                     | —                             | —            | 2,665                 |
| Curtailments and early<br>retirement incentives              | 34,481                           | —                         | —                             | —            | 34,481                |
|                                                              | 46,029                           | 3,041,527                 | 88,888                        | (4,955)      | ) 3,171,489           |
| Operating (loss) income                                      | (46,029)                         | ) 566,537                 | 10,705                        | —            | 531,213               |
| Intercompany interest and<br>charges                         | (191,025)                        | ) 187,713                 | 3,312                         | —            | —                     |
| Interest expense and other                                   | 61,962                           | 9,463                     | (3,269)                       | ) —          | 68,156                |
| Income from continuing<br>operations, before income<br>taxes | 83,034                           | 369,361                   | 10,662                        | —            | 463,057               |
| Income tax expense                                           | 24,782                           | 139,799                   | 1,129                         | —            | 165,710               |
| Net income                                                   | 58,252                           | 229,562                   | 9,533                         | —            | 297,347               |
| Other comprehensive income                                   | —                                | (49,834)                  | ) (1,832)                     | ) —          | (51,666)              |
| Total comprehensive income                                   | \$58,252                         | \$179,728                 | \$7,701                       | \$—          | \$245,681             |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## CONDENSED CONSOLIDATING STATEMENTS OF INCOME AND COMPREHENSIVE INCOME:

|                                                              | Fiscal year ended March 31, 2012 |                           |                               |              |                       |
|--------------------------------------------------------------|----------------------------------|---------------------------|-------------------------------|--------------|-----------------------|
|                                                              | Parent                           | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |
| Net sales                                                    | \$—                              | \$3,310,929               | \$104,229                     | \$(7,229)    | ) \$3,407,929         |
| Operating costs and expenses:                                |                                  |                           |                               |              |                       |
| Cost of sales                                                | —                                | 2,492,513                 | 79,711                        | (7,229)      | ) 2,564,995           |
| Selling, general and<br>administrative                       | 33,936                           | 190,145                   | 18,472                        | —            | 242,553               |
| Depreciation and amortization                                | 1,933                            | 112,477                   | 5,314                         | —            | 119,724               |
| Acquisition and integration                                  | 6,342                            | —                         | —                             | —            | 6,342                 |
| Curtailments and early<br>retirement incentives              | (40,400)                         | ) —                       | —                             | —            | (40,400)              |
|                                                              | 1,811                            | 2,795,135                 | 103,497                       | (7,229)      | ) 2,893,214           |
| Operating (loss) income                                      | (1,811)                          | ) 515,794                 | 732                           | —            | 514,715               |
| Intercompany interest and<br>charges                         | (188,865)                        | ) 185,282                 | 3,583                         | —            | —                     |
| Interest expense and other                                   | 75,959                           | 4,322                     | (3,143)                       | ) —          | 77,138                |
| Income from continuing<br>operations, before income<br>taxes | 111,095                          | 326,190                   | 292                           | —            | 437,577               |
| Income tax expense                                           | 22,467                           | 133,371                   | 117                           | —            | 155,955               |
| Income from continuing<br>operations                         | 88,628                           | 192,819                   | 175                           | —            | 281,622               |
| Loss on discontinued<br>operations, net                      | —                                | (765)                     | ) —                           | —            | (765)                 |
| Net income                                                   | 88,628                           | 192,054                   | 175                           | —            | 280,857               |
| Other comprehensive income<br>(loss)                         | 232                              | (127,157)                 | ) (2,852)                     | ) —          | (129,777)             |
| Total comprehensive income                                   | \$88,860                         | \$64,897                  | \$(2,677)                     | ) \$—        | \$151,080             |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS:

|                                                                                                     | Fiscal year ended March 31, 2014 |                           |                               |              |                       |   |
|-----------------------------------------------------------------------------------------------------|----------------------------------|---------------------------|-------------------------------|--------------|-----------------------|---|
|                                                                                                     | Parent                           | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |   |
| Net income                                                                                          | \$67,889                         | \$133,601                 | \$4,766                       | \$—          | \$206,256             |   |
| Adjustments to reconcile net<br>income to net cash provided<br>by (used in) operating<br>activities | 108,816                          | (170,631                  | ) (3,502                      | ) (5,802     | ) (71,119             | ) |
| Net cash provided by (used<br>in) operating activities                                              | 176,705                          | (37,030                   | ) 1,264                       | (5,802       | ) 135,137             | ) |
| Capital expenditures                                                                                | (2,381                           | ) (185,794                | ) (18,239                     | ) —          | (206,414              | ) |
| Reimbursements of capital<br>expenditures                                                           | —                                | 9,086                     | —                             | —            | 9,086                 |   |
| Proceeds from sale of assets<br>and businesses                                                      | —                                | 45,038                    | 9                             | —            | 45,047                |   |
| Cash used for businesses and<br>intangible assets acquired                                          | —                                | (6,505                    | ) (87,951                     | ) —          | (94,456               | ) |
| Net cash provided by (used<br>in) investing activities                                              | (2,381                           | ) (138,175                | ) (106,181                    | ) —          | (246,737              | ) |
| Net increase in revolving<br>credit facility                                                        | 98,557                           | —                         | —                             | —            | 98,557                |   |
| Proceeds on issuance of debt                                                                        | 375,000                          | 30,503                    | 45,500                        | —            | 451,003               |   |
| Retirements and repayments<br>of debt                                                               | (271,812                         | ) (27,218                 | ) (117,615                    | ) —          | (416,645              | ) |
| Purchase of common stock                                                                            | (19,134                          | ) —                       | —                             | —            | (19,134               | ) |
| Payments of deferred<br>financing costs                                                             | (3,297                           | ) —                       | —                             | —            | (3,297                | ) |
| Dividends paid                                                                                      | (8,344                           | ) —                       | —                             | —            | (8,344                | ) |
| Proceeds from governmental<br>grant                                                                 | —                                | 3,456                     | —                             | —            | 3,456                 |   |
| Repurchase of restricted<br>shares for minimum tax<br>obligation                                    | (2,726                           | ) —                       | —                             | —            | (2,726                | ) |
| Proceeds from exercise of<br>stock options, including<br>excess tax benefit                         | 329                              | —                         | —                             | —            | 329                   |   |
| Intercompany financing and<br>advances                                                              | (343,187                         | ) 168,076                 | 169,309                       | 5,802        | —                     |   |
| Net cash (used in) provided<br>by financing activities                                              | (174,614                         | ) 174,817                 | 97,194                        | 5,802        | 103,199               |   |
| Effect of exchange rate<br>changes on cash and cash<br>equivalents                                  | —                                | —                         | 5,362                         | —            | 5,362                 |   |
| Net change in cash and cash<br>equivalents                                                          | (290                             | ) (388                    | ) (2,361                      | ) —          | (3,039                | ) |

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|                                                |         |         |          |     |          |
|------------------------------------------------|---------|---------|----------|-----|----------|
| Cash and cash equivalents at beginning of year | 3,110   | 1,537   | 27,390   | —   | 32,037   |
| Cash and cash equivalents at end of year       | \$2,820 | \$1,149 | \$25,029 | \$— | \$28,998 |

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS:

|                                                                                                     | Fiscal year ended March 31, 2013 |                           |                               |              |                       |
|-----------------------------------------------------------------------------------------------------|----------------------------------|---------------------------|-------------------------------|--------------|-----------------------|
|                                                                                                     | Parent                           | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |
| Net income                                                                                          | \$58,252                         | \$229,562                 | \$9,533                       | \$—          | \$297,347             |
| Adjustments to reconcile net<br>income to net cash provided<br>by (used in) operating<br>activities | 42,111                           | 4,046                     | (22,586)                      | ) —          | 23,571                |
| Net cash provided by (used<br>in) operating activities                                              | 100,363                          | 233,608                   | (13,053)                      | ) —          | 320,918               |
| Capital expenditures                                                                                | (1,315)                          | ) (119,949)               | ) (5,626)                     | ) —          | (126,890)             |
| Reimbursements of capital<br>expenditures                                                           | —                                | 5,156                     | —                             | —            | 5,156                 |
| Proceeds from sale of assets<br>and businesses                                                      | —                                | 3,985                     | 8                             | —            | 3,993                 |
| Cash used for businesses and<br>intangible assets acquired                                          | —                                | (349,632)                 | ) —                           | —            | (349,632)             |
| Net cash used in investing<br>activities                                                            | (1,315)                          | ) (460,440)               | ) (5,618)                     | ) —          | (467,373)             |
| Net decrease in revolving<br>credit facility                                                        | (224,151)                        | ) —                       | —                             | —            | (224,151)             |
| Proceeds on issuance of debt                                                                        | 375,000                          | 14,435                    | 138,700                       | —            | 528,135               |
| Retirements and repayments<br>of debt                                                               | (19,594)                         | ) (14,044)                | ) (108,700)                   | ) —          | (142,338)             |
| Payments of deferred<br>financing costs                                                             | (8,838)                          | ) —                       | —                             | —            | (8,838)               |
| Dividends paid                                                                                      | (8,005)                          | ) —                       | —                             | —            | (8,005)               |
| Repayment of governmental<br>grant                                                                  | —                                | (1,090)                   | ) —                           | —            | (1,090)               |
| Repurchase of restricted<br>shares for minimum tax<br>obligation                                    | (1,840)                          | ) —                       | —                             | —            | (1,840)               |
| Proceeds from exercise of<br>stock options, including<br>excess tax benefit                         | 6,766                            | —                         | —                             | —            | 6,766                 |
| Intercompany financing and<br>advances                                                              | (223,245)                        | ) 226,831                 | (3,586)                       | ) —          | —                     |
| Net cash (used in) provided<br>by financing activities                                              | (103,907)                        | ) 226,132                 | 26,414                        | —            | 148,639               |
| Effect of exchange rate<br>changes on cash and cash<br>equivalents                                  | —                                | —                         | 191                           | —            | 191                   |
| Net change in cash and cash<br>equivalents                                                          | (4,859)                          | ) (700)                   | ) 7,934                       | —            | 2,375                 |
|                                                                                                     | 7,969                            | 2,237                     | 19,456                        | —            | 29,662                |

|                                                |         |         |          |     |          |
|------------------------------------------------|---------|---------|----------|-----|----------|
| Cash and cash equivalents at beginning of year |         |         |          |     |          |
| Cash and cash equivalents at end of year       | \$3,110 | \$1,537 | \$27,390 | \$— | \$32,037 |



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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS:

|                                                                                        | Fiscal year ended March 31, 2012 |                           |                               |              | Consolidated |   |
|----------------------------------------------------------------------------------------|----------------------------------|---------------------------|-------------------------------|--------------|--------------|---|
|                                                                                        | Parent                           | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Total        |   |
| Net income                                                                             | \$88,628                         | \$192,054                 | \$175                         | \$—          | \$280,857    |   |
| Adjustments to reconcile net<br>income to net cash provided<br>by operating activities | (22,063                          | ) (16,455                 | ) (14,558                     | ) —          | (53,076      | ) |
| Net cash provided by<br>operating activities                                           | 66,565                           | 175,599                   | (14,383                       | ) —          | 227,781      |   |
| Capital expenditures                                                                   | (2,891                           | ) (85,441                 | ) (5,637                      | ) —          | (93,969      | ) |
| Reimbursements of capital<br>expenditures                                              | —                                | 3,437                     | —                             | —            | 3,437        |   |
| Proceeds from sale of assets<br>and businesses                                         | 4,952                            | 3,690                     | 116                           | —            | 8,758        |   |
| Cash used for businesses and<br>intangible assets acquired                             | —                                | 11,951                    | —                             | —            | 11,951       |   |
| Net cash used in investing<br>activities                                               | 2,061                            | (66,363                   | ) (5,521                      | ) —          | (69,823      | ) |
| Net increase in revolving<br>credit facility                                           | 235,000                          | —                         | —                             | —            | 235,000      |   |
| Proceeds on issuance of debt                                                           | —                                | 5,853                     | 86,400                        | —            | 92,253       |   |
| Retirements and repayments<br>of debt                                                  | (398,908                         | ) (16,857                 | ) (68,773                     | ) —          | (484,538     | ) |
| Payments of deferred<br>financing costs                                                | (3,999                           | ) —                       | —                             | —            | (3,999       | ) |
| Dividends paid                                                                         | (6,899                           | ) —                       | —                             | —            | (6,899       | ) |
| Repayment of governmental<br>grant                                                     | —                                | (2,180                    | ) —                           | —            | (2,180       | ) |
| Repurchase of restricted<br>shares for minimum tax<br>obligation                       | (609                             | ) —                       | —                             | —            | (609         | ) |
| Proceeds from exercise of<br>stock options, including<br>excess tax benefit            | 4,721                            | —                         | —                             | —            | 4,721        |   |
| Intercompany financing and<br>advances                                                 | 92,767                           | (95,568                   | ) 2,801                       | —            | —            |   |
| Net cash (used in) provided<br>by financing activities                                 | (77,927                          | ) (108,752                | ) 20,428                      | —            | (166,251     | ) |
| Effect of exchange rate<br>changes on cash and cash<br>equivalents                     | —                                | —                         | (1,373                        | ) —          | (1,373       | ) |
| Net change in cash and cash<br>equivalents                                             | (9,301                           | ) 484                     | (849                          | ) —          | (9,666       | ) |
| Cash and cash equivalents at<br>beginning of year                                      | 17,270                           | 1,753                     | 20,305                        | —            | 39,328       |   |

|                                          |         |         |          |     |          |
|------------------------------------------|---------|---------|----------|-----|----------|
| Cash and cash equivalents at end of year | \$7,969 | \$2,237 | \$19,456 | \$— | \$29,662 |
|------------------------------------------|---------|---------|----------|-----|----------|

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TRIUMPH GROUP, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, except per share data)

## 23. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

|                                                | Fiscal 2014      |                  |                  |                  | Fiscal 2013      |                  |                  |                    |
|------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
|                                                | June 30 (7)      | Sept. 30         | Dec. 31 (8)      | Mar. 31          | June 30          | Sept. 30         | Dec. 31 (5)      | Mar. 31 (4)<br>(6) |
| <b>BUSINESS SEGMENT SALES</b>                  |                  |                  |                  |                  |                  |                  |                  |                    |
| Aerostructures                                 | \$651,888        | \$690,748        | \$637,202        | \$632,601        | \$669,853        | \$713,978        | \$676,791        | \$720,722          |
| Aerospace Systems                              | 219,526          | 205,483          | 211,402          | 235,339          | 140,512          | 150,139          | 141,059          | 184,061            |
| Aftermarket Services                           | 74,353           | 72,971           | 69,556           | 70,463           | 79,977           | 76,061           | 74,587           | 83,881             |
| Inter-segment Elimination                      | (2,084 )         | (1,857 )         | (2,344 )         | (1,993 )         | (2,654 )         | (1,997 )         | (1,872 )         | (2,396 )           |
| <b>TOTAL SALES</b>                             | <b>\$943,683</b> | <b>\$967,345</b> | <b>\$915,816</b> | <b>\$936,410</b> | <b>\$887,688</b> | <b>\$938,181</b> | <b>\$890,565</b> | <b>\$986,268</b>   |
| <b>GROSS PROFIT(1)</b>                         | <b>\$222,303</b> | <b>\$171,143</b> | <b>\$166,518</b> | <b>\$182,243</b> | <b>\$214,869</b> | <b>\$212,797</b> | <b>\$204,872</b> | <b>\$219,738</b>   |
| <b>OPERATING INCOME</b>                        |                  |                  |                  |                  |                  |                  |                  |                    |
| Aerostructures                                 | \$100,387        | \$64,425         | \$52,412         | \$35,686         | \$120,138        | \$121,384        | \$117,450        | \$110,901          |
| Aerospace Systems                              | 42,643           | 31,740           | 32,504           | 42,834           | 23,465           | 25,712           | 20,562           | 33,440             |
| Aftermarket Services                           | 11,279           | 10,102           | 9,297            | 11,587           | 11,807           | 10,767           | 9,856            | 12,950             |
| Corporate                                      | (12,963 )        | (13,296 )        | (9,434 )         | (9,199 )         | (14,468 )        | (14,917 )        | (13,509 )        | (44,325 )          |
| <b>TOTAL OPERATING INCOME</b>                  | <b>\$141,346</b> | <b>\$92,971</b>  | <b>\$84,779</b>  | <b>\$80,908</b>  | <b>\$140,942</b> | <b>\$142,946</b> | <b>134,359</b>   | <b>\$112,966</b>   |
| <b>NET INCOME</b>                              | <b>\$79,043</b>  | <b>\$49,516</b>  | <b>\$35,393</b>  | <b>\$42,304</b>  | <b>\$76,332</b>  | <b>\$80,190</b>  | <b>75,223</b>    | <b>\$65,602</b>    |
| <b>Basic Earnings (Loss) per share(2)</b>      | <b>\$1.56</b>    | <b>\$0.96</b>    | <b>\$0.68</b>    | <b>\$0.81</b>    | <b>\$1.54</b>    | <b>\$1.61</b>    | <b>\$1.51</b>    | <b>\$1.32</b>      |
| <b>Diluted Earnings (Loss) per share(2)(3)</b> | <b>\$1.50</b>    | <b>\$0.94</b>    | <b>\$0.67</b>    | <b>\$0.80</b>    | <b>\$1.46</b>    | <b>\$1.53</b>    | <b>\$1.43</b>    | <b>\$1.24</b>      |

\*Difference due to rounding.

(1) Gross profit includes depreciation.

(2) The sum of the earnings for Continuing Operations and Discontinued Operations does not necessarily equal the earnings for the quarter due to rounding.

(3) The sum of the diluted earnings per share for the four quarters does not necessarily equal the total year diluted earnings per share due to the dilutive effect of the potential common shares related to the convertible debt.

(4)

Includes a pre-tax curtailment loss, net of \$29,344 due to reductions in the expected remaining service period under the Company's defined benefit plans as disclosed in Note 15.

(5) Includes the results of Embee from December 19, 2012 (date of acquisition) through March 31, 2013.

(6) Includes the results of GPECS from March 18, 2013 (date of acquisition) through March 31, 2013.

(7) Includes the results of Primus from May 6, 2013 (date of acquisition) through March 31, 2014.

(8) Includes the results of General Donlee from October 4, 2013 (date of acquisition) through March 31, 2014.

#### 24. SUBSEQUENT EVENTS

In May 2014, under the existing stock repurchase program, the Company repurchased 324,841 shares for \$22,122.

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TRIUMPH GROUP, INC.  
 SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS  
 (Dollars in thousands)

|                                               | Balance at<br>beginning of<br>year | Additions<br>charged to<br>expense | Additions(1) | (Deductions)(2) | Balance at<br>end of year |
|-----------------------------------------------|------------------------------------|------------------------------------|--------------|-----------------|---------------------------|
| For year ended March 31,<br>2014:             |                                    |                                    |              |                 |                           |
| Allowance for doubtful<br>accounts receivable | \$5,372                            | 2,191                              | 6            | (1,034          | ) \$6,535                 |
| For year ended March 31,<br>2013:             |                                    |                                    |              |                 |                           |
| Allowance for doubtful<br>accounts receivable | \$3,900                            | 1,974                              | 70           | (572            | ) \$5,372                 |
| For year ended March 31,<br>2012:             |                                    |                                    |              |                 |                           |
| Allowance for doubtful<br>accounts receivable | \$3,196                            | 1,282                              | 528          | (1,106          | ) \$3,900                 |

(1) Additions consist of trade and other receivable recoveries and miscellaneous adjustments.

(2) Deductions represent write-offs of related account balances.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure  
 None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2014, we completed an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2014.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Triumph Group, Inc. ("Triumph") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Triumph's internal control system over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. The company's internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;  
provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company;
- (ii) and  
provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.
- (iii)

Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

Triumph's management assessed the effectiveness of Triumph's internal control over financial reporting as of March 31, 2014. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (COSO) in Internal Control—Integrated Framework. Based on management's assessment and those criteria, management believes that Triumph maintained effective internal control over financial reporting as of March 31, 2014.

Management's assessment of and conclusion on the effectiveness of Triumph's internal control over financial reporting did not include the internal controls of Triumph Gear Systems - Toronto, which was acquired in October 2013. The acquisition, which is more fully discussed in Note 3 to the consolidated financial statements for fiscal 2014, is included in the fiscal 2014 consolidated financial statements of Triumph Group, Inc. and represented total assets of approximately \$122 million or 2% at March 31, 2014, and revenues of approximately \$24 million or 1% for the year ended March 31, 2014. Under guidelines established by the SEC, companies are allowed to exclude acquisitions from their first assessment of internal control over financial reporting following the date of acquisition.

Triumph's independent registered public accounting firm, Ernst & Young LLP, has audited Triumph's effectiveness of Triumph's internal control over financial reporting. This report appears on the following page.

/s/ JEFFRY D. FRISBY

Jeffry D. Frisby

President and Chief Executive Officer

/s/ JEFFREY L. MCRAE

Jeffrey L. McRae

Senior Vice President and

Chief Financial Officer

/s/ THOMAS A. QUIGLEY, III

Thomas A. Quigley, III

Vice President and Controller

May 17, 2014

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Triumph Group, Inc.

We have audited Triumph Group, Inc.'s internal control over financial reporting as of March 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). Triumph Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Triumph Gear Systems - Toronto, which is included in the fiscal year 2014 consolidated financial statements of Triumph Group, Inc. and constituted \$122 million and \$58 million of total and net assets, respectively, as of March 31, 2014 and \$24 million and \$1 million of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Triumph Group, Inc. also did not include an evaluation of the internal control over financial reporting of Triumph Gear Systems - Toronto.

In our opinion, Triumph Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of March 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Triumph Group, Inc., as of March 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2014 of Triumph Group, Inc. and our report dated May 17, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania

May 17, 2014

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Changes in Internal Control Over Financial Reporting

In addition to management's evaluation of disclosure controls and procedures as discussed above, we continue to review and enhance our policies and procedures for internal control over financial reporting.

We have developed and implemented a formal set of internal controls and procedures for financial reporting in accordance with the SEC's rules regarding management's report on internal controls. As a result of continued review and testing by management and by our internal and independent auditors, additional changes may be made to our internal controls and procedures. However, we did not make any changes to our internal control over financial reporting in the fourth quarter of fiscal 2014 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required for directors is incorporated herein by reference to our definitive Proxy Statement for our 2014 Annual Meeting of Stockholders, which shall be filed within 120 days after the end of our fiscal year (the "2014 Proxy Statement"). Information required by this item concerning executive officers is included in Part I of this Annual Report on Form 10-K.

Section 16(a) Beneficial Ownership Reporting Compliance

The information required regarding Section 16(a) beneficial ownership reporting compliance is incorporated herein by reference to the 2014 Proxy Statement.

Code of Business Conduct

The information required regarding our Code of Business Conduct is incorporated herein by reference to the 2014 Proxy Statement.

Stockholder Nominations

The information required with respect to any material changes to the procedures by which stockholders may recommend nominees to the Company's board of directors is incorporated herein by reference to the 2014 Proxy Statement.

Audit Committee and Audit Committee Financial Expert

The information required with respect to the Audit Committee and Audit Committee financial experts is incorporated herein by reference to the 2014 Proxy Statement.

Item 11. Executive Compensation

The information required regarding executive compensation is incorporated herein by reference to the 2014 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under this item is incorporated herein by reference to the 2014 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required under this item is incorporated herein by reference to the 2014 Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required under this item is incorporated herein by reference to the 2014 Proxy Statement.



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## PART IV

## Item 15. Exhibits, Financial Statement Schedules

## (a) Financial Statements

(1) The following consolidated financial statements are included in Item 8 of this report:

|                                                                                                                 |           |
|-----------------------------------------------------------------------------------------------------------------|-----------|
| Triumph Group, Inc.                                                                                             | Page      |
| <u>Report of Ernst &amp; Young LLP, Independent Registered Public Accounting Firm</u>                           | <u>53</u> |
| <u>Consolidated Balance Sheets as of March 31, 2013 and 2012</u>                                                | <u>54</u> |
| <u>Consolidated Statements of Income for the Fiscal Years Ended March 31, 2013, 2012 and 2011</u>               | <u>55</u> |
| <u>Consolidated Statements of Stockholders' Equity for the Fiscal Years Ended March 31, 2013, 2012 and 2011</u> | <u>57</u> |
| <u>Consolidated Statements of Cash Flows for the Fiscal Years Ended March 31, 2013, 2012 and 2011</u>           | <u>58</u> |
| <u>Consolidated Statements of Comprehensive Income for the Fiscal Years Ended March 31, 2013, 2012 and 2011</u> | <u>56</u> |
| <u>Notes to Consolidated Financial Statements</u>                                                               | <u>59</u> |

(2) The following financial statement schedule is included in this report:

|                                                      |                    |
|------------------------------------------------------|--------------------|
| <u>Schedule II—Valuation and Qualifying Accounts</u> | Page<br><u>108</u> |
|------------------------------------------------------|--------------------|

All other schedules have been omitted as not applicable or because the information is included elsewhere in the Consolidated Financial Statements or notes thereto.

(3) The following is a list of exhibits. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference.

| Exhibit<br>Number | Description                                                                                                                                                                                         |
|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1               | Agreement and Plan of Merger by and among Triumph Group, Inc., Vought Aircraft Industries, Inc., Spitfire Merger Corporation and TC Group, L.L.C., as the Holder Representative March 23, 2010.(11) |
| 3.1               | Amended and Restated Certificate of Incorporation of Triumph Group, Inc.(7)                                                                                                                         |
| 3.2               | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Triumph Group, Inc.(17)                                                                                            |
| 3.3               | Amended and Restated By-Laws of Triumph Group, Inc.(19)                                                                                                                                             |
| 4.1               | Form of certificate evidencing Common Stock of Triumph Group, Inc.(1)                                                                                                                               |
| 4.2               | Indenture, dated as of September 18, 2006, between Triumph Group, Inc. and The Bank of New York Trust Company, N.A. relating to the 2.625% Convertible Senior Subordinated Notes Due 2026.(2)       |
| 4.3               | Form of the 2.625% Convertible Senior Subordinated Note Due 2026. (Included as Exhibit A to Exhibit 4.2).(2)                                                                                        |
| 4.4               | Registration Rights Agreement, dated as of September 18, 2006, between Triumph Group, Inc. and Banc of America Securities LLC.(2)                                                                   |
| 4.5               | Indenture, dated as of November 16, 2009, between Triumph Group, Inc. and U.S. Bank National Association, as trustee, relating to the 8% Senior Subordinated Notes due 2017.(12)                    |
| 4.6               | Form of 8% Senior Subordinated Notes due 2017.(12)                                                                                                                                                  |
| 4.7               | Registration Rights Agreement, dated November 16, 2009, by and among Triumph Group, Inc., the Guarantors party thereto, and the other parties thereto.(12)                                          |
| 4.8               | Indenture, dated as of June 16, 2010, between Triumph Group, Inc. and U.S. Bank National Association, as trustee, relating to the 8.625% Senior Subordinated Notes Due 2018.(13)                    |
| 4.9               |                                                                                                                                                                                                     |

Registration Rights Agreement, dated as of June 16, 2010, by and among Triumph Group, Inc., RBC Capital Markets Corporation, UBC Securities LLC, PNC Capital Markets LLC, BB&T Capital Markets, a division of Scott & Stringfellow LLC and US Bancorp Investments Inc.(13)

4.10 Indenture, dated as of February 26, 2013, between Triumph Group, Inc. and U.S. Bank National Association, as trustee.(18)

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| Exhibit<br>Number | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.11              | Form of 4.875% Senior Subordinated Notes due 2021.(18)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| 4.12              | Registration Rights Agreement, dated February 26, 2013 between Triumph Group, Inc. and the parties named therein.(18)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 10.1              | Amended and Restated Directors' Stock Incentive Plan.(3)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 10.2              | Form of Deferred Stock Unit Award Agreement under the Amended and Restated Directors' Stock Incentive Plan.(21)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 10.3              | # 2004 Stock Incentive Plan.(21)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 10.4              | # Triumph Group, Inc. Supplemental Executive Retirement Plan effective January 1, 2003.(6)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 10.5              | Compensation for the non-employee members of the Board of Directors of Triumph Group, Inc.(21)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 10.6              | # Form of Stock Award Agreement under the 2004 Stock Incentive Plan.(7)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| 10.7              | # Form of letter confirming Stock Award Agreement under the 2004 Stock Incentive Plan.(7)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 10.8              | # Description of the Triumph Group, Inc. Annual Cash Bonus Plan.(8)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 10.9              | # Change of Control Employment Agreement with: Richard C. III, M. David Kornblatt and John B. Wright, II.(9)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 10.10             | # Restricted Stock Award Agreement for M. David Kornblatt.(10)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 10.11             | Form of Receivables Purchase Agreement, by and among the Triumph Group, Inc., as Initial Servicer, Triumph Receivables, LLC, as Seller, the various Purchasers and Purchase Agents from time to time party thereto and PNC National Association, as Administrative Agent.(5)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 10.12             | Stockholders Agreement, dated as of March 23, 2010, among Triumph Group, Inc., Carlyle Partners III, L.P., Carlyle Partners II, L.P., Carlyle International Partners II, L.P., Carlyle-Aerostructures Partners, L.P., CHYP Holdings, L.L.C., Carlyle-Aerostructures Partners II, L.P., CP III Coinvestment, L.P., C/S International Partners, Carlyle-Aerostructures International Partners, L.P., Carlyle-Contour Partners, L.P., Carlyle SBC Partners II, L.P., Carlyle International Partners III, L.P., Carlyle-Aerostructures Management, L.P., Carlyle-Contour International Partners, L.P., Carlyle Investment Group, L.P. and TC Group, L.L.C.(11)                                                                                                    |
| 10.13             | Amended and Restated Guarantee and Collateral Agreement, dated as of April 5, 2011, made by Triumph Group, Inc. and certain of its subsidiaries in favor of PNC Bank, National Association, as Administrative and Collateral Agent for the other Secured Parties.(4)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 10.14             | Third Amendment to Receivables Purchase Agreement, dated as of June 21, 2010, by and among Triumph Receivables LLC, Triumph Group, Inc., Market Street Funding LLC and PNC Bank, National Association.(14)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 10.15             | # Triumph Group, Inc. Executive Incentive Plan, effective September 28, 2010.(15)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10.16             | # Form of letter informing Triumph Group, Inc. executives they are eligible to participate in the Company's Long Term Incentive Plan.(16)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 10.17             | # Form of letter informing Triumph Group, Inc. executives they have earned an award under the Company's Long Term Incentive Plan and the amount of the award.(16)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10.18             | # Change of Control Employment Agreement with Jeffrey Frisby.(16)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10.19             | Second Amended and Restated Credit Agreement, dated as of May 23, 2012, by and among Triumph Group, Inc., substantially all of its domestic subsidiaries and certain of its foreign subsidiaries, PNC Bank National Association, as Administrative Agent, the lenders party thereto, PNC Capital Markets LLC, RBS Securities Inc., J.P. Morgan Securities, LLC, RBC Capital Markets and Sovereign Bank, N.A., as Joint Lead Arrangers and Joint Bookrunners, Citizens Bank of Pennsylvania, JPMorgan Chase Bank, N.A., Royal Bank of Canada, and Sovereign Bank, N.A., as Syndication Agents, The Bank of Tokyo-Mitsubishi UFJ, Ltd, U.S. Bank National Association, TD Bank, N.A., and Manufacturers and Traders Trust Company, as Documentation Agents. (3) |
| 10.20             | Sixth Amendment to Receivables Purchase Agreement, dated as of February 26, 2013, by and among Triumph Receivables LLC, Triumph Group, Inc., Market Street Funding LLC and PNC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

Bank, National Association.(18)

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| Exhibit<br>Number | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.21             | Form of Third Amended and Restated Credit Agreement by and among Triumph Group, Inc., and the other Borrowers party thereto and the Guarantors party thereto and the Banks party thereto and PNC Bank, National Association, as Administrative Agent, PNC Capital Markets LLC, J.P. Morgan Securities, LLC, RBC Capital Markets, RBS Citizens, N.A., and Santander Bank, N.A., as Joint Lead Arrangers and Joint Bookrunners, JPMorgan Chase Bank N.A., Royal Bank of Canada, Citizens Bank of Pennsylvania, and Santander Bank, N.A., as Syndication Agents, the Bank of Tokyo-Mitsubishi UFJ, Ltd, U.S. Bank National Association, TD Bank, N.A., and Manufacturers and Traders Trust Company, as Documentation Agents, dated as of November 19, 2013. (20) |
| 10.22             | Form of Second Amended and Restated Guarantee and Collateral Agreement made by Triumph Group, Inc., and certain of its Subsidiaries in favor of PNC Bank, National Association, as Administrative Agent and as Collateral Agent for the other Secured Parties identified herein, dated as of November 19, 2013. (20)                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 10.23             | *# Triumph Group, Inc. 2013 Equity and Cash Incentive Plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 10.24             | *# Form of letter regarding eligibility to participate in the Triumph Group, Inc. Restricted Stock Plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 10.25             | *# Form of letter regarding grant of award under the Triumph Group, Inc. Executive Incentive Plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| 21.1              | * Subsidiaries of Triumph Group, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| 23.1              | * Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 31.1              | * Principal Executive Officer Certification Required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 31.2              | * Principal Financial Officer Certification Required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| 32.1              | * Principal Executive Officer Certification Required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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- \* Filed herewith.  
# Compensation plans and arrangements for executives and others.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed by the undersigned, thereunto duly authorized.

TRIUMPH GROUP, INC.

/s/ JEFFRY D. FRISBY

Jeffry D. Frisby

By: President and Chief Executive Officer  
(Principal Executive Officer)

Dated: May 17, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

|                                                  |                                                                                    |              |
|--------------------------------------------------|------------------------------------------------------------------------------------|--------------|
| /s/ JEFFRY D. FRISBY<br>Jeffry D. Frisby         | President, Chief Executive Officer and Director<br>(Principal Executive Officer)   | May 17, 2014 |
| /s/ JEFFREY L. MCRAE<br>Jeffrey L. McRae         | Senior Vice President and Chief Financial Officer<br>(Principal Financial Officer) | May 17, 2014 |
| /s/ THOMAS A. QUIGLEY<br>Thomas A. Quigley       | Vice President and Controller (Principal<br>Accounting Officer)                    | May 17, 2014 |
| /s/ RICHARD C. ILL<br>Richard C. Ill             | Chairman and Director                                                              | May 17, 2014 |
| /s/ PAUL BOURGON<br>Paul Bourgon                 | Director                                                                           | May 17, 2014 |
| /s/ JOHN G. DROSDICK<br>John G. Drosdick         | Director                                                                           | May 17, 2014 |
| /s/ RALPH E. EBERHART<br>Ralph E. Eberhart       | Director                                                                           | May 17, 2014 |
| /s/ RICHARD C. GOZON<br>Richard C. Gozon         | Director                                                                           | May 17, 2014 |
| /s/ WILLIAM L. MANSFIELD<br>William L. Mansfield | Director                                                                           | May 17, 2014 |
| /s/ ADAM J. PALMER<br>Adam J. Palmer             | Director                                                                           | May 17, 2014 |
| /s/ JOSEPH M. SILVESTRI<br>Joseph M. Silvestri   | Director                                                                           | May 17, 2014 |
| /s/ GEORGE SIMPSON<br>George Simpson             | Director                                                                           | May 17, 2014 |

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EXHIBIT INDEX

| Exhibit Number | Description                                                                                                                                                                                                                                                                  |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1            | Agreement and Plan of Merger by and among Triumph Group, Inc., Vought Aircraft Industries, Inc., Spitfire Merger Corporation and TC Group, L.L.C., as the Holder Representative March 23, 2010.(11)                                                                          |
| 3.1            | Amended and Restated Certificate of Incorporation of Triumph Group, Inc.(7)                                                                                                                                                                                                  |
| 3.2            | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Triumph Group, Inc.(17)                                                                                                                                                                     |
| 3.3            | Amended and Restated By-Laws of Triumph Group, Inc.(19)                                                                                                                                                                                                                      |
| 4.1            | Form of certificate evidencing Common Stock of Triumph Group, Inc.(1)                                                                                                                                                                                                        |
| 4.2            | Indenture, dated as of September 18, 2006, between Triumph Group, Inc. and The Bank of New York Trust Company, N.A. relating to the 2.625% Convertible Senior Subordinated Notes Due 2026.(2)                                                                                |
| 4.3            | Form of the 2.625% Convertible Senior Subordinated Note Due 2026. (Included as Exhibit A to Exhibit 4.2).(2)                                                                                                                                                                 |
| 4.4            | Registration Rights Agreement, dated as of September 18, 2006, between Triumph Group, Inc. and Banc of America Securities LLC.(2)                                                                                                                                            |
| 4.5            | Indenture, dated as of November 16, 2009, between Triumph Group, Inc. and U.S. Bank National Association, as trustee, relating to the 8% Senior Subordinated Notes due 2017.(12)                                                                                             |
| 4.6            | Form of 8% Senior Subordinated Notes due 2017.(12)                                                                                                                                                                                                                           |
| 4.7            | Registration Rights Agreement, dated November 16, 2009, by and among Triumph Group, Inc., the Guarantors party thereto, and the other parties thereto.(12)                                                                                                                   |
| 4.8            | Indenture, dated as of June 16, 2010, between Triumph Group, Inc. and U.S. Bank National Association, as trustee, relating to the 8.625% Senior Subordinated Notes Due 2018.(13)                                                                                             |
| 4.9            | Registration Rights Agreement, dated as of June 16, 2010, by and among Triumph Group, Inc., RBC Capital Markets Corporation, UBC Securities LLC, PNC Capital Markets LLC, BB&T Capital Markets, a division of Scott & Stringfellow LLC and US Bancorp Investments Inc.(13)   |
| 4.10           | Indenture, dated as of February 26, 2013, between Triumph Group, Inc. and U.S. Bank National Association, as trustee.(18)                                                                                                                                                    |
| 4.11           | Form of 4.875% Senior Subordinated Notes due 2021.(18)                                                                                                                                                                                                                       |
| 4.12           | Registration Rights Agreement, dated February 26, 2013 between Triumph Group, Inc. and the parties named therein.(18)                                                                                                                                                        |
| 10.1           | Amended and Restated Directors' Stock Incentive Plan.(3)                                                                                                                                                                                                                     |
| 10.2           | Form of Deferred Stock Unit Award Agreement under the Amended and Restated Directors' Stock Incentive Plan.(21)                                                                                                                                                              |
| 10.3           | # 2004 Stock Incentive Plan.(21)                                                                                                                                                                                                                                             |
| 10.4           | # Triumph Group, Inc. Supplemental Executive Retirement Plan effective January 1, 2003.(6)                                                                                                                                                                                   |
| 10.5           | Compensation for the non-employee members of the Board of Directors of Triumph Group, Inc.(21)                                                                                                                                                                               |
| 10.6           | # Form of Stock Award Agreement under the 2004 Stock Incentive Plan.(7)                                                                                                                                                                                                      |
| 10.7           | # Form of letter confirming Stock Award Agreement under the 2004 Stock Incentive Plan.(7)                                                                                                                                                                                    |
| 10.8           | # Description of the Triumph Group, Inc. Annual Cash Bonus Plan.(8)                                                                                                                                                                                                          |
| 10.9           | # Change of Control Employment Agreement with: Richard C. III, M. David Kornblatt and John B. Wright, II.(9)                                                                                                                                                                 |
| 10.10          | # Restricted Stock Award Agreement for M. David Kornblatt.(10)                                                                                                                                                                                                               |
| 10.11          | Form of Receivables Purchase Agreement, by and among the Triumph Group, Inc., as Initial Servicer, Triumph Receivables, LLC, as Seller, the various Purchasers and Purchase Agents from time to time party thereto and PNC National Association, as Administrative Agent.(5) |



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| Exhibit<br>Number | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.12             | Stockholders Agreement, dated as of March 23, 2010, among Triumph Group, Inc., Carlyle Partners III, L.P., Carlyle Partners II, L.P., Carlyle International Partners II, L.P., Carlyle-Aerostructures Partners, L.P., CHYP Holdings, L.L.C., Carlyle-Aerostructures Partners II, L.P., CP III Coinvestment, L.P., C/S International Partners, Carlyle-Aerostructures International Partners, L.P., Carlyle-Contour Partners, L.P., Carlyle SBC Partners II, L.P., Carlyle International Partners III, L.P., Carlyle-Aerostructures Management, L.P., Carlyle-Contour International Partners, L.P., Carlyle Investment Group, L.P. and TC Group, L.L.C.(11)                                                                                                    |
| 10.13             | Amended and Restated Guarantee and Collateral Agreement, dated as of April 5, 2011, made by Triumph Group, Inc. and certain of its subsidiaries in favor of PNC Bank, National Association, as Administrative and Collateral Agent for the other Secured Parties.(4)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| 10.14             | Third Amendment to Receivables Purchase Agreement, dated as of June 21, 2010, by and among Triumph Receivables LLC, Triumph Group, Inc., Market Street Funding LLC and PNC Bank, National Association.(14)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 10.15             | # Triumph Group, Inc. Executive Incentive Plan, effective September 28, 2010.(15)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10.16             | # Form of letter informing Triumph Group, Inc. executives they are eligible to participate in the Company's Long Term Incentive Plan.(16)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 10.17             | # Form of letter informing Triumph Group, Inc. executives they have earned an award under the Company's Long Term Incentive Plan and the amount of the award.(16)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10.18             | # Change of Control Employment Agreement with Jeffrey Frisby.(16)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 10.19             | Second Amended and Restated Credit Agreement, dated as of May 23, 2012, by and among Triumph Group, Inc., substantially all of its domestic subsidiaries and certain of its foreign subsidiaries, PNC Bank National Association, as Administrative Agent, the lenders party thereto, PNC Capital Markets LLC, RBS Securities Inc., J.P. Morgan Securities, LLC, RBC Capital Markets and Sovereign Bank, N.A., as Joint Lead Arrangers and Joint Bookrunners, Citizens Bank of Pennsylvania, JPMorgan Chase Bank, N.A., Royal Bank of Canada, and Sovereign Bank, N.A., as Syndication Agents, The Bank of Tokyo-Mitsubishi UFJ, Ltd, U.S. Bank National Association, TD Bank, N.A., and Manufacturers and Traders Trust Company, as Documentation Agents. (3) |
| 10.20             | Sixth Amendment to Receivables Purchase Agreement, dated as of February 26, 2013, by and among Triumph Receivables LLC, Triumph Group, Inc., Market Street Funding LLC and PNC Bank, National Association.(18)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| 10.21             | Form of Third Amended and Restated Credit Agreement by and among Triumph Group, Inc., and the other Borrowers party thereto and the Guarantors party thereto and the Banks party thereto and PNC Bank, National Association, as Administrative Agent, PNC Capital Markets LLC, J.P. Morgan Securities, LLC, RBC Capital Markets, RBS Citizens, N.A., and Santander Bank, N.A., as Joint Lead Arrangers and Joint Bookrunners, JPMorgan Chase Bank N.A., Royal Bank of Canada, Citizens Bank of Pennsylvania, and Santander Bank, N.A., as Syndication Agents, the Bank of Tokyo-Mitsubishi UFJ, Ltd, U.S. Bank National Association, TD Bank, N.A., and Manufacturers and Traders Trust Company, as Documentation Agents, dated as of November 19, 2013. (20) |
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