

TRIUMPH GROUP INC  
Form 10-K  
May 18, 2011

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**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, 2011**

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**  
(State or other jurisdiction of  
incorporation or organization)

**51-0347963**  
(I.R.S. Employer  
Identification Number)

**1550 Liberty Ridge Drive, Suite 100, Wayne, Pennsylvania 19087**  
(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**  
(Title of each class)

**New York Stock Exchange**  
(Name of each exchange on which registered)

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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)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a  
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, 2010, the aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant was approximately \$1,774 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, 2010. 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 9, 2011 was 24,517,850.

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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 2011 Annual Meeting of Stockholders is incorporated in part in Part III hereof, as specified herein.

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**PART I**

**Item 1. Business**

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" or the "Company") 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.

On June 16, 2010, we announced the completion of the acquisition of Vought Aircraft Industries, Inc. ("Vought") from The Carlyle Group. The acquisition of Vought establishes the Company as a leading global manufacturer of aerostructures for commercial, military and business jet aircraft. Products include fuselages, wings, empennages, nacelles and helicopter cabins. Strategically, the acquisition of Vought substantially increases our design capabilities and provides further diversification across customers and programs, as well as exposure to new growth platforms. The acquired business is operating as Triumph Aerostructures Vought Commercial Division, Triumph Aerostructures Vought Integrated Programs Division and Triumph Structures Everett. The results of Vought are included in the Company's Aerostructures Segment from the date of acquisition.

**Products and Services**

We offer a variety of products and services to the aerospace industry through three groups of 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.

Our *Aerostructures Group* utilizes its capabilities to design, manufacture and build complete metallic and composite aerostructures and structural components. This group also includes companies

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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

Aircraft wings

Composite and metal bonding

Composite ducts and floor panels

Empennages

Engine nacelles

Flight control surfaces

Floor beams

Fuselage sections

Helicopter cabins

Stretch-formed leading edges and fuselage skins

Windows and window assemblies

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

Cargo hooks

Cockpit control levers

Control system valve bodies

Exhaust nozzles and ducting

Geared transmissions

Heat exchangers

High lift actuation

Hydraulic systems and components

Landing gear actuation systems

Landing gear components and assemblies

Main engine gear box assemblies

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Secondary flight control systems

Vibration absorbers

Our *Aftermarket Services Group* performs maintenance, repair and overhaul services ("MRO") and supplies spare parts of various types of cockpit instruments, and gauges 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 turbines 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. Some specialties include navigation, flight, and engine monitoring instruments as well as autopilots, voice and data recorders, smoke detection systems and aircraft lighting. Companies in our Aftermarket Services Group repair and overhaul various components for the aviation industry including:

Air cycle machines

APUs

Cockpit instrumentation

Constant speed drives

Engine and airframe accessories

Flight control surfaces

Integrated drive generators

Nacelles

Remote sensors

Thrust reversers

Blades and vanes

Cabin interior panes, shades, light lenses and other plastic components

Combustors

Stators

Transition ducts

Sidewalls

Light assemblies

Overhead bins

Certain financial information about our three segments can be found in Note 22 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.



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We view our name and mark, as well as the Vought tradename, 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 develop and acquire new intellectual property on an ongoing basis 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, 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.

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### 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, 2011:

| Operation                            | Subsidiary                                      | Operating Location   | Business  | Type of Customers  | Number of Employees |
|--------------------------------------|---|--|---|--|---------------------|
| <b>TRIUMPH AEROSTRUCTURES GROUP</b>  |   |  |   |  |                     |
| Triumph Aerospace Systems Wichita(1) | Triumph Aerospace Systems Wichita, Inc.         | Wichita, KS  | Designs and manufactures aircraft windows, sheet metal assemblies (wing spars and leading edges), pilot/co-pilot control wheels, cockpit sun visors, and structural composite parts for the aerospace industry. | Commercial and General Aviation OEMs; General Aviation Aftermarket.      | 172                 |
| Triumph Aerostructures, LLC          | Triumph Aerostructures Vought Aircraft Division | Dallas, TX<br>Grand Prairie, TX<br>Hawthorne, CA<br>Torrance, CA<br>Nashville, TN<br>Stuart, FL<br>Milledgeville, GA | Develops and manufactures a wide range of complex aerostructures such as aircraft fuselages, wing and tail assemblies, wing panels and skins, engine nacelles, flight control surfaces and helicopter cabins.   | Commercial, General Aviation and Military OEMs.                          | 5,770               |
| Triumph Composite Systems            | Triumph Composite Systems, Inc.                 | Spokane, WA  | Manufactures interior non-structural composites for the aviation industry, including environmental control system ducting, floor panels, aisle stands and glare shields.  | Commercial, General Aviation, and Military OEMs; Commercial Aftermarket. | 529                 |
| Triumph Fabrications Fort Worth(1)   | Triumph Fabrications Fort Worth, Inc.           | Fort Worth, TX   | Manufactures metallic/composite bonded components and assemblies.   | Commercial, General Aviation and Military OEMs and Aftermarket.          | 112                 |
| Triumph Fabrications Hot Springs     | Triumph Fabrications Hot Springs, Inc.          | Hot Springs, AR  | Produces complex sheet metal parts and assemblies, titanium hot forming, and performs chem-milling and other metal finishing processes.   | Commercial, General Aviation and Military OEMs and Aftermarket.          | 341                 |
| Triumph Fabrications Shelbyville     | The Triumph Group Operations, Inc.              | Shelbyville, IN  | Produces aircraft fuselage skins, leading edges and web assemblies through the stretch forming of sheet, extrusion, rolled shape and light plate metals.  | Commercial, General Aviation and Military OEMs.                          | 92                  |



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| <b>Operation</b>                  | <b>Subsidiary</b>                    | <b>Operating Location</b>                              | <b>Business</b>   | <b>Type of Customers</b>                         | <b>Number of Employees</b> |
|-----------------------------------|--------------------------------------|--|---|--|----------------------------|
| Triumph Fabrications San Diego(1) | Triumph Fabrications San Diego, Inc. | El Cajon, CA   | 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.  | 151                        |
| Triumph Insulation Systems        | Triumph Insulation Systems, LLC      | Santa Ana, CA<br>Mexicali, Mexico<br>Beijing, China(2) | Designs, manufactures and repairs thermal-acoustic insulation systems for commercial aerospace applications.  | Commercial and Military OEMs.                    | 749                        |
| Triumph Processing                | Triumph Processing, Inc.             | Lynwood, CA  | Provides high-quality finishing services to the aerospace, military and commercial industries.  | Commercial, General Aviation, and Military OEMs. | 87                         |
| Triumph Structures East Texas     | Triumph Structures East Texas, Inc.  | Kilgore, TX  | Manufactures structural components specializing in complex precision machining primarily for commercial and military aerospace programs.  | Commercial and Military OEMs.                    | 108                        |
| Triumph Structures Everett        | Triumph Structures Everett, Inc.     | Everett, WA<br>Brea, CA                                | Specializes in machining, Numerical Control programming, tool design, kitting, and sub-assembly of complex aircraft parts, skins, and airframe structures stringers, spars, ribs, side of body panels, and monolithic wing skins. | Commercial, General Aviation and Military OEMs.  | 214                        |
| Triumph Structures Kansas City    | Triumph Structures Kansas City, Inc. | Grandview, MO  | Manufactures precision machined parts and mechanical assemblies for the aviation, aerospace and defense industries.   | Commercial and Military OEMs.                    | 142                        |
| Triumph Structures Long Island    | Triumph Structures Long Island, LLC  | Westbury, NY   | Manufactures high-quality structural and dynamic parts and assemblies for commercial and military aerospace programs.   | Commercial and Military OEMs.                    | 127                        |
| Triumph Structures Los Angeles    | Triumph Structures Los Angeles, Inc. | Chatsworth, CA<br>City of Industry, CA<br>Walnut, CA   | Manufactures long structural components, such as stringers, cords, floor beams and spars, for the aviation industry. Machines, welds and  | Commercial, General Aviation and Military OEMs.  | 321                        |

assembles large,  
complex, precision  
structural components.

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| <b>Operation</b>           | <b>Subsidiary</b>                | <b>Operating Location</b> | <b>Business</b>   | <b>Type of Customers</b>      | <b>Number of Employees</b> |
|----------------------------|----------------------------------|---------------------------|---|-------------------------------|----------------------------|
| Triumph Structures Wichita | Triumph Structures Wichita, Inc. | Wichita, KS               | Specializes in complex, high-speed monolithic precision machining, turning, subassemblies, and sheet metal fabrication, serving domestic and international aerospace customers. | Commercial and Military OEMs. | 146                        |

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| Operation                                  | Subsidiary  | Operating Location                            | Business  | Type of Customers  | Number of Employees |
|--|---|---|---|--|---------------------|
| <b>TRIUMPH AEROSPACE SYSTEMS GROUP</b>     |   |   |   |  |                     |
| Construction Brevetees d'Alfortville       | Construction Brevetees d'Alfortville SAS            | Alfortville, France                           | Manufactures mechanical ball bearing control assemblies for the aerospace, ground transportation, defense and marine industries.  | Commercial and Military OEMs, Ground Transportation and Marine OEMs.   | 70                  |
| 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.   | 54                  |
| Triumph Actuation Systems Clemmons(1)      | Triumph Actuation Systems, LLC                      | Clemmons, NC                                  | 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. | 243                 |
| Triumph Actuation Systems Freeport         |   | Freeport, NY                                  |   |  |                     |
| 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.   | 152                 |
| 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.   | Commercial, General Aviation, and Military OEMs.   | 192                 |

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| Operation                              | Subsidiary  | Operating Location   | Business  | Type of Customers  | Number of Employees |
|--|---|--|---|--|---------------------|
| Triumph Aerospace Systems Newport News | Triumph Aerospace Systems Newport News, Inc.                                      | Newport News, VA<br>San Diego, CA<br>Huntsville, AL<br>New Haven, CT | Offers a fully integrated range of capabilities, including systems engineering, conceptual engineering, mechanical design and analysis, prototype and limited-rate production, and instrumentation assembly and testing services and complex structural composite design and manufacturing.                             | Commercial and Military OEMs; Commercial and Military Aftermarket. | 123                 |
| Triumph Aerospace Systems Seattle      | Triumph Actuation Systems Connecticut, LLC  | Redmond, WA<br>Rochester, NY   | System engineering and integration for landing gear, hydraulic, deployment, cargo door and electro-mechanical type systems. Capabilities include design, analysis and testing to support these types of systems and components.   | Commercial, General Aviation and Military OEMs.                    | 85                  |
| Triumph Controls(1)                    | Triumph Controls, LLC   | North Wales, PA<br>Shelbyville, IN                                   | Designs and manufactures mechanical and electromechanical control systems.  | Commercial, General Aviation and Military OEMs and Aftermarket.    | 134                 |
| Triumph Controls Germany               | Triumph Controls Germany, GmbH  | Heiligenhaus, Germany  | Produces and repairs cable control systems for ground, flight, engine management and cabin comfort features in aircraft.  | Commercial and Military OEMs.                                      | 17                  |
| Triumph Controls UK                    | Triumph Controls UK, Ltd.   | Basildon, UK   |   |  |                     |
| Triumph Fabrications St. Louis         | Triumph Fabrications St. Louis, Inc.<br><br>Triumph Fabrications Orangeburg, Inc. | East Alton, IL<br><br>Orangeburg, SC                                 | 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.             | 57                  |



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| <b>Operation</b>                  | <b>Subsidiary</b>                  | <b>Operating Location</b> | <b>Business</b>  | <b>Type of Customers</b>                        | <b>Number of Employees</b> |
|-----------------------------------|------------------------------------|---------------------------|--|---|----------------------------|
| 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. | Commercial, General Aviation and Military OEMs. | 57                         |
| Triumph Gear Systems Park City(1) | Triumph Gear Systems, Inc.         | Park City, UT             | Specializes in the design, development, manufacture, sale and repair of gearboxes, high-lift flight control actuators, gear-driven actuators and gears for the aerospace industry.         | Commercial and Military OEMs and Aftermarket.   | 442                        |
| Triumph Gear Systems Macomb(1)    | Triumph Gear Systems Macomb, Inc.  | Macomb, MI                |  |   |                            |
| Triumph Northwest                 | The Triumph Group Operations, Inc. | Albany, OR                | Machines and fabricates refractory, reactive, heat and corrosion-resistant precision products.   | Military, Medical and Electronic OEMs.          | 25                         |
| Triumph Thermal Systems(1)        | Triumph Thermal Systems, Inc.      | Forest, OH                | Designs, manufactures and repairs aircraft thermal transfer components and systems.  | Commercial, General Aviation and Military OEMs. | 182                        |

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| Operation                                   | Subsidiary                                     | Operating Location | Business   | Type of Customers                                      | Number of Employees |
|---|--|--------------------|--|--|---------------------|
| <b>TRIUMPH AFTERMARKET SERVICES GROUP</b>   |  |                    |  |  |                     |
| Triumph Accessory Services Wellington(1)    | The Triumph Group Operations, Inc.             | Wellington, KS     | Provides maintenance services for aircraft heavy accessories and airborne electrical power generation devices, including constant speed drives, integrated drive generators, air cycle machines and electrical generators.                                     | Commercial, General Aviation and Military Aftermarket. | 110                 |
| Triumph Accessory Services Grand Prairie(1) | Triumph Accessory Services Grand Prairie, Inc. | Grand Prairie, TX  | Provides maintenance services for engine and airframe accessories including a variety of engine gearboxes, pneumatic starters, valves and drive units, hydraulic actuators, lube system pumps, fuel nozzles, fuel pumps and fuel controls.                     | Commercial and Military Aftermarket.                   | 123                 |
| Triumph Air Repair(1)                       | The Triumph Group Operations, Inc.             | 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. | 113                 |
| Triumph Airborne Structures(1)              | Triumph Airborne Structures, Inc.              | Hot Springs, AR    | Repairs and overhauls fan reversers, nacelle components, flight control surfaces and other aerostructures.   | Commercial Aftermarket.                                | 126                 |
| 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.   | Commercial Aftermarket.                                | 121                 |
| Triumph Engines Tempe(1)                    | Triumph Engineered Solutions, Inc.             | Tempe, AZ          | 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, General Aviation and Military Aftermarket. | 125                 |



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| <b>Operation</b>                      | <b>Subsidiary</b>                  | <b>Operating Location</b>              | <b>Business</b>   | <b>Type of Customers</b>                               | <b>Number of Employees</b> |
|---------------------------------------|------------------------------------|--|---|--|----------------------------|
| Triumph Instruments Burbank(1)        | Triumph Instruments Burbank, Inc.  | Burbank, CA<br>Van Nuys, CA            | Repairs and overhauls aircraft instrumentation, power systems and avionics. Distributes and repairs aircraft smoke detectors and industrial instrumentation.                              | Commercial, General Aviation and Military Aftermarket. | 67                         |
| Triumph Instruments Ft. Lauderdale(1) | Triumph Instruments, Inc.          | Ft. Lauderdale, FL                     | Specializes in the repair, overhaul and exchange of electromechanical and pneumatic aircraft instruments.   | Commercial, General Aviation and Military Aftermarket. | 41                         |
| Triumph Interiors                     | Triumph Interiors, LLC             | Oakdale, PA(1)<br>Grand Prairie, TX(1) | Refurbishes and repairs aircraft interiors such as sidewalls, ceiling panels, galleys and overhead storage bins and manufactures a full line of interior lighting and plastic components. | Commercial Aftermarket.                                | 139                        |
| Triumph San Antonio Support Center    | The Triumph Group Operations, Inc. | San Antonio, TX                        | Provides maintenance services for aircraft ground support equipment.  | Military Aftermarket.                                  | 33                         |

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| Operation                  | Subsidiary                               | Operating Location | Business   | Type of Customers                    | Number of Employees |
|----------------------------|--|--------------------|--|--------------------------------------|---------------------|
| <b>CORPORATE AND OTHER</b> |  |                    |  |                                      |                     |
| Triumph Group, Inc.        | Triumph Group, Inc.                      | Wayne, PA          | Parent company   | N/A                                  | 73                  |
| Triumph Group Mexico       | Triumph Group Mexico, S. de R.L. de C.V. | Zacatecas, Mexico  | Provides rough machining of gears, actuators and structure components, as well as assembly, fabrications, engineering and composites to Triumph companies and certain customers. | Commercial and General Aviation OEMs | 112                 |

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|-----------|------------|--------------------|----------|-------------------|---------------------|
|-----------|------------|--------------------|----------|-------------------|---------------------|

**DISCONTINUED OPERATIONS**

|                            |                                |              |  |                                      |    |
|----------------------------|--------------------------------|--------------|--|--------------------------------------|----|
| Triumph Precision Castings | Triumph Precision Castings Co. | Chandler, AZ | Applies advanced directionally solidified (polycrystal or single crystal) and Equiax investment casting processes to produce products for the commercial and defense gas turbine market. | Commercial and Military Aftermarket. | 23 |
|----------------------------|--------------------------------|--------------|--|--------------------------------------|----|

(1) Designates FAA-certified repair station.

(2) Through an affiliate, Triumph Insulation Systems, LLC manages an 80% interest in a joint venture, operating in Beijing, China, with Beijing Kailan Aviation Technology Co., Ltd., an unrelated party based in China. Our interest in the joint venture is accounted for in our consolidated financial statements on the equity method.

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**Sales, Marketing and Engineering**

While each of our operating companies maintains responsibility for selling and marketing its specific products, we have developed two group marketing teams focused on cross-selling our broad capabilities. The focus of these two marketing organizations, one for the Aerostructures and Aerospace Systems Groups and one for the Aftermarket Services Group, is to sell systems, integrated assemblies and repair and overhaul services, reaching across our operating companies, to our OEM, military, airline and air cargo customers. We also conduct sales activities in the Wichita, Kansas area through Triumph Wichita Support Center, a third-party sales organization dedicated solely to a sales effort on behalf of Triumph Group companies, which is staffed by sales professionals focused on Boeing IDS, Spirit AeroSystems, Cessna, Bombardier/Learjet and Raytheon. In certain limited cases, we use independent, commission-based representatives to facilitate responsiveness to each customer's changing needs and current trends in each market/geographic region in which we operate.

All three of these marketing organizations 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 engineering and 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 relates 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, 2011, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately \$3,780 million, of which \$3,082 million, \$664 million and \$34 million relate to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. As of March 31, 2010, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately \$1,309 million, of which \$695 million, \$580 million and \$34 million relate to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. Of the existing backlog of \$3,780 million, approximately \$988 million will not be shipped by March 31, 2012.

**Dependence on Significant Customer**

For the years ended March 31, 2011 and 2010, the Boeing Company, or Boeing, represented approximately 45% and 30%, respectively, of our net sales, covering virtually every Boeing plant and

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product. A significant reduction in sales to Boeing could 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 fiscal years 2011, 2010 and 2009 were approximately \$2,510 million, \$1,039 million, and \$974 million, respectively. Our revenues from our continuing operations to customers in all other countries for fiscal years 2011, 2010 and 2009 were approximately \$395 million, \$256 million, and \$267 million, respectively.

As of March 31, 2011 and 2010, our long-lived assets for continuing operations located in the United States were approximately \$3,134 million and \$855 million, respectively. As of March 31, 2011 and 2010, our long-lived assets for continuing operations located in all other countries were approximately \$96 million and \$74 million, respectively.

**Competition**

We compete primarily with the top-tier systems integrators and manufacturers that supply them, some of which are divisions or subsidiaries of other large companies, in the manufacture of aircraft systems components and subassemblies. OEMs are increasingly focusing on assembly activities while outsourcing more manufacturing and repair to third parties, 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 with greater financial and other resources than we have: OEMs, major commercial airlines 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 services for the components they manufacture. 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.



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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 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), 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.

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 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, or the 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 (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 were required to pay the expenses related to environmental liabilities for which neither indemnification nor insurance coverage is available, these expenses could have a material adverse effect on us.

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As of March 31, 2011, for our continuing operations we employed 12,097 persons, of whom 3,131 were management employees, 87 were sales and marketing personnel, 585 were technical personnel, 723 were administrative personnel and 7,571 were production workers. As of March 31, 2011, for our discontinued operations, we employed 23 persons, of whom 9 were management employees, 2 were technical personnel, one was administrative and 11 were production workers.

Several of our subsidiaries are parties to collective bargaining agreements with labor unions. Under those agreements, we currently employ approximately 3,465 full-time employees. Currently, approximately 29% 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. 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, 2011, 2010 and 2009 is available in Note 2 of "Notes to Consolidated Financial Statements."

**Executive Officers**

| Name               | Age | Position  |
|--------------------|-----|---|
| Richard C. Ill     | 67  | Chairman and Chief Executive Officer                            |
| Jeffrey D. Frisby  | 56  | President and Chief Operating Officer                           |
| M. David Kornblatt | 51  | Executive Vice President, Chief Financial Officer and Treasurer |
| John B. Wright, II | 57  | Vice President, General Counsel and Secretary                   |
| Kevin E. Kindig    | 54  | Vice President and Controller                                   |

*Richard C. Ill* was elected Chairman in July 2009, and had been our President and Chief Executive Officer and a director since 1993. Mr. Ill continues to serve as Chief Executive Officer. Mr. Ill 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 Operating Officer since July 2009. Before that, for a period in excess of five years, Mr. Frisby served as Group President of our Aerospace Systems Group. Mr. Frisby serves on the Board of Directors of Quaker Chemical Corporation.

*M. David Kornblatt* became Executive Vice President in July 2009 and had been Senior Vice President and Chief Financial Officer since June 2007. Mr. Kornblatt continues to serve as Chief Financial Officer. From 2006 until joining us, Mr. Kornblatt served as Senior Vice President Finance and Chief Financial Officer at Carpenter Technology Corporation, a manufacturer and distributor of specialty alloys and various engineered products. From 2003 to 2005, he was Vice President and Chief Financial Officer at York International, prior to its acquisition by Johnson Controls in December 2005. Before that, Mr. Kornblatt was the Director of Taxes-Europe for The Gillette Company in London, England for three years. Mr. Kornblatt is a director of Universal Stainless & Alloy Products, Inc.

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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 Andrews & Ingersoll, LLP, where he practiced corporate and securities law.

*Kevin E. Kindig* has been our Controller since 1993 and a Vice President since April 1999.

**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, or 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).

**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 was derived from commercial aviation for fiscal year 2011. 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, similar to that which occurred in 2008, 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. Often airlines are 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 maintenance, repair and overhaul ("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

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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.

***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. 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.

***We may fail to realize all of the expected benefits of the acquisition of Vought.***

On June 16, 2010, we completed the acquisition of Vought. Vought was a company with revenues almost twice our revenues prior to the acquisition and approximately as many employees. The acquisition of Vought is by far the largest acquisition we have made. The success of the acquisition of Vought will depend, in part, on our ability to realize the anticipated benefits from combining the businesses of Triumph and Vought. However, to realize these anticipated benefits, we must successfully combine the businesses. If we are not able to achieve these objectives, or do not do so in a timely manner, the anticipated benefits of the acquisition of Vought may not be realized fully or at all or may take longer to realize than expected.

In addition, it is possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits of the acquisition of Vought. Integration efforts between the two companies will also divert management attention and resources and could have an adverse effect on us during the transition period.

***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.***

The Boeing Company, or Boeing Commercial, Military & Space, represented approximately 45% of our net sales for the fiscal year ended March 31, 2011, covering virtually every Boeing plant and

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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.

***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 even an increase in defense spending may not be allocated to programs that would benefit our business. Moreover, the new 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.

For the fiscal year ended March 31, 2011, approximately 37% 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.

We also face the risk that the C-17 program could be completed upon fulfillment of currently outstanding production orders. We currently have a contract with Boeing for firm orders to support C-17 production through June 2011 and partial funding for the next production order, which we expect to complete in April 2013. The President's proposed FY2012 budget does not include funding for the procurement of new C-17 aircraft. Boeing currently has confirmed orders with the U.S. Air Force and various foreign countries to produce C-17 through 2012 at a rate of approximately 10 aircraft per year. In addition, Boeing has reported that there is strong interest from India for 10 aircraft as well as interest from other foreign countries. These additional orders should allow production to be continued through 2014 at today's current rate. However, there can be no assurance that these additional orders will materialize. Our business could be adversely impacted if the U.S. Government does not fund additional C-17 aircraft or if additional orders from Foreign Militaries do not materialize and Boeing decides not to fund beyond their current commitment. As a result, 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.

***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 China, 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.

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***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 Securitization Facility 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.

***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, Cessna, 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.), Goodrich Corp., Kawasaki Heavy Industries, Mitsubishi Heavy Industries, Spirit AeroSystems and Stork Aerospace. 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.



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***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.

***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. Additionally, the service of key members of the Vought management team and other personnel are expected to be critical to ensure the smooth and timely integration of Vought's business into Triumph.

***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

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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 were required to pay the expenses related to environmental liabilities for which 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, as in the case of the litigation arising out of the claims of Eaton Corporation discussed in "Item 3. Legal Proceedings." 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 increasingly 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.

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

For the fiscal year ended March 31, 2011, a significant portion of our net sales were 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 the profitability of a fixed-price contract or cause significant losses.

***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

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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, 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.

***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.

***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. 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.

***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, 2011, we employed 12,097 people, of which 28.7% 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 the

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International Association of Machinists-represented employees at our Nashville, Tennessee, facility expires in February 2012. 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, such as the recent strike at Boeing's C-17 facilities, 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.

***Financial market conditions may adversely affect the benefit plan assets we have inherited from Vought, increase funding requirements and materially impact our statements of financial position and cash flows.***

The benefit plan assets we have inherited as a result of the acquisition of Vought 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 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 its 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 an increase 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

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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.***

A Department of Defense, or 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 it 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.

***We may be unable to effectively implement the Enterprise Resource Planning (ERP) system at Vought.***

In 2009, Vought began the planning and design phase of an ERP system which "went live" on May 3, 2011. If this implementation is not managed effectively, it may delay our ability to obtain accurate financial information with respect to the Vought business or obtain the information necessary to effectively manage the Vought business, which could have a material adverse effect on our financial condition and results of operations.

***Our substantial indebtedness could adversely affect our financial health and our ability to fulfill our obligations.***

After completing the acquisition of Vought, we have a substantial amount of indebtedness. Our indebtedness could have important consequences, including:

making it more difficult for us to satisfy our obligations;

increasing our vulnerability to general adverse economic and industry conditions;

requiring that a portion of our cash flow from operations be used for the payment of interest on our debt, thereby reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions and general corporate requirements;

limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions and general corporate requirements;

limiting our flexibility in planning for, or reacting to, changes in our business and the aerospace and defense industry; and

placing us at a competitive disadvantage to our competitors that have less indebtedness.

We and our subsidiaries may be able to incur additional indebtedness in the future. Our existing debt agreements do not fully prohibit us or our subsidiaries from doing so. If new indebtedness is added to our and our subsidiaries' current indebtedness levels, the related risks that we and they now face could intensify.

If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments on our indebtedness, we would be in default. Our ability to meet our obligations will depend upon our future performance, which will be subject to prevailing economic conditions, and to financial, business and other factors, including factors beyond our control.





Table of Contents**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

As of April 30, 2011, we owned or leased the following facilities.

| Location                               | Description                                     | Square Footage | Owned/Leased |
|--|---|----------------|--------------|
| <b>TRIUMPH AEROSTRUCTURES GROUP</b>    |   |                |              |
| Hot Springs, AR                        | Manufacturing facility/office                   | 217,300        | Owned        |
| Brea, CA                               | Manufacturing facility                          | 90,000         | Leased       |
| Chatsworth, CA                         | Manufacturing facility/office                   | 101,900        | Owned        |
| Chatsworth, CA                         | Manufacturing facility                          | 21,600         | Leased       |
| City of Industry, CA                   | Manufacturing facility/office                   | 75,000         | Leased       |
| El Cajon, CA                           | Manufacturing facility/office                   | 122,400        | 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       |
| San Diego, CA                          | Force measurement systems facility              | 7,000          | Leased       |
| Santa Ana, CA                          | Office  | 15,300         | Leased       |
| Torrance, CA                           | Processing facility                             | 84,700         | Leased       |
| Walnut, CA                             | Manufacturing facility/office                   | 105,000        | Leased       |
| New Haven, CT                          | Engineering/manufacturing                       | 2,400          | Leased       |
| Stuart, FL                             | Manufacturing facility                          | 519,700        | Leased       |
| Milledgeville, GA                      | Manufacturing facility/assembly facility        | 566,200        | Owned        |
| Shelbyville, IN                        | Manufacturing facility/office                   | 193,900        | Owned        |
| Wichita, KS                            | Manufacturing facility/office                   | 145,200        | Leased       |
| Mexicali, Mexico                       | Manufacturing facility/office                   | 261,000        | Leased       |
| Grandview, MO                          | Manufacturing facility/office                   | 78,000         | Owned        |
| Westbury, NY                           | Manufacturing facility/office                   | 93,500         | Leased       |
| Westbury, NY                           | Aerospace Metal Processing                      | 12,500         | Leased       |
| Nashville, TN                          | Manufacturing facility/assembly facility/office | 2,198,700      | Owned        |
| Dallas, TX                             | High-speed wind tunnel                          | 28,900         | Owned        |
| Dallas, TX                             | Manufacturing facility/office                   | 4,855,300      | Leased       |
| 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        |
| Everett, WA                            | Manufacturing facility                          | 153,000        | Leased       |
| Spokane, WA                            | Manufacturing facility/office                   | 392,000        | Owned        |
| <b>TRIUMPH AEROSPACE SYSTEMS GROUP</b> |   |                |              |
| Chandler, AZ                           | Manufacturing facility/office                   | 34,300         | Leased       |
| Valencia, CA                           | Manufacturing facility/office                   | 87,000         | Leased       |
| Bethel, CT                             | Office  | 1,700          | Leased       |
| Bloomfield, CT                         | Manufacturing facility/office                   | 29,800         | Leased       |
| East Lyme, CT                          | Manufacturing facility/office                   | 59,600         | Owned        |
| New Haven, CT                          | Engineering/manufacturing                       | 2,400          | Leased       |
| Alfortville, France                    | Manufacturing facility/office                   | 7,500          | Leased       |
| Heiligenhaus, Germany                  | Manufacturing facility/office                   | 2,200          | Leased       |
| East Alton, IL                         | Machine shop/office                             | 25,000         | Leased       |
| Shelbyville, IN                        | Manufacturing facility/office                   | 100,000        | Owned        |

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| Location                                  | Description                             | Square Footage | Owned/Leased |
|---|---|----------------|--------------|
| Wichita, KS                               | Manufacturing facility/office           | 130,300        | Leased       |
| Macomb, MI                                | Manufacturing facility/office           | 86,000         | Leased       |
| Freeport, NY                              | Manufacturing facility/office/warehouse | 29,000         | Owned        |
| Rochester, NY                             | Engineering Office                      | 5,000          | 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           | 1,900          | 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           | 19,400         | Leased       |
| <b>TRIUMPH AFTERMARKET SERVICES GROUP</b> |   |                |              |
| Hot Springs, AR                           | Machine shop/office                     | 219,700        | Owned        |
| Chandler, AZ                              | Thermal processing facility/office      | 15,000         | Leased       |
| Phoenix, AZ                               | Repair and overhaul shop/office         | 50,000         | Leased       |
| Phoenix, AZ                               | Repair and overhaul/office              | 24,800         | Leased       |
| Tempe, AZ                                 | Manufacturing facility/office           | 13,500         | Owned        |
| Tempe, AZ                                 | Machine shop                            | 9,300          | Owned        |
| Tempe, AZ                                 | Machine shop                            | 32,000         | Owned        |
| Burbank, CA                               | Instrument shop/warehouse/office        | 23,000         | Leased       |
| Ft. Lauderdale, FL                        | Instrument shop/warehouse/office        | 11,700         | Leased       |
| Wellington, KS                            | Repair and overhaul/office              | 65,000         | Leased       |
| Oakdale, PA                               | Production/warehouse/office             | 68,000         | Leased       |
| Dallas, 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>                |   |                |              |
| Wayne, PA                                 | Office                                  | 11,700         | Leased       |
| Zacatecas, Mexico                         | Manufacturing facility/office           | 270,000        | Owned        |
| <b>DISCONTINUED OPERATIONS</b>            |   |                |              |
| Chandler, AZ                              | Casting facility/office                 | 31,000         | Leased       |

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

### Item 3. Legal Proceedings

On July 9, 2004, Eaton Corporation and several Eaton subsidiaries filed a complaint against us, our subsidiary, Frisby Aerospace, LLC (now named Triumph Actuation Systems, LLC), certain related subsidiaries and certain employees of ours and our subsidiaries. The complaint was filed in the Circuit Court of the First Judicial District of Hinds County, Mississippi and alleged nineteen causes of action under Mississippi law. In particular, the complaint alleged the misappropriation of trade secrets and intellectual property allegedly belonging to Eaton relating to hydraulic pumps and motors used in military and commercial aviation. Triumph Actuation Systems and the individual defendants filed separate responses to Eaton's claims. Triumph Actuation Systems filed counterclaims against Eaton alleging common law unfair competition, interference with existing and prospective contracts, abuse of

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process, defamation, violation of North Carolina's Unfair and Deceptive Trade Practices Act, and violation of the false advertising provisions of the Lanham Act. We and defendant Jeff Frisby, President of Triumph Actuation Systems at the time the engineer defendants were hired, moved to dismiss the complaint for lack of personal jurisdiction.

The above allegations also relate to alleged conduct that has been the subject of an investigation by the office of the U.S. Attorney in Jackson, Mississippi. On January 22, 2004, a search warrant was executed on the offices of Triumph Actuation Systems in connection with this investigation. Triumph Actuation Systems cooperated with the investigation. On December 20, 2006, five engineers of Triumph Actuation Systems who are former employees of Eaton Aerospace, LLC, were indicted by a grand jury sitting in the Southern District of Mississippi on five counts of trade secret misappropriation, conspiracy to misappropriate trade secrets, and mail and wire fraud. On June 15, 2007, all counts other than part of one count were dismissed by the court, leaving a charge of conspiracy to misappropriate trade secrets.

On October 11, 2007, the government obtained a new indictment against the same five engineer defendants, raising new charges arising out of the same investigation, which were essentially reiterated in a second superseding indictment obtained on November 7, 2007. The defendant engineers subsequently filed pretrial motions, including motions to dismiss. On April 25, 2008, the court granted some of those motions and dismissed seven of the twelve counts of the second superseding indictment. The government appealed the dismissal with respect to three of the seven counts dismissed. On January 21, 2009, while the appeal was still pending, the government obtained a new indictment against the five engineers containing three counts stating essentially the same charges as those covered by the government's appeal. On February 9, 2009, the United States Court of Appeals for the Fifth Circuit unanimously affirmed the dismissal of one of the counts covered by the government's appeal and reversed as to the other two counts. (The government thereafter dismissed the two counts of the most recent indictment similar to the two counts restored by the appellate court.) Thus, there are seven charges against the engineers remaining pending under the second superseding indictment in addition to the one count remaining in the most recent indictment. On September 10, 2009, upon agreement of the government and the defendant engineers, the trial court entered an order continuing the case until after the trial in the civil case filed by Eaton and staying all proceedings except the issuance of orders related to previously filed motions and the parties' compliance with ongoing discovery obligations. The trial court has since disposed of all pending motions.

No charges have been brought against Triumph Actuation Systems or us, and we understand that neither Triumph Actuation Systems nor the Company is currently the subject of the criminal investigation.

In the civil case, following stays of most discovery while the parties litigated a motion to dismiss and a motion to protect the defendant engineers' Fifth Amendment rights, discovery recommenced in late August 2007. However, on January 4, 2008, the judge in the civil case, Judge Bobby DeLaughter, recused himself on his own motion. The case was reassigned to Chief Judge W. Swan Yerger.

On January 24, 2008, Triumph Actuation Systems filed a motion to stay all discovery in order to review and reconsider Judge DeLaughter's prior orders based on the ongoing federal investigation of an alleged ex parte and inappropriate relationship between Judge DeLaughter and Ed Peters, a lawyer representing Eaton for whom Judge DeLaughter had worked prior to his appointment to the bench. Judge DeLaughter was thereafter suspended from the bench and indicted by a federal grand jury sitting in the Northern District of Mississippi. On July 30, 2009, Judge DeLaughter pled guilty to a count of obstruction of justice contained in the indictment and, on November 13, 2009, was sentenced to 18 months in federal prison.

Triumph Actuation Systems filed other motions relating to this alleged inappropriate relationship with Mr. Peters, including a motion for sanctions. Judge Yerger ordered that this conduct be examined

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and has undertaken, along with a newly appointed Special Master, to review Judge DeLaughter's rulings in the case from the time Mr. Peters became involved.

On December 22, 2010, the court entered a final order dismissing with prejudice all of the claims that had been asserted by Eaton. The order of dismissal fully ended the litigation of claims by Eaton in the Circuit Court. On December 28, 2010, Eaton filed a notice of appeal to the Mississippi Supreme Court appealing the order of dismissal and other matters.

On December 28, 2010, Triumph, Frisby and the engineer defendants filed a motion for leave to amend the counterclaims which remained pending to include causes of action based on the Eaton misconduct that led to the dismissal of their claims. Judge Yerger retired from the bench on December 31, 2010, and the matter was reassigned to Judge Jeffrey Weill. On March 14, 2011, Judge Weill granted to the motion for leave to amend the counterclaims. The amended counterclaims were filed on March 18, 2011. In addition, on February 1, 2011, Triumph Actuation Systems filed a complaint in the District Court for the Middle District of North Carolina against Eaton Corporation and several of its subsidiaries alleging three counts of antitrust violations under the Sherman Act based on the various actions and misconduct of Eaton and its subsidiaries in the Mississippi state court litigation.

Given the fact of Eaton's appeal of the dismissal of its claims, it is too early to determine what, if any, exposure to liability Triumph Actuation Systems or the Company might face as a result of the civil suit. We intend to continue to vigorously defend the dismissal of Eaton's claims on appeal and to vigorously prosecute the counterclaims brought by Triumph Actuation Systems.

In addition to the foregoing, 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. Submission of Matters to a Vote of Security Holders**

None.

Table of Contents**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      |
|--------------------|----------|----------|
| <b>Fiscal 2010</b> |          |          |
| 1st Quarter        | \$ 45.11 | \$ 34.36 |
| 2nd Quarter        | 49.85    | 34.96    |
| 3rd Quarter        | 50.92    | 45.93    |
| 4th Quarter        | 74.73    | 47.50    |
| <b>Fiscal 2011</b> |          |          |
| 1st Quarter        | \$ 81.87 | \$ 60.37 |
| 2nd Quarter        | 81.45    | 63.69    |
| 3rd Quarter        | 92.56    | 74.00    |
| 4th Quarter        | 97.29    | 82.03    |

On May 9, 2011, the reported closing price for our Common Stock was \$88.55. As of May 9, 2011, there were approximately 128 holders of record of our Common Stock and we believe that our Common Stock was beneficially owned by approximately 22,000 persons.

**Dividend Policy**

During fiscal 2011 and 2010, 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 our 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 May 3, 2011, 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 payable June 15, 2011 to stockholders of record as of May 1, 2011.

**Repurchases of Stock**

The following summarizes repurchases made pursuant to the Company's share repurchase plan during the three years ended March 31, 2011. 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. From the inception of the program through March 31, 2011, we have repurchased a total of 499,200 shares for a total purchase price of \$19.2 million. As a result, as of May 9, 2011, the Company remains able to purchase an additional 500,800 shares. Repurchases may be made from time to time in open market transactions, block purchases, privately

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negotiated transactions or otherwise at prevailing prices. No time limit has been set for completion of the program.

| Period                         | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans | Maximum number of shares that may yet be purchased under the plans |
|--------------------------------|----------------------------------|------------------------------|--|--|
| April 1, 2009 - March 31, 2011 |                                  | N/A                          | 499,200  | 500,800  |

**Equity Compensation Plan Information**

The information required regarding equity compensation plan information is included in our Proxy Statement in connection with our 2011 Annual Meeting of Stockholders to be held on July 27, 2011, 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 Triumph Group, Inc.'s common stock relative to the cumulative total returns of the Russell 2000 index 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, 2006 and its relative performance is tracked through March 31, 2011.

**COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN\*  
Among Triumph Group, Inc., The Russell 2000 Index  
And The S&P Aerospace & Defense Index**

\*

\$100 invested on March 31, 2006 in stock or index, including reinvestment of dividends. Fiscal year ended March 31.

|  | 3/06          | 3/07          | 3/08          | 3/09         | 3/10          | 3/11          |
|--|---------------|---------------|---------------|--------------|---------------|---------------|
| <b>Triumph Group, Inc.</b>             | <b>100.00</b> | <b>125.33</b> | <b>129.24</b> | <b>87.04</b> | <b>160.28</b> | <b>202.69</b> |
| <b>Russell 2000</b>                    | <b>100.00</b> | <b>105.91</b> | <b>92.14</b>  | <b>57.58</b> | <b>93.73</b>  | <b>117.90</b> |
| <b>S&amp;P Aerospace &amp; Defense</b> | <b>100.00</b> | <b>116.05</b> | <b>121.99</b> | <b>70.96</b> | <b>121.29</b> | <b>134.10</b> |

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

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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.

|  | <b>Fiscal Years Ended March 31,</b>          |                |                |                |                   |
|--|--|----------------|----------------|----------------|-------------------|
|  | <b>2011(1)</b>                               | <b>2010(2)</b> | <b>2009(3)</b> | <b>2008(4)</b> | <b>2007(5)(6)</b> |
|  | <b>(in thousands, except per share data)</b> |                |                |                |                   |
| <b>Operating Data:</b>                                 |  |                |                |                |                   |
| Net sales  | \$ 2,905,348                                 | \$ 1,294,780   | \$ 1,240,378   | \$ 1,151,090   | \$ 937,327        |
| Cost of sales  | 2,231,864                                    | 927,211        | 877,744        | 822,288        | 671,838           |
|  | 673,484                                      | 367,569        | 362,634        | 328,802        | 265,489           |
| Selling, general and administrative expense            | 238,889                                      | 157,870        | 162,109        | 159,262        | 135,887           |
| Depreciation and amortization                          | 99,657                                       | 54,418         | 48,611         | 43,215         | 35,703            |
| Acquisition and integration expenses                   | 20,902                                       |                |                |                |                   |
| Operating income                                       | 314,036                                      | 155,281        | 151,914        | 126,325        | 93,899            |
| Interest expense and other                             | 79,559                                       | 28,865         | 16,929         | 19,942         | 14,807            |
| (Gain) loss on early extinguishment of debt            |  | (39)           | (880)          |                | 5,088             |
| Income from continuing operations, before income taxes | 234,477                                      | 126,455        | 135,865        | 106,383        | 74,004            |
| Income tax expense                                     | 82,066                                       | 41,167         | 43,124         | 34,748         | 24,982            |
| Income from continuing operations                      | 152,411                                      | 85,288         | 92,741         | 71,635         | 49,022            |
| Loss from discontinued operations                      | (2,512)                                      | (17,526)       | (4,745)        | (8,468)        | (3,905)           |
| Net income   | \$ 149,899                                   | \$ 67,762      | \$ 87,996      | \$ 63,167      | \$ 45,117         |
| <b>Earnings per share:</b>                             |  |                |                |                |                   |
| <b>Income from continuing operations:</b>              |  |                |                |                |                   |
| Basic  | \$ 6.77                                      | \$ 5.18        | \$ 5.66        | \$ 4.34        | \$ 3.02           |
| Diluted(7)   | \$ 6.42                                      | \$ 5.12        | \$ 5.59        | \$ 4.08        | \$ 2.99           |
| Cash dividends declared per share                      | \$ 0.16                                      | \$ 0.16        | \$ 0.16        | \$ 0.16        | \$ 0.12           |
| <b>Shares used in computing earnings per share:</b>    |  |                |                |                |                   |
| Basic  | 22,503                                       | 16,459         | 16,384         | 16,497         | 16,220            |
| Diluted(7)   | 23,744                                       | 16,666         | 16,584         | 17,540         | 16,413            |



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|   | As of March 31, |            |            |            |            |
|---|-----------------|------------|------------|------------|------------|
|   | 2011(1)         | 2010(2)    | 2009(3)    | 2008(4)    | 2007(5)(6) |
|   | (in thousands)  |            |            |            |            |
| <b>Balance Sheet Data:</b>                |                 |            |            |            |            |
| Working capital                           | \$ 277,309      | \$ 487,411 | \$ 372,159 | \$ 416,842 | \$ 324,877 |
| Total assets                              | 4,470,237       | 1,692,578  | 1,591,207  | 1,412,760  | 1,218,480  |
| Long-term debt, including current portion | 1,312,004       | 505,780    | 459,396    | 395,981    | 286,499    |
| Total stockholders' equity                | \$ 1,632,217    | \$ 860,686 | \$ 788,563 | \$ 706,436 | \$ 645,177 |

- (1) Includes the acquisition of Vought Aircraft Industries, Inc. (June 2010) from the date of acquisition. See Note 3 to the Consolidated Financial Statements. Also includes \$20.9 million of pretax acquisition and integration charges in connection with the acquisition of Vought Aircraft Industries, Inc.
- (2) Includes the acquisition of DCL Avionics, Inc. (January 2010) and Fabritech, Inc. (March 2010) from the date of each respective acquisition. See Note 3 to the Consolidated Financial Statements.
- (3) Includes the acquisition of Merritt Tool Company, Inc., Saygrove Defence and Aerospace Group Limited, The Mexmil Company, LLC and acquisition of the aviation segment of Kongsberg Automotive Holdings ASA from the date of each respective acquisition (March 2009). See Note 3 to the Consolidated Financial Statements.
- (4) Includes the acquisition of the assets and business of B. & R. Machine & Tool Corp. from the date of acquisition (February 2008).
- (5) During 2008, the Company sold the assets of Triumph Precision, Inc. and also decided to sell Triumph Precision Castings Co. These businesses have been classified as discontinued operations in 2009 and 2008 and, accordingly, the results for fiscal years prior to 2008 have also been reclassified to conform to the 2008 presentation. See Note 4 to the Consolidated Financial Statements.
- (6) Includes the acquisition of the assets and businesses of Excel Manufacturing, Inc. (April 2006), Air Excellence International, Inc. (April 2006), Grand Prairie Accessory Services, LLC (January 2007) and the acquisition through merger of Allied Aerospace Industries, Inc. (November 2006), from the date of each respective acquisition.
- (7) Diluted earnings per share for the fiscal years ending March 31, 2011 and 2008, included 1,020,448 and 777,059 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.

On June 16, 2010, we announced the completion of the acquisition of Vought Aircraft Industries, Inc. ("Vought") from The Carlyle Group. The acquisition of Vought establishes the Company as a leading global manufacturer of aerostructures for commercial, military and business jet aircraft. Products include fuselages, wings, empennages, nacelles and helicopter cabins. Strategically, the acquisition of Vought substantially increases our design capabilities and provides further diversification across customers and programs, as well as exposure to new growth platforms. The acquired business is operating as Triumph Aerostructures Vought Commercial Division and Triumph Aerostructures Vought Integrated Programs Division. The Company's consolidated financial statements include Vought's results of operations and cash flows from June 16, 2010.

Financial highlights for the fiscal year ended March 31, 2011 include:

Net sales for fiscal 2011 increased 124.4% to \$2.9 billion, including an 8% increase due to organic growth.

Operating income in fiscal 2011 increased 102.2% to \$314.0 million, which included a \$16.5 million increase due to organic growth net of increased corporate expenses, partially offset by \$20.9 million of acquisition and integration expenses associated with the acquisition of Vought.

Net income for fiscal 2011 increased 121.2% to \$149.9 million.

Backlog increased 188.6% over the prior year to \$3.8 billion due to the acquisition of Vought, having an organic increase of 13.9% from the prior year period.

For the fiscal year ended March 31, 2011, net sales totaled \$2.9 billion, a 124.4% increase from fiscal year 2010 net sales of \$1.3 billion. Net income for fiscal year 2011 increased 121.2% to \$149.9 million, or \$6.31 per diluted common share, versus \$67.8 million, or \$4.07 per diluted common share, for fiscal year 2010. As discussed in further detail below under "Results of Operations," the increase in net income is attributable to contribution from the acquisition of Vought, offset by the acquisition and integration expenses and additional interest expense associated with the financing of the acquisition of Vought. Also, the prior year was negatively impacted by the write-down of the carrying value of our discontinued operation to estimated fair value less cost to sell.

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, 2011, we generated approximately \$142.3 million of cash flows from operating activities, used approximately \$433.7 million in investing activities and generated approximately \$173.1 million in financing activities. Cash flows from operating activities included \$134.8 million in pension contributions.

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We continue to remain focused on growing our core businesses as well as growing through strategic acquisitions. Our organic sales increased in fiscal 2011 due to gradual improvement to the overall economy, increased passenger and freight traffic from previously depressed levels and less airline inventory de-stocking than the prior year period. Our Company has an aggressive but selective acquisition approach that adds capabilities and increases our capacity for strong and consistent internal growth.

In the fourth quarter of fiscal 2010, we acquired Fabritech, Inc. (now Triumph Fabrications St. Louis) and DCL Avionics, Inc. (now part of Triumph Instruments Burbank), collectively, the "fiscal 2010 acquisitions." The results of Triumph Fabrications St. Louis are included in the Company's Aerospace Systems segment from the date of acquisition. These acquisitions did not have a material impact on fiscal 2011 results of operations.

In fiscal 2010, we began efforts to establish a new manufacturing facility in Zacatecas, Mexico to complement our existing manufacturing sites. Our expansion is expected to allow us to better manage our production costs in a competitive global market and to effectively increase capacity at our existing domestic plants and involve a significant number of our operating companies and a wide range of capabilities and technologies. As of March 31, 2011, we have incurred approximately \$27.2 million in capital expenditures in Zacatecas.

## **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 EBITDA, which is our income from continuing operations before interest, income taxes, amortization of acquired contract liabilities, depreciation and amortization, and Adjusted EBITDA, which is EBITDA adjusted for acquisition-related costs associated with the acquisition of Vought. We disclose EBITDA and Adjusted EBITDA on a consolidated and an operating 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 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 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. 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 EBITDA as a substitute for any

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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 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 EBITDA.

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. 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 EBITDA helps investors meaningfully evaluate and compare our performance from quarter to quarter and from year to year. We also believe 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 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 EBITDA and the material limitations associated with using this non-GAAP financial measure as compared to income from continuing operations:

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 the acquisition of Vought. 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.

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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 EBITDA and Adjusted EBITDA reconciled to our income from continuing operations for the indicated periods (in thousands):

|   | Fiscal year ended March 31, |                   |                   |
|---|-----------------------------|-------------------|-------------------|
|   | 2011                        | 2010              | 2009              |
| Income from continuing operations           | \$ 152,411                  | \$ 85,288         | \$ 92,741         |
| Amortization of acquired contract liability | (29,214)                    |                   |                   |
| Depreciation and amortization               | 99,657                      | 54,418            | 48,611            |
| Interest expense and other                  | 79,559                      | 28,865            | 16,929            |
| Gain on early extinguishment of debt        |                             | (39)              | (880)             |
| Income tax expense                          | 82,066                      | 41,167            | 43,124            |
| <b>EBITDA</b>                               | <b>384,479</b>              | <b>209,699</b>    | <b>200,525</b>    |
| Acquisition and integration expenses        | 20,902                      |                   |                   |
| <b>Adjusted EBITDA</b>                      | <b>\$ 405,381</b>           | <b>\$ 209,699</b> | <b>\$ 200,525</b> |

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

|   | Fiscal year ended March 31, 2011 |                   |                   |                      |                         |
|---|----------------------------------|-------------------|-------------------|----------------------|-------------------------|
|   | Total                            | Aerostructures    | Aerospace Systems | Aftermarket Services | Corporate/ Eliminations |
| Operating income                            | \$ 314,036                       | \$ 267,783        | \$ 75,292         | \$ 28,774            | \$ (57,813)             |
| Amortization of acquired contract liability | (29,214)                         | (29,214)          |                   |                      |                         |
| Depreciation and amortization               | 99,657                           | 69,451            | 17,183            | 11,101               | 1,922                   |
| <b>EBITDA</b>                               | <b>\$ 384,479</b>                | <b>\$ 308,020</b> | <b>\$ 92,475</b>  | <b>\$ 39,875</b>     | <b>\$ (55,891)</b>      |

|                               | Fiscal year ended March 31, 2010 |                   |                   |                      |                         |
|-------------------------------|----------------------------------|-------------------|-------------------|----------------------|-------------------------|
|                               | Total                            | Aerostructures    | Aerospace Systems | Aftermarket Services | Corporate/ Eliminations |
| Operating income              | \$ 155,281                       | \$ 102,271        | \$ 68,069         | \$ 11,226            | \$ (26,285)             |
| Depreciation and amortization | 54,418                           | 24,025            | 16,804            | 12,855               | 734                     |
| <b>EBITDA</b>                 | <b>\$ 209,699</b>                | <b>\$ 126,296</b> | <b>\$ 84,873</b>  | <b>\$ 24,081</b>     | <b>\$ (25,551)</b>      |

|                               | Fiscal year ended March 31, 2009 |                |                   |                      |                         |
|-------------------------------|----------------------------------|----------------|-------------------|----------------------|-------------------------|
|                               | Total                            | Aerostructures | Aerospace Systems | Aftermarket Services | Corporate/ Eliminations |
| Operating income              | \$ 151,914                       | \$ 99,224      | \$ 68,782         | \$ 10,876            | \$ (26,968)             |
| Depreciation and amortization | 48,611                           | 19,478         | 15,306            | 13,515               | 312                     |

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|        |            |            |           |           |             |
|--------|------------|------------|-----------|-----------|-------------|
| EBITDA | \$ 200,525 | \$ 118,702 | \$ 84,088 | \$ 24,391 | \$ (26,656) |
|--------|------------|------------|-----------|-----------|-------------|

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

Table of Contents**Fiscal year ended March 31, 2011 compared to fiscal year ended March 31, 2010**

|   | <b>Year Ended March 31,</b> |              |
|---|-----------------------------|--------------|
|   | <b>2011</b>                 | <b>2010</b>  |
|   | <b>(in thousands)</b>       |              |
| Net sales                                     | \$ 2,905,348                | \$ 1,294,780 |
| Segment operating income                      | 371,849                     | 181,566      |
| Corporate general and administrative expenses | (57,813)                    | (26,285)     |
| Total operating income                        | 314,036                     | 155,281      |
| Interest expense and other                    | 79,559                      | 28,865       |
| Gain on early extinguishment of debt          |                             | (39)         |
| Income tax expense                            | 82,066                      | 41,167       |
| Income from continuing operations             | 152,411                     | 85,288       |
| Loss from discontinued operations, net        | (2,512)                     | (17,526)     |
| Net income                                    | \$ 149,899                  | \$ 67,762    |

Net sales increased by \$1.6 billion, or 124.4%, to \$2.9 billion for the fiscal year ended March 31, 2011 from \$1.3 billion for the fiscal year ended March 31, 2010. The acquisition of Vought and the fiscal 2010 acquisitions contributed \$1.5 billion in net sales. Excluding the effects of the Vought and fiscal 2010 acquisitions, organic sales increased \$106.8 million, or 8.2%. The prior year period was negatively impacted by the reduction in demand for business jets, major program delays (particularly in the 747-8 and 787 programs), the decline in the regional jet market due to the overall economy, lower passenger and freight traffic and airline inventory de-stocking. While organic sales demonstrated improvement, we continued to face challenges such as the decreased demand for business jets and regional jets as well as commercial rate reductions (particularly in the 777 program).

Cost of sales increased by \$1.3 billion, or 140.7%, to \$2.2 billion for the fiscal year ended March 31, 2011 from \$927.2 million for the fiscal year ended March 31, 2010. This increase resulted from the acquisitions noted above, which contributed \$1.27 billion. Gross margin for the fiscal year ended March 31, 2011 was 23.2% compared with 28.4% for the fiscal year ended March 31, 2010. The decline in gross margin was impacted by lower margins contributed from the acquisition of Vought. Excluding the effects of the Vought and fiscal 2010 acquisitions, gross margin was 29.2% for the fiscal year ended March 31, 2011, compared with 28.4% for the fiscal year ended March 31, 2010.

Segment operating income increased by \$190.3 million, or 104.8%, to \$371.9 million for the fiscal year ended March 31, 2011 from \$181.6 million for the fiscal year ended March 31, 2010. Operating income increased due to the contribution from the Vought and fiscal 2010 acquisitions (\$163.1 million) and favorable settlements of retroactive pricing agreements (\$3.0 million), offset by costs related to the signing of a collective bargaining agreement.

Corporate expenses increased by \$31.5 million, or 119.9%, to \$57.8 million for the fiscal year ended March 31, 2011 from \$26.3 million for the fiscal year ended March 31, 2010. Corporate expenses included \$20.9 million of non-recurring acquisition-related transaction and integration costs associated with the acquisition of Vought. Corporate expenses also increased due to increased compensation and benefits (\$5.4 million) due to increased corporate head count as compared to the prior year period, and an increase of \$4.3 million of start-up costs related to the Mexican facility compared to the prior year period.

Interest expense and other increased by \$50.7 million, or 175.6%, to \$79.6 million for the fiscal year ended March 31, 2011 compared to \$28.9 million for the prior year. This increase was due to higher average debt outstanding during the fiscal year ended March 31, 2011 in connection with the financing of the acquisition of Vought, as compared to the fiscal year ended March 31, 2010, including

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the Senior Subordinated Notes due 2017 (the "2017 Notes"), the Senior Notes due 2018 (the "2018 Notes") and the Term Loan, along with higher interest rates on our revolving credit facility.

The effective tax rate was 35.0% for the fiscal year ended March 31, 2011 and 32.6% for the fiscal year ended March 31, 2010. The effective income tax rate is impacted by the \$20.9 million in acquisition and integration expenses, which were only partially deductible for tax purposes, offset by the retroactive reinstatement of the research and development tax credit back to January 1, 2010. In December 2010, the Tax Hike Prevention Act of 2010 reinstated the research and development tax credit retroactive to January 1, 2010 through December 31, 2011.

Loss from discontinued operations before income taxes was \$3.9 million for the fiscal year ended March 31, 2011, compared with a loss from discontinued operations before income taxes of \$26.9 million for the fiscal year ended March 31, 2010, which included impairment charges of \$19.9 million. Loss from discontinued operations for the fiscal year ended March 31, 2011 includes a \$2.3 million charge related to the termination of an agreement. Due to failed negotiations with certain potential buyers of the business occurring during the quarter ended December 31, 2009, the Company reassessed its estimated fair value of the business based on current viable offers to purchase the business, recent performance results and overall market conditions, resulting in a write-down, which was applied to accounts receivable, inventory and property, plant and equipment. The Company recognized a pretax loss of \$17.4 million in the third quarter of fiscal 2010, based on the write-down of the carrying value of the business to estimated fair value less cost to sell. Included in the loss from discontinued operations for the fiscal year ended March 31, 2010 is an additional impairment charge of \$2.5 million recorded during the first quarter of fiscal 2010. The income tax benefit for discontinued operations was \$1.4 million for the fiscal year ended March 31, 2011 compared to a benefit of \$9.4 million for the prior year. At March 31, 2011, the Company maintains its plan to sell this business and is in active discussions with a potential buyer.

**Fiscal year ended March 31, 2010 compared to fiscal year ended March 31, 2009**

|   | <b>Year Ended March 31,</b> |              |
|---|-----------------------------|--------------|
|   | <b>2010</b>                 | <b>2009</b>  |
|   | <b>(in thousands)</b>       |              |
| Net sales                                     | \$ 1,294,780                | \$ 1,240,378 |
| Segment operating income                      | 181,566                     | 178,882      |
| Corporate general and administrative expenses | (26,285)                    | (26,968)     |
| Total operating income                        | 155,281                     | 151,914      |
| Interest expense and other                    | 28,865                      | 16,929       |
| Gain on early extinguishment of debt          | (39)                        | (880)        |
| Income tax expense                            | 41,167                      | 43,124       |
| Income from continuing operations             | 85,288                      | 92,741       |
| Loss from discontinued operations, net        | (17,526)                    | (4,745)      |
| Net income                                    | \$ 67,762                   | \$ 87,996    |

Net sales increased by \$54.4 million, or 4.4%, to \$1.3 billion for the fiscal year ended March 31, 2010 from \$1.2 billion for the fiscal year ended March 31, 2009. The fiscal 2010 acquisitions and fiscal 2009 acquisitions contributed \$123.3 million in net sales. Organic sales declined \$68.9 million, or 5.6%, which was negatively impacted by major program delays, the decline in the regional jet market due to the overall economy, lower passenger and freight traffic and airline inventory de-stocking. Prior year sales were negatively impacted by the effects of a strike at Boeing, our largest customer.

Cost of sales increased by \$49.5 million, or 5.6%, to \$927.2 million for the fiscal year ended March 31, 2010 from \$877.7 million for the fiscal year ended March 31, 2009. This increase includes the acquisitions noted above, which contributed \$92.0 million. Excluding the effects of these



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acquisitions, gross margin was 28.7% for the fiscal year ended March 31, 2010, compared with 29.2% for the fiscal year ended March 31, 2009.

Segment operating income increased by \$2.7 million, or 1.5%, to \$181.6 million for the fiscal year ended March 31, 2010 from \$178.9 million for the fiscal year ended March 31, 2009. Operating income growth was a direct result of margins attained on increased sales as described above, and decreases in litigation costs (\$0.9 million) and bad debt expense (\$1.6 million), partially offset by increases in depreciation and amortization (\$5.8 million) primarily from the fiscal 2009 acquisitions.

Corporate expenses decreased by \$0.7 million, or 2.5%, to \$26.3 million for the fiscal year ended March 31, 2010 from \$27.0 million for the fiscal year ended March 31, 2009, primarily due to decreased healthcare and workers' compensation costs (\$0.8 million), consulting expenses (\$1.6 million) and computer services costs (\$1.0 million), partially offset by increases in acquisition-related costs (\$1.6 million). In addition, we have recognized expenses of approximately \$4.1 million start-up costs related to the Mexican facility, predominately recorded within corporate expenses.

Interest expense and other increased by \$11.9 million, or 70.5%, to \$28.9 million for the fiscal year ended March 31, 2010 compared to \$16.9 million for the prior year. During fiscal 2010, the Company issued \$175.0 million in principal amount of 8% Senior Notes due 2017, resulting in additional interest expense of approximately \$5.3 million. The interest on this debt is due semiannually in May and November. Fiscal 2010 also included full-year interest expense on our equipment leasing facility representing an additional \$4.0 million from fiscal 2009. During fiscal 2009, the Company entered into certain foreign currency derivative instruments that did not meet hedge accounting criteria and primarily were intended to protect against exposure related to fiscal 2009 acquisitions. These instruments resulted in a gain of \$1.4 million in fiscal 2009, which is included in interest expense and other. Also during fiscal 2009, the Company paid \$15.4 million to purchase \$18.0 million of principal on the convertible senior subordinated notes (the "Convertible Notes"), resulting in a gain on early extinguishment of \$0.9 million. Included in interest expense and other is noncash interest expense of \$8.1 million and \$7.9 million for the fiscal years ended March 31, 2010 and 2009, respectively, of which \$6.1 million and \$5.8 million, respectively, reflect accretion of interest recognized in accordance with the convertible debt accounting standard.

The effective tax rate was 32.6% for the fiscal year ended March 31, 2010 and 31.8% for the fiscal year ended March 31, 2009. The increase in the tax rate was primarily due to the lapse of the research and development tax credit as of January 1, 2010.

Loss from discontinued operations before income taxes was \$26.9 million for the fiscal year ended March 31, 2010, which included impairment charges of \$19.9 million, compared with a loss from discontinued operations before income taxes of \$7.3 million for the fiscal year ended March 31, 2009. Due to failed negotiations with certain potential buyers of the business occurring during the quarter ended December 31, 2009, the Company reassessed its estimated fair value of the business based on current viable offers to purchase the business, recent performance results and overall market conditions, resulting in a write-down, which was applied to accounts receivable, inventory and property, plant and equipment. The Company recognized a pretax loss of \$17.4 million in the third quarter of fiscal 2010, based on the write-down of the carrying value of the business to estimated fair value less cost to sell. Included in the loss from discontinued operations for the fiscal year ended March 31, 2010 is an additional impairment charge of \$2.5 million recorded during the first quarter of fiscal 2010. The income tax benefit for discontinued operations was \$9.4 million for the fiscal year ended March 31, 2010 compared to a benefit of \$2.6 million for the prior year.

**Business Segment Performance**

As further described below, beginning with our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, the Company modified its segment reporting in accordance with ASC Topic 280, *Segment Reporting*. Through the first quarter of fiscal 2011, the Company had been organized

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based on the products and services that it provided. Under this organizational structure, the Company had two reportable segments: the Aerospace Systems Group and the Aftermarket Services Group. The Company's Chief Operating Decision Maker ("CODM") evaluated performance and allocated resources based upon review of segment information. The CODM utilized EBITDA as a primary measure of profitability to evaluate performance of its segments and allocate reserves.

During the second quarter of fiscal 2011, the Company implemented changes in its operating segments resulting from changes in the processes employed for allocating resources across the Company and reviewing operating results to assess performance by its CODM. These changes, which resulted in part from the acquisition of Vought, were fully implemented in the second quarter of fiscal year 2011 to align our operating and reportable segments with how we manage the business and view the markets we serve. We report our financial performance based on the following three reportable segments: the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group. As required by ASC Topic 280, all prior period information has been recast to reflect the realignment of reportable segments.

The results of operations among our operating 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 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, 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.

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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.

|                                      | Year Ended March 31, |        |        |
|--------------------------------------|----------------------|--------|--------|
|                                      | 2011                 | 2010   | 2009   |
| <b>Aerostructures</b>                |                      |        |        |
| Commercial aerospace                 | 35.4%                | 24.4%  | 16.4%  |
| Military                             | 26.4                 | 14.8   | 13.5   |
| Business Jets                        | 9.7                  | 3.6    | 6.8    |
| Regional                             | 0.6                  | 1.6    | 2.7    |
| Non-aviation                         | 1.0                  | 2.2    | 2.8    |
| Total Aerostructures net sales       | 73.1%                | 46.6%  | 42.2%  |
| <b>Aerospace Systems</b>             |                      |        |        |
| Commercial aerospace                 | 5.7%                 | 11.0%  | 12.0%  |
| Military                             | 9.3                  | 20.0   | 18.4   |
| Business Jets                        | 0.8                  | 1.0    | 1.6    |
| Regional                             | 0.7                  | 1.6    | 2.7    |
| Non-aviation                         | 1.0                  | 2.5    | 2.4    |
| Total Aerospace Systems net sales    | 17.5%                | 36.1%  | 37.1%  |
| <b>Aftermarket Services</b>          |                      |        |        |
| Commercial aerospace                 | 7.0%                 | 12.9%  | 14.7%  |
| Military                             | 1.2                  | 2.5    | 3.2    |
| Business Jets                        | 0.4                  | 0.7    | 0.9    |
| Regional                             | 0.2                  | 0.5    | 0.6    |
| Non-aviation                         | 0.6                  | 0.7    | 1.3    |
| Total Aftermarket Services net sales | 9.4%                 | 17.3%  | 20.7%  |
| Total Consolidated net sales         | 100.0%               | 100.0% | 100.0% |

The shift in our sales mix from fiscal 2010 to fiscal 2011 across segments was due to the acquisition of Vought; however, the acquisition of Vought had little impact on the change in the sales by end market on a consolidated basis. The decline in our percentage of net sales to the Business jet and Regional jet markets is due to the overall economic conditions and the Commercial aerospace end market was impacted by major program delays in fiscal 2010, as well as continued growth in the Military end market. Sales to the Commercial aerospace end market were negatively impacted in fiscal 2009 by the Boeing strike.

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**Business Segment Performance Fiscal year ended March 31, 2011 compared to fiscal year ended March 31, 2010**

|                                    | Year Ended March 31, |              | %<br>Change | % of Total Sales |        |
|------------------------------------|----------------------|--------------|-------------|------------------|--------|
|                                    | 2011                 | 2010         |             | 2011             | 2010   |
| (in thousands)                     |                      |              |             |                  |        |
| <b>NET SALES</b>                   |                      |              |             |                  |        |
| Aerostructures                     | \$ 2,126,040         | \$ 605,423   | 251.2%      | 73.2%            | 46.8%  |
| Aerospace Systems                  | 513,435              | 473,409      | 8.5%        | 17.6%            | 36.5%  |
| Aftermarket Services               | 272,728              | 224,663      | 21.4%       | 9.4%             | 17.4%  |
| Elimination of inter-segment sales | (6,855)              | (8,715)      | 21.3%       | (0.2)%           | (0.6)% |
| Total net sales                    | \$ 2,905,348         | \$ 1,294,780 | 124.4%      | 100.0%           | 100.0% |

|                                 | Year Ended March 31, |            | %<br>Change | % of Segment Sales |       |
|---------------------------------|----------------------|------------|-------------|--------------------|-------|
|                                 | 2011                 | 2010       |             | 2011               | 2010  |
| (in thousands)                  |                      |            |             |                    |       |
| <b>SEGMENT OPERATING INCOME</b> |                      |            |             |                    |       |
| Aerostructures                  | \$ 267,783           | \$ 102,271 | 161.8%      | 12.6%              | 16.9% |
| Aerospace Systems               | 75,292               | 68,069     | 10.6%       | 14.7%              | 14.4% |
| Aftermarket Services            | 28,774               | 11,226     | 156.3%      | 10.6%              | 5.0%  |
| Corporate                       | (57,813)             | (26,285)   | (119.9)%    | n/a                | n/a   |
| Total segment operating income  | \$ 314,036           | \$ 155,281 | 102.2%      | 10.8%              | 12.0% |

|                      | Year Ended March 31, |            | %<br>Change | % of Segment Sales |       |
|----------------------|----------------------|------------|-------------|--------------------|-------|
|                      | 2011                 | 2010       |             | 2011               | 2010  |
| <b>EBITDA</b>        |                      |            |             |                    |       |
| Aerostructures       | \$ 308,020           | \$ 126,296 | 143.9%      | 14.5%              | 20.9% |
| Aerospace Systems    | 92,475               | 84,873     | 9.0%        | 18.0%              | 17.9% |
| Aftermarket Services | 39,875               | 24,081     | 65.6%       | 14.6%              | 10.7% |
| Corporate            | (55,891)             | (25,551)   | (118.7)%    | n/a                | n/a   |
|                      | \$ 384,479           | \$ 209,699 | 83.3%       | 13.2%              | 16.2% |

**Aerostructures:** The Aerostructures segment net sales increased by \$1.5 billion, or 251.2%, to \$2.1 billion for the fiscal year ended March 31, 2011 from \$605.4 million for the fiscal year ended March 31, 2010. The acquisition of Vought contributed \$1.5 billion of increased net sales. Excluding the elimination of intercompany sales to Vought for the year ended March 31, 2011, organic sales increased \$20.9 million, or 3.5%, as compared to the prior year, when the respective sales were not eliminated. The prior year period was negatively impacted by reductions in the business jet and regional jet markets due to the overall economic conditions and by major program delays (particularly in the 787 and 747-8 programs). The fiscal year ended March 31, 2011 continued to be negatively impacted by the decreased demand for business jets and regional jets as well as commercial rate reductions (particularly in the 777 program). On a pro forma basis, assuming the acquisition of Vought occurred in the prior year period, the current year was also negatively impacted by rate reductions to the C-17 program and decreased non-recurring sales associated with the transition to the 747-8 program.

Aerostructures segment operating income increased by \$165.5 million, or 161.8%, to \$267.8 million for the fiscal year ended March 31, 2011 from \$102.3 million for the fiscal year ended March 31, 2010. Operating income increased primarily due to contribution from the acquisition of Vought (\$161.6 million), as well as improvements in organic gross margin, partially offset by increases in legal



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expenses (\$0.9 million). These same factors contributed to the increase in EBITDA year over year. The increase of EBITDA was greater than the increase in operating income, due to the increase in depreciation and amortization, which is not included in EBITDA. The increase in depreciation and amortization expense was due principally to the Vought acquisition.

Aerostructures segment operating income as a percentage of segment sales decreased to 12.6% for the fiscal year ended March 31, 2011 as compared with 16.9% for the fiscal year ended March 31, 2010, due to lower margins from Vought, which also caused the decline in EBITDA margin.

**Aerospace Systems:** The Aerospace Systems segment net sales increased by \$40.0 million, or 8.5%, to \$513.4 million for the fiscal year ended March 31, 2011 from \$473.4 million for the fiscal year ended March 31, 2010. The acquisition of Fabritech contributed \$15.0 million of increased net sales. Organic sales increased by \$25.0 million due to improvements in the broader market and benefits from large outsourcing programs. The prior year period sales were negatively impacted by the Boeing strike.

Aerospace Systems segment operating income increased by \$7.2 million, or 10.6%, to \$75.3 million for the fiscal year ended March 31, 2011 from \$68.1 million for the fiscal year ended March 31, 2010. Operating income increased primarily due to margins attained on increased sales (\$7.5 million), including the contribution from the Fabritech acquisition (\$1.5 million), as well as decreases in legal fees (\$4.0 million), partially offset by decreases in organic gross margin (\$4.0 million) due in part to increased warranty reserves and increases in bad debt expense (\$1.0 million). These same factors contributed to the increase in EBITDA year over year.

Aerospace Systems segment operating income as a percentage of segment sales increased slightly to 14.7% for the fiscal year ended March 31, 2011 as compared with 14.4% for the fiscal year ended March 31, 2010, due to decreases in selling, general and administrative expenses noted above, offset by the decreases in organic gross margin. The EBITDA margin remained relatively stable year over year.

**Aftermarket Services:** The Aftermarket Services segment net sales increased by \$48.0 million, or 21.4%, to \$272.7 million for the fiscal year ended March 31, 2011 from \$224.7 million for the fiscal year ended March 31, 2010. The prior year period was negatively impacted by a decline in global commercial air traffic and airline inventory de-stocking resulting in lower demand for the repair and overhaul of auxiliary power units and the brokering of similar units. While we expect segment net sales to continue to experience growth over our prior fiscal year, it is unlikely it will continue at the current growth rates.

Aftermarket Services segment operating income increased by \$17.6 million, or 156.3%, to \$28.8 million for the fiscal year ended March 31, 2011 from \$11.2 million for the fiscal year ended March 31, 2010. Operating income increased primarily due to increased sales volume. In addition, the sales volume increases improved our production efficiencies by increasing gross margins to 25.0% from 22.6% in the prior fiscal year. Also, the period was favorably impacted by the gain on sale of certain intellectual property (\$0.7 million) and decreased salaries and benefits (\$0.7 million) due to lower headcounts, as well as \$0.3 million in expenses incurred to shut down a service facility in Austin, Texas in the prior period. These same factors contributed to the increase in EBITDA year over year, however the growth in EBITDA was less than the growth in operating income, as depreciation and amortization was lower in fiscal year 2011 versus fiscal year 2010.

Aftermarket Services segment operating income as a percentage of segment sales increased to 10.6% for the fiscal year ended March 31, 2011 as compared with 5.0% for the fiscal year ended March 31, 2010, due to the increase in sales volume and related efficiencies noted above which also caused the improvement in the EBITDA margin.

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**Business Segment Performance Fiscal year ended March 31, 2010 compared to fiscal year ended March 31, 2009**

|                                    | Year Ended March 31, |              | % Change | % of Total Sales |        |
|------------------------------------|----------------------|--------------|----------|------------------|--------|
|                                    | 2010                 | 2009         |          | 2010             | 2009   |
| (in thousands)                     |                      |              |          |                  |        |
| <b>NET SALES</b>                   |                      |              |          |                  |        |
| Aerostructures                     | \$ 605,423           | \$ 523,526   | 15.6%    | 46.8%            | 42.2%  |
| Aerospace Systems                  | 473,409              | 469,995      | 0.7%     | 36.5%            | 37.9%  |
| Aftermarket Services               | 224,663              | 254,638      | (11.8)%  | 17.4%            | 20.5%  |
| Elimination of inter-segment sales | (8,715)              | (7,781)      | 12.0%    | (0.7)%           | (0.6)% |
| Total net sales                    | \$ 1,294,780         | \$ 1,240,378 | 4.4%     | 100.0%           | 100.0% |

|                                 | Year Ended March 31, |            | % Change | % of Segment Sales |       |
|---------------------------------|----------------------|------------|----------|--------------------|-------|
|                                 | 2010                 | 2009       |          | 2010               | 2009  |
| (in thousands)                  |                      |            |          |                    |       |
| <b>SEGMENT OPERATING INCOME</b> |                      |            |          |                    |       |
| Aerostructures                  | \$ 102,271           | \$ 99,224  | 3.1%     | 16.9%              | 19.0% |
| Aerospace Systems               | 68,069               | 68,782     | (1.0)%   | 14.4%              | 14.6% |
| Aftermarket Services            | 11,226               | 10,876     | 3.2%     | 5.0%               | 4.3%  |
| Corporate                       | (26,285)             | (26,968)   | (2.5)%   | n/a                | n/a   |
| Total segment operating income  | \$ 155,281           | \$ 151,914 | 2.2%     | 12.0%              | 12.2% |

|                      | Year Ended March 31, |            | % Change | % of Total Sales |       |
|----------------------|----------------------|------------|----------|------------------|-------|
|                      | 2010                 | 2009       |          | 2010             | 2009  |
| <b>EBITDA</b>        |                      |            |          |                  |       |
| Aerostructures       | \$ 126,296           | \$ 118,702 | 6.4%     | 20.9%            | 22.7% |
| Aerospace Systems    | 84,873               | 84,088     | 0.9%     | 17.9%            | 17.9% |
| Aftermarket Services | 24,081               | 24,391     | (1.3)%   | 10.7%            | 9.6%  |
| Corporate            | (25,551)             | (26,656)   | (4.1)%   | n/a              | n/a   |
|                      | \$ 209,699           | \$ 200,525 | 4.6%     | 16.2%            | 16.2% |

**Aerostructures:** The Aerostructures segment net sales increased by \$81.9 million, or 15.6%, to \$605.4 million for the fiscal year ended March 31, 2010 from \$523.5 million for the fiscal year ended March 31, 2009. The acquisitions of Merritt and Mexmil contributed \$97.8 million of increased net sales. Organic sales decreased by \$15.8 million, or 3.0%, due to declines in the business jet and regional jet markets due to the overall economic conditions and major program delays; however, fiscal 2009 sales were negatively impacted by a strike at Boeing, our largest customer.

Aerostructures segment operating income increased by \$3.1 million, or 3.1%, to \$102.3 million for the fiscal year ended March 31, 2010 from \$99.2 million for the fiscal year ended March 31, 2009. Operating income increased primarily due to contribution from the acquisitions of Merritt and Mexmil (\$7.5 million), as well as decreases in compensation and benefits expenses (\$1.7 million), legal expenses (\$0.8 million) and bad debts (\$0.4 million), offset by declines in organic sales as discussed above negatively impacting operating income by \$4.6 million. The increase in EBITDA was slightly greater as there was higher depreciation and amortization expense resulting from the fiscal 2009 acquisitions. Depreciation and amortization expense is not included in EBITDA.

Aerostructures segment operating income as a percentage of segment sales decreased to 16.9% for the fiscal year ended March 31, 2011 as compared with 19.0% for the fiscal year ended March 31, 2010,





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due to lower margins from Merritt and Mexmil, as well as lower organic margins impacted by the decline in sales. These factors also caused the decline in the EBITDA margin.

**Aerospace Systems:** The Aerospace Systems segment net sales increased by \$3.4 million, or 0.7%, to \$473.4 million for the fiscal year ended March 31, 2010 from \$470.0 million for the fiscal year ended March 31, 2009. The acquisitions of Saygrove, KA and Fabritech contributed \$25.5 million of increased net sales. Organic sales decreased by \$22.1 million due to declines in the business jet and regional jet markets due to the overall economic conditions and major program delays.

Aerospace Systems segment operating income decreased by \$0.7 million, or 1.0%, to \$68.1 million for the fiscal year ended March 31, 2010 from \$68.8 million for the fiscal year ended March 31, 2009. Operating income decreased primarily due to declines in organic sales, which negatively impacted operating income by approximately \$6.8 million. Those declines were offset by contributions from the above-mentioned acquisitions (\$5.1 million), as well as decreases in bad debt expenses (\$2.0 million), legal expenses (\$0.4 million) and decreases in other general and administrative expenses.

Aerospace Systems segment operating income as a percentage of segment sales decreased to 14.4% for the fiscal year ended March 31, 2010 as compared with 14.6% for the fiscal year ended March 31, 2009, primarily due to the decrease in sales and gross margin.

Aerospace Systems EBITDA and EBITDA margin remained relatively stable year over year for the reasons noted herein since lower operating income in fiscal year 2010 as compared to fiscal year 2009 was offset by higher depreciation and amortization expense in fiscal year 2010, resulting from acquisitions completed in March 2009.

**Aftermarket Services:** The Aftermarket Services segment net sales decreased by \$29.9 million, or 11.8%, to \$224.7 million for the fiscal year ended March 31, 2010 from \$254.6 million for the fiscal year ended March 31, 2009. This decrease was due to a decline in global commercial air traffic and airline inventory de-stocking resulting in lower demand for the repair and overhaul of auxiliary power units and the brokering of similar units.

Aftermarket Services segment operating income increased by \$0.3 million, or 3.2%, to \$11.2 million for the fiscal year ended March 31, 2010 from \$10.9 million for the fiscal year ended March 31, 2009. Despite decreased sales volume as described above, operating income increased primarily due to charges recorded in the fiscal year ended March 31, 2009 for cost overruns and excess overhead at our Phoenix APU operations, contract terminations and changes in estimate under power-by-the hour ("PBH") contracts, offset by \$0.3 million in expenses incurred to shut down a service facility in Austin, Texas in fiscal 2010. While the results of our Phoenix APU operations continued to improve in fiscal 2010, operating margins continued to be dilutive to the segment's results.

Aftermarket Services segment operating income as a percentage of segment sales increased to 5.0% for the fiscal year ended March 31, 2010 as compared with 4.3% for the fiscal year ended March 31, 2009, due to a decline in sales volume offset by improved results at the Phoenix APU operations.

Aftermarket Services realized modest EBITDA margin improvement as EBITDA remained flat while revenues declined.

**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, 2011, we generated approximately \$142.3 million of cash flow from operating activities, used approximately \$433.7 million in investing activities and generated approximately \$173.1 million in financing activities. Cash flows from operating activities included \$134.8 million in pension contributions in fiscal 2011, compared to \$1.7 million in fiscal 2010.

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Cash flows from operations for the fiscal year ended March 31, 2011 decreased \$28.4 million, or 16.7%, from the fiscal year ended March 31, 2010. Our cash flows from operations decreased despite an increase of \$82.1 million in net income, due to excess funding above expense of our pension and other postretirement benefits plans of \$124.3 million, \$12.4 million of interest paid at closing on assumed debt from the acquisition of Vought and an increased use of cash related to inventory of \$51.2 million driven by a decrease of \$56.5 million due to the timing of advanced payments, partially offset by the reduction income taxes paid due to the utilization of the net operating loss carryforward acquired in the acquisition of Vought.

Cash flows used in investing activities for the fiscal year ended March 31, 2011 increased \$371.2 million from the fiscal year ended March 31, 2010. Our cash flows used in investing activities increased due to the acquisition of Vought (\$333.1 million), as well as increased capital expenditures of \$58.4 million for our Mexican facility and Vought. Cash flows from financing activities for the fiscal year ended March 31, 2011 increased \$138.8 million from the fiscal year ended March 31, 2010 in order to finance the acquisition of Vought.

On May 10, 2010, the Company entered into a credit agreement (the "Credit Facility"). The Credit Facility became available on June 16, 2010 in connection with the consummation of the acquisition of Vought. The Credit Facility replaced and refinanced the Company's Amended and Restated Credit Agreement dated as of August 14, 2009 (the "2009 Credit Agreement"), which agreement was terminated and all obligations thereunder paid in full upon the consummation of the acquisition of Vought.

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 \$535.0 million outstanding at any time. The comparable limit under the 2009 Credit Agreement was \$485.0 million. Approximately \$148.6 million in loans were drawn under the Credit Facility in connection with the consummation of the acquisition of Vought. The Credit Facility bears interest at either: (i) LIBOR plus between 2.25% and 3.50%; (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 0.300% and 0.500% on the unused portion of the Credit Facility. The Company's obligations under the Credit Facility are guaranteed by the Company's domestic subsidiaries.

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, and incurrence of debt. The Company is currently in compliance with all such covenants. As of March 31, 2011, the Company had borrowing capacity under the Credit Facility of \$409.9 million, after reductions for borrowings and letters of credit outstanding. Amounts repaid under the Credit Facility may be reborrowed.

In June 2010, the Company issued the 2018 Notes for \$350.0 million in principal amount. The 2018 Notes were sold at 99.270% of principal amount for net proceeds of \$347.5 million, and have an effective interest yield of 8.75%. Interest on the 2018 Notes is payable semi-annually in cash in arrears on January 15 and May 15 of each year. We used the net proceeds as partial consideration of the acquisition of Vought. In connection with the issuance of the 2018 Notes, the Company incurred approximately \$7.3 million of costs, which were deferred and are being amortized on the effective interest method over the term of the notes.

Also in June 2010, the Company entered into a six-year Term Loan for \$350.0 million in principal amount. The proceeds of the Term Loan, which were 99.500% of the principal amount, were used to

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consummate the acquisition of Vought. 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 1.750% and 2.000%, or at the Eurodollar Rate (subject to a 1.50% floor), plus a margin driven by net leverage between 2.750% and 3.000%. In connection with the closing on the Term Loan, the Company incurred approximately \$7.1 million of costs, which were deferred and are being amortized into expense over the term of the Term Loan.

In June 2010, the Company entered into an amended receivable securitization facility (the "Securitization Facility"), increasing the purchase limit from \$125.0 million to \$175.0 million. Under the Securitization Facility, the Company sells on a revolving basis certain 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, 2011, the maximum amount available under the Securitization Facility was \$166.7 million. The Securitization Facility is due to expire in June 2011. The Company has reached a verbal agreement to extend the Securitization Facility three years to June 2014, effective June 2011. 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 0.50% on the amount outstanding under the Securitization Facility. Additionally, the commitment fee is 0.65% on 102% of the maximum amount available under the Securitization Facility. At March 31, 2011, there was \$100.0 million outstanding under 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.

Cash flows from operations for the fiscal year ended March 31, 2010 increased \$34.7 million, or 25.7%, from the fiscal year ended March 31, 2009. Our cash flows from operations increased despite a decrease of \$20.2 million in net income, which included \$5.8 million in additional non-cash charges for depreciation and amortization due to the fiscal 2009 acquisitions and \$19.9 million in impairment charges within discontinued operations during the fiscal year ended March 31, 2010. The increase in cash flows resulted from continued improvements in our inventory management resulting in a source of cash of \$30.2 million as compared to the use of cash of \$7.7 million in the prior year period.

In the fourth quarter of fiscal 2010, the Company acquired Fabritech, Inc. (now Triumph Fabrications St. Louis) and DCL Avionics, Inc. (now part of Triumph Instruments Burbank), collectively, the "fiscal 2010 acquisitions." The total cash paid at closing for the fiscal 2010 acquisitions of \$23.2 million was funded by cash from operations. The fiscal 2010 acquisitions provide for deferred and contingent payments of \$0.1 million and \$16.0 million, respectively. The fair value of the contingent payments is \$2.9 million as of March 31, 2011.

In November 2009, the Company issued \$175.0 million principal amount of 8% senior subordinated notes due 2017 (the "2017 Notes"). The 2017 Notes were sold at 98.558% of principal amount for net proceeds of \$172.5 million, and have an effective interest rate of 8.25%. Interest on the 2017 Notes is payable semi-annually 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 \$4.4 million of costs, which were deferred and are being amortized on the effective interest method over the term of the notes.

During the year ended March 31, 2009, we generated approximately \$135.0 million of cash flow from operating activities, used approximately \$185.6 million in investing activities and generated approximately \$52.1 million in financing activities. During the fiscal year ended March 31, 2009, our increased cash flow from operations was attributable to higher net income and an improved

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performance on working capital due to increased cash collections efforts, offset by timing of cash disbursements and utilization of inventory.

In March 2009, we acquired Merritt Tool Company, Inc. (now Triumph Structures East Texas), Saygrove Defence & Aerospace Group Limited (now Triumph Actuation & Motion Control Systems UK), the aviation segment of Kongsberg Automotive Holdings ASA (now Triumph Controls UK and Triumph Controls Germany) and The Mexmil Company, LLC (now Triumph Insulation Systems), collectively, the "fiscal 2009 acquisitions." No in-process research and development was attributed to the fiscal 2009 acquisitions. The total cash paid at closing for the fiscal 2009 acquisitions of \$143.6 million was funded by borrowings under our Credit Facility. The fiscal 2009 acquisitions further provided for deferred payments of \$3.5 million, of which \$2.1 million and \$1.4 million were paid in March 2010 and September 2010, respectively. The fiscal 2009 acquisitions also provided for contingent payments of \$24.9 million, certain of which were contingent upon the achievement of specified earnings levels during the earnout period and another \$8.0 million that was contingent upon entering into a specific customer contract and was paid in July 2010. The maximum earnout amounts payable in respect of fiscal 2011, 2012 and 2013 are \$2.4 million, \$10.6 million and \$2.6 million, respectively. The contingent amounts have not been recorded as the contingencies have not been resolved and the consideration has not been paid.

Also in March 2009, we entered into a 7-year Master Lease Agreement (the "Leasing Facility") creating a capital lease of certain existing property and equipment, resulting in net proceeds of \$58.5 million after deducting debt issuance costs of approximately \$0.2 million. The net proceeds from the Leasing Facility were used to repay a portion of the outstanding indebtedness under our Credit Facility. The debt issuance costs have been recorded as other assets in the accompanying consolidated balance sheets and are being amortized over the term of the Leasing Facility. The Leasing Facility bears interest at a weighted-average fixed rate of 6.1% per annum.

During February 2008, we exercised existing authority to make stock repurchases and repurchased 220,000 shares of our outstanding shares under the program for an aggregate consideration of \$12.3 million, funded by borrowings under our Credit Facility. In February 2008, the Company's Board of Directors then authorized an increase in our existing stock repurchase program by up to an additional 500,000 shares of our common stock. As a result, as of May 9, 2011, we remain able to purchase an additional 500,800 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.

On September 18, 2006, we issued \$201.3 million in Convertible Notes. The Notes are direct, unsecured, senior subordinated obligations of the Company, and rank (i) junior in right of payment to all of our 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 \$195.0 million after deducting offering expenses of approximately \$6.3 million. The use of the net proceeds from the sale was for prepayment of our outstanding Senior Notes, including a "make whole" premium, fees and expenses in connection with the prepayment, and to repay a portion of the outstanding indebtedness under our Credit Facility. Approximately \$6.3 million in debt issuance costs have been recorded as other assets in the accompanying consolidated balance sheets. Debt issuance costs are being amortized over a period of five years.

The Convertible Notes bear interest at a fixed rate of 2.625% per annum, payable in cash semi-annually 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 six-month period from October 1 to March 31 or from April 1 to September 30 thereafter, the Company will pay 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

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relevant six-month period equals or exceeds 120% of the principal amount of the Convertible Notes. The contingent interest payable per note in respect of any six-month 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. Since it is in the control of the Company to call the Convertible Notes at any time after October 6, 2011, the value of the derivative was determined to be *de minimis*. Accordingly, no value has been assigned at issuance or at March 31, 2011.

The Convertible Notes mature on October 1, 2026 unless earlier redeemed, repurchased or converted. The Company may redeem the 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 18.3655 shares per \$1,000 principal amount of the Convertible Notes (equal to an initial conversion price of approximately \$54.45 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 \$1,000 principal amount of Convertible Notes, an amount consisting of cash equal to the lesser of \$1,000 and the Company's total conversion obligation and, to the extent that the Company's total conversion obligation exceeds \$1,000, at the Company's election, cash or shares of the Company's common stock in respect of the remainder.

The Convertible Notes are eligible for conversion upon meeting certain conditions as provided in the indenture agreement. For the periods from January 1, 2011 through March 31, 2011, the Convertible Notes were eligible for conversion. In March 2011, the Company received notice of conversion from holders of \$27.9 million in principal value of the Convertible Notes. These conversions were settled in April 2011 with the principal settled in cash and the conversion benefit settled through the issuance of 182,673 shares. In April 2011, the Company delivered a notice to holders of the Convertible Notes to the effect that, for at least 20 trading days during the 30 consecutive trading days preceding March 31, 2011, 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 March 31, 2011. 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 \$54.45. The average price of the Company's stock for the fiscal year ended March 31, 2011 was \$78.95. Accordingly, 1,020,448 additional shares were included in the diluted earnings per share calculation. The average price of the Company's stock for the fiscal years ended March 31, 2010 and March 31, 2009 was \$46.68 and \$46.49, respectively. Therefore, no additional shares were included in the diluted earnings per share calculations for those fiscal years.

If the Company undergoes a fundamental change, holders of the Convertible Notes will have the right, subject to certain conditions, to require the Company to repurchase for cash all or a portion of their Convertible Notes 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.

During fiscal 2010, the Company paid \$4.0 million to purchase \$4.2 million in principal on the Convertible Notes, resulting in a reduction in the carrying amount of \$3.8 million and a gain on extinguishment of less than \$0.1 million. During fiscal 2009, we paid \$15.4 million to purchase \$18.0 million of principal on the Convertible Notes, resulting in a reduction in the carrying amount of \$16.3 million and a gain on early extinguishment of \$0.9 million.

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The indentures under the Company's debt agreements and the Credit Facility contain restrictions and covenants which include limitations on the Company's ability to incur additional indebtedness, issue stock options or warrants, make certain restricted payments and acquisitions, create liens, enter into transactions with affiliates, sell substantial portions of its assets and pay cash dividends. Additional covenants require compliance with financial tests, including leverage and interest coverage ratio.

Capital expenditures were approximately \$90.0 million for the fiscal year ended March 31, 2011 primarily for our Mexican facility and Vought. We funded these expenditures through borrowings under our Credit Facility. We expect capital expenditures and investments in new major programs of approximately \$130.0 to \$145.0 million for our fiscal year ending March 31, 2012. 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 | Total        | Payments Due by Period |             |             |                  |
|-------------------------|--------------|------------------------|-------------|-------------|------------------|
|                         |              | Less than<br>1 Year    | 1 - 3 Years | 4 - 5 Years | After<br>5 Years |
|                         |              | (in thousands)         |             |             |                  |
| Debt principal(1)       | \$ 1,320,605 | \$ 302,758             | \$ 32,214   | \$ 114,713  | \$ 870,920       |
| Debt-interest(2)        | 329,581      | 52,898                 | 93,963      | 91,104      | 91,616           |
| Operating leases        | 93,439       | 28,231                 | 27,168      | 19,088      | 18,952           |
| Contingent payments(3)  | 29,206       |                        | 29,206      |             |                  |
| Purchase obligations    | 1,156,782    | 887,844                | 268,555     | 383         |                  |
| Total                   | \$ 2,929,613 | \$ 1,271,731           | \$ 451,106  | \$ 225,288  | \$ 981,488       |

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- (1) Included in the Company's consolidated balance sheet at March 31, 2011, plus discounts on Convertible Notes, Term Loan, 2017 Notes and 2018 Notes of \$2.5 million, \$1.5 million, \$2.2 million and \$2.4 million, respectively, being amortized to expense through September 2011, July 2016, November 2017 and July 2018, respectively. The table has not been adjusted for the extinguishment of the Term Loan in April 2011 in connection with amendment to Credit Facility, discussed below.
- (2) Includes fixed-rate interest only.
- (3) Includes unrecorded contingent payments in connection with the fiscal 2009 acquisitions.

The above table excludes unrecognized tax benefits of \$6.9 million as of March 31, 2011 since we cannot predict with reasonable certainty the timing of cash settlements with the respective taxing authorities.

In addition to the financial obligations detailed in the table above, we also had obligations related to our benefit plans at March 31, 2011 as detailed in the following table. Our other postretirement

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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:

|  | <b>Pension<br/>Benefits</b> | <b>Other<br/>Postretirement<br/>Benefits</b> |
|--|-----------------------------|--|
|  | (in thousands)              |  |
| Benefit obligation at March 31, 2011   | \$ 2,022,561                | \$ 369,826                                   |
| Plan assets at March 31, 2011          | 1,659,592                   |  |
| Projected contributions by fiscal year |                             |  |
| 2012                                   | 117,900                     | 36,375                                       |
| 2013                                   | 135,700                     | 36,281                                       |
| 2014                                   | 104,400                     | 34,921                                       |
| 2015                                   | 98,800                      | 31,442                                       |
| 2016                                   | 34,600                      | 31,310                                       |
| <b>Total 2012 - 2016</b>               | <b>\$ 491,400</b>           | <b>\$ 170,329</b>                            |

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 through acquisitions and are continuously evaluating various acquisition opportunities. 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.

On April 5, 2011, the Company amended the Credit Facility with its lenders to (i) increase the availability under the Credit Facility to \$850.0 million, with a \$50.0 million accordion feature, from \$535.0 million, (ii) extend the maturity date to April 5, 2016 and (iii) amend certain other terms and covenants, including a more favorable pricing grid. Using the availability under the Credit Facility, the Company immediately extinguished the Term Loan at face value of \$350.0 million, plus accrued interest. The Company expects to record a pretax loss of approximately \$7.7 million associated with these transactions during the first quarter of fiscal 2012 due to the write-off of our unamortized discounts and deferred financing fees on the Term Loan.

**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.

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**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, 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, principally using standard costs which are adjusted at reasonable intervals.

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.

**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 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



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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.

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 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.

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 acquisition of Vought. For the year ended March 31, 2011, we recognized \$29.2 million into net sales in our consolidated statement 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 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, the Chief Operating Officer and the Chief Financial Officer comprise the Company's

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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 operating units, 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.

ASC 350 requires a two-step impairment test for goodwill and intangible assets with indefinite lives. The first step 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 implied 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 intangible assets with indefinite lives 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.

We completed our required annual impairment test in the fourth quarter of fiscal 2011 and determined that there was no impairment. Our methodology for determining the fair value of a reporting unit 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 incorporated 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.

In the event that market multiples for stock price to EBITDA in the aerospace and defense markets decrease, or the expected EBITDA for our reporting units decreases, a goodwill impairment charge may be required, which would adversely affect our operating results and financial condition. No impairment charges have been incurred during the fiscal years ended March 31, 2011, 2010 or 2009.

As of March 31, 2011, we had a \$425.0 million indefinite-lived intangible asset associated with the Vought tradename. We test this intangible for impairment by comparing the carrying value to the fair value determined based on current revenue projections of the related operations, under the relief from royalty method. Any excess carrying value over the amount of fair value represents the amount of impairment. A 5% decrease in projected revenues would have a significant impact on the carrying value of this asset and would likely result in an impairment.

Finite-lived intangible assets are amortized over their useful lives ranging from 5 to 30 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

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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 any impairment is indicated, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset, generally determined based on the present value of expected future cash flows associated with the use of the asset. For the fiscal years ended March 31, 2011, 2010 and 2009, 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 our acquisition of Vought, 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 of \$124.5 million 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 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. The acquired contract liabilities, net are being amortized as non-cash revenues over the terms of the respective contracts. In evaluating acquired contract liabilities, net, our analysis involved considerable management judgment and assumptions, including determining the market rates that would be received if the existing contracts were executed at the acquisition date and the comparability of similar contracts executed at the acquisition date. The Company recognized net amortization of contract liabilities of approximately \$29.2 million in the fiscal year ended March 31, 2011, and such amount has been included in revenues in our results of operations. The balance of the liability as of March 31, 2011 is approximately \$95.3 million and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows 2012 \$28.5 million; 2013 \$23.8 million; 2014 \$13.2 million; 2015 \$8.0 million; 2016 \$12.4 million.

**Contingencies**

In the acquisition of Vought, we identified certain pre-acquisition contingencies as of the acquisition date and have extended our review and evaluation of these contingencies throughout the measurement period (up to one year from the acquisition date) in order to obtain sufficient information to assess whether we include these contingencies as a part of the purchase price allocation and, if so, to determine the estimated amounts.

We have determined that certain pre-acquisition contingencies are probable in nature and estimable as of the acquisition date, based on the information accumulated to date, and we have recorded our best estimates for the contingencies as a part of the preliminary purchase price allocation. We have also recorded any associated indemnification asset. We will continue to gather information for and evaluate pre-acquisition contingencies throughout the measurement period and if we make changes to the amounts recorded or if we identify additional pre-acquisition contingencies during the measurement period, such amounts will be included in the purchase price allocation. Subsequent to the measurement period any such change will be reported in our results of operations.

**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

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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 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 principally on the counsel of our outside investment advisors. This rate is based on actual historical returns and anticipated long-term performance of individual asset classes with consideration given to the related investment strategy. 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 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, 2011. 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 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 the *Compensation Retirement Benefits* topic of the ASC, 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.

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The Company periodically experiences events or makes changes to its benefit plans that result in special charges. Some require remeasurements. The following summarizes the key events whose effects on our net periodic benefit cost and obligations that occurred during the fiscal year ended March 31, 2011:

In October 2010, the Company's largest union-represented group of production and maintenance employees ratified a new collective bargaining agreement. The agreement provided for an increase in the pension benefits payable to covered employees who retire on or after November 1, 2010. The aforementioned changes led to a remeasurement of the affected plan's assets and obligations as of October 2010, which resulted in a \$31.8 million increase in the projected benefit obligation.

In February 2011, the Company announced an amendment to the medical plans of its non-represented participants. The amendment eliminates pre-Medicare health coverage for all active and retired participants beginning in 2014. Those changes resulted in a reduction to the accumulated postretirement benefit obligation for the OPEB plan of \$27.2 million.

In March 2011, the Company announced an amendment to the retirement plans of its non-represented employee participants. Effective April 1, 2012, actively employed participants through December 31, 2011 may elect a lump-sum distribution option upon retirement. Those changes resulted in a reduction to the projected and accumulated pension obligation for the plan of approximately \$118.0 million.

Pension expense for the fiscal year ended March 31, 2011 was \$18.8 million compared with \$1.0 million for the fiscal year ended March 31, 2010 and \$1.1 million for the fiscal year ended March 31, 2009. For the fiscal year ending March 31, 2012, the Company expects to recognize pension income of approximately \$14.0 million. The significant decline in expected pension expense in fiscal year 2012 results principally from the plan amendments noted above and asset performance in fiscal year 2011 exceeding the expected long-term rate of return on plan assets.

**Recently Issued Accounting Pronouncements**

Accounting standards updates effective after March 31, 2011, are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

**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, including without limitation Vought, 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 the acquisition of Vought 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."

Table of Contents**Item 7A. Quantitative and Qualitative Disclosures About Market Risk***Market 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, 2011, approximately 59% of our debt is fixed-rate debt. Our financing policy states that we generally maintain between 50% and 75% of our debt as fixed-rate debt. In March 2008, the Company entered into a thirty-nine month interest rate swap to exchange floating rate for fixed rate interest payments to hedge against interest rate changes on \$85.0 million of the Company's variable-rate debt. The Company utilizes the swap to provide protection to meet actual exposures and does not speculate in derivatives. The net effect of the spread between the floating-rate (30-day LIBOR) and the fixed-rate (2.925%) will be reflected as an adjustment to interest expense in the period incurred. In December 2009, the Company elected to de-designate the interest rate swap as a hedge. For the fiscal year ended March 31, 2011, \$2.3 million of losses were reclassified into earnings from accumulated other comprehensive income. The Company estimates that \$0.3 million of losses presently in accumulated other comprehensive income will be reclassified into earnings during fiscal year 2012. 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, 2011. Variable interest rates disclosed fluctuate with the LIBOR, federal funds rates and other weekly rates and represent the weighted-average rate at March 31, 2011.

**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)    | \$ 199,258        | \$ 12,636         | \$ 12,578         | \$ 11,167         | \$ 11,546         | \$ 537,992 | \$ 785,177 |
| Weighted-average interest<br>rate (%)      | 7.37              | 8.16              | 8.21              | 8.26              | 8.31              | 8.30       |            |
| Variable-rate cash flows<br>(in thousands) | \$ 103,500        | \$ 3,500          | \$ 3,500          | \$ 88,500         | \$ 3,500          | \$ 332,928 | \$ 535,428 |
| Weighted-average interest<br>rate (%)      | 3.57              | 4.20              | 4.19              | 4.19              | 4.49              | 4.49       |            |

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, 2011 and 2010, 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, 2011. 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, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2011, 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, 2011, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 17, 2011 expressed an unqualified opinion thereon.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania  
May 17, 2011

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

|   | March 31,           |                     |
|---|---------------------|---------------------|
|   | 2011                | 2010                |
| <b>ASSETS</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 39,328           | \$ 157,218          |
| Trade and other receivables, less allowance for doubtful accounts of \$3,196 and \$4,276  | 369,491             | 214,497             |
| Inventories, net of unliquidated progress payments of \$138,206 and \$12,701  | 781,714             | 350,865             |
| Rotable assets  | 26,607              | 25,587              |
| Prepaid expenses and other  | 18,141              | 18,455              |
| Assets held for sale  | 4,574               | 5,051               |
| <b>Total current assets</b>   | <b>1,239,855</b>    | <b>771,673</b>      |
| Property and equipment, net   | 734,879             | 328,694             |
| Goodwill  | 1,545,541           | 490,654             |
| Intangible assets, net  | 859,620             | 83,165              |
| Deferred income taxes, noncurrent   | 51,578              |                     |
| Other, net  | 38,764              | 18,392              |
| <b>Total assets</b>   | <b>\$ 4,470,237</b> | <b>\$ 1,692,578</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                     |                     |
| Current liabilities:  |                     |                     |
| Current portion of long-term debt   | \$ 300,252          | \$ 91,929           |
| Accounts payable  | 262,716             | 92,852              |
| Accrued expenses  | 320,354             | 98,582              |
| Deferred income taxes   | 78,793              |                     |
| Liabilities related to assets held for sale   | 431                 | 899                 |
| <b>Total current liabilities</b>  | <b>962,546</b>      | <b>284,262</b>      |
| Long-term debt, less current portion  | 1,011,752           | 413,851             |
| Accrued pension and other postretirement benefits, noncurrent   | 680,754             | 1,397               |
| Deferred income taxes, noncurrent   | 20                  | 114,187             |
| Other noncurrent liabilities  | 180,442             | 18,195              |
| Temporary equity  | 2,506               |                     |
| Stockholders' equity:   |                     |                     |
| Common stock, \$.001 par value, 100,000,000 shares authorized, 24,345,303 and 16,817,931 shares issued, 24,256,711 and 16,673,254 outstanding | 24                  | 17                  |
| Capital in excess of par value  | 819,222             | 314,870             |
| Treasury stock, at cost, 88,592 and 144,677 shares  | (5,085)             | (7,921)             |
| Accumulated other comprehensive income  | 120,471             | 705                 |
| Retained earnings   | 697,585             | 553,015             |



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|                            |           |         |
|----------------------------|-----------|---------|
| Total stockholders' equity | 1,632,217 | 860,686 |
|----------------------------|-----------|---------|

|  |              |              |
|--|--------------|--------------|
| Total liabilities and stockholders' equity | \$ 4,470,237 | \$ 1,692,578 |
|--|--------------|--------------|

See notes to consolidated financial statements.

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

|  | Year ended March 31, |              |              |
|--|----------------------|--------------|--------------|
|  | 2011                 | 2010         | 2009         |
| Net sales  | \$ 2,905,348         | \$ 1,294,780 | \$ 1,240,378 |
| Operating costs and expenses:                                    |                      |              |              |
| Cost of sales (exclusive of depreciation shown separately below) | 2,231,864            | 927,211      | 877,744      |
| Selling, general and administrative                              | 238,889              | 157,870      | 162,109      |
| Depreciation and amortization                                    | 99,657               | 54,418       | 48,611       |
| Acquisition and integration expenses                             | 20,902               |              |              |
|  | 2,591,312            | 1,139,499    | 1,088,464    |
| Operating income   | 314,036              | 155,281      | 151,914      |
| Interest expense and other                                       | 79,559               | 28,865       | 16,929       |
| Gain on early extinguishment of debt                             |                      | (39)         | (880)        |
| Income from continuing operations before income taxes            | 234,477              | 126,455      | 135,865      |
| Income tax expense   | 82,066               | 41,167       | 43,124       |
| Income from continuing operations                                | 152,411              | 85,288       | 92,741       |
| Loss from discontinued operations, net                           | (2,512)              | (17,526)     | (4,745)      |
| Net income   | \$ 149,899           | \$ 67,762    | \$ 87,996    |
| Earnings per share basic:  |                      |              |              |
| Income from continuing operations                                | \$ 6.77              | \$ 5.18      | \$ 5.66      |
| Loss from discontinued operations, net                           | (0.11)               | (1.06)       | (0.29)       |
| Net income   | \$ 6.66              | \$ 4.12      | \$ 5.37      |
| Weighted-average common shares outstanding basic                 | 22,503               | 16,459       | 16,384       |
| Earnings per share diluted:                                      |                      |              |              |
| Income from continuing operations                                | \$ 6.42              | \$ 5.12      | \$ 5.59      |
| Loss from discontinued operations, net                           | (0.11)               | (1.05)       | (0.29)       |
| Net income   | \$ 6.31              | \$ 4.07      | \$ 5.30      |
| Weighted-average common shares outstanding diluted               | 23,744               | 16,666       | 16,584       |

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)<br>Income | Retained<br>Earnings | Total        |
|---|-----------------------|-----------------------------------|--------------------------------------|-------------------|---|----------------------|--------------|
| Balance at March 31, 2008   | 16,517,374            | \$ 16                             | \$ 307,922                           | \$ (12,003)       | \$ 2,950  | \$ 407,551           | \$ 706,436   |
| Net income  |                       |                                   |                                      |                   |   | 87,996               | 87,996       |
| Foreign currency translation adjustment   |                       |                                   |                                      |                   | (2,927)   |                      | (2,927)      |
| Pension liability adjustment, net of income taxes of (\$253)                            |                       |                                   |                                      |                   | (431)   |                      | (431)        |
| Change in fair value of interest rate swap, net of income tax of (\$1,073)              |                       |                                   |                                      |                   | (1,825)   |                      | (1,825)      |
| Adoption of EITF 06-10  |                       |                                   |                                      |                   |   | (2,965)              | (2,965)      |
| Gain on early extinguishment of debt  |                       |                                   | 362                                  |                   |   | (85)                 | 277          |
| Exercise of stock options   | 37,333                |                                   | (275)                                | 2,218             |   | (714)                | 1,229        |
| Cash dividends (\$0.16 per share)   |                       |                                   |                                      |                   |   | (2,652)              | (2,652)      |
| Share-based compensation  | 34,860                |                                   | 3,180                                |                   |   |                      | 3,180        |
| Excess tax benefit from exercise of stock options                                       |                       |                                   | 245                                  |                   |   |                      | 245          |
| Balance at March 31, 2009   | 16,589,567            | 16                                | 311,434                              | (9,785)           | (2,233)   | 489,131              | 788,563      |
| Net income  |                       |                                   |                                      |                   |   | 67,762               | 67,762       |
| Foreign currency translation adjustment   |                       |                                   |                                      |                   | 2,215   |                      | 2,215        |
| Pension liability adjustment, net of income taxes of (\$10)                             |                       |                                   |                                      |                   | (17)  |                      | (17)         |
| Change in fair value of interest rate swap, net of income taxes of \$221                |                       |                                   |                                      |                   | 740   |                      | 740          |
| Gain on early extinguishment of debt  |                       |                                   | 11                                   |                   |   | (39)                 | (28)         |
| Exercise of stock options   | 41,611                |                                   |                                      | 2,334             |   | (1,173)              | 1,161        |
| Cash dividends (\$0.16 per share)   |                       |                                   |                                      |                   |   | (2,666)              | (2,666)      |
| Share-based compensation  | 53,947                | 1                                 | 3,219                                |                   |   |                      | 3,220        |
| Repurchase of restricted shares for minimum tax obligation                              | (11,871)              |                                   |                                      | (470)             |   |                      | (470)        |
| Excess tax benefit from exercise of stock options                                       |                       |                                   | 206                                  |                   |   |                      | 206          |
| Balance at March 31, 2010   | 16,673,254            | 17                                | 314,870                              | (7,921)           | 705   | 553,015              | 860,686      |
| Net income  |                       |                                   |                                      |                   |   | 149,899              | 149,899      |
| Foreign currency translation adjustment   |                       |                                   |                                      |                   | 3,798   |                      | 3,798        |
| Pension liability adjustment, net of income taxes of \$70,349                           |                       |                                   |                                      |                   | 114,780   |                      | 114,780      |
| Change in fair value of interest rate swap, net of income taxes of \$698                |                       |                                   |                                      |                   | 1,188   |                      | 1,188        |
| Vought acquisition consideration  | 7,496,165             | 7                                 | 504,860                              |                   |   |                      | 504,867      |
| Reclassification adjustment to temporary equity for exercisable put on convertible debt |                       |                                   | (2,506)                              |                   |   |                      | (2,506)      |
| Exercise of stock options   | 80,276                |                                   |                                      | 4,639             |   | (1,755)              | 2,884        |
| Cash dividends (\$0.16 per share)   |                       |                                   |                                      |                   |   | (3,574)              | (3,574)      |
| Share-based compensation  | 32,971                |                                   | 1,907                                |                   |   |                      | 1,907        |
| Repurchase of restricted shares for minimum tax obligation                              | (25,955)              |                                   | (59)                                 | (1,803)           |   |                      | (1,862)      |
| Excess tax benefit from exercise of stock options                                       |                       |                                   | 150                                  |                   |   |                      | 150          |
| Balance at March 31, 2011   | 24,256,711            | \$ 24                             | \$ 819,222                           | \$ (5,085)        | \$ 120,471  | \$ 697,585           | \$ 1,632,217 |

See notes to consolidated financial statements.



Table of Contents**TRIUMPH GROUP, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

|  | Year ended March 31, |                 |                  |
|--|----------------------|-----------------|------------------|
|  | 2011                 | 2010            | 2009             |
| <b>Operating Activities</b>  |                      |                 |                  |
| Net income   | \$ 149,899           | \$ 67,762       | \$ 87,996        |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                      |                 |                  |
| Depreciation and amortization  | 99,657               | 54,418          | 48,611           |
| Amortization of acquired contract liability  | (29,214)             |                 |                  |
| Gain on early extinguishment of debt   |                      | (39)            | (880)            |
| Accretion of debt discount   | 7,609                | 6,196           | 6,207            |
| Other amortization included in interest expense  | 4,205                | 1,951           | 1,685            |
| Provision for doubtful accounts receivable   | 152                  | 773             | 2,406            |
| Provision for deferred income taxes  | 80,732               | 7,524           | 12,786           |
| Employee stock compensation  | 3,622                | 3,220           | 3,180            |
| Changes in other current assets and liabilities, excluding the effects of acquisitions:                                  |                      |                 |                  |
| Accounts receivable  | (15,875)             | (6,172)         | 10,478           |
| Inventories  | (21,045)             | 30,192          | (7,719)          |
| Rotable assets   | (1,021)              | 65              | (2,260)          |
| Prepaid expenses and other current assets  | 13,411               | (3,822)         | 1,066            |
| Accounts payable, accrued expenses and income taxes payable  | (25,780)             | (15,742)        | (23,467)         |
| Accrued pension and other postretirement benefits  | (124,339)            |                 |                  |
| Changes in discontinued operations   | 7                    | 21,773          | (3,236)          |
| Other  | 284                  | 1,549           | (1,856)          |
| <b>Net cash provided by operating activities</b>   | <b>142,304</b>       | <b>169,648</b>  | <b>134,997</b>   |
| <b>Investing Activities</b>  |                      |                 |                  |
| Capital expenditures   | (90,025)             | (31,665)        | (45,421)         |
| Proceeds from sale of assets   | 4,213                | 615             | 881              |
| Acquisitions, net of cash acquired   | (347,912)            | (31,493)        | (141,073)        |
| <b>Net cash used in investing activities</b>   | <b>(433,724)</b>     | <b>(62,543)</b> | <b>(185,613)</b> |
| <b>Financing Activities</b>  |                      |                 |                  |
| Net increase (decrease) in revolving credit facility   | 85,000               | (127,730)       | (66,020)         |
| Proceeds from issuance of long-term debt   | 846,105              | 172,988         | 78,282           |
| Proceeds from equipment leasing facility and other capital leases  |                      | 13,942          | 58,734           |
| Retirement of debt and capital lease obligations   | (731,168)            | (13,811)        | (16,521)         |
| Payment of deferred financing costs  | (22,790)             | (8,344)         | (1,187)          |
| Dividends paid   | (3,574)              | (2,666)         | (2,652)          |
| Repayment of governmental grant  | (1,695)              |                 |                  |
| Repurchase of restricted shares for minimum tax obligations  | (1,861)              | (470)           |                  |
| Proceeds from exercise of stock options, including excess tax benefit of \$150, \$206, and \$245 in 2011, 2010, and 2009 | 3,034                | 1,367           | 1,474            |
| <b>Net cash provided by financing activities</b>   | <b>173,051</b>       | <b>35,276</b>   | <b>52,110</b>    |
| Effect of exchange rate changes on cash  | 479                  | 359             | (754)            |

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|  |           |            |           |
|--|-----------|------------|-----------|
| Net change in cash and cash equivalents        | (117,890) | 142,740    | 740       |
| Cash and cash equivalents at beginning of year | 157,218   | 14,478     | 13,738    |
| Cash and cash equivalents at end of year       | \$ 39,328 | \$ 157,218 | \$ 14,478 |

See notes to consolidated financial statements.

Table of Contents**TRIUMPH GROUP, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Dollars in thousands)**

|   | Year ended March 31, |           |           |
|---|----------------------|-----------|-----------|
|   | 2011                 | 2010      | 2009      |
| Net income  | \$ 149,899           | \$ 67,762 | \$ 87,996 |
| Other comprehensive income (loss):  |                      |           |           |
| Foreign currency translation adjustment   | 3,798                | 2,215     | (2,927)   |
| Pension and postretirement adjustments, net of income taxes of \$70,349, (\$10) and (\$253), respectively | 114,780              | (17)      | (431)     |
| Change in fair value of cash flow hedge, net of income taxes of \$698, \$221 and (\$1,073), respectively  | 1,188                | 740       | (1,825)   |
| Total other comprehensive income (loss)   | 119,766              | 2,938     | (5,183)   |
| Total comprehensive income  | \$ 269,665           | \$ 70,700 | \$ 82,813 |

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") 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, 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.

As discussed in Note 3, on June 16, 2010, the Company completed the acquisition of Vought Aircraft Industries, Inc. ("Vought"). The Company's fiscal 2011 consolidated financial statements are inclusive of Vought's operations from June 16, 2010 through March 31, 2011. Management believes that the acquisition of Vought establishes the Company as a leading global manufacturer of aerostructures for commercial, military and business jet aircraft. Strategically, the acquisition of Vought substantially increases the Company's design capabilities and provides further diversification across customers and programs, as well as exposure to new growth platforms.



Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****1. BACKGROUND AND BASIS OF PRESENTATION (Continued)**

The accompanying consolidated financial statements include the accounts of Triumph and its 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 classification of advanced payments under long-term contracts and the completion of measurement period adjustments for the acquisition of Fabritech (Note 3).

**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 usually 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:

|   | <b>March 31,</b>  |                   |
|---|-------------------|-------------------|
|   | <b>2011</b>       | <b>2010</b>       |
| Billed  | \$ 339,823        | \$ 206,632        |
| Unbilled                                      | 12,886            | 6,405             |
| <b>Total trade receivables</b>                | <b>352,709</b>    | <b>213,037</b>    |
| Other receivables                             | 19,978            | 5,736             |
| <b>Total trade and other receivables</b>      | <b>372,687</b>    | <b>218,773</b>    |
| Less: Allowance for doubtful accounts         | (3,196)           | (4,276)           |
| <b>Total trade and other receivables, net</b> | <b>\$ 369,491</b> | <b>\$ 214,497</b> |

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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 (Continued)**

*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, 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, principally using standard costs which are adjusted at reasonable intervals.

*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.

*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<sup>1</sup>/<sub>2</sub> 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, the Chief Operating 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

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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 (Continued)**

information. Each of the operating segments is comprised of a number of operating units which are considered to be components. The operating units, 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.

In order to test goodwill and intangible assets with indefinite lives, a determination of the fair value of the Company's reporting units and intangible assets with indefinite lives is required and is based, among other things, on estimates of future operating performance of the reporting unit and/or the component of the entity being valued. The Company is required to complete an impairment test for goodwill and intangible assets with indefinite lives and record any resulting impairment losses at least on an annual basis. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments. The Company completed its required annual impairment test in the fourth quarter of fiscal 2011 and determined that there was no impairment. The Company's methodology for determining the fair value of a reporting unit 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 incorporated market multiples for comparable companies in determining the fair value of the Company's reporting units. In the event that valuations in the aerospace and defense markets decrease, or the expected EBITDA for the Company's reporting units decreases, a goodwill impairment charge may be required, which would adversely affect the Company's operating results and financial condition. Any such impairment would be recognized in full in the reporting period in which it has been identified. The Company completed its required annual impairment tests in the fourth quarters of fiscal 2011, 2010 and 2009 and determined that there was no impairment.

As of March 31, 2011, the Company had a \$425,000 indefinite-lived intangible asset associated with the Vought tradename. The Company tests this intangible for impairment by comparing the carrying value to the fair value determined based on current revenue projections of the related operations, under the relief from royalty method. Any excess carrying value over the amount of fair value represents the amount of impairment. A 5% decrease in projected revenues would have a significant impact on the carrying value of this asset and would likely result in an impairment.

Finite-lived intangible assets are amortized over their useful lives ranging from 5 to 30 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

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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 (Continued)**

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 any impairment is indicated, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset, generally determined based on the present value of expected future cash flows associated with the use of the asset. For the fiscal years ended March 31, 2011, 2010 and 2009, exclusive of the charges recorded in connection with discontinued operations, 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 \$23,384 and \$9,381, respectively, are recorded in Other, net in the accompanying Consolidated Balance Sheets as of March 31, 2011 and 2010. Make-whole payments in connection with early debt retirements are classified as cash flows used in investing activities.

*Acquired Contract Liabilities, net*

In connection with the acquisition of Vought, we assumed existing long-term contracts. Based on review of these contracts, 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 acquired contract liabilities, net of acquired contract assets of \$124,548 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 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. The acquired contract liabilities, net are being amortized as non-cash revenues over the terms of the respective contracts. In evaluating acquired contract liabilities, net, the Company's analysis involved considerable management judgment and assumptions, including determining the market rates that would be received if the existing contracts were executed at the acquisition date and the comparability of similar contracts executed at the acquisition date. The Company recognized net amortization of contract liabilities of approximately \$29,214 in the fiscal year ended March 31, 2011, and such amount has been included in revenues in results of operations. The balance of the liability as of March 31, 2011 is approximately \$95,334 and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows 2012 \$28,462; 2013 \$23,813; 2014 \$13,184; 2015 \$8,009; 2016 \$12,443.

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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 (Continued)**

*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 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, 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 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.

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

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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 (Continued)**

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.

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 acquisition of Vought. For the year ended March 31, 2011, the Company recognized \$29,214, into net sales in the accompanying Consolidated Statement 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.

*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 was approximately \$50,465, \$25,670 and \$21,001 for the fiscal years ended March 31, 2011, 2010 and 2009, respectively.

*Retirement Benefits*

Accounting rules covering defined benefit pension plans require that amounts recognized in financial statements be determined on an actuarial basis. A significant element in determining the

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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 (Continued)**

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).

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 Quoted market prices in active markets for identical assets or liabilities; Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data; and Level 3 Unobservable inputs that are not corroborated by market data. The Company has applied fair value measurements to its derivatives and contingent consideration (see Note 18) and to its pension and postretirement plan assets (see Note 15).

*Foreign Currency Translation*

The determination of the functional currency for Triumph's foreign subsidiaries is made based on appropriate economic factors. The functional currency of the Company's subsidiary Triumph Aviation Services Asia 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 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.

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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 (Continued)**

*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.

*Recently Issued Accounting Pronouncements*

Accounting standards updates effective after March 31, 2011, are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

*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 2011, 2010, and 2009 was \$3,710, \$3,220 and \$3,180, respectively. The benefits of tax deductions in excess of recognized compensation expense were \$150, \$206 and \$245 for fiscal years ended March 31, 2011, 2010 and 2009, respectively. Included in the stock-based compensation for fiscal year 2011, is \$1,176 classified as a liability as of March 31, 2011 associated with the April 2011 grant of the fiscal 2011 award. 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.)

*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.

**3. ACQUISITIONS**

On June 16, 2010, the Company acquired by merger all of the outstanding shares of Vought, now operating as Triumph Aerostructures Vought Commercial Division, Triumph Aerostructures Vought Integrated Programs Division and Triumph Structures Everett, for cash and stock consideration. The acquisition of Vought establishes the Company as a leading global manufacturer of aerostructures for commercial, military and business jet aircraft. Products include fuselages, wings, empennages, nacelles and helicopter cabins. Vought's customer base is comprised of the leading global aerospace original equipment manufacturers or OEMs and over 80% of its revenue is from sole source, long-term



Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****3. ACQUISITIONS (Continued)**

contracts. Vought's revenues for the year ended December 31, 2009 were \$1.9 billion and Vought employed approximately 5,900 people. The Company incurred \$20,902 in acquisition-related expenses in connection with the acquisition of Vought, including \$4,583 of bridge financing fees on undrawn commitments. Such commitments expired upon closing of the acquisition of Vought.

*Fair value of consideration transferred:* The following details consideration transferred to acquire Vought:

| <b>(in thousands, except share and per share amounts)</b> | <b>Shares</b> | <b>Estimated<br/>Fair Value</b> | <b>Form of Consideration</b> |
|---|---------------|---------------------------------|------------------------------|
| Number of Triumph shares issued to Vought shareholders    | 7,496,165     |                                 |                              |
| Triumph share price as of the acquisition date            | \$ 67.35      | \$ 504,867                      | Triumph common stock         |
| Cash consideration transferred to Vought shareholders     |               | 547,950                         | Cash                         |
| Total fair value of consideration transferred             |               | \$ 1,052,817                    |                              |

*Recording of assets acquired and liabilities assumed:* The transaction has been accounted for using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Certain estimated values are not yet finalized (see below) and are subject to change. The Company will finalize the amounts recognized as the information necessary to complete the analyses is obtained. The Company will finalize these amounts no later than June 15, 2011. Under U.S. GAAP, the measurement period shall

Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****3. ACQUISITIONS (Continued)**

not exceed one year from the acquisition date. The following table summarizes the provisional recording of assets acquired and liabilities assumed as of the acquisition date:

|   | <b>June 16, 2010</b> |
|---|----------------------|
| Cash  | \$ 214,833           |
| Accounts receivable   | 145,789              |
| Inventory   | 410,279              |
| Prepaid expenses and other                                    | 19,850               |
| Property and equipment  | 375,229              |
| Goodwill  | 1,041,724            |
| Intangible assets   | 807,000              |
| Deferred tax assets   | 241,934              |
| Other assets  | 384                  |
| <b>Total assets</b>   | <b>\$ 3,257,022</b>  |
| Accounts payable  | \$ 143,995           |
| Accrued expenses  | 276,492              |
| Deferred tax liabilities                                      | 4,674                |
| Debt  | 590,710              |
| Acquired contract liabilities, net                            | 124,548              |
| Accrued pension and other postretirement benefits, noncurrent | 993,189              |
| Other noncurrent liabilities                                  | 70,597               |
| <b>Total liabilities</b>                                      | <b>\$ 2,204,205</b>  |

*Intangible assets:* The following table is a summary of the fair value estimates of the identifiable intangible assets and their weighted-average useful lives:

|                                  | <b>Weighted-<br/>Average Life</b> | <b>Estimated<br/>Fair Value</b> |
|----------------------------------|-----------------------------------|---------------------------------|
| Customer relationships/contracts | 17.6 years                        | \$ 382,000                      |
| Tradename                        | Indefinite-lived                  | 425,000                         |
| <b>Total intangibles</b>         |                                   | <b>\$ 807,000</b>               |

*Deferred taxes:* The Company provided deferred taxes and recorded other adjustments as part of the accounting for the acquisition primarily related to the estimated fair value adjustments for acquired intangible assets, as well as the elimination of previously recorded valuation allowance associated with Vought's historical operating losses.

*Debt:* Simultaneously with the closing of the acquisition of Vought, the Company repaid \$603,111 of Vought's debt and accrued interest in connection with the closing, including \$270,000 in 8% senior notes, \$320,710 in senior credit facilities and \$12,401 in accrued but unpaid interest.

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*Pension obligations:* The Company assumed several defined benefit pension plans covering some of Vought's employees. Certain employee groups are ineligible to participate in the plans or have

Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****3. ACQUISITIONS (Continued)**

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 the Company. The Company also assumed certain other postretirement benefit plans (OPEB), namely healthcare and life insurance benefits for eligible retired employees, which are unfunded.

The following is an estimate of the funded position of the assumed pension and OPEB plans as of the acquisition date, as well as the associated weighted-average assumptions used to determine benefit obligations:

|                              | <b>Estimated<br/>Fair Value</b> |
|------------------------------|---------------------------------|
| Projected benefit obligation | \$ 2,394,169                    |
| Fair value of plan assets    | 1,360,211                       |
| <b>Net Unfunded Status</b>   | <b>\$ 1,033,958</b>             |

Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****3. ACQUISITIONS (Continued)**

Amounts recognized in the Consolidated Balance Sheet as of the date of acquisition:

|  | <b>Estimated<br/>Fair Value</b> |
|--|---------------------------------|
| Accrued expenses   | \$ 40,769                       |
| Accrued pension and other<br>postretirement benefits, noncurrent | 993,189                         |
| <b>Net Unfunded Status</b>                                       | <b>\$ 1,033,958</b>             |

Weighted average assumption used to determine benefit obligations at the acquisition date and net period benefit cost from the acquisition date through March 31, 2011:

|  | <b>Pension<br/>Benefits</b> | <b>Other Postretirement<br/>Benefits</b> |
|--|-----------------------------|--|
| Discount rate                          | 6.03%                       | 5.58%                                    |
| Expected rate of return on plan assets | 8.50%                       | N/A                                      |
| Rate of compensation increase          | 3.50%                       | N/A                                      |

The 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 risk and to preserve the real purchasing power of assets to meet future obligations. The allocation guidelines of the pension plan assets are as follows: public equity 53% to 61%; alternative investment funds 2% to 12%; fixed income investments 28% to 34% and real estate funds 3% to 7%.

*Goodwill:* Goodwill in the amount of \$1,041,724 was recognized for this acquisition and is calculated as the excess of the 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. Specifically, goodwill recorded as part of the acquisition of Vought includes:

the expected synergies and other benefits that the Company believes will result from combining the operations of Vought with the operations of Triumph;

any intangible assets that do not qualify for separate recognition such as assembled workforce; and

the value of the going-concern element of Vought's existing businesses (the higher rate of return on the assembled collection of net assets versus acquiring all of the net assets separately).

The Goodwill is not deductible for tax purposes.

The recorded amounts for assets and liabilities are substantially complete as of March 31, 2011. The measurement period adjustments recorded in the fourth quarter of fiscal 2011 did not have a significant impact on the Company's consolidated balance sheet, statements of income, or statements of cash flows. The following items still are subject to change:

amounts for pre-acquisition contingent liabilities pending completion of the assessment of these matters as additional information is obtained (see Note 17); and



Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****3. ACQUISITIONS (Continued)**

amounts for deferred income tax assets and liabilities and income tax receivables pending the filing of Vought's pre-acquisition tax returns and the receipt of information from the taxing authorities and other analysis of temporary differences which may change certain estimates and assumptions used.

A single estimate of fair value results from a complex series of judgments about future events and uncertainties and relies heavily on estimates and assumptions. Judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed as well as asset lives can materially impact results of operations. The finalization of the Company's purchase accounting assessment will result in changes in the valuation of assets and liabilities acquired, which is not expected to have a material impact on the Company's consolidated balance sheet, statement of income, or statement of cash flows.

*Actual and pro forma impact of the Vought acquisition:* The following table presents information for Vought that is included in the Company's consolidated statement of income from June 16, 2010 through the end of fiscal 2011:

|                  | <b>Fiscal year ended<br/>March 31, 2011</b> |
|------------------|---|
| Net sales        | \$ 1,527,326                                |
| Operating income | 161,629                                     |

The unaudited pro forma results presented below include the effects of the acquisition of Vought as if it had been consummated as of April 1, 2009 for fiscal year 2010 and as of April 1, 2010 for fiscal year 2011. The pro forma results include the amortization associated with an estimate for acquired intangible assets and interest expense associated with debt used to fund the acquisition, as well as fair value adjustments for property and equipment, off market contracts and favorable leases. To better reflect the combined operating results, material nonrecurring charges directly attributable to the transaction have been excluded. In addition, the pro forma results do not include any anticipated synergies or other expected benefits of the acquisition. 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 acquisition been consummated as of April 1, 2009.

|   | <b>Fiscal year ended March 31</b> |              |
|---|-----------------------------------|--------------|
|   | <b>2011</b>                       | <b>2010</b>  |
| Net sales                                 | \$ 3,269,413                      | \$ 3,253,334 |
| Income from continuing operations         | 154,999                           | 189,863      |
| Income from continuing operations basic   | \$ 6.44                           | \$ 7.93      |
| Income from continuing operations diluted | \$ 6.13                           | \$ 7.86      |

**FISCAL 2010 ACQUISITIONS***Acquisition of DCL Avionics, Inc.*

Effective January 29, 2010, the Company's wholly-owned subsidiary Triumph Instruments Burbank, Inc. acquired the assets and business of DCL Avionics, Inc. ("DCL"). DCL operated a

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**TRIUMPH GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share data)**

**3. ACQUISITIONS (Continued)**

Federal Aviation Administration ("FAA") approved avionics repair station and components dealership. DCL provides Triumph Instruments Burbank, Inc. with additional capacity as well as a strategic location on the Van Nuys, California, airport. The results for Triumph Instruments Burbank, Inc. continue to be included in the Company's Aftermarket Services segment.

*Acquisition of Fabritech, Inc.*

Effective March 1, 2010, the Company acquired all of the outstanding shares of Fabritech, Inc. ("Fabritech"), renamed Triumph Fabrications St. Louis, Inc. Triumph Fabrications St. Louis, Inc. is a component manufacturer and repair station for critical military rotary-wing platforms. Fabritech provides the Company with high-end maintenance and manufactured solutions focused on aviation drive train, mechanical, hydraulic and electrical hardware items, including gearboxes, cargo hooks and vibration absorbers. The results for Triumph Fabrications St. Louis, Inc. were included in the Company's Aftermarket Services segment as of March 31, 2010, and have been reclassified to the Company's Aerospace Systems segment as of and during the quarter ended June 30, 2010.

The acquisitions of DCL and Fabritech are herein referred to as the "fiscal 2010 acquisitions." The combined purchase price for the fiscal 2010 acquisitions of \$34,547 includes cash paid at closing, deferred payments and estimated contingent payments. The estimated contingent payments represent an earnout contingent upon the achievement of certain earnings levels during the earnout period. The maximum amounts payable in respect of fiscal 2011, 2012 and 2013 are \$6,400, \$5,000 and \$4,600, respectively. The estimated fair value of the earnout note at the date of acquisition of \$2,545 is classified as a Level 3 liability in the fair value hierarchy (Note 19). The excess of the purchase price over the estimated fair value of the net assets acquired of \$11,594 was recorded as goodwill, which is not deductible for tax purposes. The Company has also identified intangible assets valued at \$7,421 with a weighted-average life of 13.0 years. During fiscal 2011, the Company finalized the purchase price allocation for the fiscal 2010 acquisitions as a result of receiving the final appraisals of tangible and intangible assets and contingent consideration. Based on the revised allocations, an additional \$1,060 and \$3,321 was allocated to property and equipment and intangible assets, respectively; and the contingent earnout liability and goodwill were reduced by \$7,955 and \$11,420, respectively. These reclassifications were reflected in the accompanying consolidated balance sheet as of March 31, 2010.



Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****3. ACQUISITIONS (Continued)**

The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate for the fiscal 2010 acquisitions:

|                            |    |        |
|----------------------------|----|--------|
| Cash                       | \$ | 532    |
| Accounts receivable        |    | 640    |
| Inventory                  |    | 6,379  |
| Prepaid expenses and other |    | 79     |
| Property and equipment     |    | 2,620  |
| Goodwill                   |    | 11,594 |
| Intangible assets          |    | 7,421  |
| <br>                       |    |        |
| Total assets               | \$ | 29,265 |
| <br>                       |    |        |
| Accounts payable           | \$ | 298    |
| Accrued expenses           |    | 1,828  |
| Deferred tax liabilities   |    | 547    |
| <br>                       |    |        |
| Total liabilities          | \$ | 2,673  |

The fiscal 2010 acquisitions have been accounted for under the acquisition method and, accordingly, are included in the consolidated financial statements from the effective date of acquisition. The fiscal 2010 acquisitions were funded by the Company's cash and cash equivalents at the date of acquisition. The Company incurred \$406 in acquisition-related costs in connection with the fiscal 2010 acquisitions recorded in selling, general and administrative expenses in the accompanying consolidated statement of income.

The following unaudited pro forma information for the fiscal year ended March 31, 2010 has been prepared assuming the fiscal 2010 acquisitions had occurred on April 1, 2009.

|   | <b>Fiscal year ended<br/>March 31, 2010</b> |           |
|---|---|-----------|
| Net sales                                 | \$  | 1,306,867 |
| Income from continuing operations         |   | 83,538    |
| <br>                                      |   |           |
| Income from continuing operations basic   | \$  | 5.08      |
| Income from continuing operations diluted | \$  | 5.01      |

The unaudited pro forma information includes adjustments for interest expense that would have been incurred to finance the purchase, additional depreciation based on the estimated fair market value of the property and equipment acquired, and the amortization of the intangible assets arising from the transactions. The unaudited pro forma financial information is not necessarily indicative of the results of operations of the Company as it would have been had the transaction been effected on the assumed date.

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**TRIUMPH GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share data)**

**3. ACQUISITIONS (Continued)**

FISCAL 2009 ACQUISITIONS

*Acquisition of Merritt Tool Company, Inc.*

Effective March 13, 2009, the Company acquired all of the outstanding shares of Merritt Tool Company, Inc. ("Merritt"), renamed Triumph Structures East Texas, Inc. Triumph Structures East Texas, Inc. is a manufacturer of aircraft structural components specializing in complex precision machining primarily for commercial and military aerospace programs. Merritt provides the Company with expanded capacity and increased market share in structural components. The results for Triumph Structures East Texas, Inc. are included in the Company's Aerostructures segment.

*Acquisition of Saygrove Defence & Aerospace Group Limited*

Effective March 13, 2009, the Company acquired all of the outstanding shares of Saygrove Defence & Aerospace Group Limited ("Saygrove"), renamed Triumph Actuation & Motion Control Systems UK, Ltd. Triumph Actuation & Motion Control Systems UK, Ltd. is a provider of motion control and actuation products for the aerospace and defense industry. Saygrove provides the Company with added advanced control products for flight actuation and motor control applications in all-electric aircraft and Unmanned Aerial Vehicles. The results for Triumph Actuation & Motion Control Systems UK, Ltd. are included in the Company's Aerospace Systems segment.

*Acquisition of Aviation Segment of Kongsberg Automotive Holdings ASA*

Effective March 31, 2009, the Company acquired the assets of the aviation segment of Kongsberg Automotive Holdings ASA ("KA") through two newly organized wholly-owned subsidiaries, Triumph Controls UK, Ltd. and Triumph Controls Germany, GmbH. The acquired business, which is located in Basildon, U.K. and Heiligenhaus, Germany, provides cable control systems for commercial and military aircraft to Europe's leading aerospace manufacturers. KA provides the Company with expanded capacity and increased market share in cable control systems. The results for Triumph Controls UK, Ltd. and Triumph Controls Germany, GmbH are included in the Company's Aerospace Systems segment.

*Acquisition of The Mexmil Company, LLC*

Effective March 31, 2009, the Company acquired all of the equity interests of The Mexmil Company, LLC, and all of the equity interests of several affiliates ("Mexmil"), renamed Triumph Insulation Systems, LLC. Triumph Insulation Systems, LLC and its affiliates primarily provide insulation systems to OEMs, airlines, maintenance, repair and overhaul organizations and air cargo carriers. Mexmil provides the Company with an enhanced ability to provide a more comprehensive interiors solution to current and future customers. The results for Triumph Insulation Systems, LLC and its affiliates are included in the Company's Aerostructures segment.

The acquisitions of Merritt, Saygrove, KA and Mexmil are herein referred to as the "fiscal 2009 acquisitions." The combined purchase price of the fiscal 2009 acquisitions of \$152,741 includes cash paid at closing, estimated deferred payments and direct costs of the transactions. Included in the deferred payments are delayed payments of \$2,270 paid in March 2010 and \$1,507 paid in September 2010, respectively. The fiscal 2009 acquisitions also provide for contingent payments, certain of which

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**TRIUMPH GROUP, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Dollars in thousands, except per share data)**

**3. ACQUISITIONS (Continued)**

are contingent upon the achievement of specified earnings levels during the earnout period. In August 2010, another \$8,000 contingent payment was made upon entering into a specific customer contract. The maximum amounts payable in respect of fiscal 2011, 2012 and 2013 earnings, respectively, are \$2,405, \$10,577 and \$2,629. The contingent amounts have not been recorded as the contingencies have not been resolved and the consideration has not been paid. The excess of the combined purchase price over the preliminary estimated fair value of the net assets acquired of \$95,072 was recorded as goodwill, \$65,388 of which is tax-deductible. The Company has also identified intangible assets valued at approximately \$27,113 comprised of noncompete agreements, customer relationships, and product rights and licenses with a weighted-average life of 9.8 years.

The fiscal 2009 acquisitions have been accounted for under the purchase method of accounting and, accordingly, are included in the consolidated financial statements from the effective dates of acquisition. The fiscal 2009 acquisitions were funded by the Company's long-term borrowings in place at the dates of acquisition.

**4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE**

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. The Company recognized a pretax loss of \$3,500 in the first quarter of fiscal 2008 based upon a write-down of the carrying value of the business to estimated fair value less costs to sell. The write-down was applied to inventory and long-lived assets, consisting primarily of property, plant and equipment. In October 2008, the Company exercised the buyout provision in the operating lease on its casting facility. Accordingly, the property, plant and equipment related to the assets held for sale increased by \$3,535.

Due to failed negotiations with certain potential buyers of the business occurring during fiscal 2010, the Company reassessed its estimated fair value of the business based on current viable offers to purchase the business, recent performance results and overall market conditions, resulting in a write-down, which was applied to accounts receivable, inventory and property, plant and equipment. The Company recognized a pretax loss of \$17,383 in the third quarter of fiscal 2010. Included in the loss from discontinued operations for the fiscal year ended March 31, 2010 is an impairment charge of \$2,512 recorded during the first quarter of fiscal 2010.

The disposition of TPC had been delayed due in part to a dispute with TPC's largest customer, which had a right of first refusal to purchase TPC. In February 2011, TPC entered into a settlement agreement with that customer, which included termination of the right of first refusal and resulted in a settlement charge of \$2,250.

Revenues of discontinued operations were \$1,832, \$2,128 and \$10,433 for the fiscal years ended March 31, 2011, 2010 and 2009, respectively. The loss from discontinued operations was \$2,512, \$17,526 and \$4,745, net of income tax benefit of \$1,351, \$9,376 and \$2,556 for the fiscal years ended March 31, 2011, 2010 and 2009, respectively. Interest expense of \$267, \$2,342 and \$2,913 was allocated to discontinued operations for the fiscal years ended March 31, 2011, March 31, 2010 and March 31, 2009, respectively, based upon the actual borrowings of the operations, and such interest expense is included in the loss from discontinued operations.

Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****4. DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE (Continued)**

For financial statement purposes, the assets, liabilities and results of operations of these businesses have been segregated from those of the continuing operations and are presented in the Company's consolidated financial statements as discontinued operations and assets and liabilities held for sale.

Assets and liabilities held for sale are comprised of the following:

|                                       | <b>March 31,</b> |             |
|---------------------------------------|------------------|-------------|
|                                       | <b>2011</b>      | <b>2010</b> |
| <b>Assets held for sale:</b>          |                  |             |
| Trade and other receivables, net      | \$ 1,314         | \$ 1,656    |
| Inventories                           | 237              | 372         |
| Property, plant and equipment         | 3,000            | 3,000       |
| Other                                 | 23               | 23          |
| <br>                                  |                  |             |
| Total assets held for sale            | \$ 4,574         | \$ 5,051    |
| <br><b>Liabilities held for sale:</b> |                  |             |
| Accounts payable                      | \$ 99            | \$ 227      |
| Accrued expenses                      | 154              | 324         |
| Other noncurrent liabilities          | 178              | 348         |
| <br>                                  |                  |             |
| Total liabilities held for sale       | \$ 431           | \$ 899      |

In December 2010, the Company sold certain contracts and related assets of the Milwaukee sales office of Triumph Accessory Services Wellington at net book value for total proceeds of \$2,458, resulting in no gain or loss on sale.

**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:

|                                       | <b>March 31,</b> |             |
|---------------------------------------|------------------|-------------|
|                                       | <b>2011</b>      | <b>2010</b> |
| Raw materials                         | \$ 72,174        | \$ 51,000   |
| Manufactured and purchased components | 171,283          | 161,950     |
| Work-in-process                       | 634,359          | 111,975     |
| Finished goods                        | 42,104           | 38,641      |
| Less: unliquidated progress payments  | (138,206)        | (12,701)    |
| <br>                                  |                  |             |
| Total inventories                     | \$ 781,714       | \$ 350,865  |

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. The total net inventory on government contracts was \$80,201 at March 31, 2011.

Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****6. PROPERTY AND EQUIPMENT**

Net property and equipment at March 31, 2011 and 2010 is:

|  | March 31,  |            |
|--|------------|------------|
|  | 2011       | 2010       |
| Land                                       | \$ 37,270  | \$ 18,152  |
| Construction in process                    | 87,157     | 17,438     |
| Buildings and improvements                 | 201,183    | 139,705    |
| Furniture, fixtures and computer equipment | 62,641     | 43,497     |
| Machinery and equipment                    | 668,460    | 366,896    |
|  | 1,056,711  | 585,688    |
| Less accumulated depreciation              | 321,832    | 256,994    |
|  | \$ 734,879 | \$ 328,694 |

Depreciation expense for the fiscal years ended March 31, 2011, 2010 and 2009 was \$68,891, \$39,715 and \$36,836, respectively, which includes depreciation of assets under capital lease.

**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, 2011 and 2010:

|   | Aerostructures | Aerospace<br>Systems | Aftermarket<br>Services | Total        |
|---|----------------|----------------------|-------------------------|--------------|
| Balance, March 31, 2010                             | \$ 249,715     | \$ 188,581           | \$ 52,358               | \$ 490,654   |
| Goodwill recognized in connection with acquisitions | 1,041,724      |                      |                         | 1,041,724    |
| Purchase price adjustments                          | 8,000          | 3,048                | 111                     | 11,159       |
| Effect of exchange rate changes and other           |                | 2,004                |                         | 2,004        |
| Balance, March 31, 2011                             | \$ 1,299,439   | \$ 193,633           | \$ 52,469               | \$ 1,545,541 |

|   | Aerostructures | Aerospace<br>Systems | Aftermarket<br>Services | Total      |
|---|----------------|----------------------|-------------------------|------------|
| Balance, March 31, 2009                             | \$ 239,580     | \$ 166,402           | \$ 53,559               | \$ 459,541 |
| Goodwill recognized in connection with acquisitions |                | 10,349               | 510                     | 10,859     |
| Purchase price allocation adjustments               | 10,934         | 11,815               |                         | 22,749     |
| Effect of exchange rate changes and other           | (799)          | 15                   | (1,711)                 | (2,495)    |
| Balance, March 31, 2010                             | \$ 249,715     | \$ 188,581           | \$ 52,358               | \$ 490,654 |

Prior year amounts have been restated due to the change in reportable segments (see Note 22) and the measurement period adjustments related to the acquisitions of Fabritech and DCL.



Table of Contents**TRIUMPH GROUP, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Dollars in thousands, except per share data)****7. GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)***Intangible Assets*

The components of intangible assets, net are as follows:

|                                    |                                   | <b>March 31, 2011</b>            |                                     |                   |
|------------------------------------|-----------------------------------|----------------------------------|-------------------------------------|-------------------|
|                                    | <b>Weighted-<br/>Average Life</b> | <b>Gross Carrying<br/>Amount</b> | <b>Accumulated<br/>Amortization</b> | <b>Net</b>        |
| Customer relationships             | 16.4 years                        | \$ 456,282                       | \$ (40,657)                         | \$ 415,625        |
| Product rights and licenses        | 12.0 years                        | 73,739                           | (56,640)                            | 17,099            |
| Noncompete agreements<br>and other | 12.7 years                        | 13,239                           | (11,343)                            | 1,896             |
| Tradename                          | Indefinite-lived                  | 425,000                          |                                     | 425,000           |
| <b>Total intangibles, net</b>      |                                   | <b>\$ 968,260</b>                | <b>\$ (108,640)</b>                 | <b>\$ 859,620</b> |