TRIUMPH GROUP INC
Form 10-K
May 30, 2013

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

FORM 10-K
(Mark One)

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

For the fiscal year ended March 31, 2013
or

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

For the transition period from to

Commission File No. 1-12235
Triumph Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	51-0347963
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

899 Cassatt Road, Suite 210, Berwyn, Pennsylvania 19312
(Address of principal executive offices, including zip code)
Registrant's telephone number, including area code:(610) 251-1000

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

Common Stock, par value $.001 per share	New York Stock Exchange
(Title of each class)	(Name of each exchange on which registered)

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

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Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o
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 o No x
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 x No o
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 x No o
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. o
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 x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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 o No x

As of September 30, 2012, the aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant was approximately $3,042 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, 2012. 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 15, 2013 was 51,589,382.

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 2013 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.
Effective March 18, 2013, a wholly-owned subsidiary of the Company, Triumph Engine Control Systems, LLC, acquired the assets of Goodrich Pump & Engine Control Systems, Inc. ("GPECS"), a leading independent aerospace fuel system supplier for the commercial, military, helicopter and business jet markets. The acquisition of GPECS provides new capabilities in a market where we did not previously participate and further diversifies our customer base in electronic engine controls, fuel metering units and main fuel pumps for both OEM and aftermarket/spares end markets. The results for Triumph Engine Control Systems, LLC are included in the Aerospace Systems Group segment from the date of acquisition.
Effective December 19, 2012, the Company acquired all of the outstanding shares of Embee, Inc. ("Embee"), renamed Triumph Processing - Embee Division, Inc., which is a leading commercial metal finishing provider offering more than seventy metal finishing, inspecting and testing processes primarily for the aerospace industry. The acquisition of Embee expands our current capabilities to provide comprehensive processing services on precision engineered parts for hydraulics, landing gear, spare parts and electronic actuation systems. The results for Triumph Processing - Embee Division, Inc. are included in the Aerospace Systems Group segment from the date of acquisition.
In June 2010, we acquired Vought Aircraft Industries, Inc. ("Vought") from The Carlyle Group. The acquisition of Vought established the Company as a leading global manufacturer of aerostructures for commercial, military and business jet aircraft.
Products and Services
We offer a variety of products and services to the aerospace industry through three 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 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.

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

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

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

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

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

Our Aftermarket Services Group performs maintenance, repair and overhaul services ("MRO") and supplies spare parts for the commercial and military aviation industry and primarily services the world's airline and air cargo carrier customers. This group also designs, engineers, manufactures, repairs and overhauls aftermarket aerospace gas 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. Companies in our Aftermarket Services Group repair and overhaul various components for the aviation industry including:

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

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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. We view our name and mark, as well as the Vought and Embee tradenames, as significant to our business as a whole. Our products are protected by a portfolio of patents, trademarks, licenses or other forms of intellectual property that expire at various dates in the future. We continually develop and acquire new intellectual property and consider all of our intellectual property to be valuable. However, based on the broad scope of our product lines, management believes that the loss or expiration of any single intellectual property right would not have a material effect on our results of operations, our financial position or our business segments. Our policy is to file applications and obtain patents for our new products as appropriate, including product modifications and improvements. While patents generally expire 20 years after the patent application filing date, new patents are issued to us on a regular basis.

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

Raw Materials and Replacement Parts

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

Operating Locations

We conduct our business through operating segments. The following chart describes the operations, customer base and certain other information with respect to our principal operating locations at March 31, 2013:

Operation	Subsidiary	Operating Location	Business	Type of Customers	Number of Employees
TRIUMPH AEROSTRUCTURES GROUP					
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.	194
Triumph Aerostructures—Vought Aircraft	Triumph Aerostructures, LLC	Dallas, TX Grand Prairie, TX	Develops and manufactures a wide range of	Commercial, General Aviation and Military	5,497

Division	Red Oak, TX Hawthorne, CA Torrance, CA Nashville, TN Stuart, FL Milledgeville, GA	complex aerostructures such as aircraft fuselages, wing and tail assemblies, wing panels and skins, engine nacelles, flight control surfaces and helicopter cabins.	OEMs.

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Operation	Subsidiary	Operating Location	Business	Type of Customers	Number of Employees
Triumph Composite Systems	Triumph Composite Systems, Inc.	Spokane, WA	Designs and manufactures structural and non-structural composites for the aviation industry, including environmental control systems ducting, floor panels, structural thermoplastic clips/brackets as well as a variety of composite interior components.	Commercial, General Aviation, and Military OEMs; Commercial Aftermarket.	610
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.	152
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.	332
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.	117
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	Commercial, General Aviation and Military OEMs.	153

			systems, ducting, doors, panels, control surfaces and engine components.		
Triumph Insulation Systems	Triumph Insulation Systems, LLC	Hawthorne, CA Mexicali, Mexico Beijing, China(2)	Produces insulation systems provided to original equipment manufactures, airlines, maintenance, repair and overhaul organizations and air cargo carriers. Also provides products in the ancillary aircraft interiors and spares markets.	Commercial and Military OEMs.	1,128
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.	89
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.	124
Triumph Structures—Everett	Triumph Structures—Everett, Inc.	Everett, WA	Precision machining of complex aluminum and hard metal structural components and subassemblies, serving commercial and military aerospace customers, ranging in size from a few inches to 120 feet long.	Commercial, General Aviation and Military OEMs.	232

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Operation	Subsidiary	Operating Location	Business	Type of Customers	Number of Employees
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.	161
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.	143
Triumph Structures—Los Angeles	Triumph Structures—Los Angeles, Inc.	Brea, CA City of Industry, CA Walnut, CA	Manufactures long structural components, such as stringers, cords, floor beams and spars, for the aviation industry. Machines, welds and assembles large, complex, precision structural components.	Commercial, General Aviation and Military OEMs.	287
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.	134
TRIUMPH AEROSPACE SYSTEMS GROUP					
Triumph Actuation & Motion Control Systems	Triumph Actuation & Motion Control Systems—UK, Ltd.	Buckley, UK	Designs and builds proprietary advanced control products for flight	Commercial, General Aviation, and Military OEMs.	47

			actuation and motor control applications in all electrical aircraft and Unmanned Aerial Vehicles ("UAVs").		
Triumph Actuation Systems—Clemmons(1) Triumph Actuation Systems—Freeport	Triumph Actuation Systems, LLC	Clemmons, NC Freeport, NY	Designs, manufactures and repairs complex hydraulic and hydromechanical aircraft components and systems, such as variable displacement pumps and motors, linear actuators and valves, and cargo door actuation systems.	Commercial, General Aviation, and Military OEMs; Commercial Airlines, General Aviation and Military Aftermarket.	267
Triumph Actuation Systems—Connecticut	Triumph Actuation Systems—Connecticut, LLC	Bloomfield, CT East Lyme, CT 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

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Operation	Subsidiary	Operating Location	Business	Type of Customers	Number of Employees
Triumph Actuation Systems—Valencia(1)	Triumph Actuation Systems—Valencia, Inc.	Valencia, CA	Designs, manufactures and repairs complex hydraulic and hydromechanical aircraft components and systems, such as accumulators, actuators, complex valve packages, and landing gear retract actuators.	Commercial, General Aviation, and Military OEMs.	197
Triumph Aerospace Systems—Newport News	Triumph Aerospace Systems—Newport News, Inc.	Newport News, VA San Diego, CA	Offers a fully integrated range of capabilities, including systems engineering, conceptual engineering, mechanical design and analysis, prototype and limited-rate production, instrumentation, assembly and testing services and complex structural composite design and manufacturing.	Commercial and Military OEMs; Commercial and Military Aftermarket.	95
Triumph Aerospace Systems—Seattle	Triumph Actuation Systems—Connecticut, LLC	Redmond, WA 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.	128
Triumph Controls(1)	Triumph Controls, LLC	North Wales, PA Shelbyville, IN	Designs and manufactures mechanical and	Commercial, General Aviation and Military	154

			electromechanical control systems.	OEMs and Aftermarket.	
Triumph Controls—France	Construction Brevetees d'Alfortville SAS	Alfortville, France	Manufactures mechanical ball bearing control assemblies for the aerospace, ground transportation, defense and marine industries.	Commercial and Military OEMs, Ground Transportation and Marine OEMs.	68
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.	43
Triumph Controls—UK	Triumph Controls—UK, Ltd.	Basildon, UK			
Triumph Engine Control Systems	Triumph Engine Controls Systems, LLC	West Hartford, CT	Manufactures aerospace fuel systems including electronic engine controls, fuel metering units and main pumps.	Commercial, General Aviation and Military OEMs and Aftermarket.	564
Triumph Fabrications—St. Louis	Triumph Fabrications—St. Louis, Inc.	East Alton, IL 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.	66

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Operation	Subsidiary	Operating Location	Business	Type of Customers	Number of Employees
Triumph Fabrications—Phoenix	Triumph Engineered Solutions, Inc.	Chandler, AZ	Produces complex welded and riveted sheet metal assemblies for aerospace applications. Components include exhaust systems, ducting, doors, panels, control surfaces and engine components.	Commercial, General Aviation and Military OEMs.	78
Triumph Gear Systems—Park City(1) Triumph Gear Systems—Macomb(1)	Triumph Gear Systems, Inc. Triumph Gear Systems—Macomb, Inc.	Park City, UT Macomb, MI	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.	478
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.	29
Triumph Processing — Embee Division	Triumph Processing - Embee Division, Inc.	Santa Ana, CA	Provides comprehensive processing services on precision engineered parts for hydraulics, landing gear, spare parts and electronic actuation systems.	Commercial and Military OEMs and Specialty Automotive, Medical Device and Electronic Industries	387
Triumph Thermal Systems(1)	Triumph Thermal Systems, Inc.	Forest, OH	Designs, manufactures and repairs engine and aircraft thermal transfer systems and components.	Commercial, General Aviation and Military OEMs.	187

TRIUMPH AFTERMARKET SERVICES GROUP

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.	148
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.	124
Triumph Air Repair(1)	The Triumph Group Operations, Inc.	Chandler, 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.	105
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.	176

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Operation	Subsidiary	Operating Location	Business	Type of Customers	Number of Employees
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.	136
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.	91
Triumph Instruments—Burbank(1)(3)	Triumph Instruments—Burbank, Inc.	Burbank, CA Van Nuys, CA	Repairs and overhauls aircraft avionics, electrical accessories, power systems and instrumentation. Distributes and repairs smoke detectors, multiple OEM avionic and instrument components as well as industrial instrumentation, controls, valves, miscellaneous components and switches. Install, service and upgrade avionics.	Commercial, General Aviation and Military Aftermarket.	64

Triumph Instruments—Ft. Lauderdale(1) (3)	Triumph Instruments, Inc.	Ft. Lauderdale, FL	Specalizes in exchange, overhaul, and repair of electronic, electromechanical, gyroscopic, and pneumatic aircraft instruments, avionics, and antennas.	Commercial, General Aviation and Military Aftermarket.	41
Triumph Interiors(1)	Triumph Interiors, LLC	Atlanta, GA Oakdale, PA Grand Prairie, TX	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.	217
Triumph San Antonio Support Center	The Triumph Group Operations, Inc.	San Antonio, TX	Provides maintenance services for aircraft ground support equipment.	Military Aftermarket.	38
CORPORATE AND OTHER					
Triumph Group, Inc.	Triumph Group, Inc.	Berwyn, PA	Parent company	N/A	110
Triumph Group—Mexico	Triumph Group—Mexico, S. de R.L. de C.V.	Zacatecas, Mexico	Provides rough machining of gears, actuators and structural components, as well as assembly, fabrications, engineering and composites to Triumph companies and certain customers.	Commercial and General Aviation OEMs	357

(1) Designates FAA-certified repair station.

(2) Through an affiliate, Triumph Insulation Systems, LLC holds an 80% controlling interest in a venture, operating in Beijing, China, with Beijing Kailan Aviation Technology Co., Ltd., an unrelated party based in China.

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(3) These operations were sold in April 2013 and the associated assets and liabilities are treated as Assets Held for Sale at March 31, 2013. See Note 4 of "Notes to Consolidated Financial Statements."

Sales, Marketing and Engineering

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

The two group-level marketing teams operate as the front-end of the selling process, establishing or maintaining relationships, identifying opportunities to leverage our brand, and providing service for our customers. Each individual operating company is responsible for its own technical support, pricing, manufacturing and product support. Also, within the Aerospace Systems Group, we have created a group engineering function to provide integrated solutions to meet our customer needs by designing systems that integrate the capabilities of our companies.

A significant portion of our government and defense contracts are awarded on a competitive bidding basis. We generally do not bid or act as the primary contractor, but will typically bid and act as a subcontractor on contracts on a fixed-price basis. We generally sell to our other customers on a fixed-price, negotiated contract or purchase order basis.

Backlog

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

As of March 31, 2013, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately $4,527 million, of which $3,663 million, $832 million and $32 million relate to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. As of March 31, 2012, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately $4,305 million, of which $3,583 million, $690 million and $32 million relate to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. Of the existing backlog of $4,527 million, approximately $1,709 million will not be shipped by March 31, 2014.

Dependence on Significant Customer

For the fiscal years ended March 31, 2013, 2012 and 2011, the Boeing Company ("Boeing") represented approximately 49%, 47% and 45%, respectively, of our net sales, covering virtually every Boeing plant and 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 the fiscal years ended March 31, 2013, 2012 and 2011 were approximately $3,199 million, $2,944 million, and $2,511 million, respectively. Our revenues from our continuing operations to customers in all other countries for the fiscal years ended March 31, 2013, 2012 and 2011 were approximately $504 million, $464 million, and $395 million, respectively.

As of March 31, 2013 and 2012, our long-lived assets for continuing operations located in the United States were approximately $3,458 million and $3,046 million, respectively. As of March 31, 2013 and 2012, our long-lived assets for continuing operations located in all other countries were approximately $99 million and $90 million, respectively.

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Competition

We compete primarily with Tier 1 and Tier 2 aerostructures manufacturers, systems integrators and the manufacturers that supply them, some of which are divisions or subsidiaries of other large companies, in the manufacture of aircraft structures, systems components and subassemblies. OEMs are increasingly focusing on assembly and integration activities while outsourcing more manufacturing, and therefore are less of a competitive force than in previous years.

Competition for the repair and overhaul of aviation components comes from three primary sources, some of whom possess greater financial and other resources than we have: OEMs, major commercial airlines, government support depots and other independent repair and overhaul companies. Some major commercial airlines continue to own and operate their own service centers, while others have begun to sell or outsource their repair and overhaul services to other aircraft operators or third parties. Large domestic and foreign airlines that provide repair and overhaul services typically provide these services not only for their own aircraft but for other airlines as well. OEMs also maintain service centers which provide repair and overhaul services for the components they manufacture. Many governments maintain aircraft support depots in their military organizations that maintain and repair the aircraft they operate. Other independent service organizations also compete for the repair and overhaul business of other users of aircraft components.

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

Government Regulation and Industry Oversight

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

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

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

The license approval processes for the European Aviation Safety Agency (EASA 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 the United States. In addition, OSHA provides special procedures and measures for the handling of hazardous and toxic substances. Specific safety standards have been promulgated for workplaces engaged in the treatment, disposal or storage of hazardous waste. We believe that our operations are in material compliance with OSHA's health and safety requirements.

Environmental Matters

Our business, operations and facilities are subject to numerous stringent federal, state, local and foreign environmental laws and regulation by government agencies, including the Environmental Protection Agency, 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

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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 are required to pay the expenses related to environmental liabilities because neither indemnification nor insurance coverage is available, these expenses could have a material adverse effect on us.

Employees

As of March 31, 2013, we employed 13,900 persons, of whom 3,264 were management employees, 143 were sales and marketing personnel, 663 were technical personnel, 884 were administrative personnel and 8,946 were production workers.

Several of our subsidiaries are parties to collective bargaining agreements with labor unions. Under those agreements, we currently employ approximately 3,798 full-time employees. Currently, approximately 27% of our permanent employees are represented by labor unions and approximately 63% 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, 2013, 2012 and 2011 is available in Note 2 of "Notes to Consolidated Financial Statements."

Executive Officers

Name	Age	Position
Jeffry D. Frisby	58	President and Chief Executive Officer and Director
M. David Kornblatt	53	Executive Vice President, Chief Financial Officer
John B. Wright, II	59	Vice President, General Counsel and Secretary
Thomas A. Quigley, III	36	Vice President and Controller

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

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,

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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.

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

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

Available Information

For more information about us, visit our website at www.triumphgroup.com. 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.

Item 1A. Risk Factors

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

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

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

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

The military and defense market is largely dependent upon government budgets, particularly the U.S. defense budget, and an increase in defense spending may not be allocated to programs that would benefit our business. Moreover, the 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.

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

Congress and the Administration failed to change or further delay the sequestration of appropriations in government fiscal year (GFY) 2013 imposed by the Budget Control Act of 2011 (Budget Act) and sequestration went into effect on March 1, 2013. As a result, our customers' budgets will be reduced significantly and there may be a direct significant reduction in our customers' contract awards. While we understand customers have started to plan for this sequestration, the specific effects of sequestration are not yet available and cannot be determined by us. The automatic across-the-board cuts from sequestration will approximately double the amount of the ten-year $487 billion reduction in defense spending that began in GFY 2012 already required by the Budget Act, including the budget for Overseas Contingencies Operations and any unobligated balances from prior years, and would have significant consequences to our business and industry. Non-DoD agencies could also have significantly reduced budgets. It is likely there will be some disruption of our ongoing programs, impacts to our supply chain and contractual actions (including partial or complete terminations). Consequently, we expect that sequestration, or other budgetary cuts in lieu of sequestration, will have negative effect on our corporation.

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We currently have agreements in place with Boeing for orders to support C-17 production through March 2014 and Boeing has authorized and funded Triumph to begin long lead procurement for an additional 10 units that would extend our production through March 2015. Boeing currently has confirmed orders with the U.S. Air Force, India and various other foreign governments to support production of C-17 through 2014 at a rate of approximately 10 aircraft per year. We do not anticipate that the U.S. Air Force will support the procurement of additional C-17 beyond those currently ordered. Boeing has reported that there is interest for additional orders from India, other foreign governments and other potential customers. However, there can be no assurance that these additional orders will materialize. Our business could be adversely impacted if Boeing does not secure future orders from the U.S. Air Force, foreign militaries or other customers. The loss of the C-17 program and the failure to win additional work to replace the C-17 program could materially reduce our cash flow and results of operations.

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

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

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

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

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

The Boeing Company, or Boeing Commercial, Military and Space, represented approximately 49% of our net sales for the fiscal year ended March 31, 2013, covering virtually every Boeing plant and product. As a result, a significant reduction in purchases by Boeing could have a material adverse impact on our financial position, results of operations, and cash flows. In addition, some of our other group companies rely significantly on particular customers, the loss of which could have an adverse effect on those businesses.

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

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

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

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

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

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

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

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

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

A key element of our strategy has been, and continues to be, internal growth supplemented by growth through the acquisition of additional aerospace companies and product lines. In order to grow internally, we may need to make significant capital expenditures, such as investing in facilities in low-cost countries, and may need additional capital to do so. Our ability to grow is dependent upon, and may be limited by, among other things, access to markets and conditions of markets, availability under the Credit Facility and the Securitization Facility, each as defined below, and by particular restrictions contained in the Credit Facility and our other financing arrangements. In that case, additional funding sources may be needed, and we may not be able to obtain the additional capital necessary to pursue our internal growth and acquisition strategy or, if we can obtain additional financing, the additional financing may not be on financial terms that are satisfactory to us.

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Competitive pressures may adversely affect us.

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

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

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

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

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

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

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

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

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

Any exposure to environmental liabilities may adversely affect us.

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

Pursuant to certain environmental laws, a current or previous owner or operator of a contaminated site may be held liable for the entire cost of investigation, removal or remediation of hazardous materials at such property, whether or not the owner or operator knew of, or was responsible for, the presence of any hazardous materials. Although management believes that our operations and facilities are in material compliance with such laws and regulations, future changes in such laws, regulations or interpretations thereof or the nature of our operations or regulatory enforcement actions which may arise, may require us to make significant additional capital expenditures to ensure compliance in the future. Certain of our facilities, including facilities acquired and operated by us or one of our subsidiaries, have at one time or another been under active investigation for environmental contamination by federal or state agencies when acquired and, at least in some cases, continue to be under investigation or subject to remediation for potential or identified environmental contamination. Lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future. Individual facilities of ours have also been subject to investigation on occasion for possible past waste disposal practices which might have contributed to contamination at or from remote third-party waste disposal sites. In some instances, we are indemnified by prior owners or operators and/or present owners of the facilities for liabilities which we incur as a result of these investigations and the environmental contamination found which pre-dates our acquisition of these facilities, subject to certain limitations, including but not limited to specified exclusions, deductibles and limitations on the survival period of the indemnity. We also maintain a pollution liability policy that provides coverage, subject to specified limitations, for specified material liabilities associated with the clean-up of certain on-site pollution conditions, as well as defense and indemnity for certain third-party suits (including Superfund liabilities at third-party sites), in each case, to the extent not otherwise indemnified. However, if we are required to pay the expenses related to environmental liabilities because neither indemnification nor insurance coverage is available, these expenses could have a material adverse effect on our financial position, results of operations, and cash flows.

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

We and other companies in our industry possess certain proprietary rights relating to designs, engineering, manufacturing processes and repair and overhaul procedures. In the event that we believe that a third party is infringing upon our proprietary rights, we may bring an action to enforce such rights. In addition, third parties may claim infringement by us with respect to their proprietary rights and may initiate legal proceedings against us in the future. The expense and time of bringing an action to enforce such rights or defending against infringement claims can be significant, 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.

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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.

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

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

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.

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

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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, information technology or cyber-attack, 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, any destruction, manipulation or improper use of our data, information systems or networks, 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, 2013, we employed 13,900 people, of which 27.3% belonged to unions. Our unionized workforces and those of our customers and suppliers may experience work stoppages. For example, the International Association of Machinists-represented employees at Vought's Nashville, Tennessee, plant engaged in a strike that continued for approximately 16 weeks during 2008 and 2009 (prior to our acquisition of Vought). A contingency plan was implemented that allowed production to continue in Nashville during the course of that strike. Additionally, our union contract with Local 848 of the United Auto Workers with employees at our Dallas and Grand Prairie, Texas, facilities expires in October 2013. If we are unable to negotiate a new contract with that workforce, our operations may be disrupted and we may be prevented from completing production and delivery of products from those facilities, which would negatively impact our results of operations.

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

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

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

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or a decrease in interest rates resulting from movements in the financial markets will increase the under-funded status of the plans recorded in our statement of financial position and result in additional cash funding requirements to meet the minimum required funding levels.

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

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

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

We are subject to the requirements of the National Industrial Security Program Operating Manual for facility security clearance, which is a prerequisite for our ability to perform on classified contracts for the U.S. Government.

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 we may be required to seek higher level clearances in the future. We cannot assure you that we will be able to maintain our security clearance. If for some reason our security clearance is invalidated or terminated, we may not be able to continue to perform our present classified contracts or be able to enter into new classified contracts, which could affect our ability to compete for and capture new business.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

As of March 31, 2013, we owned or leased the following facilities.

Location	Description	Square Footage	Owned/ Leased
TRIUMPH AEROSTRUCTURES GROUP			
Hot Springs, AR	Manufacturing facility/office	217,300	Owned
Brea, CA	Manufacturing facility	90,000	Leased
Chatsworth, CA	Manufacturing facility/office	101,900	Owned
City of Industry, CA	Manufacturing facility/office	75,000	Leased
El Cajon, CA	Manufacturing facility/office	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
Torrance, CA	Processing facility	84,700	Leased
Walnut, CA	Manufacturing facility/office	105,000	Leased
Bejing, China	Manufacturing facility/office	43,700	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	190,000	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
Red Oak, TX	Manufacturing facility/office	255,000	Owned
Everett, WA	Manufacturing facility	153,000	Leased
Spokane, WA	Manufacturing facility/office	392,000	Owned

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Location	Description	Square Footage	Owned/ Leased
TRIUMPH AEROSPACE SYSTEMS GROUP			
Chandler, AZ	Manufacturing facility/office	34,300	Leased
Santa Ana, CA	Processing and finishing facility/office	105,145	Owned
San Diego, CA	Force measurement systems facility	7,000	Leased
Valencia, CA	Manufacturing facility/office	87,000	Leased
Bethel, CT	Office	1,700	Leased
Bloomfield, CT	Manufacturing facility/office	29,800	Leased
East Lyme, CT	Manufacturing facility/office	59,600	Owned
West Hartford, CT	Manufacturing facility/office	250,000	Owned
Alfortville, France	Manufacturing facility/office	7,500	Leased
Heiligenhaus, Germany	Manufacturing facility/office	19,214	Leased
East Alton, IL	Machine shop/office	25,000	Leased
Shelbyville, IN	Manufacturing facility/office	100,000	Owned
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	9,110	Leased
Buckley, UK	Manufacturing facility/office	8,000	Leased
Park City, UT	Manufacturing facility/office	180,000	Owned
Newport News, VA	Engineering/manufacturing/office	93,000	Leased
Redmond, WA	Manufacturing facility/office	19,400	Leased

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Location	Description	Square Footage	Owned/ Leased
TRIUMPH AFTERMARKET SERVICES GROUP			
Hot Springs, AR	Machine shop/office	219,700	Owned
Chandler, AZ	Thermal processing facility/office	15,000	Leased
Chandler, AZ	Repair and overhaul/office	91,013	Leased
Phoenix, AZ	Repair and overhaul/office	30,000	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 (1)	Instrument shop/warehouse/office	23,000	Leased
Ft. Lauderdale, FL (1)	Instrument shop/warehouse/office	11,700	Leased
Atlanta, GA	Manufacturing facility/office	32,000	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
CORPORATE AND OTHER			
Berwyn, PA	Office	17,000	Leased
Zacatecas, Mexico	Manufacturing facility/office	270,000	Owned

(1) These operations were sold in April 2013 and the associated assets and liabilities are treated as Assets Held for Sale at March 31, 2013. See Note 4 of "Notes to the Consolidated Financial Statements."

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 (“the civil case”). 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 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.

In the course of protracted discovery and related litigation over the conduct of discovery, 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.

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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 and undertook, 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 civil case. 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, Triumph Actuation Systems 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 the motion for leave to amend the counterclaims which were filed on March 18, 2011. Second Supplemental and Amended Counterclaims were filed on February 14, 2013 and discovery is underway, with trial on the counterclaims scheduled to commence on November 4, 2013.

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 civil case. Eaton filed counterclaims, essentially repeating the claims that had been dismissed by Judge Yerger in the Mississippi civil case. A motion by Triumph Actuation Systems to dismiss Eaton's counterclaims is awaiting the decision of the court.

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. Mine Safety Disclosures

Not applicable.

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PART II

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

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

	High	Low
Fiscal 2012		
1st Quarter	$50.47	$39.84
2nd Quarter	54.82	42.78
3rd Quarter	60.90	43.92
4th Quarter	66.77	58.16
Fiscal 2013		
1st Quarter	$66.89	$53.46
2nd Quarter	63.88	55.71
3rd Quarter	67.51	60.79
4th Quarter	79.77	65.73

On May 15, 2013, the reported closing price for our Common Stock was $74.37. As of May 15, 2013, there were approximately 128 holders of record of our Common Stock and we believe that our Common Stock was beneficially owned by approximately 30,000 persons.
Dividend Policy
During fiscal 2013 and 2012, we paid cash dividends of $0.16 per share and $0.14 per share, respectively. However, our declaration and payment of cash dividends in the future and the amount thereof will depend upon our results of operations, financial condition, cash requirements, future prospects, limitations imposed by credit agreements or indentures governing debt securities and other factors deemed relevant by our Board of Directors. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all. Certain of our debt arrangements, including the Credit Facility, restrict our paying dividends and making distributions on our capital stock, except for the payment of stock dividends and redemptions of an employee's shares of capital stock upon termination of employment. On April 30, 2013, the Company announced that its Board of Directors declared a regular quarterly dividend of $0.04 per share on its outstanding Common Stock. The dividend is next payable June 15, 2013 to stockholders of record as of May 31, 2013.
Repurchases of Stock
The following summarizes repurchases made pursuant to the Company's share repurchase plan during the three years ended March 31, 2013. 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, 2013, we have repurchased a total of 499,200 shares (prior to fiscal 2012 stock split) for a total purchase price of $19.2 million. As a result, as of May 15, 2013, 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 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	Maximum number of shares that may

			announced plans	yet be purchased under the plans
April 1, 2010 - March 31, 2013	—	N/A	499,200	500,800

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Equity Compensation Plan Information

The information required regarding equity compensation plan information is included in our Proxy Statement in connection with our 2013 Annual Meeting of Stockholders to be held on July 18, 2013, 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, 2008 and its relative performance is tracked through March 31, 2013.

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, 2008 in stock or index, including reinvestment of dividends. Fiscal year ended March 31.

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

	3/08	3/09	3/10	3/11	3/12	3/13
Triumph Group, Inc.	100.00	67.35	124.02	156.84	222.78	279.80
Russell 2000	100.00	62.50	101.72	127.96	127.73	148.55
S&P Aerospace & Defense	100.00	58.17	99.43	109.93	114.92	133.30

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

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Item 6. Selected Financial Data

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

	Fiscal Years Ended March 31,				
	2013(1)	2012(2)	2011(3)	2010(4)	2009(5)
	(in thousands, except per share data)				
Operating Data:					
Net sales	$3,702,702	$3,407,929	$2,905,348	$1,294,780	$1,240,378
Cost of sales	2,763,488	2,564,995	2,231,864	927,211	877,744
	939,214	842,934	673,484	367,569	362,634
Selling, general and administrative expense	241,349	242,553	238,889	157,870	162,109
Depreciation and amortization	129,506	119,724	99,657	54,418	48,611
Acquisition and integration expenses	2,665	6,342	20,902	—	—
Curtailments and early retirement incentives	34,481	(40,400)	—	—	—
Operating income	531,213	514,715	314,036	155,281	151,914
Interest expense and other	68,156	77,138	79,559	28,865	16,929
Gain on early extinguishment of debt	—	—	—	(39)	(880)
Income from continuing operations, before income taxes	463,057	437,577	234,477	126,455	135,865
Income tax expense	165,710	155,955	82,066	41,167	43,124
Income from continuing operations	297,347	281,622	152,411	85,288	92,741
Loss from discontinued operations	—	(765)	(2,512)	(17,526)	(4,745)
Net income	$297,347	$280,857	$149,899	$67,762	$87,996
Earnings per share:					
Income from continuing operations:					
Basic	$5.99	$5.77	$3.39	$2.59	$2.83
Diluted(6)	$5.67	$5.43	$3.21	$2.56	$2.80
Cash dividends declared per share	$0.16	$0.14	$0.08	$0.08	$0.08
Shares used in computing earnings per share:					
Basic	49,663	48,821	45,006	32,918	32,768
Diluted(6)	52,446	51,873	47,488	33,332	33,168

	As of March 31,				
	2013(1)	2012(2)	2011(3)	2010(4)	2009(5)
	(in thousands)				
Balance Sheet Data:					
Working capital	$889,913	$741,105	$436,638	$487,411	$372,159
Total assets	5,183,505	4,597,224	4,477,234	1,692,578	1,591,207
Long-term debt, including current portion	1,329,863	1,158,862	1,312,004	505,780	459,396
Total stockholders' equity	$2,045,158	$1,793,369	$1,632,217	$860,686	$788,563

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

(2) Includes the acquisition of Aviation Network Services, LLC. (October 2011) from the date of acquisition. See Note 3 to the Consolidated Financial Statements.

(3) Includes the acquisition of Vought Aircraft Industries, Inc. (June 2010) from the date of acquisition. See Note 3 to the Consolidated Financial Statements.

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

(5) 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).

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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
The following discussion should be read in conjunction with the Consolidated Financial Statements and notes thereto contained elsewhere herein.

OVERVIEW
We are a major supplier to the aerospace industry and have three operating segments: (i) Triumph Aerostructures Group, whose companies' revenues are derived from the design, manufacture, assembly and integration of metallic and composite aerostructures and structural components for the global aerospace original equipment manufacturers, or OEM, market; (ii) Triumph Aerospace Systems Group, whose companies design, engineer and manufacture a wide range of proprietary and build-to-print components, assemblies and systems also for the OEM market; and (iii) Triumph Aftermarket Services Group, whose companies serve aircraft fleets, notably commercial airlines, the U.S. military and cargo carriers, through the maintenance, repair and overhaul of aircraft components and accessories manufactured by third parties.
Effective March 18, 2013, a wholly-owned subsidiary of the Company, Triumph Engine Control Systems, LLC, acquired the assets of Goodrich Corporation (Goodrich Pump & Engine Control Systems) ("GPECS"), a leading independent aerospace fuel system supplier for the commercial, military, helicopter and business jet markets. The acquisition of GPECS provides new capabilities in a market where we did not previously participate and further diversifies our customer base in electronic engine controls, fuel metering units and main fuel pumps for both OEM and aftermarket/spares end markets. The results for Triumph Engine Control Systems, LLC are included in the Aerospace Systems Group segment from the date of acquisition.
Effective December 19, 2012, the Company acquired all of the outstanding shares of Embee, Inc. ("Embee"), renamed Triumph Processing - Embee Division, Inc., which is a leading commercial metal finishing provider offering more than seventy metal finishing, inspecting and testing processes primarily for the aerospace industry. The acquisition of Embee expands our current capabilities to provide comprehensive processing services on precision engineered parts for hydraulics, landing gear, spare parts and electronic actuation systems. The results for Triumph Processing - Embee Division, Inc. are included in the Aerospace Systems Group segment from the date of acquisition. The acquisitions of GPECS and Embee are collectively referred to hereafter as the "fiscal 2013 acquisitions."
Financial highlights for the fiscal year ended March 31, 2013 include:

- Net sales for fiscal 2013 increased 8.6% to $3.70 billion, including an 8.0% increase due to organic growth.
- Operating income in fiscal 2013 increased 3.2% to $531.2 million.
- Non-GAAP operating income excluding curtailments and early retirement incentives for fiscal 2013 was $565.7 million compared to $474.3 million for fiscal 2012, increase of $91.4 million, or 19.2%.
- Net income for fiscal 2013 increased 5.9% to $297.3 million.
- Backlog increased 5.2% over the prior year to $4.53 billion. For the fiscal year ended March 31, 2012, backlog increased substantially from what we had previously reported. During our fiscal fourth quarter, we detected an inadvertent error in how one portion of our 24-month backlog was being reported.

For the fiscal year ended March 31, 2013, net sales totaled $3.70 billion, an 8.6% increase from fiscal year 2012 net sales of $3.41 billion. Net income for fiscal year 2013 increased 5.9% to $297.3 million, or $5.67 per diluted common share, versus $280.9 million, or $5.41 per diluted common share, for fiscal year 2012. As discussed in further detail below under "Results of Operations," the increase in net income is attributable to the increase in sales offset by the curtailments and early retirement incentives of $34.5 million.
Our working capital needs are generally funded through cash flows from operations and borrowings under our credit arrangements. For the fiscal year ended March 31, 2013, we generated $320.9 million of cash flows from operating activities, used $467.4 million in investing activities and received $148.6 million from financing activities. Cash flows from operating activities in fiscal year 2013 included $109.8 million in pension contributions versus $122.2 million in fiscal year 2012.
We continue to remain focused on growing our core businesses as well as growing through strategic acquisitions. Our organic sales increased in fiscal 2013 due to continuing improvement to the overall economy, increased build rates by

Boeing and Airbus, increased passenger traffic from previously depressed levels and MRO market share gain. Our Company has an aggressive but selective acquisition approach that adds capabilities and increases our capacity for strong and consistent internal growth.

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Congress and the Administration failed to change or further delay the sequestration of appropriations in government fiscal year (GFY) 2013 imposed by Budget Control Act of 2011 (Budget Act) and sequestration went into effect on March 1, 2013. Our customers' budgets will be reduced significantly and there may be a direct significant reduction in our customers' contract awards. While we understand customers have started to plan for sequestration, the specific effects of sequestration are not yet available and cannot be determined by us. The automatic across-the-board cuts from sequestration will approximately double the amount of the ten-year $487 billion reduction in defense spending that began in GFY 2012 already required by the Budget Act, including the budget for Overseas Contingencies Operations and any unobligated balances from prior years, and would have significant consequences to our business and industry. Non-DoD agencies could also have significantly reduced budgets. It is likely there will be some disruption of our ongoing programs, impacts to our supply chain and contractual actions (including partial or complete terminations). Consequently, we expect that sequestration, or other budgetary cuts in lieu of sequestration, will have a negative effect on our corporation.

In fiscal 2012, we began efforts to establish a new facility in Red Oak, Texas to expand our manufacturing capacity, particularly under the Bombardier Global 7000/8000 program. In fiscal 2013, we started construction on a second facility in association with our relocation from our Jefferson Street facilities. As of March 31, 2013, we have incurred approximately $53.5 million in capital expenditures and $71.2 million in inventory costs associated with the Bombardier Global 7000/8000 program, for which we have not yet begun to deliver.

On May 6, 2013, the Company acquired four related entities collectively comprising the Primus Composites business from Precision Castparts Corp. The acquired business, which includes two manufacturing facilities in Farnborough, England and Rayong, Thailand, will operate as Triumph Structures - Farnborough and Triumph Structures - Thailand and be included in the Aerostructures Group. Together, Triumph Structures - Farnsborough and Triumph Structures - Thailand constitute a global supplier of composite and metallic propulsion and structural composites and assemblies. In addition to its composite operations, the Thailand operation also machines and processes metal components. Primus Composites employs approximately 650 employees.

RESULTS OF OPERATIONS

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

Non-GAAP Financial Measures

We prepare and publicly release quarterly unaudited financial statements prepared in accordance with GAAP. In accordance with Securities and Exchange Commission (the "SEC") guidance on Compliance and Disclosure Interpretations, we also disclose and discuss certain non-GAAP financial measures in our public releases. Currently, the non-GAAP financial measure that we disclose is Adjusted EBITDA, which is our income from continuing operations before interest, income taxes, amortization of acquired contract liabilities, curtailments and early retirement incentives and depreciation and amortization. We disclose Adjusted EBITDA on a consolidated and a reportable segment basis in our earnings releases, investor conference calls and filings with the SEC. The non-GAAP financial measures that we use may not be comparable to similarly titled measures reported by other companies. Also, in the future, we may disclose different non-GAAP financial measures in order to help our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations.

We view Adjusted EBITDA as an operating performance measure and, as such, we believe that the GAAP financial measure most directly comparable to it is income from continuing operations. In calculating Adjusted EBITDA, we exclude from income from continuing operations the financial items that we believe should be separately identified to provide additional analysis of the financial components of the day-to-day operation of our business. We have outlined below the type and scope of these exclusions and the material limitations on the use of these non-GAAP financial measures as a result of these exclusions. Adjusted EBITDA is not a measurement of financial performance under GAAP and should not be considered as a measure of liquidity, as an alternative to net income (loss), income from continuing operations, or as an indicator of any other measure of performance derived in accordance with GAAP. Investors and potential investors in our securities should not rely on Adjusted EBITDA as a substitute for any GAAP financial measure, including net income (loss) or income from continuing operations. In addition, we urge investors and potential investors in our securities to carefully review the reconciliation of Adjusted EBITDA to income from continuing operations set forth below, in our earnings releases and in other filings with the SEC and to carefully review the GAAP financial information included as part of our Quarterly Reports on Form 10-Q and our Annual Reports on Form 10-K that are filed with the SEC, as well as our quarterly earnings releases, and compare the GAAP financial information with our Adjusted EBITDA.

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

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

- Curtailments and early retirement incentives may be useful for investors to consider because it represents the current period impact of the change in the defined benefit obligation due to the reduction in future service costs as well as the incremental cost of retirement incentive benefits paid to participants. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Amortization of acquired contract liabilities may be useful for investors to consider because it represents the non-cash earnings on the fair value of off-market contracts acquired through acquisitions. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Amortization expense may be useful for investors to consider because it represents the estimated attrition of our acquired customer base and the diminishing value of product rights and licenses. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.
- Depreciation may be useful for investors to consider because it generally represents the wear and tear on our property and equipment used in our operations. We do not believe these charges necessarily reflect the current and ongoing cash charges related to our operating cost structure.
- The amount of interest expense and other we incur may be useful for investors to consider and may result in current cash inflows or outflows. However, we do not consider the amount of interest expense and other to be a representative component of the day-to-day operating performance of our business.
- Income tax expense may be useful for investors to consider because it generally represents the taxes which may be payable for the period and the change in deferred income taxes during the period and may reduce the amount of funds otherwise available for use in our business. However, we do not consider the amount of income tax expense to be a representative component of the day-to-day operating performance of our business.

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

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

	Fiscal year ended March 31,		
	2013	2012	2011
Income from continuing operations	$297,347	$281,622	$152,411
Amortization of acquired contract liabilities	(25,644)	(26,684)	(29,214)
Depreciation and amortization	129,506	119,724	99,657
Curtailments and early retirement incentives	34,481	(40,400)	—
Interest expense and other	68,156	77,138	79,559
Income tax expense	165,710	155,955	82,066
Adjusted EBITDA	$669,556	$567,355	$384,479

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

	Fiscal year ended March 31, 2013				
	Total	Aerostructures	Aerospace Systems	Aftermarket Services	Corporate/ Eliminations
Operating income	$531,213	$469,873	$103,179	$45,380	$(87,219)
Curtailments and early retirement incentives	34,481	—	—	—	34,481
Amortization of acquired contract liabilities	(25,644)	(25,457)	(187)	—	—
Depreciation and amortization	129,506	95,884	19,870	9,118	4,634
Adjusted EBITDA	$669,556	$540,300	$122,862	$54,498	$(48,104)

	Fiscal year ended March 31, 2012				
	Total	Aerostructures	Aerospace Systems	Aftermarket Services	Corporate/ Eliminations
Operating income	$514,715	$403,414	$90,035	$31,859	$(10,593)
Curtailments and early retirement incentives	(40,400)	—	—	—	(40,400)
Amortization of acquired contract liabilities	(26,684)	(26,684)	—	—	—
Depreciation and amortization	119,724	89,113	17,363	9,487	3,761
Adjusted EBITDA	$567,355	$465,843	$107,398	$41,346	$(47,232)

	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 liabilities	(29,214)	(29,214)	—	—	—
Depreciation and amortization	99,657	69,451	17,183	11,101	1,922
Adjusted EBITDA	$384,479	$308,020	$92,475	$39,875	$(55,891)

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

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

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

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

Cost of sales increased by $198.5 million, or 7.7%, to $2.8 billion for the fiscal year ended March 31, 2013 from $2.6 billion for the fiscal year ended March 31, 2012. This increase in cost of sales resulted from the increase in sales. Gross margin for the fiscal year ended March 31, 2013 was 25.4% compared with 24.7% for the fiscal year ended March 31, 2012. Gross margin was favorably impacted by decreased pension and other postretirement benefit expense ($14.6 million), changes in the overall sales mix, as well as the margin on nonrecurring customer settlements ($9.5 million). These favorable items were partially offset by the net unfavorable cumulative catch-up adjustments on long-term contracts discussed further below.

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

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

Interest expense and other decreased by $9.0 million, or 11.6%, to $68.2 million for the fiscal year ended March 31, 2013 compared to $77.1 million for the prior year. This decrease was due to lower average debt outstanding during the fiscal year ended March 31, 2013 due to the net decrease of the Credit Facility, along with lower interest rates. During the fiscal year ended March 31, 2012, interest expense and other included the write-off of $7.7 million of unamortized discounts and deferred financing fees associated with the extinguishment of the Term Loan and an additional $2.5 million amortization of discount on the Convertible Notes offset by a $2.9 million favorable fair value adjustment due to the reduction of the fair value of a contingent earnout liability associated with a prior acquisition due to reductions in the projected earnings over the respective earnout periods. The discount on the Convertible Notes was fully amortized as of September 30, 2011.

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The effective income tax rate was 35.8% for the fiscal year ended March 31, 2013 and 35.6% for the fiscal year ended March 31, 2012. The effective income tax rate for the fiscal year ended March 31, 2013 reflects the retroactive reinstatement of the research and development tax credit back to January 2012. The income tax provision for the fiscal year ended March 31, 2013 included $2.2 million of tax expense due to the recapture of domestic production deductions taken in earlier years associated with a refund claim of $25.2 million filed in the second quarter. The refund claim receivable is included in "Other, net" in the consolidated balance sheet as of March 31, 2013. The income tax provision for the fiscal year ended March 31, 2012 included $1.6 million of tax expense due to the recapture of domestic production deductions taken in prior carryback periods, offset by a $1.2 million net tax benefit related to provision to return adjustments upon filing our fiscal 2011 tax return. The effective income tax rate for fiscal 2012 was impacted by the expiration of the research and development tax credit as of December 31, 2011 and the absence of the domestic production deduction due to the Company's net operating loss position for the fiscal year ended March 31, 2012.

In July 2011, the Company completed the sale of Triumph Precision Castings Co. for proceeds of $3.9 million, resulting in no gain or loss on the disposition. For the fiscal year ended March 31, 2013, there was no gain or loss from discontinued operations.

Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011

	Year Ended March 31,	
	2012	2011
	(in thousands)	
Net sales	$3,407,929	$2,905,348
Segment operating income	$525,308	$371,849
Corporate general and administrative expenses	(10,593)	(57,813)
Total operating income	514,715	314,036
Interest expense and other	77,138	79,559
Income tax expense	155,955	82,066
Income from continuing operations	281,622	152,411
Loss from discontinued operations, net	(765)	(2,512)
Net income	$280,857	$149,899

Net sales increased by $502.6 million, or 17.3%, to $3.4 billion for the fiscal year ended March 31, 2012 from $2.9 billion for the fiscal year ended March 31, 2011. The results for fiscal 2012 include full-year contribution from the acquisition of Vought, as compared to results from June 16, 2010 through March 31, 2011 in fiscal 2011. The acquisitions of Vought and ANS contributed $1.9 billion in net sales in fiscal 2012, as compared to $1.5 billion in net sales in fiscal 2011. Excluding the effects of the acquisitions of Vought and ANS, organic sales increased $90.9 million, or 6.6%, due to the expected increase in commercial production rates of various customer programs. The fiscal year ended March 31, 2011 was negatively impacted by 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 $333.1 million, or 14.9%, to $2.6 billion for the fiscal year ended March 31, 2012 from $2.2 billion for the fiscal year ended March 31, 2011. This increase resulted from the acquisitions noted above, which contributed an additional $264.9 million. Gross margin for the fiscal year ended March 31, 2012 was 24.7% compared with 23.2% for the fiscal year ended March 31, 2011. The improvement in gross margin was due to synergies related to acquisition of Vought, lower pension and other postretirement benefit expenses and favorable cumulative catch-up adjustments on long-term contracts discussed further below.

Segment operating income increased by $153.5 million, or 41.3%, to $525.3 million for the fiscal year ended March 31, 2012 from $371.8 million for the fiscal year ended March 31, 2011. The operating income increase was due to the contribution from the acquisitions noted above ($133.2 million) and increased organic sales ($14.3 million). The contribution of Vought included net favorable cumulative catch-up adjustments to operating income ($18.3 million) and lower pension and other postretirement benefit expenses ($34.9 million). Segment operating income also improved due to decreases in overall head count resulting in lower compensation and benefits primarily as a result of the continued integration of Vought ($19.1 million). The favorable cumulative catch-up adjustments to operating income included gross favorable adjustments of $29.5 million and gross unfavorable adjustments of $11.3 million. The cumulative catch-up adjustments were due to lower overall overhead cost assumptions, revisions in our mix of various material and labor costs related to our efforts to gain efficiencies through

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expansion of our in-sourcing capabilities and the reduction in provisions for technical problems on production lots at or near completion, net of ERP system implementation expenses.

Corporate expenses decreased by $47.2 million, or 81.7%, to $10.6 million for the fiscal year ended March 31, 2012 from $57.8 million for the fiscal year ended March 31, 2011. Corporate expenses decreased primarily due to $40.4 million in defined benefit pension plan curtailment gain, net of special termination benefits associated with amendments made to certain defined benefit plans. Corporate expenses also included $6.3 million in acquisition-related transaction and integration costs associated with the acquisition of Vought for the fiscal year ended March 31, 2012, as compared to $20.9 million for the fiscal year ended March 31, 2011. Absent the aforementioned improvements to corporate expenses were increases due to increased compensation and benefits ($4.9 million) due to increased corporate head count as a result of growth as compared to the prior year, and an increase of $1.9 million of costs related to our Mexican facility compared to the prior-year period.

Interest expense and other decreased by $2.4 million, or 3.0%, to $77.1 million for the fiscal year ended March 31, 2012 compared to $79.6 million for the prior year. This decrease was due to lower average debt outstanding during the fiscal year ended March 31, 2012 due to the extinguishment of the term loan credit agreement (the "Term Loan") in April 2011, along with lower interest rates on our revolving credit facility. Interest expense and other includes the write-off of $7.7 million of unamortized discounts and deferred financing fees associated with the extinguishment of the Term Loan, offset by a $2.9 million favorable fair value adjustment due to the reduction of the fair value of a contingent earnout liability associated with a prior acquisition due to reductions in the projected earnings over the respective earnout periods. The Company also considered these changes in projected earnings to be an indicator of impairment of the long-lived assets directly related to this acquisition and, as a result, tested these long-lived assets for recoverability and concluded that the assets were recoverable. The fiscal year ended March 31, 2011 also included an additional $4.0 million for amortization of discount on the Convertible Notes. The discount on the Convertible Notes was fully amortized as of September 30, 2011.

The effective tax rate was 35.6% for the fiscal year ended March 31, 2012 and 35.0% for the fiscal year ended March 31, 2011. The income tax provision for the fiscal year ended March 31, 2012 included $1.6 million of tax expense due to the recapture of domestic production deductions taken in prior carryback periods, offset by a $1.2 million net tax benefit related to provision to return adjustments upon filing our fiscal 2011 tax return. The effective income tax rate was impacted by the expiration of the research and development tax credit as of December 31, 2011 and the absence of the domestic production deduction due to the Company's net operating loss position for the fiscal year ended March 31, 2012. The effective income tax rate for the fiscal year ended March 31, 2011 was 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 July 2011, the Company completed the sale of Triumph Precision Castings Co. for proceeds of $3.9 million, resulting in no gain or loss on the disposition. Loss from discontinued operations before income taxes was $1.2 million for the fiscal year ended March 31, 2012, compared with a loss from discontinued operations before income taxes of $3.9 million for the fiscal year ended March 31, 2011. 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. The income tax benefit for discontinued operations was $0.4 million for the fiscal year ended March 31, 2012 compared to a benefit of $1.4 million for the prior year.

Business Segment Performance

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

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

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The Aerostructures segment consists of the Company's operations that manufacture products primarily for the aerospace OEM market. The Aerostructures segment's revenues are derived from the design, manufacture, assembly and integration of both build-to-print and proprietary metallic and composite aerostructures and structural components, including aircraft wings, fuselage sections, tail assemblies, engine nacelles, flight control surfaces as well as helicopter cabins. Further, the segment's operations also design and manufacture composite assemblies for floor panels and environmental control system ducts. These products are sold to various aerospace OEMs on a global basis.
The Aerospace Systems segment consists of the Company's operations that also manufacture products primarily for the aerospace OEM market. The segment's operations design a wide range of proprietary and build-to-print components and engineer mechanical and electromechanical controls, such as hydraulic systems, main engine gearbox assemblies, engine control systems, accumulators, mechanical control cables, non-structural cockpit components and metal processing. These products are sold to various aerospace OEMs on a global basis.
The Aftermarket Services segment consists of the Company's operations that provide maintenance, repair and overhaul services to both commercial and military markets on components and accessories manufactured by third parties. Maintenance, repair and overhaul revenues are derived from services on auxiliary power units, airframe and engine accessories, including constant-speed drives, cabin compressors, starters and generators, and pneumatic drive units. In addition, the segment's operations repair and overhaul thrust reversers, nacelle components and flight control surfaces. The segment's operations also perform repair and overhaul services and supply spare parts for various types of gauges for a broad range of commercial airlines on a worldwide basis.
We currently generate a majority of our revenue from clients in the commercial aerospace industry, the military, the business jet industry and the regional airline industry. Our growth and financial results are largely dependent on continued demand for our products and services from clients in these industries. If any of these industries experiences a downturn, our clients in these sectors may conduct less business with us. The following table summarizes our net sales by end market by business segment. The loss of one or more of our major customers or an economic downturn in the commercial airline or the military and defense markets could have a material adverse effect on our business.

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	Year Ended March 31, 2013		2012		2011	
Aerostructures						
Commercial aerospace	43.9	%	39.4	%	35.4	%
Military	18.9		23.5		26.4	
Business Jets	11.2		11.3		9.7	
Regional	0.5		0.5		0.6	
Non-aviation	0.7		0.7		1.0	
Total Aerostructures net sales	75.2	%	75.4	%	73.1	%
Aerospace Systems						
Commercial aerospace	6.3	%	5.9	%	5.7	%
Military	7.9		7.7		9.3	
Business Jets	0.7		0.8		0.8	
Regional	0.4		0.5		0.7	
Non-aviation	1.2		1.1		1.0	
Total Aerospace Systems net sales	16.5	%	16.0	%	17.5	%
Aftermarket Services						
Commercial aerospace	6.8	%	6.6	%	7.0	%
Military	1.0		0.9		1.2	
Business Jets	0.3		0.4		0.4	
Regional	0.1		0.2		0.2	
Non-aviation	0.1		0.5		0.6	
Total Aftermarket Services net sales	8.3	%	8.6	%	9.4	%
Total Consolidated net sales	100.0	%	100.0	%	100.0	%

We continue to experience a higher proportion of our sales mix in the commercial aerospace end market. We recently have experienced a slight decrease in our military end market. Due to the continued strength in the commercial aerospace end market and the planned reductions in defense spending under the Budget Act and the sequestration discussed above, we expect the declining trend in the military end market to continue.

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

	Year Ended March 31, 2013		2012		% Change		% of Total Sales 2013		2012	
	(in thousands)									
NET SALES										
Aerostructures	$2,781,344		$2,571,576		8.2	%	75.1	%	75.4	%
Aerospace Systems	615,771		551,800		11.6	%	16.6	%	16.2	%
Aftermarket Services	314,507		292,674		7.5	%	8.5	%	8.6	%
Elimination of inter-segment sales	(8,920	)	(8,121	)	9.8	%	(0.2	)%	(0.2	)%
Total net sales	$3,702,702		$3,407,929		8.6	%	100.0	%	100.0	%

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

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

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

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

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

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

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

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

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

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

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

Aftermarket Services: The Aftermarket Services segment net sales increased by $21.8 million, or 7.5%, to $314.5 million for the fiscal year ended March 31, 2013 from $292.7 million for the fiscal year ended March 31, 2012. Organic sales increased $13.7 million, or 4.7%, and the acquisition of Aviation Network Services, LLC ("ANS") contributed $8.2 million in net sales. Organic net sales increased primarily due to higher military sales and market share gains.

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

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

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

Business Segment Performance—Fiscal year ended March 31, 2012 compared to fiscal year ended March 31, 2011

	Year Ended March 31,		%	% of Total Sales	
	2012	2011	Change	2012	2011
	(in thousands)				
NET SALES					
Aerostructures	$2,571,576	$2,126,040	21.0 %	75.5 %	73.2 %
Aerospace Systems	551,800	513,435	7.5 %	16.2 %	17.7 %
Aftermarket Services	292,674	272,728	7.3 %	8.6 %	9.4 %
Elimination of inter-segment sales	(8,121)	(6,855)	18.5 %	(0.2)%	(0.2)%
Total net sales	$3,407,929	$2,905,348	17.3 %	100.0 %	100.0 %

	Year Ended March 31,		% Change	% of Segment Sales	
	2012	2011		2012	2011
	(in thousands)				
SEGMENT OPERATING INCOME					
Aerostructures	$403,414	$267,783	50.6%	15.7%	12.6%
Aerospace Systems	90,035	75,292	19.6%	16.3%	14.7%
Aftermarket Services	31,859	28,774	10.7%	10.9%	10.6%

Corporate	(10,593)	(57,813)	(81.7)%	n/a	n/a
Total segment operating income	$514,715	$314,036	63.9%	15.1%	10.8%

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	Year Ended March 31,		% Change	% of Total Sales	
	2012	2011		2012	2011
Adjusted EBITDA					
Aerostructures	$465,843	$308,020	51.2 %	18.1 %	14.5 %
Aerospace Systems	107,398	92,475	16.1 %	19.5 %	18.0 %
Aftermarket Services	41,346	39,875	3.7 %	14.1 %	14.6 %
Corporate	(47,232)	(55,891)	(15.5)%	n/a	n/a
	$567,355	$384,479	47.6 %	16.6 %	13.2 %

Aerostructures: The Aerostructures segment net sales increased by $445.5 million, or 21.0%, to $2.6 billion for the fiscal year ended March 31, 2012 from $2.1 billion for the fiscal year ended March 31, 2011. The increase was primarily due to the acquisition of Vought ($407.4 million), in addition to an increase in organic sales of $38.1 million, or 6.4% due to the increase in commercial production rates of various customer programs. The fiscal year ended March 31, 2011, was negatively impacted by the decreased demand for business jets and regional jets as well as commercial rate reductions (particularly in the 777 program).

Aerostructures cost of sales increased by $295.7 million, or 17.7%, to $1.97 billion for the fiscal year ended March 31, 2012 from $1.68 billion for the fiscal year ended March 31, 2011. The increase primarily resulted from the acquisition of Vought, which contributed an additional $262.7 million to cost of sales. Gross margin for the fiscal year ended March 31, 2012 was 23.4% compared with 21.2% for the fiscal year ended March 31, 2011. The improvement in gross margin was due to synergies related to the acquisition of Vought, lower pension and other postretirement benefit expenses and favorable cumulative catch-up adjustments on long-term contracts discussed further below.

Aerostructures segment operating income increased by $135.6 million, or 50.6%, to $403.4 million for the fiscal year ended March 31, 2012 from $267.8 million for the fiscal year ended March 31, 2011. Operating income increased due to the increase in organic sales ($4.0 million) and contribution from the acquisition of Vought ($131.6 million). The contribution of Vought included cumulative catch-up adjustments to operating income with gross favorable adjustments of $29.5 million and gross unfavorable adjustments of $11.3 million, as well as lower pension and other postretirement benefit expenses of $34.9 million, due to expected returns on plan assets exceeding interest cost, plus the amortization of prior service credits impacted by Fiscal 2011 plan amendments. The contribution of Vought also included improvements due to decreases in overall head count resulting in lower compensation and benefits primarily as a result of the continued integration ($18.5 million). These same factors contributed to the increase in Adjusted EBITDA year over year.

Aerostructures segment operating income as a percentage of segment sales increased to 15.7% for the fiscal year ended March 31, 2012 as compared with 12.6% for the fiscal year ended March 31, 2011, due to the net favorable cumulative catch-up adjustments and lower pension and other postretirement benefit expenses discussed above, which also caused the improvements in Adjusted EBITDA margin.

Aerospace Systems: The Aerospace Systems segment net sales increased by $38.4 million, or 7.5%, to $551.8 million for the fiscal year ended March 31, 2012 from $513.4 million for the fiscal year ended March 31, 2011. Net sales increased due to continued improvements in the broader commercial market and benefits from large outsourcing programs.

Aerospace Systems cost of sales increased by $17.2 million, or 4.8%, to $376.1 million for the fiscal year ended March 31, 2012 from $358.9 million for the fiscal year ended March 31, 2011. The increase resulted primarily from increased net sales. Gross margin for the fiscal year ended March 31, 2012 was 31.8% compared with 30.1% for the fiscal year ended March 31, 2011. The improvement in gross margin was due to changes in our sales mix, as well as increased efficiencies in production associated with higher volume of work.

Aerospace Systems segment operating income increased by $14.7 million, or 19.6%, to $90.0 million for the fiscal year ended March 31, 2012 from $75.3 million for the fiscal year ended March 31, 2011. Operating income increased primarily due to increases in gross margin ($9.0 million) due to sales mix and increased efficiencies in production associated with higher volume of work and increased sales ($12.2 million), offset by increased legal fees ($2.4 million) due in part to the inclusion in the prior year of the net recovery of $0.8 million of prior legal costs and increased development costs ($4.6 million). These same factors contributed to the increase in Adjusted EBITDA year over year.

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Aerospace Systems segment operating income as a percentage of segment sales increased to 16.3% for the fiscal year ended March 31, 2012 as compared with 14.7% for the fiscal year ended March 31, 2011, due to improvements in gross margin as noted above, which also caused the improvements in Adjusted EBITDA margin.

Aftermarket Services: The Aftermarket Services segment net sales increased by $19.9 million, or 7.3%, to $292.7 million for the fiscal year ended March 31, 2012 from $272.7 million for the fiscal year ended March 31, 2011. The acquisition of ANS contributed $4.2 million of increased net sales. Organic net sales increased due to continued improvement in global commercial air traffic and decreases in airline inventory de-stocking.

Aftermarket Services cost of sales increased by $17.1 million, or 8.3%, to $221.6 million for the fiscal year ended March 31, 2012 from $204.6 million for the fiscal year ended March 31, 2011. The increase resulted primarily from increased net sales. Gross margin for the fiscal year ended March 31, 2012 was 24.3% compared to 25.0% for the fiscal year ended March 31, 2011. The decline in gross margin was impacted by the changes in our sales mix, partially offset by increased efficiencies in production associated with higher volume of work.

Aftermarket Services segment operating income increased by $3.1 million, or 10.7%, to $31.9 million for the fiscal year ended March 31, 2012 from $28.8 million for the fiscal year ended March 31, 2011. Operating income increased primarily due to contribution from the acquisition of ANS ($1.6 million) and increased efficiencies in production associated with higher volume of work ($0.9 million). Also, the period was favorably impacted by decreased depreciation and amortization expense ($1.6 million) as certain intangible assets became fully depreciated during fiscal 2011, offset by $1.1 million in increased bad debt reserves associated with the bankruptcies of American Airlines, Pinnacle and Aveos. These same factors contributed to the increase in Adjusted EBITDA year over year; however, the growth in Adjusted EBITDA was less than the growth in operating income, as depreciation and amortization was lower in fiscal year 2012 versus fiscal year 2011.

Aftermarket Services segment operating income as a percentage of segment sales increased to 10.9% for the fiscal year ended March 31, 2012 as compared with 10.6% for the fiscal year ended March 31, 2011, due to the increase in sales volume and related efficiencies noted above. However, the Adjusted EBITDA margin declined as $1.6 million of our operating income improvement was due to lower depreciation and amortization, which does not impact Adjusted EBITDA.

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

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

We continue to invest in inventory for new programs and additional production costs for ramp-up activities in support of increasing build rates on several programs. During fiscal 2013, inventory build for capitalized pre-production costs on new programs, including the Bombardier Global 7000/8000 program, was $51.8 million, an increase of $32.4 million, compared to the prior year. Additionally, inventory build for mature programs, including costs associated with announced increasing build rates on several programs was approximately $47.9 million, a decrease of $6.4 million compared to the same period in the prior year. Unliquidated progress payments netted against inventory decreased $40.3 million due to timing of receipts. Capitalized pre-production costs are expected to continue to increase, while our production is expected to remain flat over the next few quarters.

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

As of March 31, 2013, $872.7 million was available under our revolving credit facility (the “Credit Facility”). On March 31, 2013, an aggregate amount of approximately $95.8 million was outstanding under the Credit Facility, all of which

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was accruing interest at LIBOR plus applicable basis points totaling 2.00% per annum. Amounts repaid under the Credit Facility may be reborrowed.

On May 23, 2012, the Company amended the Credit Facility with its lenders to (i) increase the availability under the Credit Facility to $1,000.0 million, with a $50.0 million accordion feature, from $850.0 million, (ii) extend the maturity date to May 23, 2017 and (iii) amend certain other terms and covenants. The amendment resulted in a more favorable pricing grid and a more streamlined package of covenants and restrictions.

Pursuant to the Credit Facility, the Company can borrow, repay and re-borrow revolving credit loans, and cause to be issued letters of credit, in an aggregate principal amount not to exceed $1,000.0 million outstanding at any time. The Credit Facility bears interest at either: (i) LIBOR plus between 1.50% and 2.75%; (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 0.30% and 0.50% 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, payment of dividends and incurrence of debt. As of March 31, 2013, the Company was in compliance with all such covenants.

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

Cash flows from operating activities for the fiscal year ended March 31, 2012 increased $85.5 million or 60.1%, from the fiscal year ended March 31, 2011. This increase was comprised of an increase in cash flows from earnings of $189.4 million, partially offset by cash used for working capital of $106.1 million. Cash from earnings is net income exclusive of non-cash charges such as depreciation, amortization and deferred taxes.

For the fiscal year ended March 31, 2012, we had a net cash inflow of $227.8 million from operating activities, an inflow increase of $85.5 million compared to a net cash inflow of $142.3 million for the fiscal year ended March 31, 2011. During fiscal 2012, net cash provided by operating activities was primarily due to increased receipts of approximately $578.8 million due to the full-year contribution from the fiscal 2011 acquisition of Vought.

During fiscal 2012, we began to invest in inventory for new programs and additional production costs for ramp-up activities in support of increasing build rates on several programs. During fiscal 2012, inventory build for capitalized pre-production costs on new programs, including the Bombardier Global 7000/8000 program, was $19.4 million. Additionally, inventory build for mature programs, including costs associated with announced increasing build rates on several programs was approximately $54.3 million. Unliquidated progress payments netted against inventory increased $26.2 million due to timing of receipts. Net cash inflows from operating activities for the fiscal year ended March 31, 2012 included the receipt of an income tax refund of $29.3 million as a result of carrying back prior year's tax losses incurred as part of the acquisition of Vought from fiscal 2011.

Cash flows used in investing activities for the fiscal year ended March 31, 2012 decreased $349.2 million from the fiscal year ended March 31, 2011. Our cash flows used in investing activities decreased as the fiscal year ended March 31, 2011 included the acquisition of Vought ($333.1 million). Cash flows used in investing activities for the fiscal year ended March 31, 2012 included $20.0 million in funds received from escrow on the acquisition of Vought for the settlement of opening balance sheet liabilities, offset by $7.3 million in cash payments for the acquisition of Aviation Network Services, LLC. Cash flows from financing activities for the fiscal year ended March 31, 2012 decreased $324.6 million from the fiscal year ended March 31, 2011 due to the extinguishment of the Term Loan ($350.0 million), the redemption of certain Convertible Notes ($50.4 million), and the payment of contingent earnouts and deferred acquisition payments ($7.3 million).

At March 31, 2013, $27.4 million of cash and cash equivalents were held by foreign subsidiaries and were primarily denominated in foreign currencies. If these amounts would be remitted as dividends, the Company may be subject to additional U.S. taxes, net of allowable foreign tax credits. We currently expect to utilize the balances to fund our foreign operations,

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including $11.3 million used in May 2013 in part to fund the acquisition of Triumph Structures-Farnborough and Triumph Structures-Thailand.

In June 2010, the Company issued the 2018 Notes for $350.0 million in principal amount. The 2018 Notes were sold at 99.27% 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 semiannually 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 99.50% of the principal amount, were used to consummate the acquisition of Vought. In connection with the closing on the Term Loan, the Company incurred approximately $7.1 million of costs, which were deferred and were to be amortized into expense over the term of the Term Loan. As noted above, however, the Term Loan was extinguished in April 2011.

In February 2013, the Company amended its $175.0 million receivable securitization facility (the "Securitization Facility") extending the term through February 2016. 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, 2013, the maximum amount available under the Securitization Facility was $175.0 million of which there was $150.0 million outstanding. Interest rates are based on prevailing market rates for short-term commercial paper plus a program fee and a commitment fee. The program fee is 0.43% on the amount outstanding under the Securitization Facility. Additionally, the commitment fee is 0.43% on 102% of the maximum amount available under the Securitization Facility. 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.

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 semiannually in cash in arrears on May 15 and November 15 of each year. In connection with the issuance of the 2017 Notes, the Company incurred approximately $4.4 million of costs, which were deferred and are being amortized on the effective interest method over the term of the notes.

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 6.2% 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 29, 2013, 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 "Convertible Notes"). The Convertible Notes are direct, unsecured, senior subordinated obligations of the Company, and rank (i) junior in right of payment to all of 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 then-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. Debt issuance costs were fully amortized as of September 30, 2011.

The Convertible Notes bear interest at a fixed rate of 2.625% per annum, payable in cash semiannually in arrears on each April 1 and October 1 beginning April 1, 2007. During the period commencing on October 6, 2011 and ending on, but excluding, April 1, 2012 and each 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 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. The value of the derivative was determined to be de minimis. Accordingly, no value has been assigned at issuance or at March 31, 2013.

The Convertible Notes mature on October 1, 2026 unless earlier redeemed, repurchased or converted. The Company may redeem the Convertible Notes for cash, either in whole or in part, anytime on or after October 6, 2011 at a redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of redemption. In addition, holders of the Convertible Notes will have the right to require the Company to repurchase for cash all or a portion of their Convertible Notes on October 1, 2011, 2016 and 2021, at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to, but not including, the date of repurchase. The Convertible Notes are convertible into the Company's common stock at a rate equal to 36.8162 shares per $1 principal amount of the Convertible Notes (equal to an initial conversion price of approximately $27.16 per share), subject to adjustment as described in the Indenture. Upon conversion, the Company will deliver to the holder surrendering the Convertible Notes for conversion, for each $1 principal amount of Convertible Notes, an amount consisting of cash equal to the lesser of $1 and the Company's total conversion obligation and, to the extent that the Company's total conversion obligation exceeds $1, at the Company's election, cash or shares of the Company's common stock in respect of the remainder.

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, 2013, the Convertible Notes were eligible for conversion. In March and April 2013, the Company received notice of conversion from holders of $77.3 million in principal value of the Convertible Notes. These conversions were settled in first quarter of fiscal 2014 with the principal settled in cash and the conversion benefit settled through the issuance of approximately 1,844,714 shares. In April 2013, 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, 2013, the closing price of the Company's common stock was greater than or equal to 130% of the conversion price of such notes on the last trading day. Under the terms of the Convertible Notes, the increase in the Company's stock price triggered a provision, which gave holders of the Convertible Notes a put option through June 30, 2013. Accordingly, the balance sheet classification of the Convertible Notes will be short term for as long as the put option remains in effect.

To be included in the calculation of diluted earnings per share, the average price of the Company's common stock for the fiscal year must exceed the conversion price per share of $27.16. The average price of the Company's common stock for the fiscal years ended March 31, 2013, 2012 and 2011 was $64.30, $53.26 and $39.48, respectively. Therefore, 2,400,439 , 2,606,189 and 2,040,896 additional shares, respectively, were included in the diluted earnings per share calculation.

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.

Prior to fiscal 2011, the Company paid $19.4 million to purchase $22.2 million in principal amount of the Convertible Notes. During the fiscal years ended March 31, 2013 and 2012, the Company settled the conversion of $19.3 million and $50.4 million, respectively, in principal value of the Convertible Notes, as requested by the respective holders, with the principal settled in cash and the conversion benefit settled through the issuance of 395,269 and 772.438 shares, respectively.

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.

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Capital expenditures were $126.9 million for the fiscal year ended March 31, 2013 which includes the construction of our facilities in Red Oak, Texas. We funded these expenditures through cash from operations and borrowings under the Credit Facility. We expect capital expenditures and investments in new major programs of approximately $340.0 million to $360.0 million for our fiscal year ending March 31, 2014, of which $115.0 million will be reflected in inventory. The expenditures are expected to be used mainly to expand capacity or replace old equipment at several facilities.

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

Contractual Obligations	Payments Due by Period Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
	(in thousands)				
Debt principal(1)	$1,333,386	$133,930	$178,412	$283,213	$737,831
Debt-interest(2)	350,646	66,763	129,400	119,766	34,717
Operating leases	91,536	20,953	43,045	9,018	18,520
Contingent payments	3,600	1,600	900	1,100	—
Purchase obligations	1,715,542	1,076,575	618,556	20,092	319
Total	$3,494,710	$1,299,821	$970,313	$433,189	$791,387

(1) Included in the Company's consolidated balance sheet at March 31, 2013, plus discounts on 2017 Notes and 2018 Notes of $1.7 million and $1.9 million, respectively, being amortized to expense through November 2017 and July 2018, respectively.

(2) Includes fixed-rate interest only.

The above table excludes unrecognized tax benefits of $7.7 million as of March 31, 2013 since we cannot predict with reasonable certainty the timing of cash settlements with the respective taxing authorities.

During the fiscal year ended March 31, 2013, the Company committed to relocate the operations of its largest facility in Dallas, TX and to expand its Red Oak, Texas ("Red Oak") facility to accommodate this relocation. The Company incurred approximately $18.1 million in capital expenditures during the fiscal year ended March 31, 2013 associated with this plan, and expects total capital expenditures to be between approximately $90.8 million to $102.0 million related to the expansion of Red Oak. The Company incurred approximately $1.8 million of expenses related to the relocation during fiscal year 2013 and expects to incur approximately $28.0 million to $40.0 million for the fiscal year end March 31, 2014. The relocation is expected to be completed in early fiscal 2015.

In addition to the financial obligations detailed in the table above, we also had obligations related to our benefit plans at March 31, 2012 as detailed in the following table. Our other postretirement benefits are not required to be funded in advance, so benefit payments are paid as they are incurred. Our expected net contributions and payments are included in the table below:

	Pension Benefits	Other Postretirement Benefits
	(in thousands)	
Projected benefit obligation at March 31, 2013	$2,390,201	$347,555
Plan assets at March 31, 2013	2,030,210	—
Projected contributions by fiscal year		
2014	115,700	33,057
2015	40,000	28,703
2016	40,000	28,291
2017	40,000	28,013
2018	—	27,547
Total 2014 - 2018	$235,700	$145,611

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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 May 6, 2013, the Company acquired Primus Composites from Precision Castparts Corp. for $33.5 million in cash and $30.0 million in assumed debt settled at closing.

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

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

CRITICAL ACCOUNTING POLICIES

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

Allowance for Doubtful Accounts

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

Inventories

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

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

Work-in-process inventory includes capitalized pre-production costs. Company policy allows for the capitalization of pre-production costs after it establishes a contractual arrangement with a customer that explicitly states that the cost of recovery of pre-production costs is allowed. Capitalized pre-production costs include nonrecurring engineering, planning and design, including applicable overhead, incurred before production is manufactured on a regular basis. Significant customer-directed work changes can also cause pre-production costs to be incurred. These costs are typically recovered over a contractually determined number of ship set deliveries and the Company believes these amounts will be fully recovered. The balance of capitalized pre-production costs at March 31, 2013 was $71.2 million. We are still in the early development stages for the

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Bombardier Global 7000/8000 program, as these aircrafts are not scheduled to enter service until 2014 or later. Transition of this program from development to recurring production levels is dependent upon the success of the program at achieving flight testing and certification, as well as the ability of the Bombardier Global 7000/8000 program to generate acceptable levels of aircraft sales.

Revenue and Profit Recognition

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

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

- Under the cost-to-cost method, progress toward completion is measured as the ratio of total costs incurred to our estimate of total costs at completion. We recognize costs as incurred. Profit is determined based on our estimated profit margin on the contract multiplied by our progress toward completion. Revenue represents the sum of our costs and profit on the contract for the period.
- Under the units-of-delivery method, revenue on a contract is recorded as the units are delivered and accepted during the period at an amount equal to the contractual selling price of those units. The costs recorded on a contract under the units-of-delivery method are equal to the total costs at completion divided by the total units to be delivered. As our contracts can span multiple years, we often segment the contracts into production lots for the purposes of accumulating and allocating cost. Profit is recognized as the difference between revenue for the units delivered and the estimated costs for the units delivered.

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

For the fiscal year ended March 31, 2013, cumulative catch-up adjustments resulting from changes in estimates decreased operating income, net income and earnings per share by approximately $(14.6) million, $(9.3) million and $(0.18), respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2013 included gross favorable adjustments of approximately $15.9 million and gross unfavorable adjustments of approximately $30.5 million. For the fiscal year ended March 31, 2012, cumulative catch-up adjustments resulting from changes in estimates increased operating income, net income and earnings per share by approximately $18.3 million, $11.8 million and $0.23, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2012 included gross favorable adjustments of approximately $29.5 million and gross unfavorable adjustments of approximately $11.3 million.

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

Although fixed-price contracts, which extend several years into the future, generally permit us to keep unexpected profits if costs are less than projected, we also bear the risk that increased or unexpected costs may reduce our profit or cause the Company to sustain losses on the contract. In a fixed-price contract, we must fully absorb cost overruns, notwithstanding the 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.

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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 fiscal years ended March 31, 2013, 2012 and 2011, we recognized $25.5 million, $26.7 million and $29.2 million, respectively, in net sales in our consolidated statements of income.

The Aftermarket Services Group provides repair and overhaul services, certain of which are provided under long-term power-by-the-hour contracts, comprising approximately 6% of the segment's fiscal 2013 net sales. The Company applies the proportional performance method to recognize revenue under these contracts. Revenue is recognized over the contract period as units are delivered based on the relative value in proportion to the total estimated contract consideration. In estimating the total contract consideration, management evaluates the projected utilization of its customer's fleet over the term of the contract, in connection with the related estimated repair and overhaul servicing requirements to the fleet based on such utilization. Changes in utilization of the fleet by customers, among other factors, may have an impact on these estimates and require adjustments to estimates of revenue to be realized.

Goodwill and Intangible Assets

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

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

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

The first step of the quantitative test is to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further work is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then the second step is required to be completed, which involves allocating the fair value of the reporting unit to each asset and liability, with the excess being applied to goodwill. An impairment loss occurs if the amount of the recorded goodwill exceeds the implied goodwill. The determination of the fair value of our reporting units is based, among other things, on estimates of future operating

performance of the reporting unit being valued. We are required to complete an impairment test for goodwill and record any resulting impairment losses at least annually. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments.
When performing the two-step quantitative impairment test, the Company's methodology includes the use of an income approach which discounts future net cash flows to their present value at a rate that reflects the Company's cost of capital, otherwise known as the discounted cash flow method ("DCF"). These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued market acceptance of the products

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

We incurred no impairment of goodwill as a result of our annual goodwill impairment tests in fiscal years 2013, 2012 or 2011. In the fourth quarter of fiscal 2013, the qualitative assessment performed for each of the Company's indefinite-lived intangible assets indicated that it is more likely than not that the fair value of the indefinite-lived intangible assets exceeded its carrying amount and, therefore, the quantitative assessment was not performed.

As of March 31, 2013 and 2012, the Company had a $438.6 million and $425.0 million indefinite-lived intangible asset associated with the Vought and Embee tradenames. The Company assesses whether indefinite-lived intangible assets impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on this qualitative assessment the Company determines it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed to determine whether an indefinite-lived intangible asset impairment exists. We test the indefinite-lived intangible assets for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess carry value over the amount of fair value is recognized as an impairment.

We incurred no impairment of indefinite-lived intangible assets as a result of our annual indefinite-lived intangible assets impairment tests in fiscal years 2013, 2012 or 2011. In the fourth quarter of Fiscal 2013, the qualitative assessment performed for each of the Company's three reporting units indicated that it is more likely than not that the fair value of the reporting unit exceeded its carrying amount, including indefinite-lived intangible assets, and, therefore, the quantitative assessment was not performed.

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 the remaining life of the long-lived assets, including intangible assets, is used to measure recoverability. Some of the more important factors we consider include our financial performance relative to our expected and historical performance, significant changes in the way we manage our operations, negative events that have occurred, and negative industry and economic trends. If the carrying amount is less than the estimated fair value, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset group, generally determined based on the present value of expected future cash flows associated with the use of the asset.

During the fiscal year ended March 31, 2012, a $2.9 million favorable fair value adjustment was recorded due to the reduction of the fair value of a contingent earnout liability associated with a prior acquisition due to changes in the projected earnings over the respective earnout periods. The Company also considered these changes in projected earnings to be an indicator of impairment of the long-lived assets directly related to this acquisition and, as a result, tested these long-lived assets for recoverability and concluded that the asset group was recoverable. For the fiscal years ended March 31, 2013, 2012 and 2011, 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 of Vought based on the present value of the difference between the contractual cash flows of the executory contracts and the estimated cash flows had the contracts been executed at the acquisition date. The liabilities principally relate to long-term life of program contracts that were initially executed by Vought over 15 years ago, as well as loss contracts for which Vought had recognized significant pre-acquisition contract loss reserves.

In connection with our acquisition of GPECS, we assumed existing long-term contracts. Based on our review of the long-term contracts of GPECS, 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 provisional acquired contract

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liabilities, net of acquired contract assets of $80.0 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. We measured these net liabilities under the measurement provisions of ASC 820, Fair Value Measurements and Disclosures, which is based on the price to transfer the obligation to a market participants at the measurement date, assuming that the net liabilities will remain outstanding in the marketplace. The liabilities principally relate to long-term life of program contracts were initially executed by GPECS 5 - 8 years ago. These net liabilities will be amortized in accordance with the underlying economic pattern of obligations, as reflected by the net cash outflows incurred on the long-term contracts assumed. As we finalize the fair value of acquired long-term contracts, additional purchase price adjustments will be recorded during the measurement period during fiscal 2014. Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each long-term contracts can materially impact our results of operations. The finalization of the purchase accounting assessment will result in changes in the valuation of the long-term contracts and may have a material impact on our results of operations and financial position.

The acquired contract liabilities, net for Vought and GPECS are being amortized as non-cash revenues over the terms of the respective contracts. The Company recognized net amortization of contract liabilities of approximately $25.6 million, $26.7 million and $29.2 million in the fiscal years ended March 31, 2013, 2012 and 2011, respectively, and such amounts have been included in revenues in our results of operations. The balance of the liability as of March 31, 2013 is approximately $123.0 million and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows 2014—$28.1 million; 2015—$20.6 million; 2016—$16.0 million; 2017—$15.2 million; 2018—$8.5 million; Thereafter—$34.6 million.

Postretirement Plans

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

The assumed discount rate utilized is based on a point-in-time estimate as of our annual measurement date or as of remeasurement dates as needed. This rate is determined based upon a review of yield rates associated with long-term, high-quality corporate bonds as of the measurement date and use of models that discount projected benefit payments using the spot rates developed from the yields on selected long-term, high-quality corporate bonds. The effects of hypothetical changes in the discount rate for a single year may not be representative and may be asymmetrical or nonlinear for future years because of the application of the accounting corridor. The accounting corridor is a defined range within which amortization of net gains and losses is not required. The discount rate at March 31, 2013 decreased to 4.07% from 4.62% at March 31, 2012.

The assumed expected long-term rate of return on assets is the weighted-average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the Projected Benefit Obligation ("PBO"). The expected average long-term rate of return on assets is based on several factors including actual historical market index returns, anticipated long-term performance of individual asset classes with consideration given to the related investment strategy, plan expenses and the potential to outperform market index returns. This rate is utilized principally in calculating the expected return on plan assets component of the annual pension expense. To the extent the actual rate of return on assets realized over the course of a year differs from the assumed rate, that year's annual pension expense is not affected. The gain or loss reduces or increases future pension expense over the average remaining service period of active plan participants expected to receive benefits. The expected long-term rate of return for fiscal 2014 and 2013, respectively, is 8.25%, compared to 8.50% for fiscal 2012.

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, 2013. Employees achieve eligibility to participate in these contributory plans upon retirement from active service if they meet specified age and years of service requirements. Election to participate for eligible employees must be made at the date of retirement. Qualifying dependents at the date of retirement are also eligible for medical coverage. Current plan documents reserve our right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees. From time to time, we have made changes to the benefits provided to various groups of plan participants. Premiums charged to most retirees for medical coverage prior to

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

In accordance with the ASC 715, 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.

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

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

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

The following summarizes the key events whose effects on our net periodic benefit cost and obligations that occurred during the fiscal years ended March 31, 2013 and 2012:

- In April 2012, the Company completed an early retirement incentive offer with a portion of its second largest union-represented group of production and maintenance employees. The early retirement incentive offer provided for an increase in the pension benefits payable to covered employees who retire no later than November 30, 2012. This early retirement incentive resulted in a special termination benefit expense of $1.2 million and is presented on the accompanying Consolidated Statement of Income as "Curtailments and early retirement incentive expense."
- In July 2012, the Company completed a similar early retirement incentive offer to its non-represented employee participants. This early retirement incentive provided for an increase in the termination benefits payable through the pension plan to covered employees who retire no later than November 30, 2012. This early retirement incentive resulted in a special termination benefit expense of $2.0 million and is presented on the accompanying consolidated statement of income as a component of "Curtailments and early retirement incentive expense," as well as severance charges of $1.2 million included in "Acquisition and integration expenses" on the accompanying Consolidated Statement of Income.
- In October 2012, the Company completed an early retirement incentive offer with a portion of its largest union-represented group of production and maintenance employees. The early retirement offer provided for an increase in the pension benefits to covered employees who retire no later than March 31, 2013. This early retirement incentive resulted in a special termination benefit expense of $2.0 million and is presented on the accompanying Consolidated Statement of Income within "Curtailments and early retirement incentives."
- In February 2013, the Company completed a second early retirement incentive offer with an expanded portion of its largest union-represented group of production and maintenance employees. The early retirement offer provided for the same increase, as the October 2012 offer, in pension benefits to covered employees who retire no later than September 1, 2013. This early retirement incentive resulted in a special termination benefit expense of $5.7 million. In addition, the Company concluded that the February 2013 offer and the October 2012 offer represented such similar actions that they needed to be combined to assess whether the resulting change in the remaining service period indicated that a curtailment had occurred. The Company concluded that a curtailment had occurred and recorded a curtailment loss of $21.8 million included in "Curtailments and early retirement incentives" on the Consolidated

Statement of Income for the fiscal year ended March 31, 2013.

- In February 2013, the Company committed to a plan to relocate from its largest operating facility. In connection with this relocation plan, the Company will exit this facility's Fabrications operations resulting in the termination of a number of defined benefit plan participants. The Company concluded that these terminations will result in a

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significant reduction in the remaining service period and recorded a curtailment loss of $1.8 million included in "Curtailments and early retirement incentives" on the Consolidated Statement of Income for the fiscal year ended March 31, 2013.

- In December 2011, the Company negotiated the termination of one its smaller defined benefit plans. This termination resulted in a $1.6 million special termination benefit, included in the "Curtailments and early retirement incentives", on the Consolidated Statement of Income for the fiscal year ended March 31, 2012.
- In February 2012, the Company's second largest union-represented group of production and maintenance employees ratified a new collective bargaining agreement. The agreement provides actively employed participants the option to elect a lump-sum distribution upon retirement effective April 1, 2012. This change resulted in reduction to the projected benefit obligation of approximately $7.1 million.
- In March 2012, the Company announced an amendment to the retirement plans of its non-represented employee participants. Effective April 1, 2013, most actively employed participants with 30 years of service and certain highly compensated employees as of April 1, 2012 will no longer continue to accrue a benefit. Those changes resulted in a reduction of the projected pension obligation of approximately $56.7 million and a related curtailment gain of $42.4 million included in "Curtailment and early retirement incentives", on the Consolidated Statement of Income for the fiscal year ended March 31, 2012.

Pension income, excluding curtailments and special termination benefits (early retirement incentives) for the fiscal year ended March 31, 2013 was $26.0 million compared with pension income of $14.0 million for the fiscal year ended March 31, 2012 and $18.8 million for the fiscal year ended March 31, 2011. For the fiscal year ending March 31, 2014, the Company expects to recognize pension income of approximately $31.0 million. Excluding the effect of the net curtailments in fiscal 2013, the increase in expected pension income in fiscal year 2014 results principally from asset performance in fiscal year 2013 exceeding the expected long-term rate of return on plan assets.

Recently Issued Accounting Pronouncements

In July 2012, the Financial Accounting Standards Board ("FASB") issued authoritative guidance included in ASC Topic 350, Intangibles-Goodwill and Other. This guidance permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of an indefinite-lived intangible asset is impaired, as a basis for determining whether it is necessary to perform the quantitative impairment test described in FASB ASC Topic 350, Intangibles-Goodwill and Other. This guidance allows the Company to adopt the topic early to use it in its annual impairment testing for the fiscal year ending March 31, 2013. The Company does not expect this guidance to have a significant impact on the Company's consolidated balance sheets, statements of income, or statements of cash flows.

In December 2011, the FASB issued Accounting Standards Update ("ASU") 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities ("ASU 2011-11"). The amendments in this update will require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendments are intended is to enhance required disclosures by improving information about financial instruments and derivative instruments that are either offset in accordance with FASB guidance or are subject to an enforceable master netting arrangement; irrespective of whether they are offset in accordance with FASB guidance. The provisions of ASU 2011-11 are effective for annual reporting periods beginning on or after January 1, 2013. The adoption of the provisions of ASU 2011-11 is not expected to have a material impact on the Company's consolidated financial statements.

Effective March 31, 2012, the Company retrospectively adopted ASU 2011-05, Presentation of Comprehensive Income ("ASU 2011-05"). ASU 2011-05 was issued to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in Other Comprehensive Income ("OCI"). This guidance requires that all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements where the first statement includes the components of net income and the second statement includes the components of OCI. Regardless of whether an entity chooses to present comprehensive income in a single continuous statement or in two separate but consecutive statements, the guidance also would have required an entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. However, subsequent to the issuance of ASU 2011-05, this requirement that companies present reclassification adjustments for each component of OCI in both net income and OCI on the face of the financial statements was deferred for further evaluation. The deferral did not change the requirement to present items of net income, items of other comprehensive income and total comprehensive income in either one continuous statement or two separate consecutive statements. The Company has elected to present two separate consecutive statements. The adoption of this

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standard resulted in a change in presentation and additional footnote disclosure that did not have a significant impact on the Company.

Forward-Looking Statements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

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

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

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

Foreign Exchange Risk

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

We are subject to foreign currency exchange rate risk relating to receipts from customers and payments to suppliers in foreign currencies. We use foreign currency forward contracts to hedge the price risk associated with forecasted foreign denominated payments related to our ongoing business. Foreign currency forward contracts are sensitive to changes in foreign currency exchange rates. At March 31, 2013, a 10% change in the exchange rate in our portfolio of foreign currency contracts would not have material impact on our unrealized gains. Consistent with the use of these contracts to neutralize the effect of exchange rate fluctuations, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions being hedged. When taken together, these forward currency contracts and the offsetting underlying commitments do not create material market risk.

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Interest Rate Risk

Our primary exposure to market risk consists of changes in interest rates on borrowings. An increase in interest rates would adversely affect our operating results and the cash flow available after debt service to fund operations and expansion. In addition, an increase in interest rates would adversely affect our ability to pay dividends on our common stock, if permitted to do so under certain of our debt arrangements, including the Credit Facility. We manage exposure to interest rate fluctuations by optimizing the use of fixed and variable rate debt. As of March 31, 2013, approximately 62% 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. 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, 2013. Variable interest rates disclosed fluctuate with the LIBOR, federal funds rates and other weekly rates and represent the weighted-average rate at March 31, 2013.

Expected Years of Maturity

	Next 12 Months	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	Thereafter	Total
Fixed-rate cash flows (in thousands)	$124,703	$13,964	$14,442	$4,026	$183,339	$735,344	$1,075,818
Weighted-average interest rate (%)	6.63 %	6.85 %	6.87 %	6.88 %	6.78 %	4.54 %	
Variable-rate cash flows (in thousands)	$—	$150,000	$—	$—	$95,849	$2,178	$248,027
Weighted-average interest rate (%)	1.19 %	1.19 %	1.19 %	1.74 %	1.74 %	2.50 %	

There are no other significant market risk exposures.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Triumph Group, Inc. as of March 31, 2013 and 2012, 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, 2013. 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, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2013, 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, 2013, 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 29, 2013 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
May 29, 2013

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

	March 31, 2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$32,037	$29,662
Trade and other receivables, less allowance for doubtful accounts of $5,372 and $3,900	433,926	440,608
Inventories, net of unliquidated progress payments of $124,128 and $164,450	987,702	817,956
Rotable assets	34,853	34,554
Deferred income taxes	99,546	114,962
Prepaid expenses and other	23,525	23,344
Assets held for sale	14,747	—
Total current assets	1,626,336	1,461,086
Property and equipment, net	815,548	733,380
Goodwill	1,745,321	1,546,138
Intangible assets, net	929,413	829,676
Deferred income taxes, noncurrent	627	527
Other, net	66,260	26,417
Total assets	$5,183,505	$4,597,224
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$133,930	$142,237
Accounts payable	327,634	266,124
Accrued expenses	272,238	311,620
Liabilities related to assets held for sale	2,621	—
Total current liabilities	736,423	719,981
Long-term debt, less current portion	1,195,933	1,016,625
Accrued pension and other postretirement benefits, noncurrent	671,175	700,125
Deferred income taxes, noncurrent	331,061	230,837
Other noncurrent liabilities	203,755	136,287
Stockholders' equity:		
Common stock, $.001 par value, 100,000,000 shares authorized, 50,123,035 and 49,590,273 shares issued; 50,123,035 and 49,531,740 shares outstanding	50	50
Capital in excess of par value	848,372	833,935
Treasury stock, at cost, 0 and 58,533 shares	—	(1,716)
Accumulated other comprehensive loss	(60,972)	(9,306)
Retained earnings	1,257,708	970,406
Total stockholders' equity	2,045,158	1,793,369
Total liabilities and stockholders' equity	$5,183,505	$4,597,224

See notes to consolidated financial statements.

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

	Year ended March 31,		
	2013	2012	2011
Net sales	$3,702,702	$3,407,929	$2,905,348
Operating costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	2,763,488	2,564,995	2,231,864
Selling, general and administrative	241,349	242,553	238,889
Depreciation and amortization	129,506	119,724	99,657
Acquisition and integration expenses	2,665	6,342	20,902
Curtailments and early retirement incentives	34,481	(40,400)	—
	3,171,489	2,893,214	2,591,312
Operating income	531,213	514,715	314,036
Interest expense and other	68,156	77,138	79,559
Income from continuing operations before income taxes	463,057	437,577	