TRIUMPH GROUP INC
Form 10-Q
February 04, 2016
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United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended December 31, 2015

or

¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From _________ to ________

Commission File Number: 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 No.)
899 Cassatt Road, Suite 210, Berwyn, PA	19312
(Address of principal executive offices)	(Zip Code)

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

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 S No £

Indicate by check mark whether the registrant has submitted electronically and has 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 S No £

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 Exchange Act. (Check one)

Large accelerated filer	ý	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

(Do not check if a smaller reporting
company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes £ No S

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value $0.001 per share, 49,328,999 shares outstanding as of February 2, 2016.

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Part I. Financial Information

Item 1. Financial Statements.

Triumph Group, Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands, except per share data)

	December 31, 2015 (unaudited)	March 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$41,690	$32,617
Trade and other receivables, less allowance for doubtful accounts of $7,348 and $6,475	484,796	521,601
Inventories, net of unliquidated progress payments of $154,414 and $189,923	1,661,273	1,280,274
Rotable assets	52,478	48,820
Prepaid and other current assets	32,800	23,069
Total current assets	2,273,037	1,906,381
Property and equipment, net	915,021	950,734
Goodwill	2,042,828	2,024,846
Intangible assets, net	709,470	966,365
Other, net	108,500	107,999
Total assets	$6,048,856	$5,956,325
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$42,759	$42,255
Accounts payable	359,999	429,134
Accrued expenses	411,444	411,848
Total current liabilities	814,202	883,237
Long-term debt, less current portion	1,638,195	1,326,345
Accrued pension and other postretirement benefits	460,870	538,381
Deferred income taxes	269,677	261,100
Other noncurrent liabilities	698,497	811,478
Stockholders' equity:		
Common stock, $.001 par value, 100,000,000 shares authorized, 52,460,920 and 52,460,920 shares issued; 49,318,076 and 49,273,053 shares outstanding	51	51
Capital in excess of par value	850,373	851,940
Treasury stock, at cost, 3,142,844 and 3,187,867 shares	(199,853)	(203,514)
Accumulated other comprehensive loss	(199,152)	(198,910)
Retained earnings	1,715,996	1,686,217
Total stockholders' equity	2,167,415	2,135,784
Total liabilities and stockholders' equity	$6,048,856	$5,956,325

SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.
Condensed Consolidated Statements of Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Net sales	$913,866	$917,417	$2,828,278	$2,808,444
Operating costs and expenses:				
Cost of sales (exclusive of depreciation and amortization shown separately below)	691,812	867,970	2,154,737	2,324,231
Selling, general and administrative	65,676	70,905	210,278	205,384
Depreciation and amortization	41,028	39,808	127,137	116,373
Impairment charge	229,200	—	229,200	—
Relocation costs	—	—	—	3,193
Legal settlement charge (gain), net of expenses	12,400	—	12,400	(134,693)
Curtailment charge	—	—	2,863	—
	1,040,116	978,683	2,736,615	2,514,488
Operating (loss) income	(126,250)	(61,266)	91,663	293,956
Interest expense and other	15,792	13,573	49,539	71,320
(Loss) income before income taxes	(142,042)	(74,839)	42,124	222,636
Income tax (benefit) expense	(53,393)	(35,007)	6,429	66,778
Net (loss) income	$(88,649)	$(39,832)	$35,695	$155,858
(Loss) earnings per share—basic:	$(1.80)	$(0.79)	$0.73	$3.05
Weighted-average common shares outstanding—basic	49,228	50,643	49,213	51,114
(Loss) earnings per share—diluted:	$(1.80)	$(0.79)	$0.72	$3.04
Weighted-average common shares outstanding—diluted	49,228	50,643	49,312	51,343
Dividends declared and paid per common share	$0.04	$0.04	$0.12	$0.12

SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.
Condensed Consolidated Statements of Comprehensive Income
(dollars in thousands)
(unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Net (loss) income	$(88,649)	$(39,832)	$35,695	$155,858
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(9,146)	(16,331)	(13,871)	(25,954)
Defined benefit pension plans and other postretirement benefits:				
Amounts arising during the period - gains (losses), net of tax (expense) benefit:				
Prior service credit, net of taxes of ($4,657) for the three months ended and ($4,868) for the nine months ended, respectively	7,944	—	8,305	—
Actuarial gain, net of taxes ($3,110)	—	—	5,306	—
Reclassifications from accumulated other comprehensive income - (gains) losses, net of tax expense (benefits):				
Amortization of net loss, net of taxes of ($244) and $0 for the three months ended and ($1,118) and $0 for the nine months ended, respectively	416	—	1,837	—
Recognized prior service credits, net of taxes of $1,084 and $921 for the three months ended and $1,875 and $2,762 for the nine months ended, respectively	(1,850)	(1,533)	(3,199)	(4,599)
Total defined benefit pension plans and other postretirement benefits, net of taxes	6,510	(1,533)	12,249	(4,599)
Cash flow hedges:				
Unrealized gain (loss) arising during period, net of tax of ($1,278) and $1,079 for the three months ended and ($795) and $1,298 for the nine months ended, respectively	2,177	(1,732)	1,423	(2,182)
Reclassification of gain included in net earnings, net of tax of $9 and $7 for the three months ended and $7 and $22 for the nine months ended, respectively	(16)	(20)	(43)	(87)
Net unrealized gain (loss) cash flow hedges, net of tax	2,161	(1,752)	1,380	(2,269)
Total other comprehensive loss	(475)	(19,616)	(242)	(32,822)
Total comprehensive (loss) income	$(89,124)	$(59,448)	$35,453	$123,036

SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)(unaudited)

	Nine Months Ended December 31,	
	2015	2014
Operating Activities		
Net income	$35,695	$155,858
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	127,137	116,373
Impairment charge	229,200	—
Amortization of acquired contract liabilities	(99,928)	(39,332)
Curtailment charge	2,863	—
Accretion of debt discount	—	1,577
Other amortization included in interest expense	2,924	7,182
Provision for doubtful accounts receivable	1,640	153
Provision for deferred income taxes	2,687	69,093
Employee stock-based compensation	1,908	1,208
Changes in assets and liabilities, excluding the effects of acquisitions and dispositions of businesses:		
Trade and other receivables	32,551	130,431
Rotable assets	(1,338)	(2,159)
Inventories	(365,553)	41,516
Prepaid expenses and other current assets	1,557	3,504
Accounts payable, accrued expenses	(91,786)	(69,216)
Accrued pension and other postretirement benefits	(60,648)	(108,060)
Other	6,372	1,836
Net cash (used in) provided by operating activities	(174,719)	309,964
Investing Activities		
Capital expenditures	(63,363)	(85,170)
Reimbursements of capital expenditures	—	553
Proceeds from sale of assets	1,836	1,867
Acquisitions, net of cash acquired	(53,955)	38,082
Net cash used in investing activities	(115,482)	(44,668)
Financing Activities		
Net increase in revolving credit facility	245,448	17,607
Proceeds from issuance of long-term debt and capital leases	131,897	394,512
Repayment of debt and capital lease obligations	(67,455)	(541,884)
Purchase of common stock	—	(114,634)
Payment of deferred financing costs	(171)	(5,859)
Dividends paid	(5,916)	(6,122)
Repayment of government grant	(5,000)	(3,198)
Repurchase of restricted shares for minimum tax obligation	(96)	(673)
Proceeds from exercise of stock options	—	388
Net cash provided by (used in) financing activities	298,707	(259,863)
Effect of exchange rate changes on cash	567	(250)
Net change in cash	9,073	5,183
Cash and cash equivalents at beginning of period	32,617	28,998

Cash and cash equivalents at end of period	$41,690	$34,181

SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

1. BASIS OF PRESENTATION AND ORGANIZATION

The accompanying unaudited condensed consolidated financial statements of Triumph Group, Inc. (the "Company") have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, the interim financial information includes all adjustments of a normal recurring nature necessary for a fair presentation of the results of operations, financial position and cash flows. The results of operations for the three and nine months ended December 31, 2015 are not necessarily indicative of results that may be expected for the year ending March 31, 2016. The accompanying condensed consolidated financial statements are unaudited and should be read in conjunction with the fiscal 2015 audited condensed consolidated financial statements and notes thereto included in the Company's Form 10-K for the year ended March 31, 2015 filed with the Securities and Exchange Commission (the "SEC") on May 21, 2015.

The Company designs, engineers, manufactures, repairs and overhauls a broad portfolio of aerostructures, aircraft components, accessories, subassemblies and systems. The Company serves a broad, worldwide spectrum of the aviation industry, including original equipment manufacturers of commercial, regional, business and military aircraft and aircraft components, as well as commercial and regional airlines and air cargo carriers.

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-17, Income Taxes (Subtopic 740-10): Balance Sheet Classification of Deferred Taxes. ASU 2015-17 requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. ASU 2015-17 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is allowed for financial statements that have not been previously issued. Entities may elect to adopt the guidance either prospectively or retrospectively to all prior periods (i.e., the balance sheet for each period is adjusted). Effective December 1, 2015, the Company adopted this standard retrospectively to all prior periods. The adoption did not have a material impact on the Company’s financial position, results of operations or cash flows.

In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 eliminates the requirement that an acquirer in a business combination account for measurement-period adjustments retrospectively. Instead, an acquirer will recognize a measurement-period adjustment during the period in which it determines the amount of the adjustment. ASU 2015-16 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company plans to adopt this standard effective January 1, 2016. The adoption did not have a material impact on the Company's financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires companies to present debt issuance costs as a direct deduction from the carrying value of that debt liability. ASU 2015-03 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed for financial statements that have not been previously issued. Entities would apply the new guidance retrospectively to all prior periods. Effective April 1, 2015, the Company adopted this standard. The adoption did not have a material impact on the Company’s financial position, results of operations or cash flows (see Note 5 for further discussion). The Company's policy is to exclude debt issuance costs relating to revolving debt instruments as a direct deduction to debt (see Note 5 for further discussion).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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Revenue Recognition

Revenues are generally recognized in accordance with the contract terms when products are shipped, delivery has occurred or services have been rendered, pricing is fixed and determinable, and collection is reasonably assured. A significant portion of the Company's contracts are within the scope of the Revenue Recognition - Construction-Type and Production-Type Contracts topic of the ASC 605-35 and revenue and costs on contracts are recognized using the percentage-of-completion method of accounting. Accounting for the revenue and profit on a contract requires estimates of (1) the contract value or total contract revenue, (2) the total costs at completion, which is equal to the sum of the actual incurred costs to date on the contract and the estimated costs to complete the contract's scope of work, and (3) the measurement of progress towards completion. Depending on the contract, the Company measures progress toward completion using either the cost-to-cost method or the units-of-delivery method of accounting, with the great majority measured under the units-of-delivery method of accounting.

- Under the cost-to-cost method of accounting, progress toward completion is measured as the ratio of total costs incurred to estimated total costs at completion. Costs are recognized as incurred. Profit is determined based on estimated profit margin on the contract multiplied by the progress toward completion. Revenue represents the sum of costs and profit on the contract for the period.
- Under the units-of-delivery method of accounting, 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 of accounting are equal to the total costs at completion divided by the total units to be delivered. As contracts can span multiple years, the Company often segments the contracts into production lots for the purposes of accumulating and allocating cost. Profit is recognized as the difference between revenue for the units delivered and the estimated costs for the units delivered.

Adjustments to original estimates for a contract's revenues, estimated costs at completion and estimated total profit are often required as work progresses under a contract, as experience is gained and as more information is obtained, even though the scope of work required under the contract may not change, or if contract modifications occur. These estimates are also sensitive to the assumed rate of production. Generally, the longer it takes to complete the contract quantity, the more relative overhead that contract will absorb. The impact of revisions in cost estimates is recognized on a cumulative catch-up basis in the period in which the revisions are made. Provisions for anticipated losses on contracts are recorded in the period in which they become 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 the Revenue Recognition - Construction-Type and Production-Type Contracts topic. Revisions in contract estimates, if significant, can materially affect results of operations and cash flows, as well as valuation of inventory. Furthermore, certain contracts are combined or segmented for revenue recognition in accordance with the Revenue Recognition - Construction-Type and Production-Type Contracts topic.

For the three months ended December 31, 2015, cumulative catch-up adjustments from changes in estimates, inclusive of changes in forward loss estimates, decreased operating income, net income and earnings per share by approximately $(2,846), $(1,776) and $(0.04), net of tax, respectively. The cumulative catch-up adjustments to operating income for the three months ended December 31, 2015, included gross favorable adjustments of approximately $9,624 and gross unfavorable adjustments of approximately $(12,470). For the three months ended December 31, 2014, cumulative catch-up adjustments from changes in estimates decreased operating income, net income and earnings per share by approximately $(154,268), $(82,107) and $(1.62), net of tax, respectively.

For the nine months ended December 31, 2015, cumulative catch-up adjustments from changes in estimates, inclusive of changes in forward loss estimates, decreased operating income, net income and earnings per share by approximately $(13,796), $(11,690) and $(0.24), net of tax, respectively. The cumulative catch-up adjustments to operating income for the nine months ended December 31, 2015, included gross favorable adjustments of approximately $28,512 and gross unfavorable adjustments of approximately $(42,308). For the nine months ended December 31, 2014, cumulative catch-up adjustments from changes in estimates decreased operating income, net income and earnings per share by approximately $(158,169), $(110,727) and $(2.16), net of tax, respectively.

Amounts representing contract change orders or claims are only included in revenue when such change orders or claims have been settled with the customer and to the extent that units have been delivered. Additionally, some contracts may contain

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provisions for revenue sharing, price re-determination, requests for equitable adjustments, change orders or cost and/or performance incentives. Such amounts or incentives are included in contract value when the amounts can be reliably estimated and their realization is reasonably assured.

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

As disclosed during fiscal 2015, we recognized a provision for forward losses associated with our long-term contract on the 747-8 program. There is still risk similar to what the Company has experienced on the 747-8 program. In particular, the Company's ability to manage risks related to supplier performance, execution of cost reduction strategies, hiring and retaining skilled production and management personnel, quality and manufacturing execution, program schedule delays and many other risks, will determine the ultimate performance of these programs.

Included in net sales of the Aerostructures and Aerospace Systems is the non-cash amortization of acquired contract liabilities that were recognized as fair value adjustments through purchase accounting from various acquisitions. For the three months ended December 31, 2015 and 2014, the Company recognized $34,425 and $15,501, respectively, into net sales in the accompanying Condensed Consolidated Statements of Income. For the nine months ended December 31, 2015 and 2014, the Company recognized $99,928 and $39,332, respectively, into net sales in the accompanying Condensed Consolidated Statements of Income.

The Aftermarket Services Group provides repair and overhaul services, of which a small portion of services are provided under long-term power-by-the-hour contracts. The Company applies the proportional performance method of accounting 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 customers' 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.

Concentration of Credit Risk

The Company's trade accounts receivable are exposed to credit risk. However, the risk is limited due to the diversity of the customer base and the customer base's wide geographical area. Trade accounts receivable from Boeing (representing commercial, military and space) represented approximately 25% and 13% of total trade accounts receivable as of December 31, 2015 and March 31, 2015, respectively. Trade accounts receivable from Gulfstream Aerospace Corporation ("Gulfstream") represented approximately 14% and 16% of total trade accounts receivable as of December 31, 2015 and March 31, 2015, respectively. The Company had no other concentrations of credit risk of more than 10%.

Sales to Boeing for the nine months ended December 31, 2015, were $1,068,312, or 38% of net sales, of which $895,765, $147,075 and $25,472 were from the Aerostructures segment, the Aerospace Systems segment and Aftermarket Services segment, respectively. Sales to Boeing for the nine months ended December 31, 2014, were $1,219,324, or 43% of net sales, of which $1,084,777, $111,173 and $23,374 were from the Aerostructures segment, the Aerospace Systems segment and Aftermarket Services segment, respectively.

Sales to Gulfstream for the nine months ended December 31, 2015, were $366,710, or 13% of net sales, of which $364,032, $2,665 and $13 were from the Aerostructures segment, the Aerospace Systems segment and Aftermarket Services segment, respectively. Sales to Gulfstream for the nine months ended December 31, 2014, were $197,193, or 7% of net sales, of which $194,572, $2,621 and $0 were from the Aerostructures segment, the Aerospace Systems segment and Aftermarket Services segment, respectively.

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(dollars in thousands, except per share data)
(unaudited)

No other single customer accounted for more than 10% of the Company's net sales. However, the loss of any significant customer, including Boeing and Gulfstream, could have a material adverse effect on the Company and its operating subsidiaries.

Stock-Based Compensation

The Company recognizes compensation expense for share-based awards based on the fair value of those awards at the date of grant. Stock-based compensation expense for the three months ended December 31, 2015 and 2014, was $737 and $403, respectively. Stock-based compensation expense for the nine months ended December 31, 2015 and 2014, was $1,908 and $1,208, respectively. The Company has classified share-based compensation within selling, general and administrative expenses to correspond with the same line item as the majority of the cash compensation paid to employees. Upon the exercise of stock options or vesting of restricted stock, the Company first transfers treasury stock, then issues new shares.

Intangible Assets

The components of intangible assets, net, are as follows:

	December 31, 2015			
	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	16.4	$687,623	$(208,287)	$479,336
Product rights, technology and licenses	11.7	55,841	(37,130)	18,711
Non-compete agreements and other	16.1	2,881	(658)	2,223
Tradenames	Indefinite-lived	209,200	—	209,200
Total intangibles, net		$955,545	$(246,075)	$709,470

	March 31, 2015			
	Weighted-Average Life	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	16.5	$683,272	$(180,765)	$502,507
Product rights, technology and licenses	11.8	56,302	(33,208)	23,094
Non-compete agreements and other	15.9	2,929	(565)	2,364
Tradenames	Indefinite-lived	438,400	—	438,400
Total intangibles, net		$1,180,903	$(214,538)	$966,365

During the quarter ended December 31, 2015, the Company performed an interim assessment of the fair value of its goodwill and indefinite-lived intangible assets due to potential indicators of impairment related to the continued decline in the Company's stock price during the third quarter. The Company estimated the fair value of the tradenames using the relief-from-royalty method, which uses several significant assumptions, including revenue projections that consider historical and estimated future results, general economic and market conditions, as well as the impact of planned business and operational strategies. The following estimates and assumptions were also used in the relief-from-royalty method:

- Royalty rates between 2% and 4% based on market observed royalty rates and profit split analysis; and
- Discount rates between 12% and 13% based on the required rate of return for the trade name assets.

Based on the Company's evaluation of indefinite-lived assets, including the tradenames, the Company concluded that the Vought tradename had a fair value of $195,800 (Level 3) compared to a carrying value of $425,000. Accordingly, the Company recorded a non-cash impairment charge during the three and nine months ended December 31, 2015 of $229,200, which is presented separately on the accompanying Condensed and Consolidated Statements of Income. The decline in fair value compared to carrying value of the Vought tradename is the result of declining revenues from production rate reductions and the slower than previously projected ramp on the Bombardier Global 7000.

In the event of significant loss of revenues and related earnings associated with the Vought tradename, further impairment charges may be required, which would adversely affect our operating results.

See Note 8 for further discussion on the Company's interim assessment of goodwill.

Amortization expense for the three months ended December 31, 2015 and 2014, was $12,409 and $12,158, respectively. Amortization expense for the nine months ended December 31, 2015 and 2014, was $42,819 and $35,638, respectively.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and also considers assumptions that market participants would use when pricing an asset or liability. The fair value hierarchy has three levels of inputs that may be used to measure fair value: Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and Level 3—Unobservable inputs for the asset or liability. The Company has applied fair value measurements to its interest rate swap (see Note 5).

Warranty Reserves

A reserve has been established to provide for the estimated future cost of warranties on our delivered products. The Company periodically reviews the reserves and adjustments are made accordingly. A provision for warranty on products delivered is made on the basis of historical experience and identified warranty issues. Warranties cover such factors as non-conformance to specifications and defects in material and workmanship. The majority of the Company's agreements include a three-year warranty, although certain programs have warranties up to 20 years. The warranty reserves as of December 31, 2015 and March 31, 2015, were $115,041 and $112,140, respectively.

Supplemental Cash Flow Information

The Company paid $2,636 for income taxes, net of refunds received, for the nine months ended December 31, 2015. The Company received $23,666 for income refunds, net of payments, for the nine months ended December 31, 2014. The Company made interest payments of $54,752 and $76,188 for the nine months ended December 31, 2015 and 2014, respectively.

During the three and nine months ended December, 2015 and 2014, the Company financed $13 and $52, respectively, of property and equipment additions through capital leases.

During the nine months ended December 31, 2014, under the existing stock repurchase program, the Company repurchased 1,723,011 shares for $114,634. As of December 31, 2015, the Company remains able to purchase an additional 2,277,789 shares under the existing stock repurchase program.

3. ACQUISITIONS

Acquisition of Fairchild Controls Corporation

Effective October 21, 2015, the Company acquired all of the outstanding shares of Fairchild Controls Corporation ("Fairchild"). Fairchild is a leading provider of proprietary thermal management systems, auxiliary power generation systems and related aftermarket spares and repairs. The acquired business operates as Triumph Thermal Systems-Maryland, Inc. and its results are included in Aerospace Systems Group from the date of acquisition.

The purchase price for Fairchild was $57,034, including a working capital adjustment paid in January 2016. Goodwill in the amount of $17,412 was provisionally recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents future economic benefits arising from other assets acquired that could

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(dollars in thousands, except per share data)

not be individually identified and separately recognized such as assembled workforce. The goodwill is not deductible for tax purposes. The Company has also identified an intangible asset related to customer relationships valued at $18,000 with a weighted-average life of 15.0 years.

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

As the Company finalizes estimates of the fair value of assets acquired and liabilities assumed, substantially all of the purchase price allocation for Fairchild is provisional. Additional purchase price adjustments will be recorded during the measurement period, not to exceed one year beyond the acquisition date. These adjustments may have a material impact on the Company's results of operations and financial position.

The table below presents the provisional estimated fair value of assets acquired and liabilities assumed on the acquisition date based on the best information the Company has received to date, in accordance with Accounting Standards Codification Topic 805, Business Combinations ("ASC 805"). These estimates will be revised as the Company receives final appraisal of tangible and intangible assets, certain liabilities assumed and other information related to the Fairchild acquisition. Accordingly, the amounts below report the Company's best estimate of fair value based on the information available at this time:

	October 21, 2015
Cash	$9,065
Accounts receivable	8,958
Inventory	11,995
Prepaid expenses	263
Property and equipment	6,632
Goodwill	17,412
Intangible assets	18,000
Deferred taxes	3,217
Total assets	$75,542
Accounts payable	$1,284
Accrued expenses	9,357
Other noncurrent liabilities	7,867
Total liabilities	$18,508

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

The Fairchild acquisition has been accounted for under the acquisition method and, accordingly, is included in the condensed consolidated financial statements from the effective date of acquisition. The Company incurred $567 in acquisition-related costs in connection with the Fairchild acquisition.

(dollars in thousands, except per share data)

The following table presents information for the Fairchild acquisition which is included in the Company's Condensed Consolidated Statements of Income from its date of acquisition through three and nine months ended December 31, 2015:

	For the Three and Nine Months Ended December 31, 2015
Net Sales	$9,206
Operating Income	2,572

FISCAL 2015 ACQUISITIONS

Acquisition of Spirit AeroSystems Holdings, Inc. - Gulfstream G650 and G280 Wing Programs

Effective December 30, 2014, a wholly-owned subsidiary of the Company, Triumph Aerostructures - Tulsa LLC, doing business as Triumph Aerostructures-Vought Aircraft Division-Tulsa, completed the acquisition of the Gulfstream G650 and G280 wing programs (the "Tulsa Programs") located in Tulsa, Oklahoma, from Spirit AeroSystems, Inc. The acquisition of the Tulsa Programs establishes the Company as a leader in fully integrated wing design, engineering and production and advances its standing as a strategic Tier One Capable aerostructures supplier. The acquired business operates as Triumph Aerostructures-Vought Aircraft Division-Tulsa and its results are included in the Aerostructures Group from the date of acquisition.

The Company received $160,000 in cash plus assets required to run the business from Spirit-Tulsa to cover the anticipated future cash flow needs of the programs. Goodwill in the amount of $80,122 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as assembled workforce. The goodwill is not deductible for tax purposes.

The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate from the acquisition of the Tulsa Programs, in accordance with ASC 805:

	December 30, 2014
Inventory	$78,660
Property and equipment	15,409
Goodwill	80,122
Deferred taxes	52,777
Other assets	68,941
Total assets	$295,909
Accounts payable	$1,782
Accrued expenses	17,588
Acquired contract liabilities	368,448
Other noncurrent liabilities	68,091
Total liabilities	$455,909

Based on the information accumulated during the measurement period, the Company has recognized an accrued warranty liability of $74,132 and a related indemnification asset of $68,941 for amounts reimbursed by the seller. The Company finalized its estimates after it was able to determine that it had obtained all necessary information that existed as of the acquisition date related to these matters.

(dollars in thousands, except per share data)

The Tulsa Programs acquisition has been accounted for under the acquisition method and, accordingly, is included in the condensed consolidated financial statements from the effective date of acquisition. The Company incurred $5,000 in acquisition-related costs in connection with the acquisition of the Tulsa Programs.

Acquisition of North American Aircraft Services, Inc.

Effective October 17, 2014, the Company acquired the ownership of all of the outstanding shares of North American Aircraft Services, Inc. and its affiliates ("NAAS"). NAAS is based in San Antonio, Texas, with fixed-based operator units throughout the United States as well as international locations and delivers line maintenance and repair, fuel leak detection and fuel bladder cell repair services. The acquired business operates as Triumph Aviation Services - NAAS Division and its results are included in Aftermarket Services Group from the date of acquisition.

The purchase price for the NAAS acquisition was $44,520, net of working capital adjustments of $167. Goodwill in the amount of $25,217 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as assembled workforce. The goodwill is not deductible for tax purposes. The Company has also identified an intangible asset related to customer relationships valued at $17,000 with a weighted-average life of 11.0 years.

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

	October 17, 2014
Cash	$818
Accounts receivable	4,939
Inventory	848
Property and equipment	216
Goodwill	25,217
Intangible assets	17,000
Other assets	225
Total assets	$49,263
Accounts payable	$232
Accrued expenses	911
Other noncurrent liabilities	3,600
Total liabilities	$4,743

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

The NAAS acquisition has been accounted for under the acquisition method and, accordingly, is included in the condensed consolidated financial statements from the effective date of acquisition. The NAAS acquisition was funded by the Company's long-term borrowings in place at the date of acquisition. The Company incurred $654 in acquisition-related costs in connection with the NAAS acquisition.

Acquisition of GE Aviation - Hydraulic Actuation

Effective June 27, 2014, the Company acquired the hydraulic actuation business of GE Aviation ("GE"). GE's hydraulic actuation business consisted of three facilities located in Yakima, Washington, Cheltenham, England and the Isle of Man (IOM)

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and is a technology leader in actuation systems. GE's key product offerings include complete landing gear actuation systems, door actuation, nose-wheel steerings, hydraulic fuses, manifolds flight control actuation and locking mechanisms for the commercial, military and business jet markets. The acquired business operates as Triumph Actuation Systems-Yakima and Triumph Actuation Systems-UK & IOM and its results are included in Aerospace Systems Group from the date of acquisition.
The purchase price for the GE acquisition was $75,609, which includes cash paid at closing, working capital adjustments and deferred payments of $6,000, which was paid in fiscal 2016. Goodwill in the amount of $150,772 was recognized for this acquisition and is calculated as the excess of consideration transferred over the net assets recognized and represents future economic benefits arising from other assets acquired that could not be individually identified and separately recognized such as assembled workforce. The goodwill is deductible for tax purposes. The Company has also identified intangible assets including customer relationships and technology valued at $26,472 with a weighted-average life of 12.0 years.
The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate from the acquisition of GE, in accordance with ASC 805:

	June 27, 2014
Cash	$4,608
Accounts receivable	35,376
Inventory	49,585
Property and equipment	30,985
Goodwill	150,772
Intangible assets	26,472
Deferred taxes	63,341
Other assets	2,023
Total assets	$363,162
Accounts payable	$17,734
Accrued expenses	37,483
Acquired contract liabilities	232,336
Total liabilities	$287,553

Based on the information accumulated during the measurement period and the Company's assessment of the probable outcome of warranty claims, the Company has recognized a liability of $24,514. The Company finalized its estimates after it was able to determine that it had obtained all necessary information that existed as of the acquisition date related to these matters.
The GE acquisition has been accounted for under the acquisition method and, accordingly, is included in the condensed consolidated financial statements from the effective date of acquisition. The GE acquisition was funded by the Company's long-term borrowings in place at the date of acquisition. The Company incurred $1,834 in acquisition-related costs in connection with the GE acquisition.
The acquisitions of the Tulsa Programs, NAAS and GE are referred to collectively in this report as the "fiscal 2015 acquisitions."

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4. INVENTORIES

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

	December 31, 2015	March 31, 2015
Raw materials	$93,446	$73,168
Work-in-process, including manufactured and purchased components	1,597,632	1,305,390
Finished goods	124,609	91,639
Less: unliquidated progress payments	(154,414)	(189,923)
Total inventories	$1,661,273	$1,280,274

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

	December 31, 2015	March 31, 2015
Bombardier	$343,366	$238,871
Embraer	134,797	68,112
Total	$478,163	$306,983

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

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5. LONG-TERM DEBT
Long-term debt consists of the following:

	December 31, 2015	March 31, 2015
Revolving line of credit	$393,704	$148,255
Term loan	342,188	356,250
Receivable securitization facility	191,000	100,000
Capital leases	80,514	91,913
Senior notes due 2021	375,000	375,000
Senior notes due 2022	300,000	300,000
Other debt	7,978	7,978
Less: Debt issuance costs	(9,430)	(10,796)
	1,680,954	1,368,600
Less: Current portion	42,759	42,255
	$1,638,195	$1,326,345

Revolving Credit Facility
In May 2014, the Company amended the Credit Facility (as defined below) with its lenders to (i) increase the maximum amount allowed for the receivable securitization facility (the "Securitization Facility") and (ii) amend certain other terms and covenants.
In November 2013, the Company amended and restated its existing credit agreement (the "Credit Facility") with its lenders to; (i) provide for a $375,000 Term Loan with a maturity date of May 14, 2019 (the "2013 Term Loan"); (ii) maintain a Revolving Line of Credit under the Credit Facility of $1,000,000 with a $250,000 accordion feature; (iii) extend the maturity date to November 19, 2018; and (iv) amend certain other terms and covenants. In connection with the amendment to the Credit Facility, the Company incurred $2,795 of financing costs. These costs, along with the $6,507 of unamortized financing costs prior to the amendment, are being amortized over the remaining term of the Credit Facility.
The Company will repay the outstanding principal amount of the 2013 Term Loan in quarterly installments, on the first business day of each January, April, July and October, commencing April 2014.
The obligations under the Credit Facility and related documents are secured by liens on substantially all assets of the Company and its domestic subsidiaries pursuant to a Second Amended and Restated Guarantee and Collateral Agreement, dated as of November 19, 2013, among the administrative agent, the Company and the subsidiaries of the Company party thereto.
Pursuant to the Credit Facility, the Company can borrow, repay and re-borrow revolving credit loans, and cause to be issued letters of credit, in an aggregate principal amount not to exceed $1,000,000 outstanding at any time. The Credit Facility bears interest at either: (i) LIBOR plus between 1.38% and 2.50%; (ii) the prime rate; or (iii) an overnight rate at the option of the Company. The applicable interest rate is based upon the Company's ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization. In addition, the Company is required to pay a commitment fee of between 0.25% and 0.45% on the unused portion of the Credit Facility. The Company's obligations under the Credit Facility are guaranteed by the Company's domestic subsidiaries.
At December 31, 2015, there were $393,704 in borrowings and $25,636 in letters of credit outstanding under the Revolving Line of Credit provisions of the Credit Facility, primarily to support insurance policies. At March 31, 2015, there were $148,255 in borrowings and $35,384 in letters of credit outstanding under the Revolving Line of Credit provisions of the Credit Facility, primarily to support insurance policies. The level of unused borrowing capacity under the Revolving Line of

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Credit provisions of the Credit Facility varies from time to time depending in part upon its compliance with financial and other covenants set forth in the related agreement. The Credit Facility contains certain affirmative and negative covenants, including limitations on specified levels of indebtedness to earnings before interest, taxes, depreciation and amortization, and interest coverage requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, and incurrence of debt. If an event of default were to occur under the Credit Facility, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the Credit Facility could also cause the acceleration of obligations under certain other agreements. The Company is currently in compliance with all such covenants. As of December 31, 2015, the Company had borrowing capacity under this facility of $580,660 after reductions for borrowings and letters of credit outstanding under the facility.

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

As of December 31, 2015 and March 31, 2015, the interest rate swap agreement had a notional amount of $342,188 and $356,250, respectively. As of December 31, 2015 and March 31, 2015, the interest rate swap agreement had a fair value of $1,342 and $2,743, respectively, which is recorded in other noncurrent liabilities with an offset to other comprehensive income, net of applicable taxes (Level 2). The interest rate swap settles on a monthly basis when interest payments are made. These settlements occur through the maturity date.

Receivables Securitization Facility

In November 2014, the Company amended its $225,000 Securitization Facility, increasing the purchase limit from $175,000 to $225,000 and extending the term through November 2017. In connection with the Securitization Facility, the Company sells on a revolving basis certain trade 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 trade accounts receivable under the Securitization Facility. As of December 31, 2015, the maximum amount available under the Securitization Facility was $225,000. Interest rates are based on LIBOR plus a program fee and a commitment fee. The program fee is 0.40% on the amount outstanding under the Securitization Facility. Additionally, the commitment fee is 0.40% on 100.00% of the maximum amount available under the Securitization Facility. At December 31, 2015, there was $191,000 outstanding under the Securitization Facility. In connection with amending the Securitization Facility, the Company incurred approximately $252 of financing costs. These costs, along with the $341 of unamortized financing costs prior to the amendment, are being amortized over the life of the Securitization Facility. The Company securitizes its trade 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 860.

The agreement governing the Securitization Facility contains restrictions and covenants, including limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and the sale of all or substantially all of the Company's assets.

Capital Leases

During the nine months ended December 31, 2015 and 2014, the Company financed $13 and $52, respectively, of property and equipment additions through capital leases. During the nine months ended December 31, 2015 and 2014, the Company obtained financing for existing fixed assets in the amount of $6,497 and $28,860, respectively.

Senior Notes Due 2021

On February 26, 2013, the Company issued $375,000 principal amount of 4.875% Senior Notes due 2021 (the "2021 Notes"). The 2021 Notes were sold at 100% of principal amount and have an effective interest yield of 4.875%. Interest on the 2021 Notes accrues at the rate of 4.875% per annum and is payable semiannually in cash in arrears on April 1 and October 1 of each year, commencing on October 1, 2013. In connection with the issuance of the 2021 Notes, the Company incurred approximately $6,327 of costs, which are a direct deduction to the face amount of the note and are being amortized on the effective interest method over the term of the 2021 Notes.

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

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

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

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

Senior Notes Due 2022

On June 3, 2014, the Company issued $300,000 principal amount of 5.250% Senior Notes due 2022 (the "2022 Notes"). The 2022 Notes were sold at 100% of principal amount and have an effective interest yield of 5.250%. Interest on the 2022 Notes accrues at the rate of 5.250% per annum and is payable semiannually in cash in arrears on June 1 and December 1 of each year, commencing on December 1, 2014. In connection with the issuance of the 2022 Notes, the Company incurred approximately $4,990 of costs, which are a direct deduction to the face amount of the note and are being amortized on the effective interest method over the term of the 2022 Notes.

The 2022 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness. The 2022 Notes are guaranteed on a full, joint and several basis by each of the Guarantor Subsidiaries.

The Company may redeem some or all of the 2022 Notes prior to June 1, 2017, by paying a "make-whole" premium. The Company may redeem some or all of the 2022 Notes on or after June 1, 2017, at specified redemption prices. In addition, prior to June 1, 2017, the Company may redeem up to 35% of the 2022 Notes with the net proceeds of certain equity offerings at a redemption price equal to 105.250% of the aggregate principal amount plus accrued and unpaid interest, if any, subject to certain limitations set forth in the indenture governing the 2022 Notes (the "2022 Indenture").

The Company is obligated to offer to repurchase the 2022 Notes at a price of (i) 101% of their principal amount plus accrued and unpaid interest, if any, as a result of certain change-of-control events and (ii) 100% of their principal amount plus accrued and unpaid interest, if any, in the event of certain asset sales. These restrictions and prohibitions are subject to certain qualifications and exceptions.

The 2022 Indenture contains covenants that, among other things, limit the Company's ability and the ability of any of the Guarantor Subsidiaries to (i) grant liens on its assets, (ii) make dividend payments, other distributions or other restricted payments, (iii) incur restrictions on the ability of the Guarantor Subsidiaries to pay dividends or make other payments, (iv) enter into sale and leaseback transactions, (v) merge, consolidate, transfer or dispose of substantially all of their assets, (vi) incur additional indebtedness, (vii) use the proceeds from sales of assets, including capital stock of restricted subsidiaries, and (viii) enter into transactions with affiliates.

(dollars in thousands, except per share data)

Senior Notes Due 2018

On June 23, 2014, the Company completed the redemption of its 8.63% Senior Notes due 2018 (the “2018 Notes”). The principal amount of $350,000 was redeemed at a price of 104.79% plus accrued and unpaid interest. As a result of the redemption, the Company recognized a pre-tax loss on redemption of $22,615, consisting of early termination premium, write-off of unamortized discount and deferred financing fees and was recorded on the Condensed Consolidated Statements of Income as a component of "Interest expense and other" for the nine months ended December 31, 2014.

Convertible Senior Subordinated Notes

On May 22, 2014, the Company announced the redemption of its convertible senior subordinated notes (the “Convertible Notes”). The redemption price for the Convertible Notes was equal to the sum of 100% of the principal amount of the Convertible Notes outstanding, plus accrued and unpaid interest on the Convertible Notes up to, but not including, the redemption date of June 23, 2014. The Convertible Notes were able to be converted at the option of the holder.

The Convertible Notes were eligible for conversion upon meeting certain conditions as provided in the indenture governing the Convertible Notes. For the periods from January 1, 2011 through June 23, 2014, the Convertible Notes were eligible for conversion. During the nine months ended December 31, 2014, the Company settled the conversion of $12,834 in principal value of the Convertible Notes, with the principal and the conversion benefit settled in cash.

To be included in the calculation of diluted earnings per share, the average price of the Company’s common stock for the quarter must exceed the conversion price per share of $27.12. The average price of the Company's common stock for the nine months ended December 31, 2014, was $66.71. Therefore, for the nine months ended December 31, 2014, there were 56,692 additional shares included in the calculation of diluted earnings per share.

Financial Instruments Not Recorded at Fair Value

The carrying amounts of certain of our financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximate fair value because of their short maturities (Level 1 inputs). Carrying amounts and the related estimated fair values of the Company’s financial instruments not recorded at fair value in the financial statements are as follows:

	December 31, 2015		March 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	$1,680,954	$1,553,326	$1,368,600	$1,358,306

The fair value of the long-term debt was calculated based on interest rates available for debt with terms and maturities similar to the Company’s existing debt arrangements, unless quoted market prices were available (Level 2 inputs).

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6. EARNINGS PER SHARE

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

	Three Months Ended December 31, (in thousands)		Nine Months Ended December 31, (in thousands)	
	2015	2014	2015	2014
Weighted-average common shares outstanding – basic	49,228	50,643	49,213	51,114
Net effect of dilutive stock options and nonvested stock	—	—	99	172
Potential common shares – convertible debt	—	—	—	57
Weighted-average common shares outstanding – diluted	49,228	50,643	49,312	51,343

7. INCOME TAXES

The Company follows the Income Taxes topic of the ASC 740, which prescribes a recognition threshold and measurement attribute criteria for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, as well as guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

The Company has classified uncertain tax positions as noncurrent income tax liabilities unless expected to be paid in one year. Penalties and tax-related interest expense are reported as a component of income tax expense. As of December 31, 2015 and March 31, 2015, the total amount of accrued income tax-related interest and penalties was $231 and $207, respectively.

As of December 31, 2015 and March 31, 2015, the total amount of unrecognized tax benefits was $9,032 and $8,348, respectively, of which $9,032 and $8,348, respectively, would impact the effective rate, if recognized. The Company does not anticipate that total unrecognized tax benefits will be reduced in the next 12 months.
The effective income tax rate for the three months ended December 31, 2015 was 37.6% as compared to (46.8)% for the three months ended December 31, 2014. For the three months ended December 31, 2015, the income tax provision included the benefit from the retroactive reinstatement of the R&D tax credit of $3,034. For the three months ended December 31, 2014, the income tax provision included the benefit from the retroactive reinstatement of the R&D tax credit of $5,970.
The effective income tax rate for the nine months ended December 31, 2015, was 15.3% as compared to 30.0% for the nine months ended December 31, 2014. For the nine months ended December 31, 2015, the income tax provision included the benefit of $4,213 from a decrease to the state deferred tax rate, the benefit of $421 related to the effects of transfer pricing adjustments carried back to prior periods and the benefit from the retroactive reinstatement of the R&D tax credit of $3,034. For the nine months ended December 31, 2014, the income tax provision included an unrecognized tax benefits of $1,051, an additional tax benefit related to a net operating loss carryback claim of $367, the benefit of $1,999 from the decrease to the state deferred tax rates and the benefit of $5,970 from the reinstatement of the R&D tax credit.
With few exceptions, the Company is no longer subject to U.S. federal income tax examinations for fiscal years ended before March 31, 2011, state or local examinations for fiscal years ended before March 31, 2011, or foreign income tax examinations by tax authorities for fiscal years ended before March 31, 2009.

As of December 31, 2015, the Company is subject to examination in one state jurisdiction. The Company has filed appeals in a prior state examination related to fiscal years ended March 31, 1999 through March 31, 2005. Because of net operating losses acquired as part of the acquisition of Vought, the Company is subject to U.S. federal income tax examinations and various state jurisdictions for the years ended December 31, 2001 and after related to previously filed Vought tax returns. The Company believes appropriate provisions for all outstanding issues have been made for all jurisdictions and all open years.

(dollars in thousands, except per share data)

8. GOODWILL

The following is a summary of the changes in the carrying value of goodwill by reportable segment, from March 31, 2015 through December 31, 2015:

	Aerostructures	Aerospace Systems	Aftermarket Services	Total
Balance, March 31, 2015	$1,420,208	$523,253	$81,385	$2,024,846
Goodwill recognized in connection with acquisitions	—	17,412	—	17,412
Effect of exchange rate changes	(13)	583	—	570
Balance, December 31, 2015	$1,420,195	$541,248	$81,385	$2,042,828

The Company's most recent annual goodwill impairment test was performed for all reporting units as of February 1, 2015. The Company also performs Step 1 of the goodwill impairment test on an interim basis upon the occurrence of events or substantive changes in circumstances that indicate a reporting unit's carrying value may be less than its fair value. During the quarter ended December 31, 2015, the Company performed an interim assessment of the fair value of its goodwill and indefinite-lived intangible assets due to potential indicators of impairment related to the continued decline in the Company's stock price during the third quarter. Consistent with the Company's policy described in the Form 10-K for the fiscal year ended March 31, 2015, the Company performed Step 1 of the goodwill impairment test which includes using a combination of both the market and income approaches to estimate the fair value of each reporting unit.

The Company's assessment focused on the Aerostructures reporting unit since it had significant changes in its economic indicators and adjusted for select changes in the risk adjusted discount rate to consider both the current return requirements of the market and the risks inherent in the reporting unit, expected long-term growth rate and cash flow projections to determine if any decline in the estimated fair value of a reporting unit could result in a goodwill impairment. The Company concluded that the goodwill was not impaired as of the interim impairment assessment date. However, the excess of the fair value over the carrying value was within 5% for the Aerostructures reporting unit. The amount of goodwill for the Aerostructures reporting unit amounted to $1,420,195 at December 31, 2015. Going forward, the Company will continue to monitor the performance of this reporting unit in relation to the key assumptions in the Company's analysis.

In the event that market multiples for stock price to EBITDA in the aerospace and defense markets decrease, or the expected EBITDA and cash flows for the Company's reporting units decreases, a goodwill impairment charge may be required, which would adversely affect the Company's operating results and financial condition. If management determines that impairment exists, the impairment will be recognized in the period in which it is identified.

See Note 2 for further discussion on the Company's interim assessment of indefinite-lived intangible assets.

9. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

In addition to the defined benefit pension plans, the Company provides certain healthcare and life insurance benefits for eligible retired employees. Such benefits are unfunded. 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

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some employees must be made at the date of retirement. Qualifying dependents at the date of retirement are also eligible for medical coverage. Current plan documents reserve the right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees. From time to time, changes have been made to the benefits provided to various groups of plan participants. Premiums charged to most retirees for medical coverage prior to age 65 are based on years of service and are adjusted annually for changes in the cost of the plans as determined by an independent actuary. In addition to this medical inflation cost-sharing feature, the plans also have provisions for deductibles, co-payments, coinsurance percentages, out-of-pocket limits, schedules of reasonable fees, preferred provider networks, coordination of benefits with other plans and a Medicare carve-out.

In accordance with the Compensation – Retirement Benefits topic of ASC 715, the Company has recognized the funded status of the benefit obligation as of the date of the last remeasurement, in the accompanying Condensed Consolidated Balance Sheets. The funded status is measured as the difference between the fair value of the plan's assets and the pension benefit obligation or accumulated postretirement benefit obligation, of the plan. In order to recognize the funded status, the Company determined the fair value of the plan assets. The majority of the 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 based on our evaluation of data from fund managers and comparable market data.

Net Periodic Benefit Plan Costs

The components of net periodic benefit costs (income) for our postretirement benefit plans are shown in the following table:

	Pension benefits			
	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Components of net periodic benefit costs:				
Service cost	$2,723	$3,251	$8,216	$9,764
Interest cost	22,739	21,961	68,171	65,863
Expected return on plan assets	(40,820)	(36,913)	(122,529)	(110,740)
Amortization of prior service credits	(1,059)	(1,322)	(3,264)	(3,966)
Amortization of net loss	2,467	—	7,457	—
Curtailment charge	—	—	2,863	—
Net periodic benefit income	$(13,950)	$(13,023)	$(39,086)	$(39,079)

	Other postretirement benefits			
	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Components of net periodic benefit costs:				
Service cost	$297	$717	$929	$2,151
Interest cost	2,011	3,083	6,137	9,249
Amortization of prior service credits	(1,873)	(1,132)	(4,668)	(3,397)
Amortization of net income	(1,770)	—	(5,071)	—
Net periodic benefit (income) expense	$(1,335)	$2,668	$(2,673)	$8,003

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The Company periodically experiences events or makes changes to its benefit plans that result in special charges. Some require remeasurements. The following summarizes the key events whose effects on net periodic benefit costs are included in the tables above:

- In April 2015, the Company's largest union-represented group of employees ratified a new collective bargaining agreement. The agreement includes an amendment to the retirement plan, for which actively employed participants will no longer continue to accrue a benefit after 30 years of service. This change resulted in a curtailment charge of approximately $2,863 and is presented on the accompanying Condensed Consolidated Statements of Income as "Curtailment charge."

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10. STOCKHOLDERS' EQUITY

Accumulated Other Comprehensive Loss

Changes in accumulated other comprehensive income (loss) ("AOCI") by component for the three and nine months ended December, 2015 and 2014, respectively, were as follows:

	Currency Translation Adjustment	Unrealized Gains and Losses on Derivative Instruments	Defined Benefit Pension Plans and Other Postretirement Benefits	Total (1)
Balance Sepetember 30, 2015	$(51,476)	$(3,538)	$(143,663)	$(198,677)
AOCI before reclassifications	(9,146)	2,177	7,944	975
Amounts reclassified from AOCI	—	(16)	(1,434) (2)	(1,450)
Net current period AOCI	(9,146)	2,161	6,510	(475)
Balance December 31, 2015	$(60,622)	$(1,377)	$(137,153)	$(199,152)
Balance September 30, 2014	$(9,425)	$979	$(23,668)	$(32,114)
AOCI before reclassifications	(16,331)	(1,732)	—	(18,063)
Amounts reclassified from AOCI	—	(20)	(1,533) (2)	(1,553)
Net current period AOCI	(16,331)	(1,752)	(1,533)	(19,616)
Balance December 31, 2014	$(25,756)	$(773)	$(25,201)	$(51,730)
Balance March 31, 2015	$(46,751)	$(2,757)	$(149,402)	$(198,910)
AOCI before reclassifications	(13,871)	1,423	13,611	1,163
Amounts reclassified from AOCI	—	(43)	(1,362) (2)	(1,405)
Net current period AOCI	(13,871)	1,380	12,249	(242)
Balance December 31, 2015	$(60,622)	$(1,377)	$(137,153)	$(199,152)
Balance March 31, 2014	$198	$1,496	$(20,602)	$(18,908)
AOCI before reclassifications	(25,954)	(2,182)	—	(28,136)
Amounts reclassified from AOCI	—	(87)	(4,599) (2)	(4,686)
Net current period AOCI	(25,954)	(2,269)	(4,599)	(32,822)
Balance December 31, 2014	$(25,756)	$(773)	$(25,201)	$(51,730)

(1) Net of tax.

(2) Includes amortization of actuarial losses and recognized prior service (credits) costs, which are included in the net periodic pension cost of which a portion is allocated to production as inventoried costs.

11. SEGMENTS

The Company has three reportable segments: the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group. The Company’s reportable segments are aligned with how the business is managed and the markets that the Company serves are viewed. The Chief Operating Decision Maker (the "CODM") evaluates performance and allocates resources based upon review of segment information. The CODM utilizes earnings before interest, income taxes, depreciation and amortization (“Adjusted EBITDA”) as a primary measure of segment profitability to evaluate performance of its segments and allocate resources.

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

The Aerospace Systems segment consists of the Company’s operations that also manufacture products primarily for the aerospace OEM market, as well as the related aftermarket. The segment’s operations design and engineer mechanical and electromechanical controls, such as hydraulic systems, main engine gearbox assemblies, accumulators, mechanical control cables and non-structural cockpit components. These products are sold primarily 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.

Segment Adjusted EBITDA is total segment revenue reduced by operating expenses (less depreciation and amortization) identifiable with that segment. Corporate includes general corporate administrative costs and any other costs not identifiable with one of the Company’s segments, including a curtailment charge, of $2,863 for the nine months ended December 31, 2015.

The Company does not accumulate net sales information by product or service or groups of similar products and services and, therefore, the Company does not disclose net sales by product or service because to do so would be impracticable. Selected financial information for each reportable segment and the reconciliation of Adjusted EBITDA to operating income is as follows:

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	Three Months Ended December 31,		Nine Months Ended December 31,	
	2015	2014	2015	2014
Net sales:				
Aerostructures	$553,627	$560,346	$1,770,338	$1,805,016
Aerospace systems	288,288	279,198	846,091	787,951
Aftermarket services	78,127	80,690	226,649	222,641
Elimination of inter-segment sales	(6,176)	(2,817)	(14,800)	(7,164)
	$913,866	$917,417	$2,828,278	$2,808,444
Income before income taxes:				
Operating income (expense):				
Aerostructures	$(187,265)	$(104,231)	$(54,159)	$34,596
Aerospace systems	52,754	41,863	150,147	125,430
Aftermarket services	12,402	12,490	31,514	34,614
Corporate	(4,141)	(11,388)	(35,839)	99,316
	(126,250)	(61,266)	91,663	293,956
Interest expense and other	15,792	13,573	49,539	71,320
	$(142,042)	$(74,839)	$42,124	$222,636
Depreciation and amortization:				
Aerostructures	$26,221	$25,505	$80,447	$76,340
Aerospace systems	11,911	11,363	38,115	32,027
Aftermarket services	2,462	2,334	7,352	6,137
Corporate	434	606	1,223	1,869
	$41,028	$39,808	$127,137	$116,373
Impairment charge:				
Aerostructures	$229,200	$—	$229,200	$—
Amortization of acquired contract liabilities, net:				
Aerostructures	$24,621	$4,411	$69,611	$14,311
Aerospace systems	9,804	11,090	30,317	25,021
	$34,425	$15,501	$99,928	$39,332
Adjusted EBITDA:				
Aerostructures	$54,035	$(83,137)	$196,377	$96,625
Aerospace systems	54,861	42,136	157,945	132,436
Aftermarket services	16,764	14,824	40,766	40,751
Corporate	(3,707)	(10,782)	(31,753)	(33,508)
	$121,953	$(36,959)	$363,335	$236,304
Capital expenditures:				
Aerostructures	$13,399	$15,701	$37,922	$54,339
Aerospace systems	10,926	8,301	22,860	24,552

Aftermarket services	714	1,392	2,047	5,425
Corporate	196	702	534	854
	$25,235	$26,096	$63,363	$85,170

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	December 31, 2015	March 31, 2015
Total Assets:		
Aerostructures	$4,167,967	$4,097,397
Aerospace systems	1,477,291	1,460,142
Aftermarket services	375,328	375,752
Corporate	28,270	23,034
	$6,048,856	$5,956,325

During the three months ended December 31, 2015 and 2014, the Company had international sales of $194,425 and $183,009, respectively. During the nine months ended December 31, 2015 and 2014, the Company had international sales of $574,050 and $534,641, respectively.

12. SELECTED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS

The 2021 Notes and the 2022 Notes are fully and unconditionally guaranteed on a joint and several basis by the Guarantor Subsidiaries. The total assets, stockholders' equity, revenue, earnings and cash flows from operating activities of the Guarantor Subsidiaries exceeded a majority of the consolidated total of such items as of and for the periods reported. The only consolidated subsidiaries of the Company that are not guarantors of the 2021 Notes and the 2022 Notes (the “Non-Guarantor Subsidiaries”) are: (a) the receivables securitization special-purpose entity; and (b) the international operating subsidiaries. The following tables present condensed consolidating financial statements including the Company (the “Parent”), the Guarantor Subsidiaries, and the Non-Guarantor Subsidiaries. Such financial statements include summary Condensed Consolidating Balance Sheets as of December 31, 2015 and March 31, 2015, Condensed Consolidating Statements of Comprehensive Income for the three and nine months ended December 31, 2015 and 2014, and Condensed Consolidating Statements of Cash Flows for the nine months ended December 31, 2015 and 2014.

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12. SELECTED CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF PARENT, GUARANTORS AND NON-GUARANTORS (Continued)

SUMMARY CONDENSED CONSOLIDATING BALANCE SHEETS:

	December 31, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Current assets:					
Cash and cash equivalents	$614	$1,144	$39,932	$—	$41,690
Trade and other receivables, net	2,881	172,787	309,128	—	484,796
Inventories	—	1,556,769	104,504	—	1,661,273
Rotable assets	—	35,946	16,532	—	52,478
Prepaid expenses and other	7,890	16,679	8,231	—	32,800
Total current assets	11,385	1,783,325	478,327	—	2,273,037
Property and equipment, net	7,292	774,831	132,898	—	915,021
Goodwill and other intangible assets, net	—	2,556,202	196,096	—	2,752,298
Other, net	12,405	71,616	24,479	—	108,500
Intercompany investments and advances	4,039,718	82,369	75,169	(4,197,256)	—
Total assets	$4,070,800	$5,268,343	$906,969	$(4,197,256)	$6,048,856
Current liabilities:					
Current portion of long-term debt	$26,067	$16,692	$—	$—	$42,759
Accounts payable	1,792	312,560	45,647	—	359,999
Accrued expenses	29,519	343,478	38,447	—	411,444
Total current liabilities	57,378	672,730	84,094	—	814,202
Long-term debt, less current portion	1,380,805	66,390	191,000	—	1,638,195
Intercompany advances	449,831	2,170,282	346,454	(2,966,567)	—
Accrued pension and other postretirement benefits, noncurrent	7,228	452,250	1,392	—	460,870
Deferred income taxes and other	8,143	903,960	56,071	—	968,174
Total stockholders' equity	2,167,415	1,002,731	227,958	(1,230,689)	2,167,415
Total liabilities and stockholders' equity	$4,070,800	$5,268,343	$906,969	$(4,197,256)	$6,048,856

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SUMMARY CONDENSED CONSOLIDATING BALANCE SHEETS:

March 31, 2015	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Current assets:					
Cash and cash equivalents	$620	$419	$31,578	$—	$32,617
Trade and other receivables, net	3,578	180,874	337,149	—	521,601
Inventories	—	1,200,941	79,333	—	1,280,274
Rotable assets	—	35,248	13,572	—	48,820
Prepaid expenses and other	6,509	10,549	6,011	—	23,069
Total current assets	10,707	1,428,031	467,643	—	1,906,381
Property and equipment, net	8,209	807,070	135,455	—	950,734
Goodwill and other intangible assets, net	—	2,786,400	204,811	—	2,991,211
Other, net	13,805	80,806	13,388	—	107,999
Intercompany investments and advances	4,062,058	81,540	63,897	(4,207,495)	—
Total assets	$4,094,779	$5,183,847	$885,194	$(4,207,495)	$5,956,325
Current liabilities:					
Current portion of long-term debt	$19,024	$23,231	$—	$—	$42,255
Accounts payable	8,919	382,143	38,072	—	429,134
Accrued expenses	38,275	326,694	46,879	—	411,848
Total current liabilities	66,218	732,068	84,951	—	883,237
Long-term debt, less current portion	1,155,299	71,046	100,000	—	1,326,345
Intercompany advances	719,525	1,769,564	407,722	(2,896,811)	—
Accrued pension and other postretirement benefits, noncurrent	7,517	527,741	3,123	—	538,381
Deferred income taxes and other	10,435	998,841	63,302	—	1,072,578
Total stockholders’ equity	2,135,785	1,084,587	226,096	(1,310,684)	2,135,784
Total liabilities and stockholders’ equity	$4,094,779	$5,183,847	$885,194	$(4,207,495)	$5,956,325

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CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME:

	For the Three Months Ended December 31, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$837,156	$92,462	$(15,752)	$913,866
Operating costs and expenses:					
Cost of sales	—	629,460	78,104	(15,752)	691,812
Selling, general and administrative	3,698	52,368	9,610	—	65,676
Depreciation and amortization	435	36,050	4,543	—	41,028
Impairment charge	—	229,200	—	—	229,200
Legal settlement charge, net	—	12,400	—	—	12,400
	4,133	959,478	92,257	(15,752)	1,040,116
Operating (loss) income	(4,133)	(122,322)	205	—	(126,250)
Intercompany interest and charges	(50,274)	47,997	2,277	—	—
Interest expense and other	15,685	2,529	(2,422)	—	15,792
Income (loss) before income taxes	30,456	(172,848)	350	—	(142,042)
Income tax expense (benefit)	6,164	(60,820)	1,263	—	(53,393)
Net income (loss)	24,292	(112,028)	(913)	—	(88,649)
Other comprehensive income (loss)	2,161	6,510	(9,146)	—	(475)
Total comprehensive income (loss)	$26,453	$(105,518)	$(10,059)	$—	$(89,124)

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CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME:

	For the Three Months Ended December 31, 2014				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$838,709	$86,585	$(7,877)	$917,417
Operating costs and expenses:					
Cost of sales	—	798,245	77,602	(7,877)	867,970
Selling, general and administrative	10,740	51,240	8,925	—	70,905
Depreciation and amortization	606	34,971	4,231	—	39,808
	11,346	884,456	90,758	(7,877)	978,683
Operating loss	(11,346)	(45,747)	(4,173)	—	(61,266)
Intercompany interest and charges	(51,017)	48,546	2,471	—	—
Interest expense and other	15,200	2,356	(3,983)	—	13,573
Income (loss) before income taxes	24,471	(96,649)	(2,661)	—	(74,839)
Income tax expense (benefit)	1,966	(35,311)	(1,662)	—	(35,007)
Net income (loss)	22,505	(61,338)	(999)	—	(39,832)
Other comprehensive loss	(1,311)	(1,974)	(16,331)	—	(19,616)
Total comprehensive income (loss)	$21,194	$(63,312)	$(17,330)	$—	$(59,448)

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CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME:

	For the Nine Months Ended December 31, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$2,598,880	$273,954	$(44,556)	$2,828,278
Operating costs and expenses:					
Cost of sales	—	1,969,359	229,934	(44,556)	2,154,737
Selling, general and administrative	28,755	154,611	26,912	—	210,278
Depreciation and amortization	1,224	108,858	17,055	—	127,137
Impairment charge	—	229,200	—	—	229,200
Legal settlement charge, net	—	12,400	—	—	12,400
Curtailment charge	2,863	—	—	—	2,863
	32,842	2,474,428	273,901	(44,556)	2,736,615
Operating (loss) income	(32,842)	124,452	53	—	91,663
Intercompany interest and charges	(154,574)	147,910	6,664	—	—
Interest expense and other	45,333	7,613	(3,407)	—	49,539
Income (loss) before income taxes	76,399	(31,071)	(3,204)	—	42,124
Income tax expense (benefit)	11,639	(8,229)	3,019	—	6,429
Net income (loss)	64,760	(22,842)	(6,223)	—	35,695
Other comprehensive income (loss)	1,380	12,249	(13,871)	—	(242)
Total comprehensive income (loss)	$66,140	$(10,593)	$(20,094)	$—	$35,453

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CONDENSED CONSOLIDATING STATEMENTS OF COMPREHENSIVE INCOME:

	For the Nine Months Ended December 31, 2014				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$2,590,724	$233,839	$(16,119)	$2,808,444
Operating costs and expenses:					
Cost of sales	—	2,141,533	198,817	(16,119)	2,324,231
Selling, general and administrative	33,405	146,886	25,093	—	205,384
Depreciation and amortization	1,870	103,545	10,958	—	116,373
Relocation costs	—	3,193	—	—	3,193
Legal settlement gain, net	(134,693)	—	—	—	(134,693)
	(99,418)	2,395,157	234,868	(16,119)	2,514,488
Operating income (loss)	99,418	195,567	(1,029)	—	293,956
Intercompany interest and charges	(156,650)	150,218	6,432	—	—
Interest expense and other	71,499	6,900	(7,079)	—	71,320
Income (loss) before income taxes	184,569	38,449	(382)	—	222,636
Income tax expense (benefit)	53,702	16,059	(2,983)	—	66,778
Net income	130,867	22,390	2,601	—	155,858
Other comprehensive loss	(1,395)	(5,473)	(25,954)	—	(32,822)
Total comprehensive income (loss)	$129,472	$16,917	$(23,353)	$—	$123,036

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CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS:

	For the Nine Months Ended December 31, 2015				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Net income (loss)	$64,760	$(22,842)	$(6,223)	$—	$35,695
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities	(7,870)	(216,641)	8,375	5,722	(210,414)
Net cash provided by (used in) operating activities	56,890	(239,483)	2,152	5,722	(174,719)
Capital expenditures	(534)	(47,377)	(15,452)	—	(63,363)
Proceeds from sale of assets	—	1,658	178	—	1,836
Acquisitions, net of cash acquired	—	(47,955)	(6,000)	—	(53,955)
Net cash used in investing activities	(534)	(93,674)	(21,274)	—	(115,482)
Net increase in revolving credit facility	245,448	—	—	—	245,448
Proceeds on issuance of debt	—	6,497	125,400	—	131,897
Retirements and repayments of debt	(14,267)	(18,788)	(34,400)	—	(67,455)
Payments of deferred financing costs	(171)	—	—	—	(171)
Dividends paid	(5,916)	—	—	—	(5,916)
Repayment of governmental grant	—	(5,000)	—	—	(5,000)
Repurchase of restricted shares for minimum tax obligation	(96)	—	—	—	(96)
Intercompany financing and advances	(281,360)	351,173	(64,091)	(5,722)	—
Net cash (used in) provided by financing activities	(56,362)	333,882	26,909	(5,722)	298,707
Effect of exchange rate changes on cash	—	—	567	—	567
Net change in cash and cash equivalents	(6)	725	8,354	—	9,073
Cash and cash equivalents at beginning of period	620	419	31,578	—	32,617

Cash and cash equivalents at end of period	$614	$1,144	$39,932	$—	$41,690

Triumph Group, Inc.
Notes to Condensed Consolidated Financial Statements
(dollars in thousands, except per share data)
(unaudited)

CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS:

	For the Nine Months Ended December 31, 2014				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
Net income	$130,867	$22,390	$2,601	$—	$155,858
Adjustments to reconcile net income to net cash (used in) provided by operating activities	(229,295)	338,153	32,114	13,134	154,106
Net cash (used in) provided by operating activities	(98,428)	360,543	34,715	13,134	309,964
Capital expenditures	(854)	(70,014)	(14,302)	—	(85,170)
Reimbursed capital expenditures	—	553	—	—	553
Proceeds from sale of assets	—	1,789	78	—	