TRIUMPH GROUP INC
Form 10-K
May 23, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
(Mark One)

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

For the fiscal year ended March 31, 2018
or

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

For the transition period from to

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

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

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

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

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

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

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

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

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of September 30, 2017, the aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant was approximately $1,455 million. Such aggregate market value was computed by reference to the closing price of the Common Stock as reported on the New York Stock Exchange on September 30, 2017. For purposes of making this calculation only, the Registrant has defined affiliates as including all directors and executive officers.

The number of outstanding shares of the Registrant's Common Stock, par value $.001 per share, on May 21, 2018 was 49,719,481.

Documents Incorporated by Reference

Portions of the following document are incorporated herein by reference:

The Proxy Statement of Triumph Group, Inc. to be filed in connection with our 2018 Annual Meeting of Stockholders is incorporated in part in Part III hereof, as specified herein.

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PART I
Item 1. Business

Cautionary Note Regarding Forward-Looking Statements
This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 relating to our future operations and prospects, including statements that are based on current projections and expectations about the markets in which we operate, and management's beliefs concerning future performance and capital requirements based upon current available information. Actual results could differ materially from management's current expectations. Additional capital may be required and, if so, may not be available on reasonable terms, if at all, at the times and in the amounts we need. In addition to these factors and others described elsewhere in this report, other factors that could cause actual results to differ materially include competitive and cyclical factors relating to the aerospace industry, dependence of some of our businesses on key customers, requirements of capital, product liabilities in excess of insurance, uncertainties relating to the integration of acquired businesses, general economic conditions affecting our business segment, technological developments, limited availability of raw materials or skilled personnel, changes in governmental regulation and oversight, and international hostilities and terrorism. For a more detailed discussion of these and other factors affecting us, see the Risk Factors described in Item 1A of this Annual Report on Form 10-K. We do not undertake any obligation to revise these forward-looking statements to reflect future events.
General
Triumph Group, Inc. ("Triumph", the "Company", "we", "us", or "our") was incorporated in 1993 in Delaware. Our companies design, engineer, manufacture, repair, overhaul and distribute a broad portfolio of aerostructures, aircraft components, accessories, subassemblies and systems. We serve a broad, worldwide spectrum of the aviation industry, including original equipment manufacturers, or OEMs, of commercial, regional, business and military aircraft and aircraft components, as well as commercial and regional airlines and air cargo carriers.

Products and Services
Effective January 1, 2018, the Company combined its Aerospace Structures and Precision Components reporting segments into one reporting segment, Aerospace Structures. Aerospace Structures and Precision Components share many of the same customers and suppliers and have substantial inter-company work on common programs. As a single operating segment, the Company believes it will be able to leverage its combined resources to make it more cost competitive and to enhance performance. The newly formed operating segment is also a reportable segment. As a result, effective January 1, 2018, the Company has three reporting segments for financial reporting purposes - Integrated Systems, Aerospace Structures, and Product Support.
We offer a variety of products and services to the aerospace industry through three operating segments: (i) Triumph Integrated Systems, whose companies revenues are derived from the design, development and support of proprietary components, subsystems and systems, as well as production of complex assemblies using external designs; (ii) Triumph Aerospace Structures, whose companies supply commercial, business, regional and military manufacturers with large metallic and composite structures and produce close-tolerance parts primarily to customer designs and model-based definition, including a wide range of aluminum, hard metal and composite structure capabilities; and (iii) Triumph Product Support, whose companies provide full life cycle solutions for commercial, regional and military aircraft.
Integrated Systems' capabilities include hydraulic, mechanical and electro-mechanical actuation, power and control; a complete suite of aerospace gearbox solutions, including engine accessory gearboxes and helicopter transmissions; active and passive heat exchange technology; fuel pumps, fuel metering units and Full Authority Digital Electronic Control fuel systems; hydro-mechanical and electromechanical primary and secondary flight controls; and a broad spectrum of surface treatment options.

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

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

Aerospace Structures' products include wings, wing boxes, fuselage panels, horizontal and vertical tails, and sub-assemblies such as floor grids. Aerospace Structures also has the capability to engineer detailed structural designs in metal and composites. Aerospace Structures capabilities also include complex machining, gear manufacturing, sheet metal fabrication, forming, advanced composite and interior structures, joining processes such as welding, autoclave bonding and conventional mechanical fasteners and a variety of special processes, including super plastic titanium forming, aluminum and titanium chemical milling and surface treatments.

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

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

Product Support's extensive product and service offerings include full post-delivery value chain services that simplify the MRO supply chain. Through its line maintenance, component MRO and postproduction supply chain activities, Product Support is positioned to provide integrated planeside repair solutions globally. Capabilities include fuel tank repair, metallic and composite aircraft structures, nacelles, thrust reversers, interiors, auxiliary power units and a wide variety of pneumatic, hydraulic, fuel and mechanical accessories. Companies in Product Support repair and overhaul various components for the aviation industry including:

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

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Certain financial information about our three segments is set forth in Note 2 of "Notes to Consolidated Financial Statements."

Proprietary Rights

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

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

Raw Materials and Replacement Parts

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

Sales, Marketing and Engineering

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

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

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

Backlog

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

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As of March 31, 2018, we had outstanding purchase orders representing an aggregate invoice price of approximately $4.50 billion, of which $1.34 billion, $3.13 billion and $27 million relate to Integrated Systems, Aerospace Structures and Product Support, respectively. As of March 31, 2017, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately $3.98 billion, of which $1.08 billion, $2.86 billion and $33 million related to Integrated Systems, Aerospace Structures and Product Support, respectively. Of the existing backlog of $4.50 billion, approximately $1.85 billion will not be shipped by March 31, 2019.

Dependence on Significant Customers

For the fiscal years ended March 31, 2018, 2017 and 2016, the Boeing Company ("Boeing") represented approximately 31%, 35% and 38%, respectively, of our net sales, covering virtually every Boeing plant and product. For the fiscal years ended March 31, 2018, 2017 and 2016, Gulfstream Aerospace Corporation ("Gulfstream") represented approximately 13%, 12% and 12%, respectively, of our net sales, covering several of Gulfstream's products.

A significant reduction in sales to Boeing and/or Gulfstream would have a material adverse impact on our financial position, results of operations and cash flows.

United States and International Operations

Our revenues from customers in the United States for the fiscal years ended March 31, 2018, 2017 and 2016, were approximately $2,440 million, $2,764 million and $3,088 million, respectively. Our revenues from customers in all other countries for the fiscal years ended March 31, 2018, 2017 and 2016, were approximately $759 million, $769 million and $798 million, respectively.

As of March 31, 2018 and 2017, our long-lived assets located in the United States were approximately $1,661 million and $2,326 million, respectively. As of March 31, 2018 and 2017, our long-lived assets located in all other countries were approximately $223 million and $315 million, respectively.

Competition

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

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

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

Government Regulation and Industry Oversight

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

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

Generally, the FAA only grants licenses for the manufacture or repair of a specific aircraft component, rather than the broader licenses that have been granted in the past. The FAA licensing process may be costly and time-consuming. In order to

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obtain an FAA license, an applicant must satisfy all applicable regulations of the FAA governing repair stations. These regulations require that an applicant have experienced personnel, inspection systems, suitable facilities and equipment. In addition, the applicant must demonstrate a need for the license. Because an applicant must procure manufacturing and repair manuals from third parties relating to each particular aircraft component in order to obtain a license with respect to that component, the application process may involve substantial cost.

The license approval processes for the European Aviation Safety Agency ("EASA"), which regulates this industry in the European Union; the Civil Aviation Administration of China; and other comparable foreign regulatory authorities are similarly stringent, involving potentially lengthy audits. EASA was formed in 2002 and is handling most of the responsibilities of the national aviation authorities in Europe, such as the United Kingdom Civil Aviation Authority.

Our operations are also subject to a variety of worker and community safety laws. For example, the Occupational Safety and Health Act of 1970, or OSHA, mandates general requirements for safe workplaces for all employees in the United States. In addition, OSHA provides special procedures and measures for the handling of hazardous and toxic substances. Specific safety standards have been promulgated for workplaces engaged in the treatment, disposal or storage of hazardous waste. We believe that our operations are in material compliance with OSHA's health and safety requirements.

Environmental Matters

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

Certain of our facilities, including facilities acquired and operated by us or one of our subsidiaries have at one time or another been under active investigation for environmental contamination by federal or state agencies when acquired, and at least in some cases, continue to be under investigation or subject to remediation for potential environmental contamination. We are frequently indemnified by prior owners or operators and/or present owners of the facilities for liabilities which we incur as a result of these investigations and the environmental contamination found which pre-dates our acquisition of these facilities, subject to certain limitations. We also maintain a pollution liability policy that provides coverage for certain material liabilities associated with the clean-up of on-site pollution conditions, as well as defense and indemnity for certain third-party suits (including Superfund liabilities at third-party sites), in each case, to the extent not otherwise indemnified. This policy applies to all of our manufacturing and assembly operations worldwide. Also, as we proceed with our plans to exit certain facilities as part of restructuring and related initiatives, the need for remediation for potential environmental contamination could be identified. If we are required to pay the expenses related to environmental liabilities because neither indemnification nor insurance coverage is available, these expenses could have a material adverse effect on us.

Employees

As of March 31, 2018, we employed 13,554 persons, of whom 3,446 were management employees, 93 were sales and marketing personnel, 747 were technical personnel, 607 were administrative personnel and 8,661 were production workers. Our segments were composed of the following employees: Integrated Systems - 2,803 persons, Aerospace Structures - 9,515 persons, Product Support - 1,062 persons, and Corporate - 174 persons.

Several of our subsidiaries are parties to collective bargaining agreements with labor unions. Under those agreements, we currently employ approximately 2,293 full-time employees. Currently, approximately 17% of our permanent employees are represented by labor unions and approximately 49% of net sales are derived from the facilities at which at least some employees are unionized. Of the 2,293 employees represented by unions, no employees are working under contracts that have expired or will expire within one year.

During the fiscal year ended March 31, 2017, we settled a strike and agreed to a new collective bargaining agreement with our union employees with IAM District 751 at our Spokane, Washington facility which had expired during the quarter, resulting in a charge of $15.7 million due to disruption costs.

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During the fiscal year ended March 31, 2018, the Company ratified a collective bargaining agreement with its union employees with United Autoworkers of America and its Local Union 848 at its Red Oak, Texas facility.
Subsequent to the fiscal year ended March 31, 2018, the Company ratified a collective bargaining agreement with its union employees with United Autoworkers of America and its Local Union 952 at its Tulsa, Oklahoma facility.
Our inability to negotiate an acceptable contract with any of these labor unions could result in strikes by the affected workers and increased operating costs as a result of higher wages or benefits paid to union members. If the unionized workers were to engage in a strike or other work stoppage, or other employees were to become unionized, we could experience a significant disruption of our operations and higher ongoing labor costs, which could have an adverse effect on our business and results of operations.

Research and Development Expenses

Certain information about our research and development expenses for the fiscal years ended March 31, 2018, 2017 and 2016, is available in Note 2 of "Notes to Consolidated Financial Statements."

Executive Officers

Our current executive officers are:

Name	Age	Position
Daniel J. Crowley	55	President and Chief Executive Officer and Director
James F. McCabe, Jr.	55	Senior Vice President, Chief Financial Officer
John B. Wright, II	64	Senior Vice President, General Counsel and Secretary
Lance R. Turner	47	Senior Vice President, Chief Human Resources Officer
Thomas A. Quigley, III	41	Vice President and Controller
Thomas K. Holzthum	61	Executive Vice President, Integrated Systems
Peter K.A. Wick	47	Executive Vice President, Aerospace Structures
Michael R. Abram	65	Executive Vice President, Product Support

Daniel J. Crowley was appointed President and Chief Executive Officer and a director of the Company on January 4, 2016. Previously, Mr. Crowley served as President of two Raytheon Company business areas from 2010 through 2015. Prior to Raytheon, Mr. Crowley served as Chief Operating Officer of Lockheed Martin Aeronautics after holding a series of increasingly responsible assignments across its space, electronics, and aeronautics sectors.
James F. McCabe, Jr. has been our Senior Vice President and Chief Financial Officer since August 2016. He joined Triumph from Steel Partners Holdings where he last served as Senior Vice President and CFO, President, Shared Services, and SVP and CFO of its affiliates Handy & Harman and Steel Excel. Prior to joining Steel Partners Holdings, McCabe served as Vice President, Finance and Treasurer of American Water’s Northeast Region, and President and CFO of Teleflex Aerospace, which served the global aviation industry. He is a certified public accountant and Six Sigma Green Belt, and served as a member of the Board of Governors and the Civil Aviation Council Executive Committee for the Aerospace Industries Association.
John B. Wright, II has been a Senior Vice President and our General Counsel and Secretary since April 2016, having served as Vice President, General Counsel and Secretary from 2004 until April 2016. From 2001 until he joined us, Mr. Wright was a partner with the law firm of Ballard Spahr LLP, where he practiced corporate and securities law.
Lance R. Turner was appointed Senior Vice President and Chief Human Resources Officer in September 2017. From 2013 until 2017, Mr. Turner served as Vice President of Human Resources for CenturyLink, Inc. and Senior Director of Human Resources for Honeywell from 2000 until 2013.
Thomas A. Quigley, III has been our Vice President and Controller since November 2012, and serves as the Company's principal accounting officer. Mr. Quigley has served as the Company's SEC Reporting Manager since January 2009. From June 2002 until joining Triumph in 2009, Mr. Quigley held various roles within the audit practice of KPMG LLP, including Senior Audit Manager.
Thomas K. Holzthum was appointed Executive Vice President, Integrated Systems in April 2016. Prior to that, Mr. Holzthum served as Corporate Vice President-Systems beginning in October 2013 with responsibility for eight Triumph Group companies in Integrated Systems. Mr. Holzthum previously served as President of Triumph Actuation

Systems-Connecticut

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from 2001 to 2013. Mr. Holtzhum joined Triumph in 1998 with the acquisition of Frisby Aerospace, where he held the position of Group Director, Hydraulics.

Peter K.A. Wick was appointed Executive Vice President, Aerospace Structures in December 2017. He previously served as Executive Vice President, Triumph Precision Components and, prior to that, served as Vice President, Contracts for Triumph Group overseeing all contract-related activities and lead negotiations for major contracts with a primary focus on supply contracts to OEM customers. Prior to joining Triumph in October 2016, Mr. Wick spent eight years with GKN Aerospace holding a range of leadership positions, the last of which was VP Commercial for their North American business. Mr. Wick has in excess of 25 years of experience working in the aerospace industry across the commercial and military aviation, space and avionics sectors.

Michael R. Abram was appointed Executive Vice President, Product Support in April 2016. Since joining Triumph in 2003 as Vice President of Operations for Triumph Airborne Structures, Mr. Abram has served as Vice President of Triumph Product Support, North America and, most recently, Vice President-Aftermarket Services Group, where he was responsible for the company’s maintenance, repair and overhaul ("MRO") activities supporting commercial, regional, business and military aircraft worldwide. Before joining Triumph, he was Vice President of Operations for NORDAM Repair Division.

Available Information

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

Item 1A. Risk Factors

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

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

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

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We may not be successful in achieving expected operating efficiencies and sustaining or improving operating expense reductions, and may experience business disruptions associated with restructuring, facility consolidations, realignment, cost reduction and other strategic initiatives.

Over the past several years we have implemented a number of restructuring, realignment and cost reduction initiatives, including facility consolidations, organizational realignments and reductions in our workforce. While we have realized some efficiencies from these actions, we may not realize the benefits of these initiatives to the extent we anticipated. Further, such benefits may be realized later than expected, and the ongoing difficulties in implementing these measures may be greater than anticipated, which could cause us to incur additional costs or result in business disruptions. In addition, if these measures are not successful or sustainable, we may be compelled to undertake additional realignment and cost reduction efforts, which could result in significant additional charges. Moreover, if our restructuring and realignment efforts prove ineffective, our ability to achieve our other strategic and business plan goals may be adversely affected.

Changes in levels of U.S. government defense spending or overall acquisition priorities could negatively impact our financial position and results of operations.

We derive a significant portion of our revenue from the U.S. government, primarily from defense related programs with the U.S. DoD. Levels of U.S. defense spending are very difficult to predict and may be impacted by numerous factors such as the political environment, U.S. foreign policy, macroeconomic conditions and the ability of the U.S. government to enact relevant legislation such as authorization and appropriations bills.

In addition, significant budgetary delays and constraints have already resulted in reduced spending levels, and additional reductions may be forthcoming. The Budget Control Act of 2011 established limits on U.S. government discretionary spending, including a reduction of defense spending between the 2012 and 2021 U.S. government fiscal years. Accordingly, long-term uncertainty remains with respect to overall levels of defense spending and it is likely that U.S. government discretionary spending levels will continue to be subject to pressure.

In addition, there continues to be significant uncertainty with respect to program-level appropriations for the U.S. DoD and other government agencies within the overall budgetary framework described above. While the House and Senate Appropriations committees included funding for major military programs in fiscal year 2018, such as CH-47 Chinook, AH-64 Apache, KC-46A Tanker, UH-60 Black Hawk, Northrop Grumman Global Hawk and V-22 Osprey programs, uncertainty remains about how defense budgets in fiscal year 2019 and beyond will affect these programs. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorizations and appropriations process could result in reductions, cancellations, and/or delays of existing contracts or programs. Any of these impacts could have a material effect on the results of the Company’s operations, financial position and/or cash flows.

In addition, as a result of the significant ongoing uncertainty with respect to both U.S. defense spending levels and the nature of the threat environment, we expect the U.S. DoD to continue to emphasize cost-cutting and other efficiency initiatives in its procurement processes. If we can no longer adjust successfully to these changing acquisition priorities and/or fail to meet affordability targets set by the U.S. DoD customer, our revenues and market share would be further impacted.

Our business could be negatively affected by cyber or other security threats or other disruptions.

Our businesses depend heavily on information technology and computerized systems to communicate and operate effectively. The Company's systems and technologies, or those of third parties on which we rely, could fail or become unreliable due to equipment failures, software viruses, cyber threats, terrorist acts, natural disasters, power failures or other causes. These threats arise in some cases as a result of our role as a defense contractor. Our customers, including the U.S. government, are increasingly requiring cybersecurity protections and mandating cybersecurity standards in our products and we may incur additional cost to comply with such demands.

Cybersecurity threats are evolving and include, but are not limited to, malicious software; attempts to gain unauthorized access to our sensitive information, including that of our customers, suppliers, subcontractors, and joint venture partners; and other electronic security breaches that could lead to disruptions in mission critical systems, unauthorized release of confidential or otherwise protected information and corruption of data.

Although we utilize various procedures and controls to monitor and mitigate these threats, there can be no assurance that these procedures and controls will be sufficient to prevent security threats from materializing. If any of these events were to materialize, the costs related to cyber or other security threats or disruptions may not be fully insured or indemnified and could have a material adverse effect on our reputation, operating results and financial condition.

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Our substantial debt could adversely affect our financial condition and our ability to operate and grow our business. The terms of our indentures governing our Senior Notes and Revolving Credit Facility impose significant operating and financial restrictions on our company and our subsidiaries, which could also adversely affect our operating flexibility and put us at a competitive disadvantage by preventing us from capitalizing on business opportunities and additional financing may not be available on terms acceptable to us.

The terms of our indentures governing our Senior Notes, Revolving Credit Facility and Securitization Facility (each as defined in Note 10 of the "Notes to the Consolidated Financial Statements") impose significant operating and financial restrictions on us, which limit our ability to incur liens, sell assets and enter into certain transactions, among other things. In addition, our debt instruments require us to maintain compliance with financial covenants.

We cannot assure you that we will be able to maintain compliance with the covenants in the agreements governing our indebtedness in the future or, if we fail to do so, that we will be able to obtain waivers from the lenders and /or amend the covenants. Failure to maintain compliance with these covenants could have a material adverse effect on our operations.

We may periodically need to obtain additional financing in order to meet our debt obligations as they come due, to support our operations and/or to make acquisitions. Our access to the debt capital markets and the cost of borrowings are affected by a number of factors including market conditions and the strength of our credit ratings. If we cannot obtain adequate sources of credit on favorable terms, or at all, our business, operating results, and financial condition could be adversely affected.

The profitability of certain development programs depends significantly on the assumptions surrounding satisfactory settlement of claims and assertions.

For certain of our new development programs, we regularly commence work or incorporate customer-requested changes prior to negotiating pricing terms for engineering work or the product which has been modified. We typically have the legal right to negotiate pricing for customer-directed changes. In those cases, we assert to our customers our contractual rights to obtain the additional revenue or cost reimbursement we expect to receive upon finalizing pricing terms. An expected recovery value of these assertions is incorporated into our contract profitability estimates when applying contract accounting. Our inability to recover these expected values, among other factors, could result in the recognition of a forward loss on these programs or a lower than expected profit margin and could have a material adverse effect on our results of operations. In addition, negotiations over our claims may lead to disputes with our customers that would result in litigation and its associated costs and risks of damages, penalties and injunctive relief, any of which could have a material, adverse effect on our business and results of operations.

We incur risk associated with new programs.

New programs with new technologies typically carry risks associated with design responsibility, development of new production tools, hiring and training of qualified personnel, increased capital and funding commitments, ability to meet customer specifications, delivery schedules and unique contractual requirements, supplier performance, ability of the customer to meet its contractual obligations to us, and our ability to accurately estimate costs associated with such programs. In addition, any new aircraft program may not generate sufficient demand or may experience technological problems or significant delays in the regulatory certification or manufacturing and delivery schedule. If we were unable to perform our obligations under new programs to the customer's satisfaction or manufacture products at our estimated costs, if we were to experience unexpected fluctuations in raw material prices or supplier problems leading to cost overruns, if we were unable to successfully perform under revised design and manufacturing plans or successfully resolve claims and assertions, or if a new program in which we had made a significant investment was terminated or experienced weak demand, delays or technological problems, our business, financial condition and results of operations could be materially adversely affected. This risk includes the potential for default, quality problems, or inability to meet weight requirements and could result in low margin or forward loss contracts, and the risk of having to write-off inventory if it were deemed to be unrecoverable over the life of the program. In addition, beginning new work on existing programs also carries risks associated with the transfer of technology, knowledge and tooling.

In order to perform on new programs we may be required to construct or acquire new facilities requiring additional up-front investment costs. In the case of significant program delays and/or program cancellations, we could be required to bear certain unrecoverable construction and maintenance costs and incur potential impairment charges for the new facilities. Also, we may need to expend additional resources to determine an alternate revenue generating use for the facilities. Likewise, significant delays in the construction or acquisition of a plant site could impact production schedules.

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Future volatility in the financial markets may impede our ability to successfully access capital markets and ensure adequate liquidity and may adversely affect our customers and suppliers.
Future turmoil in the capital markets may impede our ability to access the capital markets when we would like, or need, to raise capital or may restrict our ability to borrow money on favorable terms. Such market conditions could have an adverse impact on our flexibility to react to changing economic and business conditions and on our ability to fund our operations and capital expenditures in the future. In addition, interest rate fluctuations, financial market volatility or credit market disruptions may also negatively affect our customers' and our suppliers' ability to obtain credit to finance their businesses on acceptable terms. As a result, our customers' need for and ability to purchase our products or services may decrease, and our suppliers may increase their prices, reduce their output or change their terms of sale. If our customers' or suppliers' operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, our customers may not be able to pay, or may delay payment of, accounts receivable owed to us, and our suppliers may restrict credit or impose different payment terms. Any inability of customers to pay us for our products and services or any demands by suppliers for different payment terms may adversely affect our earnings and cash flow.
Cancellations, reductions or delays in customer orders may adversely affect our results of operations.
Our overall operating results are affected by many factors, including the timing of orders from large customers and the timing of expenditures to manufacture parts and purchase inventory in anticipation of future sales of products and services. A large portion of our operating expenses are relatively fixed. Because several of our operating locations typically do not obtain long-term purchase orders or commitments from our customers, they must anticipate the future volume of orders based upon the historic purchasing patterns of customers and upon our discussions with customers as to their anticipated future requirements. These historic patterns may be disrupted by many factors, including changing economic conditions, inventory adjustments, or work stoppages or labor disruptions at our customers' locations. Cancellations, reductions or delays in orders by a customer or group of customers could have a material adverse effect on our business, financial condition and results of operations.
A significant decline in business with a key customer could have a material adverse effect on us.
Boeing, or Boeing Commercial, Military and Space, represented approximately 31% of our net sales for the fiscal year ended March 31, 2018, covering virtually every Boeing plant and product. Gulfstream represented approximately 13% of our net sales for the fiscal year ended March 31, 2018, covering several Gulfstream plants and products. As a result, a significant reduction in purchases by Boeing and/or Gulfstream could have a material adverse impact on our financial condition, results of operations, and cash flows. In addition, some of our individual companies rely significantly on particular customers, the loss of which could have an adverse effect on those businesses.
Our international sales and operations are subject to applicable laws relating to trade, export controls and foreign corrupt practices, the violation of which could adversely affect our operations.
We must comply with all applicable export control laws and regulations of the United States and other countries. United States laws and regulations applicable to us include the Arms Export Control Act, the International Traffic in Arms Regulations ("ITAR"), the Export Administration Regulations ("EAR") and the trade sanctions laws and regulations administered by the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC"). EAR restricts the export of dual-use products and technical data to certain countries, while ITAR restricts the export of defense products, technical data and defense services. The U.S. Government agencies responsible for administering EAR and ITAR have significant discretion in the interpretation and enforcement of these regulations. We cannot provide services to certain countries subject to United States trade sanctions unless we first obtain the necessary authorizations from OFAC. In addition, we are subject to the Foreign Corrupt Practices Act which generally bars bribes or unreasonable gifts to foreign governments or officials.
Violations of these laws or regulations could result in significant additional sanctions, including fines, more onerous compliance requirements, more extensive debarments from export privileges, loss of authorizations needed to conduct aspects of our international business and criminal penalties and may harm our ability to enter into contracts with the U.S. Government. A future violation of ITAR or the other regulations enumerated above could materially adversely affect our business, financial condition and results of operations.

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

We are highly dependent on the availability of essential raw materials such as carbon fiber, aluminum and titanium, and purchased engineered component parts from our suppliers, many of which are available only from single customer-approved sources. Moreover, we are dependent upon the ability of our suppliers to provide raw materials and components that meet our

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specifications, quality standards and delivery schedules. Our suppliers' failure to provide expected raw materials or component parts could require us to identify and enter into contracts with alternate suppliers that are acceptable to both us and our customers, which could result in significant delays, expenses, increased costs and management distraction and adversely affect production schedules and contract profitability.

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

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

In addition, some contracts with our suppliers for raw materials, component parts and other goods are short-term contracts, which are subject to termination on a relatively short-term basis. The prices of our raw materials and component parts fluctuate depending on market conditions, and substantial increases in prices could increase our operating costs, which, as a result of our fixed-price contracts, we may not be able to recoup through increases in the prices of our products.

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

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

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

Competitive pressures may adversely affect us.

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

Industries, Mitsubishi Heavy Industries, Spirit AeroSystems and UTC Aerospace Systems. Competition for the repair and overhaul of aviation components comes from three primary sources: OEMs, major commercial airlines and other independent repair and overhaul companies.

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We may need to expend significant capital to keep pace with technological developments in our industry.
The aerospace industry is constantly undergoing development and change and it is likely that new products, equipment and methods of repair and overhaul service will be introduced in the future. In order to keep pace with any new developments, such as additive technology, we may need to expend significant capital to purchase new equipment and machines or to train our employees in the new methods of production and service.
The construction of aircraft is heavily regulated and failure to comply with applicable laws could reduce our sales or require us to incur additional costs to achieve compliance, and we may incur significant expenses to comply with new or more stringent governmental regulation.
The aerospace industry is highly regulated in the United States by the FAA and in other countries by similar agencies. We must be certified by the FAA and, in some cases, by individual OEMs in order to engineer and service parts, components and aerostructures used in specific aircraft models. If any of our material authorizations or approvals were revoked or suspended, our operations would be adversely affected. New or more stringent governmental regulations may be adopted, or industry oversight heightened in the future, and we may incur significant expenses to comply with any new regulations or any heightened industry oversight.
Our business could be materially adversely affected by product warranty obligations.
Our operations expose us to potential liability for warranty claims made by customers or third parties with respect to aircraft components that have been designed, manufactured, or serviced by us or our suppliers. Material product warranty obligations could have a material adverse effect on our business, financial condition and results of operations.
We may not realize our anticipated return on capital commitments made to expand our capabilities.
We continually make significant capital expenditures to implement new processes and to increase both efficiency and capacity. Some of these projects require additional training for our employees and not all projects may be implemented as anticipated. If any of these projects do not achieve the anticipated increase in efficiency or capacity, our returns on these capital expenditures may be lower than expected.
Any product liability claims in excess of insurance may adversely affect our financial condition.
Our operations expose us to potential liability for personal injury or death as a result of the failure of an aircraft component that has been serviced by us or the failure of an aircraft component designed or manufactured by us. While we believe that our liability insurance is adequate to protect us from these liabilities, our insurance may not cover all liabilities. Additionally, should insurance market conditions change, general aviation product liability, insurance coverage may not be available in the future at a cost acceptable to us. Any material liability not covered by insurance or for which third-party indemnification is not available could have a material adverse effect on our financial condition.
The lack of available skilled personnel may have an adverse effect on our operations.
From time to time, some of our operating locations have experienced difficulties in attracting and retaining skilled personnel to design, engineer, manufacture, repair and overhaul sophisticated aircraft components. Our ability to operate successfully could be jeopardized if we are unable to attract and retain a sufficient number of skilled personnel to conduct our business.
Our fixed-price contracts may commit us to unfavorable terms.
A significant portion of our net sales are derived from fixed-price contracts under which we have agreed to provide components or aerostructures for a price determined on the date we entered into the contract. Several factors may cause the costs we incur in fulfilling these contracts to vary substantially from our original estimates, and we bear the risk that increased or unexpected costs may reduce our profit or cause us to sustain losses on these contracts. In a fixed-price contract, we must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs we will incur in performing these contracts. Because our ability to terminate contracts is generally limited, we may not be able to terminate our performance requirements under these contracts at all or without substantial liability and, therefore, in the event we are sustaining reduced profits or losses, we could continue to sustain these reduced profits or losses for the duration of the contract term. Our failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance of a fixed-price contract may reduce our profitability or cause significant losses on programs similar in nature to the forward losses incurred on the Boeing 747-8 ("747-8

program") and Bombardier Global 7000/8000 contracts.

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Any exposure to environmental liabilities may adversely affect us.

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

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

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

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

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

- failure by our employees or agents to comply with U.S. laws affecting the activities of U.S. companies abroad;
- difficulty with staffing and managing widespread operations; and

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- difficulty of and costs relating to compliance with the different commercial and legal requirements of the countries in which we operate.

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

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

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

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

We could become involved in intellectual property litigation, which could have a material and adverse impact on our profitability.

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

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

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

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

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

Our manufacturing facilities or our customers' facilities could be damaged or disrupted by a natural disaster, war, or terrorist activity. We maintain property damage and business interruption insurance at the levels typical in our industry or for our customers and suppliers, however, a major catastrophe, such as an earthquake, hurricane, fire, flood, tornado or other natural disaster at any of our sites, or war or terrorist activities in any of the areas where we conduct operations could result in a prolonged interruption of our business. Any disruption resulting from these events could cause significant delays in shipments

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of products and the loss of sales and customers and we may not have insurance to adequately compensate us for any of these events. For leased facilities, timely renewal of leases and risk mitigation from the sale of our leased facilities is required to avoid any business interruption.

Our reputation, our ability to do business and our financial position, results of operations and/or cash flows may be impacted by the improper conduct of employees, agents, subcontractors, suppliers, business partners or joint ventures in which we participate.

We have implemented policies, procedures, training and other compliance controls, and have negotiated terms designed to prevent misconduct by employees, agents or others working on our behalf or with us that would violate the applicable laws of the jurisdictions in which we operate, including laws governing improper payments to government officials, the protection of export controlled or classified information, cost accounting and billing, competition and data privacy. However, we cannot ensure that we will prevent all such misconduct committed by our employees, agents, subcontractors, suppliers, business partners or others working on our behalf or with us, and this risk of improper conduct may increase as we expand globally. In the ordinary course of our business we form and are members of joint ventures. We may be unable to prevent misconduct or other violations of applicable laws by these joint ventures (including their officers, directors and employees) or our partners. Improper actions by those with whom or through whom we do business (including our employees, agents, subcontractors, suppliers, business partners and joint ventures) could subject us to administrative, civil or criminal investigations and monetary and non-monetary penalties, including suspension and debarment, which could negatively impact our reputation and ability to conduct business and could have a material adverse effect on our financial position, results of operations and/or cash flows.

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

At March 31, 2018, we employed 13,554 people, of which 16.9% belonged to unions. Our unionized workforces and those of our customers and suppliers may experience work stoppages. For example, during the quarter ended June 30, 2016, we settled a strike and agreed to a new collective bargaining agreement with our union employees with IAM District 751 at our Spokane, Washington facility which had expired during the quarter. While we were in negotiations with the workforce, we were able to implement plans that allowed us to continue production in Spokane with the support from our other locations. If we are unable to negotiate a contract with those workforces, our operations may be disrupted and we may be prevented from completing production and delivery of products from those facilities, which would negatively impact our results. Contingency plans have been developed that would allow production to continue in the event of a strike.

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

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

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

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

The military aircraft manufacturers' business, and by extension, our business, is affected by the U.S. government's continued commitment to programs under contract with our customers. The terms of defense contracts with the U.S. government generally permit the government to terminate contracts partially or completely, either for its convenience or if we default by failing to perform under the contract. Termination for convenience provisions provide only for our recovery of unrecovered costs incurred or committed, settlement expenses and profit on the work completed prior to termination. Termination for default provisions provide for the contractor to be liable for excess costs incurred by the U.S. government in

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procuring undelivered items from another source. On contracts where the price is based on cost, the U.S. government may review our costs and performance, as well as our accounting and general business practices. Based on the results of such audits, the U.S. government may adjust our contract-related costs and fees, including allocated indirect costs. In addition, under U.S. government purchasing regulations, some of our costs, including most financing costs, portions of research and development costs, and certain marketing expenses may not be subject to reimbursement. We bear the potential risk that the U.S. government may unilaterally suspend our customers or us from new contracts pending the resolution of alleged violations of procurement laws or regulations. Sales to the U.S. government are also subject to changes in the government's procurement policies in advance of design completion. An unexpected termination of, or suspension from, a significant government contract, a reduction in expenditures by the U.S. government for aircraft using our products, lower margins resulting from increasingly competitive procurement policies, a reduction in the volume of contracts awarded to us, or substantial cost overruns could have a material adverse effect on our financial condition, results of operations and cash flows.

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

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

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

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 contains provisions to improve transparency and accountability concerning the supply of certain minerals and metals, known as conflict minerals, originating from the Democratic Republic of Congo (the "DRC") and adjoining countries. As a result, in August 2012, the SEC adopted annual investigation, disclosure and reporting requirements for those companies that manufacture or contract to manufacture products that contain conflict minerals that originated from the DRC and adjoining countries. We have and will continue to incur compliance costs, including costs related to determining the sources of conflict minerals used in our products and other potential changes to processes or sources of supply as a consequence of such verification activities. The implementation of these rules could adversely affect the sourcing, supply and pricing of materials used in certain of our products. As there may be only a limited number of suppliers offering "conflict free" minerals, we cannot be sure that we will be able to obtain necessary conflict-free minerals from such suppliers in sufficient quantities or at competitive prices. Also, we may face reputational challenges if we determine that certain of our products contain minerals not determined to be conflict free.

Our business is subject to regulation in the United States and internationally.

The manufacturing of our products is subject to numerous federal, state and foreign governmental regulations. The number of laws and regulations that are being enacted or proposed by various governmental bodies and authorities are increasing. Compliance with these regulations is difficult and expensive. If we fail to adhere, or are alleged to have failed to adhere, to any applicable federal, state or foreign laws or regulations, or if such laws or regulations negatively affect sales of our products, our business, prospects, results of operations, financial condition or cash flows may be adversely affected. In addition, our future results could be adversely affected by changes in applicable federal, state and foreign laws and regulations, or the interpretation or enforcement thereof, including those relating to manufacturing processes, product liability, government contracts, trade rules and customs regulations, intellectual property, consumer laws, privacy laws, as well as accounting standards and taxation requirements (including tax-rate changes, new tax laws or revised tax law interpretations.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

As of March 31, 2018, our segments owned or leased the following facilities with the following square footage:

(Square feet in thousands)	Owned	Leased	Total
Integrated Systems	1,075	748	1,823
Aerospace Structures	5,139	5,632	10,771
Product Support	562	488	1,050
Corporate	—	22	22
Total	6,776	6,890	13,666

At March 31, 2018, our segments occupied 7.3 million square feet of floor space at the following major locations:

- Integrated Systems: West Hartford, Connecticut; and Park City, Utah
- Aerospace Structures: Milledgeville, Georgia; Nashville, Tennessee; Hawthorne, California; Red Oak, Texas; Grand Prairie, Texas; and Stuart, Florida
- Product Support: Hot Springs, Arkansas

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

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Range of Market Price

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

	High	Low
Fiscal 2017		
1st Quarter	$40.09	$29.97
2nd Quarter	39.88	26.31
3rd Quarter	31.00	22.40
4th Quarter	29.00	23.00
Fiscal 2018		
1st Quarter	$34.80	$19.65
2nd Quarter	34.50	24.45
3rd Quarter	34.58	26.15
4th Quarter	30.05	23.95

On May 21, 2018, the reported closing price for our common stock was $25.10. As of May 21, 2018, there were approximately 102 holders of record of our common stock and we believe that our common stock was beneficially owned by approximately 30,000 persons.

Dividend Policy

During fiscal 2018 and 2017, we paid cash dividends of $0.16 per share and $0.16 per share, respectively. However, our declaration and payment of cash dividends in the future and the amount thereof will depend upon our results of operations, financial condition, cash requirements, future prospects, limitations imposed by credit agreements or indentures governing debt securities and other factors deemed relevant by our Board of Directors. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all. Certain of our debt arrangements, including the Credit Facility, restrict our paying dividends and making distributions on our capital stock, except for the payment of stock dividends and redemptions of an employee's shares of capital stock upon termination of employment. The Company will likely have an accumulated deficit in the first quarter of Fiscal 2019, which would limit or restrict our ability to pay dividends.

Repurchases of Stock

In December 1998, we announced a program to repurchase up to 500,000 shares of our common stock. In February 2008, the Company's Board of Directors authorized an increase in the Company's existing stock repurchase program by up to an additional 500,000 shares of its common stock. In February 2014, the Company's Board of Directors authorized an increase in the Company's existing stock repurchase program by up to an additional 5,000,000 shares of its common stock. During the fiscal years ended March 31, 2018, 2017 and 2016, we did not repurchase any shares. During the fiscal years ended March 31, 2015 and 2014, we repurchased 2,923,011 and 300,000 shares, respectively, for a purchase price of $184.4 million and $19.1 million, respectively. From the inception of the program through March 31, 2013, we repurchased 499,200 shares (prior to fiscal 2012 stock split) for a purchase price of $19.2 million. Repurchases may be made from time to time in open market transactions, block purchases, privately negotiated transactions or otherwise at prevailing prices. No time limit has been set for completion of the program. As a result, as of May 22, 2018, the Company remains able to purchase an additional 2,277,789 shares.

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Equity Compensation Plan Information
The information required regarding equity compensation plan information will be included in our Proxy Statement in connection with our 2018 Annual Meeting of Stockholders to be held on July 7, 2018, under the heading "Equity Compensation Plan Information" and is incorporated herein by reference.
The following graph compares the cumulative 5-year total return provided stockholders on our common stock relative to the cumulative total returns of the Russell 1000 index, the Russell 2000 index and the S&P Aerospace & Defense index. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our common stock and in each of the indexes on March 31, 2012, and its relative performance is tracked through March 31, 2018.
COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*
Among Triumph Group, Inc., and The Russell 1000 and 2000 Indexes
And The S&P Aerospace & Defense Index
* $100 invested on March 31, 2013, in stock or index, including reinvestment of dividends.

	Fiscal year ended March 31					
	2013	2014	2015	2016	2017	2018
Triumph Group, Inc.	100.00	82.45	76.43	40.44	33.25	32.72
Russell 1000	100.00	122.41	138.00	138.69	162.87	185.63
Russell 2000	100.00	124.90	135.15	121.96	153.94	172.09
S&P Aerospace & Defense	100.00	143.22	163.53	165.13	210.04	298.34

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

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Item 6. Selected Financial Data

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

	Fiscal Year Ended March 31,				
	2018[(1)]	2017[(2)]	2016[(3)]	2015[(4)]	2014[(5)]
	(in thousands, except per share data)				
Operating Data:					
Net sales	$3,198,951	$3,532,799	$3,886,072	$3,888,722	$3,763,254
Cost of sales	2,533,153	2,689,818	3,597,299	3,141,453	2,911,802
	665,798	842,981	288,773	747,269	851,452
Selling, general and administrative expense	289,521	281,547	287,349	285,773	254,715
Depreciation and amortization	158,368	176,946	177,755	158,323	164,277
Impairment of intangible assets	535,227	266,298	874,361	—	—
Restructuring	40,069	42,177	36,182	3,193	31,290
Loss on divestitures	30,741	19,124	—	—	—
Curtailments, settlements and early retirement incentives	(25,722)	—	(1,244)	—	1,166
Loss (gain) on legal settlement, net	—	—	5,476	(134,693)	—
Operating (loss) income	(362,406)	56,889	(1,091,106)	434,673	400,004
Interest expense and other	99,442	80,501	68,041	85,379	87,771
(Loss) income from continuing operations, before income taxes	(461,848)	(23,612)	(1,159,147)	349,294	312,233
Income tax (benefit) expense	(36,457)	19,340	(111,187)	110,597	105,977
Net (loss) income	$(425,391)	$(42,952)	$(1,047,960)	$238,697	$206,256
Earnings per share:					
(Loss) income from continuing operations:					
Basic	$(8.60)	$(0.87)	$(21.29)	$4.70	$3.99
Diluted[(6)]	$(8.60)	$(0.87)	$(21.29)	$4.68	$3.91
Cash dividends declared per share	$0.16	$0.16	$0.16	$0.16	$0.16
Shares used in computing earnings per share:					
Basic	49,442	49,303	49,218	50,796	51,711
Diluted[(6)]	49,442	49,303	49,218	51,005	52,787

	As of March 31,				
	2018[(1)]	2017[(2)]	2016[(3)]	2015[(4)]	2014[(5)]
	(in thousands)				
Balance Sheet Data:					
Working capital	$930,486	$438,659	$606,767	$1,023,144	$1,141,741
Total assets	3,807,064	4,414,600	4,835,093	5,956,325	5,553,386
Long-term debt, including current portion	1,438,284	1,196,300	1,417,320	1,368,600	1,550,383
Total stockholders' equity	$450,534	$846,473	$934,944	$2,135,784	$2,283,911

(1) Includes the divestitures of Triumph Processing- Embee Division (September 2017) and Triumph Structures- Long Island (March 2018). See Notes to the Consolidated Financial Statements.

(2)

Includes the divestitures of Triumph Aerospace Systems-Newport News, Inc. (September 2016) and Triumph Air Repair, the Auxiliary Power Unit Overhaul Operations of Triumph Aviations Services - Asia, Ltd. and Triumph Engines - Tempe (December 2016). See Notes to the Consolidated Financial Statements.

(3) Includes the acquisition of Fairchild Controls Corporation (October 2015) from the date of acquisition, forward losses on the Bombardier and 747-8 programs of $561,158 (March 2016). See Notes to the Consolidated Financial Statements.

(4) Includes the acquisitions of Spirit AeroSystems Holdings, Inc. - Gulfstream G650 and G280 Wings Programs and forward losses on the 747-8 program of $151,992 (December 2014), North American Aircraft Services, Inc. (October 2014) and GE Aviation - Hydraulic Actuation (June 2014) from the date of each respective acquisition.

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(5) Includes the acquisitions of Insulfab Product Line (Chase Corporation) (October 2013), General Donlee Canada, Inc. (October 2013) and Primus Composites (May 2013) from the date of each respective acquisition. Includes the divestitures of Triumph Aerospace Systems - Wichita (January 2014) and Triumph Instruments (April 2013) from the date of respective divestiture.

(6) Diluted earnings per share for the fiscal years ended March 31, 2015 and 2014, included 40,177, and 811,083 shares, respectively, related to the dilutive effects of the Company's Convertible Notes.

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

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

OVERVIEW

Effective January 1, 2018, we combined our Aerospace Structures and Precision Components operating segments into one reporting segment, Aerospace Structures. Aerospace Structures and Precision Components share many of the same customers and suppliers and have substantial inter-company work on common programs. As a single operating segment, we are able to leverage their combined resources to make it more cost competitive and enhance performance. The newly formed operating segment is also a reportable segment. As a result, effective January 1, 2018, we have three reporting segments for financial reporting purposes - Integrated Systems, Product Support and Aerospace Structures.

We are a major supplier to the aerospace industry and have three operating segments: (i) Integrated Systems, whose companies' revenues are derived from integrated solutions, including design, development and support of proprietary components, subsystems and systems, as well as production of complex assemblies using external designs; (ii) Aerospace Structures, whose companies supply commercial, business, regional and military manufacturers with large metallic and composite structures and produce close-tolerance parts primarily to customer designs and model based definition, including a wide range of aluminum, hard metal and composite structure capabilities; and (ii) Product Support, whose companies provide full life cycle solutions for commercial, regional and military aircraft.

In May 2018, the Company entered into a definitive agreement to divest Triumph Structures - Los Angles, Inc. ("TSLA") and Triumph Processing, Inc. ("TPI"). The transaction is subject to customary closing conditions and is expected to close in the first half of fiscal 2019. The operating results for TSLA and TPI were included in Aerospace Structures for the fiscal year ended March 31, 2018.

In March 2018, the Company sold all of the shares of Triumph Structures Long Island, LLC ("TS-LI") for total cash proceeds of $9.5 million. As a result of the sale of TS-LI, the Company recognized a loss of $10.4 million which is presented on the accompanying Consolidated Statements of Operations as "Loss on divestiture." The operating results of TS-LI were included in Aerospace Structures through the date of disposal.

In September 2017, the Company sold all of the shares of Triumph Processing - Embee Division, Inc. ("Embee") for total cash proceeds of $65.0 million. As a result of the sale of Embee, the Company recognized a loss of $17.9 million, which is included in Corporate. The operating results of Embee were included in Integrated Systems through the date of disposal.

Significant financial results for the fiscal year ended March 31, 2018, include:

- Net sales for fiscal 2018 decreased 9.4% to $3.20 billion, including a 6.3% decrease in organic sales.
- Operating loss for fiscal 2018 was $362.4 million.
- Included in operating loss for fiscal 2018 was non-cash impairment charges of $535.2 million related to goodwill associated with the Aerospace Structures reporting unit and restructuring charges of $43.1 million.
- Net loss for fiscal 2018 was $425.4 million.
- Backlog increased 13.0% over the prior year to $4.50 billion.

For the fiscal year ended March 31, 2018, net sales totaled $3.20 billion, a 9.4% decrease from fiscal year 2017 net sales of $3.53 billion. The net loss for fiscal year 2018 increased 890.4% to $425.4 million, or $8.60 per diluted common share, versus the net loss of $43.0 million, or $0.87 per diluted common share, for fiscal year 2017.

Our working capital needs are generally funded through cash flows from operations and borrowings under our credit arrangements. For the fiscal year ended March 31, 2018, we used $288.9 million of cash flows from operating activities,

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received $38.2 million from investing activities and received $213.6 million from financing activities. Cash flows from operating activities in fiscal year 2017 were $281.5 million.

The Company has committed to several plans that incorporate the restructuring of certain its businesses as well as the consolidation of certain of its facilities. The Company expects to reduce its footprint by approximately 4.3 million square feet and to reduce head count by 2,500 employees, approximately 1,000 of which have exited as of March 31, 20188. Over the course of these cost-reducing programs (which were initiated in fiscal 2016), the Company estimates that it will record aggregate related pre-tax charges of $195.0 million to $210.0 million, which represent employee termination benefits, contract termination costs, accelerated depreciation and facility closure and other exit costs, and will result in future cash outlays. For the fiscal years ended fiscal years ended March 31, 2018, 2017 and 2016, the Company recorded charges of $43.1 million, $53.0 million and $81.0 million, respectively, related to these programs.

Our 2016 and 2017 restructuring plans and related activities are anticipated to generate annualized savings of approximately $300 million per year on a consolidated basis by fiscal year 2019 from facility consolidations, headcount reductions, operational efficiencies, and supply chain optimization. These anticipated savings are expected to come from our reportable segments approximately as follows: Integrated Systems - 23%; Aerospace Structures - 72% and Product Support - 5%. A significant portion of the anticipated savings are expected to be reinvested in business development, research and development and capital improvements to help drive organic growth. Through March 31, 2018, the Company is on target for its consolidated anticipated savings goals; however, the nature of those savings has shifted over time to be more weighted toward our supply chain optimization and operational efficiencies than previously anticipated, offset by reduced expectations associated with the facility consolidations and headcount reductions.

We are currently performing work on several new programs, which are in various stages of development. Several of the these programs have entered flight testing, including the Bombardier Global 7000/8000 ("Global 7000/8000") and Embraer second generation E-Jet ("E2-Jets") and we expect to deliver revenue generating production units for these programs in calendar year 2018. Historically, low-rate production commences during flight testing, followed by an increase to full-rate production, assuming that successful testing and certification are achieved. Accordingly, we anticipate that each of these programs will begin generating full-rate production level revenues between fiscal 2019 and fiscal 2021. We are still in the early development stages for the Gulfstream G500/G600 programs, as these aircraft are not expected to enter service until fiscal 2019. Transition of each of these programs from development to recurring production levels is dependent upon the success of each program at achieving flight testing and certification, as well as the ability of the OEM to generate acceptable levels of aircraft sales.

While work progressed on these development programs, we have experienced difficulties in achieving estimated cost targets particularly in the areas of engineering and estimated recurring costs. In the fourth quarter of fiscal 2016, we recorded a $399.8 million forward loss on our Global 7000/8000 wing contract. The Global 7000/8000 contract provides for fixed pricing and requires us to fund certain up-front development expenses, with certain milestone payments made by Bombardier.

The provision for forward losses on the Global 7000/8000 program resulted in the impairment of previously capitalized pre-production costs due to the combination of cost recovery uncertainty, higher than anticipated nonrecurring costs and increased forecasted costs on recurring production. The increases in costs were driven by several factors, including: changing technical requirements, increased spending on the design and engineering phase of the program and uncertainty regarding cost reduction and cost recovery initiatives with our customer and suppliers. The program has continued to incur costs since March 2016 in support of development and transition to production.

On December 22, 2016, Triumph Aerostructures, LLC, the wholly owned subsidiary of the Company that is party to the Global 7000/8000 contract with Bombardier (“Triumph Aerostructures”), initiated litigation against Bombardier in the Quebec Superior Court, District of Montreal. The lawsuit related to Bombardier’s failure to pay to Triumph Aerostructures certain non-recurring expenses incurred by Triumph Aerostructures during the development phase of a program pursuant to which Triumph Aerostructures agreed to design, manufacture, and supply the wing and related components for Bombardier’s Global 7000 business aircraft.

In May 2017, Triumph Aerostructures and Bombardier entered into a comprehensive settlement agreement that resolved all outstanding commercial disputes between them, including all pending litigation, related to the design, manufacture and supply of wing components for Bombardier’s Global 7000 business aircraft. The settlement reset the commercial relationship between the companies and allowed each company to better achieve its business objectives going forward.

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Further cost increases or an inability to meet revised recurring cost forecasts on the Global 7000/8000 program may result in additional forward loss reserves in future periods, while improvements in future costs compared to current estimates or additional cost recovery may result in favorable adjustments if forward loss reserves are no longer required.

Under our contract with Embraer, we have the exclusive right to design, develop and manufacture the center fuselage section III, rear fuselage section and various tail section components (rudder and elevator) for the E2-Jets over the initial 600 ship sets. The contract provides for funding on a fixed amount of nonrecurring costs, which will be paid over a specified number of production units. Higher than expected spending on the E2-Jets program has resulted in a near breakeven estimated profit margin percentage, with additional potential future cost pressures as well as opportunities for improved performance. Risks related to additional engineering as well as the recurring cost profile remain as this program completes flight testing. During the fiscal year ended March 31, 2018, the Company reached an agreement with AeroSpace Technologies of Korea Inc. (ASTK) to optimize the supply chain under our portion of the E2 program. Under this agreement, ASTK will build and transport fuselage shipsets to Embraer and establish a facility in Brazil to manage stock and repairs locally. The Company maintains its role as the supply chain integrator on the program.

We seek additional consideration for customer work statement changes throughout the development process as a standard course of business. The ability to recover or negotiate additional consideration is not certain and varies by contract. Varying market conditions for these products may also impact future profitability.

Although none of these new programs individually are expected to have a material impact on our net revenues, they do have the potential, either individually or in the aggregate, to materially and negatively impact our consolidated results of operations if future changes in estimates result in the need for a forward loss provision. Absent any such loss provisions, we do not anticipate that any of these new programs will significantly dilute our future consolidated margins.

In March 2017, the Company settled several outstanding change orders and open pricing on a number of its programs with Boeing. The agreement included pricing settlements, advanced payments, delivery schedule adjustments and the opportunity to extend the mutual relationship on future programs. The agreement also provides for continued build ahead on the 747-8 program through the end of the existing contract, resulting in a reduction to the previously recognized forward losses on the 747-8 program.

As disclosed during fiscal 2016, Boeing announced a rate reduction to the 747-8 program, which lowered production to one plane every two months, the impact of the rate reduction resulted in an additional $161.4 million forward loss during the fiscal year ended March 31, 2016.

Subsequent to March 31, 2018, the Company reached an agreement with Gulfstream to optimize the supply chain on the Company's G650 work scope. The G650 wing box and wing completion work, which are now co-produced across three facilities at both companies, are planned for consolidation into Gulfstream’s structures center of excellence in Savannah. The Company will maintain its role as the supply chain integrator on the program.

Consistent with the Company's policy described in Note 2, the Company performs an annual assessment in its fiscal fourth quarter and 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. The Company performed an interim assessment of the fair value of its goodwill due to the Company's decision to combine the Aerospace Structures and Precision Components reporting segments into one reporting segment as noted above. In accordance with ASC 350-20-35-3C, there are several potential events and circumstances that could be indicators of goodwill impairment. A change in a company's reporting unit structure is one of these events, and when this does occur, a company must perform a "before and after" test of the reporting units (see Note 1). Additionally, the Company's enhanced visibility into its future cash flows based on its annual planning process was also an indicator. Consistent with the Company's policy, it performed 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.

After performing the "before" portion of the test of the reporting units the Company concluded that the former Precision Components' reporting unit had a fair value that was lower than its carrying value by an amount of $190.2 million. Accordingly, the Company recorded a non-cash impairment charge during the fiscal quarter ended December

31, 2017, of $190.2 million, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets”. The decline in fair value is the result of declining revenues from production rate reductions on sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows.

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The Company then performed the "after" portion of the test of the reporting units and concluded that the new reporting unit of Aerospace Structures' goodwill had a fair value that was lower than its carrying value by an amount that exceeded the remaining goodwill for the reporting unit. Following the applicable accounting guidance, this impairment charge is deemed to have occurred during the Company's fiscal fourth quarter. Therefore, the Company recorded a non-cash impairment charge during the fiscal quarter ended March 31, 2018, of $345.0 million, which is presented on the Consolidated Statements of Operations as "Impairment of intangible assets" for the fiscal year ended March 31, 2018. The decline in fair value is the result of declining revenues from production rate reductions on sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows (See Note 2 for definition of fair value levels).

In the fourth quarter of the fiscal year ended March 31, 2017, we concluded that the goodwill related to the Aerospace Structures reporting unit was impaired as of the annual testing date. We recorded a non-cash impairment charge during the fourth quarter of the fiscal year ending March 31, 2017, of $266.3 million, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets."

In the fourth quarter of the fiscal year ended March 31, 2016, we concluded that the goodwill of our Aerospace Structures reporting unit was impaired as of the annual testing date. We concluded that the goodwill had an implied fair value of $822.8 million (Level 3) compared to a carrying value of $1.42 billion. We recorded a non-cash impairment charge during the fourth quarter of fiscal 2016 of $597.6 million, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets."

During the third quarter of the fiscal year ended March 31, 2016, we performed an interim assessment of fair value on our indefinite-lived intangible assets due to potential indicators of impairment related to the continued decline in our stock price during the fiscal third quarter. We 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 tradename assets.

Based on our evaluation, we concluded that the Vought tradename had a fair value of $195.8 million (Level 3) compared to a carrying value of $425.0 million. Accordingly, we recorded a non-cash impairment charge during the quarter ended December 31, 2015, of $229.2 million, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets". 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 in Bombardier Global 7000/8000 and the timing of associated earnings.

During the fourth quarter of the fiscal year ended March 31, 2016, we performed our annual assessment of fair value on our indefinite-lived intangible assets. We 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 rate of 14% based on the required rate of return for the tradename assets, which increased from our interim assessment driven by increased risk due to continued declines in stock price and related market multiples for stock price to EBITDA of both the Company and our peer group and increased interest rates.

Based on our evaluation of indefinite-lived assets, including the tradenames, we concluded that the Vought and Embee tradenames had a fair value of $163.0 million (Level 3) compared to a carrying value of $209.2 million. The decline in fair value compared to carrying value of the tradenames is the result of the increase in discount rate during the fourth quarter, which required the Company to assess whether events and/or circumstances have changed regarding the indefinite-life conclusion. Accordingly, we revalued both the tradenames as if these intangible assets were no longer indefinite and recorded a non-cash impairment charge during the fiscal year ended March 31, 2016, of $46.2 million, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets".

During the fiscal year ended March 31, 2017, as part of the Company's annual assessment, the Company determined that the remaining estimated useful life for the Vought tradename should be reduced from a useful life of 20 years to a useful life of 10 years, as it better represents the expected period of benefit to the Company's financial performance.

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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.
During the quarter ended June 30, 2016, we settled a strike and agreed to a new collective bargaining agreement with our union employees with IAM District 751 at our Spokane, Washington facility which had expired during the quarter, resulting in a charge of $15.7 million due to disruption costs. During the fiscal year ended March 31, 2018, the Company ratified a collective bargaining agreement with its union employees with United Autoworkers of America and its Local Union 848 at its Red Oak, Texas facility.
Subsequent to the fiscal year ended March 31, 2018, the Company ratified a collective bargaining agreement with its union employees with United Autoworkers of America and its Local Union 952 at its Tulsa, Oklahoma facility.
As of March 31, 2018, none of the Company's collectively bargained workforce are working under contracts that are expired or will expire within one year. Upon the expiration of a contract, we may become unable to negotiate a contract with a workforce, therefore our operations may be disrupted and we may be prevented from completing production and delivery of products from those facilities, which would negatively impact our results. Contingency plans have been developed that would allow production to continue in the event of a strike.
In February 2017, the Company sold Triumph Air Repair, the Auxiliary Power Unit Overhaul Operations of Triumph Aviations Services - Asia, Ltd. and Triumph Engines - Tempe ("Engines and APU") for total cash proceeds of $60.4 million. As a result, the Company recognized a loss of $14.3 million on the sale which is presented on the accompanying Consolidated Statements of Operations as "Loss on divestitures" and is included in Corporate. The transaction closed during the quarter ended June 30, 2017. The operating results of Engines and APU were included in Product Support through the date of disposal. An option to purchase the repair part line from Triumph Aviation Services - Asia, Ltd. was executed by the buyer of Engines and APU in May 2018 for total cash proceeds of $17.8 million. This transaction is expected to close in the first half of fiscal 2019 and is expected to result in a gain. The related assets and liabilities are shown as held for sale in the accompanying Consolidated Balance Sheets.
In September 2016, the Company sold all of the shares of Triumph Aerospace Systems-Newport News, Inc. ("TAS-Newport News") for total cash proceeds of $9.0 million. As a result of the sale of TAS-Newport News, the Company recognized a loss of $4.9 million on the sale which is presented on the accompanying Consolidated Statements of Operations as "Loss on divestitures" and is included in Corporate. The operating results of TAS-Newport News were included in Integrated Systems through the date of disposal.
On May 10, 2018, the Company issued a press release summarizing its results for the fourth quarter and fiscal year ended March 31, 2018. These unaudited results included a net loss for the fiscal year of ($419.4) million, or ($8.48) per share. As part of the preparation of our Annual Report on Form 10-K for the fiscal year ended March 31, 2018, the Company recorded additional deferred tax valuation allowance related to changes in estimates from the impact of income tax reform. Accordingly, the net loss for the fiscal year was adjusted to ($425.4) million, or ($8.60) per share.

RESULTS OF OPERATIONS

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

Non-GAAP Financial Measures

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

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

Adjusted EBITDA is used by management to internally measure our operating and management performance and by investors as a supplemental financial measure to evaluate the performance of our business that, when viewed with our GAAP results and the accompanying reconciliation, we believe provides additional information that is useful to gain an understanding of the factors and trends affecting our business. We have spent more than 20 years expanding our product and service capabilities partially through acquisitions of complementary businesses. Due to the expansion of our operations, which included acquisitions, our (loss) income from continuing operations has included significant charges for depreciation and amortization. Adjusted EBITDA excludes these charges and provides meaningful information about the operating performance of our business, apart from charges for depreciation and amortization. We believe the disclosure of Adjusted EBITDA helps investors meaningfully evaluate and compare our performance from quarter to quarter and from year to year. We also believe Adjusted EBITDA is a measure of our ongoing operating performance because the isolation of non-cash charges, such as depreciation and amortization, and non-operating items, such as interest and income taxes, provides additional information about our cost structure, and, over time, helps track our operating progress. In addition, investors, securities analysts and others have regularly relied on Adjusted EBITDA to provide a financial measure by which to compare our operating performance against that of other companies in our industry.

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

- Divestitures may be useful for investors to consider because they reflect gains or losses from sale of operating units. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.
- Legal settlements may be useful for investors to consider because it reflects gains or losses from disputes with third parties. We do not believe these earnings necessarily reflect the current and ongoing cash earnings related to our operations.

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

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

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

	Fiscal year ended March 31,		
	2018	2017	2016
Net Loss	$(425,391)	$(42,952)	$(1,047,960)
Loss on divestitures	30,741	19,124	—
Curtailments, settlements and early retirement incentives	(25,722)	—	(1,244)
Legal settlement charge (gain), net of expenses	—	—	5,476
Amortization of acquired contract liabilities	(125,148)	(121,004)	(132,363)
Depreciation and amortization *	693,595	443,244	1,052,116
Interest expense and other	99,442	80,501	68,041
Income tax expense (benefit)	(36,457)	19,340	(111,187)
Adjusted EBITDA	$211,060	$398,253	$(167,121)

* - Includes Impairment charges related to intangible assets

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

	Fiscal year ended March 31, 2018				
	Total	Integrated Systems	Aerospace Structures	Product Support	Corporate/ Eliminations
Operating (loss) income	$(362,406)	$187,205	$(492,457)	$45,702	$(102,856)
Loss on divestitures	30,741	—	—	—	30,741
Curtailments, settlements and early retirement incentives	(25,722)	—	—	—	(25,722)
Amortization of acquired contract liabilities	(125,148)	(38,293)	(86,855)	—	—
Depreciation and amortization *	693,595	35,986	649,013	6,744	1,852
Adjusted EBITDA	$211,060	$184,898	$69,701	$52,446	$(95,985)

* - Includes Impairment charges related to intangible assets.

	Fiscal year ended March 31, 2017				
	Total	Integrated Systems	Aerospace Structures	Product Support	Corporate/ Eliminations
Operating income (loss)	$56,889	$201,294	$(90,489)	$55,801	$(109,717)
Loss on divestitures	19,124	—	—	—	19,124
Amortization of acquired contract liabilities	(121,004)	(36,760)	(84,244)	—	—
Depreciation and amortization *	443,244	40,332	392,414	9,037	1,461
Adjusted EBITDA	$398,253	$204,866	$217,681	$64,838	$(89,132)

* - Includes Impairment charges related to intangible assets.

	Fiscal year ended March 31, 2016				
	Total	Integrated Systems	Aerospace Structures	Product Support	Corporate/ Eliminations
Operating (loss) income	$(1,091,106)	$220,649	$(1,278,906)	$24,977	$(57,826)
Legal settlement gain, net	5,476	(8,494)	12,070	1,900	—
Curtailments, settlements and early retirement incentives	(1,244)	—	—	—	(1,244)
Amortization of acquired contract liabilities	(132,363)	(41,585)	(90,778)	—	—
Depreciation and amortization *	1,052,116	42,486	996,979	11,009	1,642
Adjusted EBITDA	$(167,121)	$213,056	$(360,635)	$37,886	$(57,428)

* - Includes Impairment charges related to intangible assets.

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

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Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017

	Year Ended March 31,	
	2018	2017
	(in thousands)	
Net sales	$3,198,951	$3,532,799
Segment operating (loss) income	$(259,550)	$166,606
Corporate expense	(102,856)	(109,717)
Total operating (loss) income	(362,406)	56,889
Interest expense and other	99,442	80,501
Income tax (benefit) expense	(36,457)	19,340
Net loss	$(425,391)	$(42,952)

Net sales decreased by $333.8 million, or 9.4%, to $3.2 billion for the fiscal year ended March 31, 2018, from $3.5 billion for the fiscal year ended March 31, 2017. Organic sales adjusted for inter-segment sales decreased $218.4 million, or 6.4%. The divestitures of TAS-Newport News and Engines and APU contributed $110.5 million to the net sales decrease as compared to the prior fiscal year. Organic sales decreased primarily due to the completion of and continued rate reductions on certain Boeing and Gulfstream programs, along with the timing of deliveries on certain programs. These factors were partially offset by increased production on the 767/Tanker program.

Cost of sales decreased by $156.7 million, or 5.8%, to $2.5 billion for the fiscal year ended March 31, 2018, from $2.7 billion for the fiscal year ended March 31, 2017. Organic cost of sales adjusted for inter-segment sales decreased $69.4 million or 2.7%. The divestitures of TAS-Newport News, Embee and Engines and APU contributed $80.7 million to the cost of sales decrease as compared to the prior fiscal year. Organic gross margin for the fiscal year ended March 31, 2018, was 20.6% compared with 23.7% for the fiscal year ended March 31, 2017. The gross margin for the fiscal year ended March 31, 2018, decreased compared to the comparable prior year period due to the completion of certain Boeing and Gulfstream programs as noted above.

Gross margin included net favorable cumulative catch-up adjustments on long-term contracts of $19.7 million. The favorable cumulative catch-up adjustments to operating income included gross favorable adjustments of $85.8 million and gross unfavorable adjustments of $66.2 million. Gross margins for fiscal 2017 included net favorable cumulative catch-up adjustments of $57.2 million, of which $131.4 million was related to the reduction of the previously recorded forward losses on the 747-8 program, partially offset by the correction of an immaterial error of $12.7 million.

Segment operating income decreased by $426.2 million, or 255.8%, to an operating loss of $259.6 million for the fiscal year ended March 31, 2018, from $166.6 million of operating income for the fiscal year ended March 31, 2017. Organic operating income decreased $409.4 million or 275.5%. The divestitures of TAS-Newport News and Engines and APU contributed $16.7 million to the operating income decrease compared to the prior fiscal year. Organic operating income decreased for the fiscal year ended March 31, 2018, due to the decline in organic gross margin noted above and the previously mentioned goodwill impairment charge of $535.2 million.

Corporate operations incurred expenses of $102.9 million for the fiscal year ended March 31, 2018, as compared to $109.7 million for the fiscal year ended March 31, 2017. The corporate expenses included decreased consulting expense of $5.2 million, IT services of $3.1 million, restructuring of $3.0 million, offset by increased loss on divestitures of $11.6 million.

Interest expense and other increased by $18.9 million, or 23.5%, to $99.4 million for the fiscal year ended March 31, 2018, compared to $80.5 million, due to higher interest rates, the impairment of deferred financing fees due to the amendment to the Credit Facility and the extinguishment of the Term Loan of approximately $5.2 million and the unfavorable net change in foreign exchange rate gain/loss of approximately $7.6 million compared to the prior year period.

The income tax benefit was $36.5 million for the fiscal year ended March 31, 2018, reflecting an effective tax rate of 7.9%. The rate reflects an adjustment associated with the impairment charge recognized related to Aerospace Structures which was not deductible for tax purposes. During the fiscal year ended March 31, 2018, the Company increased the valuation allowance against certain of its net deferred tax assets resulting in additional taxes of $15.6

million. The increase resulted from the net deferred tax assets generated from the current year temporary differences, the Tax Cuts and Job Act, and increase valuation allowance on certain foreign deferred tax assets.

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As of March 31, 2018, we have a valuation allowance against substantially all of our net deferred tax assets given the insufficient positive evidence to support the realization of our deferred tax assets. We intend to continue maintaining a valuation allowance on our deferred tax assets until there is sufficient positive evidence to support the reversal of all or some portion of these allowances. A reduction in the valuation allowance could result in a significant decrease in income tax expense in the period that the release is recorded. However, the exact timing and amount of the reduction in our valuation allowance are unknown at this time and will be subject to the earnings level we achieve as well as our projected income in future periods.

Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016

	Year Ended March 31,	
	2017	2016
	(in thousands)	
Net sales	$3,532,799	$3,886,072
Segment operating income (loss)	$166,606	$(1,033,280)
Corporate expenses	(109,717)	(57,826)
Total operating income (loss)	56,889	(1,091,106)
Interest expense and other	80,501	68,041
Income tax expense (benefit)	19,340	(111,187)
Net loss	$(42,952)	$(1,047,960)

Net sales decreased by $353.3 million, or 9.1%, to $3.5 billion for the fiscal year ended March 31, 2017, from $3.9 billion for the fiscal year ended March 31, 2016. Organic sales adjusted for inter-segment sales decreased $359.9 million, or 8.9%. The acquisition of Fairchild offset by the divestitures of TAS-Newport News and Engines and APU contributed $6.6 million to net sales. Organic sales decreased due to production rate reductions by our customers on the 747-8, Gulfstream G450/G550, C-17 and A330 programs.

Cost of sales decreased by $907.5 million, or 25.2%, to $2.7 billion or the fiscal year ended March 31, 2017, from $3.6 billion for the fiscal year ended March 31, 2016. Organic cost of sales decreased $916.6 million or 25.0%. The acquisition of Fairchild offset by the divestitures of TAS-Newport News and Engines and APU contributed $9.1 million to cost of sales. Organic gross margin for the fiscal year ended March 31, 2017, was 23.0% compared with 6.5% for the fiscal year ended March 31, 2016. The gross margin for the fiscal year ended March 31, 2017, increased in part due to the aforementioned settlement with Boeing, compared to the prior year which was impacted by provisions for forward losses of $561.2 million on the Bombardier and 747-8 programs.

Gross margin included net favorable cumulative catch-up adjustments on long-term contracts and provisions for forward losses as noted above ($57.2 million). The favorable cumulative catch-up adjustments to operating income included gross favorable adjustments of $163.3 million and gross unfavorable adjustments of $106.1 million, of which $131.4 million was related to the reduction of the previously recorded forward losses associated with the 747-8 program and partially offset by the correction of an immaterial error in the amount of $12.7 million. Gross margins for fiscal 2016 included net unfavorable cumulative catch-up adjustments of $596.2 million, of which $561.2 million was related to provisions for forward losses on the Bombardier and 747-8 programs.

Segment operating income (loss) increased by $1.2 billion, or 116.1%, to $166.6 million of operating income for the fiscal year ended March 31, 2017, from a $1.0 billion operating loss for the fiscal year ended March 31, 2016. Organic operating income increased $1.18 billion million or 114.8%. The acquisition of Fairchild offset by the divestitures of TAS-Newport News and Engines and APU contributed $18.5 million to operating income. The organic operating income increased for the fiscal year ended March 31, 2017 since the comparative prior year included the provisions for forward losses and gross margin changes noted above and the previously mentioned goodwill and tradename impairment charges.

Corporate operations incurred expenses of $109.7 million for the fiscal year ended March 31, 2017, as compared to $57.8 million for the fiscal year ended March 31, 2016. The increase in corporate expenses of $54.8 million or 99.6%, was due to the restructuring charges of $22.2 million and loss on the divestitures of $19.1 million.

Interest expense and other increased by $12.5 million, or 18.3%, to $80.5 million for the fiscal year ended March 31, 2017, compared to $68.0 million for the prior year due to increased average debt levels and higher interest rates.
The income tax expense was $19.3 million for the fiscal year ended March 31, 2017, reflecting an effective tax rate of (81.9)%. The rate reflects an adjustment associated with the impairment charge recognized related to Aerospace Structures

which was not deductible for tax purposes. During the fiscal year ended March 31, 2017, the Company reduced the valuation allowance against certain of its net deferred tax assets resulting in a benefit of $16.0 million. The reduction resulted from the net deferred tax liabilities generated from the current year temporary differences and the utilization of deferred tax assets associated with NOL carryforwards and R&D credit carryforwards.

The income tax benefit for the fiscal year ended March 31, 2016, was $111.2 million and reflected the establishment of a valuation allowance of $155.8 million against net deferred tax assets.

Business Segment Performance

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

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

Integrated Systems consists of the Company’s operations that provides integrated solutions, including design, development and support of proprietary components, subsystems and systems, as well as production of complex assemblies using external designs. Capabilities include hydraulic, mechanical and electro-mechanical actuation, power and control; a complete suite of aerospace gearbox solutions, including engine accessory gearboxes and helicopter transmissions; active and passive heat exchange technology; fuel pumps, fuel metering units and Full Authority Digital Electronic Control fuel systems; hydro-mechanical and electromechanical primary and secondary flight controls; and a broad spectrum of surface treatment options.

Aerospace Structures consists of the Company’s operations that supply commercial, business, regional and military manufacturers with large metallic and composite structures. Products include wings, wing boxes, fuselage panels, horizontal and vertical tails and sub-assemblies such as floor grids. Aerospace Structures also has the capability to engineer detailed structural designs in metal and composites. It also includes the Company’s operations that produce close-tolerance parts primarily to customer designs and model-based definition, including a wide range of aluminum, hard metal and composite structure capabilities. Capabilities include complex machining, gear manufacturing, sheet metal fabrication, forming, advanced composite and interior structures, joining processes such as welding, autoclave bonding and conventional mechanical fasteners, and a variety of special processes, including: super plastic titanium forming, aluminum and titanium chemical milling and surface treatments.

Product Support consists of the Company’s operations that provides full life cycle solutions for commercial, regional and military aircraft. The Company’s extensive product and service offerings include full post-delivery value chain services that simplify the MRO supply chain. Through its line maintenance, component MRO and postproduction supply chain activities, Product Support is positioned to provide integrated planeside repair solutions globally. Capabilities include fuel tank repair, metallic and composite aircraft structures, nacelles, thrust reversers, interiors, auxiliary power units and a wide variety of pneumatic, hydraulic, fuel and mechanical accessories.

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

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	Year Ended March 31,		
	2018	2017	2016
Integrated Systems			
Commercial aerospace	16.6 %	15.1 %	13.8 %
Military	10.6	10.2	10.3
Business Jets	1.7	1.7	1.8
Regional	1.0	1.0	0.9
Non-aviation	0.8	1.0	1.0
Total Integrated Systems net sales	30.7 %	29.0 %	27.8 %
Aerospace Structures			
Commercial aerospace	33.9 %	34.6 %	36.2 %
Military	8.6	10.2	10.6
Business Jets	16.8	15.6	16.6
Regional	0.7	0.5	0.4
Non-aviation	0.7	0.4	0.4
Total Aerospace Structures net sales	60.7 %	61.3 %	64.2 %
Product Support			
Commercial aerospace	7.2 %	7.5 %	6.1 %
Military	0.9	1.5	1.4
Regional	0.5	0.7	0.5
Non-aviation	—	—	—
Total Product Support net sales	8.6 %	9.7 %	8.0 %
Total Consolidated net sales	100.0%	100.0%	100.0%

We continue to experience a higher proportion of our sales mix in the commercial aerospace end market for Integrated Systems and Aerospace Structures due to the 737, 777 and 787 programs. We have experienced a decline in the commercial aerospace end market for Aerospace Structures due to lower production rates of the 747-8 and a decrease in our military end market due to the wind-down of the C-17 program.

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Business Segment Performance—Fiscal year ended March 31, 2018 compared to fiscal year ended March 31, 2017

	Year Ended March 31,		%	% of Total Sales	
	2018	2017	Change	2018	2017
	(in thousands)				
NET SALES					
Integrated Systems	$986,351	$1,040,805	(5.2)%	30.8 %	29.5 %
Aerospace Structures	1,954,729	2,172,768	(10.0)%	61.1 %	61.5 %
Product Support	281,913	338,325	(16.7)%	8.8 %	9.6 %
Elimination of inter-segment sales	(24,042)	(19,099)	25.9 %	(0.7)%	(0.6)%
Total net sales	3,198,951	3,532,799	(9.4)%	100.0 %	100.0 %

	Year Ended March 31,		% Change	% of Segment Sales	
	2018	2017		2018	2017
	(in thousands)				
SEGMENT OPERATING (LOSS) INCOME					
Integrated Systems	$187,205	$201,294	(7.0)%	19.0 %	19.3 %
Aerospace Structures	(492,457)	(90,489)	(444.2)%	(25.2)%	(4.2)%
Product Support	45,702	55,801	(18.1)%	16.2 %	16.5 %
Corporate	(102,856)	(109,717)	6.3 %	n/a	n/a
Total segment operating (loss) income	(362,406)	56,889	737.0 %	(11.3)%	1.6 %

	Year Ended March 31,		% Change	% of Segment Sales	
	2018	2017		2018	2017
	(in thousands)				
Adjusted EBITDA					
Integrated Systems	$184,898	$204,866	(9.7)%	18.7%	19.7%
Aerospace Structures	69,701	217,681	68.0 %	3.6 %	10.0%
Product Support	52,446	64,838	(19.1)%	18.6%	19.2%
Corporate	(95,985)	(89,132)	(7.7)%	n/a	n/a
	$211,060	$398,253	47.0 %	6.6 %	11.3%

Integrated Systems: Integrated Systems net sales decreased by $54.5 million, or 5.2%, to $986.4 million for the fiscal year ended March 31, 2018, from $1.04 billion for the fiscal year ended March 31, 2017. Organic sales decreased by $21.6 million, or 2.2%. The divestitures of TAS-Newport News and Embee contributed $32.9 million in sales. Organic sales declined primarily due to rate reductions on A380 and 777 programs and timing of deliveries on other key commercial and military programs, partially offset by increased sales on 737 program.

Integrated Systems cost of sales decreased by $31.7 million, or 4.6%, to $657.0 million for the fiscal year ended March 31, 2018, from $688.7 million for the fiscal year ended March 31, 2017. Organic cost of sales decreased by $10.3 million, or 1.6%, while the divestitures of TAS-Newport News and Embee contributed $21.4 million to cost of sales. Organic gross margin for the fiscal year ended March 31, 2018, was 33.5% compared with 33.9% for the fiscal year ended March 31, 2017.

Integrated Systems operating income decreased by $14.1 million, or 7.0%, to $187.2 million for the fiscal year ended March 31, 2018, from $201.3 million for the fiscal year ended March 31, 2017. Organic operating income decreased $10.2 million, or 5.2%, while the divestitures of TAS-Newport News and Embee contributed $3.9 million to operating income.

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Organic operating income decreased due to the decreased sales noted above. These same factors contributed to the decrease in Adjusted EBITDA year over year.

Integrated Systems operating income as a percentage of segment sales decreased to 19.0% for the fiscal year ended March 31, 2018, as compared with 19.3% for the fiscal year ended March 31, 2017.

Aerospace Structures: Aerospace Structures net sales decreased by $218.0 million, or 10.0%, to $2.0 billion for the fiscal year ended March 31, 2018, from $2.2 billion for the fiscal year ended March 31, 2017. Sales decreased primarily due to the completion of and continued rate reductions on certain Boeing and Gulfstream programs and partially offset by rate increases on 767/Tanker and Global Hawk/Triton programs.

Aerospace Structures cost of sales decreased by $81.5 million, or 4.6%, to $1.69 billion for the fiscal year ended March 31, 2018, from $1.77 billion for the fiscal year ended March 31, 2017. The cost of sales were negatively impacted by the decreased sales as noted above.

Gross margin for the fiscal year ended March 31, 2018, was 13.4% compared with 18.3% for the fiscal year ended March 31, 2017. The decreased gross margin is due to change in product mix. The gross margin included net favorable cumulative catch-up adjustments of $19.7 million. The net favorable cumulative catch-up adjustments included gross favorable adjustments of $85.8 million and gross unfavorable adjustments of $66.2 million. The net unfavorable cumulative catch-up adjustment for the fiscal year ended March 31, 2016, was $57.2 million.

Aerospace Structures operating loss increased by $402.0 million, or 444.2%, to $492.5 million for the fiscal year ended March 31, 2018, from a loss of $90.5 million for the fiscal year ended March 31, 2017. The increased operating loss for the fiscal year ended is due to the aforementioned goodwill impairment charge of $535.2 million. The Adjusted EBITDA decreased for the fiscal year ended March 31, 2018, due to the decreased sales noted above.

Aerospace Structures operating loss as a percentage of segment sales increased to 25.2% for the fiscal year ended March 31, 2018, as compared with 4.2% for the fiscal year ended March 31, 2017, due to the goodwill impairment charge discussed above. The Adjusted EBITDA margin decline was also affected by the decreased gross margin noted above.

Product Support: Product Support net sales decreased by $56.4 million, or 16.7%, to $281.9 million for the fiscal year ended March 31, 2018, from $338.3 million for the fiscal year ended March 31, 2017. Organic sales increased $21.2 million or 8.4% and the divestiture of Engines and APU contributed $77.6 million to the prior year period. Organic sales increased due to increased demand from OEM customers.

Product Support cost of sales decreased by $38.5 million, or 15.7%, to $207.4 million for the fiscal year ended March 31, 2018, from $245.9 million for the fiscal year ended March 31, 2017. Organic cost of sales increased $20.7 million, or 11.5%, and the divestiture of Engines and APU contributed $59.2 million to the prior year period. Organic cost of sales increased for the current year period due to the increased sales noted above. Organic gross margin for the fiscal year ended March 31, 2018, was 26.7% compared with 28.7% for the fiscal year ended March 31, 2017. The gross margin decreased for the fiscal year ended March 31, 2018, due to sales mix.

Product Support operating income decreased by $10.1 million, or 18.1%, to $45.7 million for the fiscal year ended March 31, 2018, from $55.8 million for the fiscal year ended March 31, 2017. Organic operating income increased $2.8 million, or 6.6% and the divestiture of Engines and APU contributed $12.9 million compared to the prior year period. Organic operating income increased due to sales factors as noted above. The Adjusted EBITDA year over year, decreased due to the divestiture of Engines and APU, as noted above.

Product Support operating income as a percentage of segment sales decreased to 16.2% for the fiscal year ended March 31, 2018, as compared with 16.5% for the fiscal year ended March 31, 2017, due to changes to gross margin noted above. The same factors contributed to the decrease in Adjusted EBITDA margin year over year.

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Business Segment Performance—Fiscal year ended March 31, 2017 compared to fiscal year ended March 31, 2016

	Year Ended March 31, 2017	2016	% Change	% of Total Sales 2017	2016
	(in thousands)				
NET SALES					
Integrated Systems	$1,040,805	$1,094,703	(4.9)%	29.5 %	28.2 %
Aerospace Structures	2,172,768	2,500,679	(13.1)%	61.5 %	64.3 %
Product Support	338,325	311,394	8.6 %	9.6 %	8.0 %
Elimination of inter-segment sales	(19,099)	(20,704)	(7.8)%	(0.6)%	(0.5)%
Total net sales	$3,532,799	$3,886,072	(9.1)%	100.0 %	100.0 %

	Year Ended March 31, 2017	2016	% Change	% of Segment Sales 2017	2016
	(in thousands)				
SEGMENT OPERATING INCOME (LOSS)					
Integrated Systems	$201,294	$220,649	(8.8)%	19.3%	20.2%
Aerospace Structures	(90,489)	(1,278,906)	N/M	(4.2)%	(51.1)%
Product Support	55,801	24,977	123.4%	16.5%	8.0%
Corporate	(109,717)	(57,826)	89.7%	n/a	n/a
Total segment operating income (loss)	$56,889	$(1,091,106)	(105.2)%	1.6%	(28.1)%

	Year Ended March 31, 2017	2016	% Change	% of Segment Sales 2017	2016
	(in thousands)				
Adjusted EBITDA					
Integrated Systems	$204,866	$213,056	(3.8)%	19.7%	19.5 %
Aerospace Structures	217,681	(360,635)	N/M	10.0%	(14.4)%
Product Support	64,838	37,886	71.1 %	19.2%	12.2 %
Corporate	(89,132)	(57,428)	55.2 %	n/a	n/a
	$398,253	$(167,121)	(338.3)%	11.4%	(4.3)%

Integrated Systems: Integrated Systems net sales decreased by $53.9 million, or 4.9%, to $1.04 billion for the fiscal year ended March 31, 2017, from $1.1 billion for the fiscal year ended March 31, 2016. Organic sales decreased by $66.8 million, or 6.3%, due to decreased sales in the rotocraft market and the spares aftermarket and were impacted by fluctuations in foreign currency exchange rates primarily due to changes in the British pound sterling of approximately $16.2 million. The acquisition of Fairchild offset by the divestiture of TAS-Newport News contributed $12.9 million in sales.

Integrated Systems cost of sales decreased by $40.3 million, or 5.5%, to $688.7 million for the fiscal year ended March 31, 2017, from $729.1 million for the fiscal year ended March 31, 2016. Organic cost of sales decreased by $48.5 million, or 6.9%. While the acquisition of Fairchild offset by the divestiture of TAS-Newport News contributed $8.2 million to cost of sales. Organic gross margin for the fiscal year ended March 31, 2016, was 33.9% compared with 33.5% for the fiscal year ended March 31, 2016.

Integrated Systems segment operating income decreased by $19.4 million, or 8.8%, to $201.3 million for the fiscal year ended March 31, 2017, from $220.6 million for the fiscal year ended March 31, 2016. Organic operating income decreased $22.0 million, or 10.1%, while the acquisition of Fairchild offset by the divestiture of TAS-Newport News contributed $2.6 million to operating income. Operating income decreased due to the decreased sales noted above and the prior year included

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the net favorable settlement of a contingent liability of $8.5 million. These same factors contributed to the decrease in Adjusted EBITDA year over year.

Integrated Systems segment operating income as a percentage of segment sales increased to 19.3% for the fiscal year ended March 31, 2017, as compared with 20.2% for the fiscal year ended March 31, 2016.

Aerospace Structures: Aerospace Structures net sales decreased by $327.9 million, or 13.1%, to $2.17 billion for the fiscal year ended March 31, 2017, from $2.50 billion for the fiscal year ended March 31, 2016. Sales decreased primarily due to production rate reductions by our customers on the 747-8, Gulfstream G450/550, A330 and C-17 programs and partially offset by rate increases on 767/Tanker program.

Aerospace Structures cost of sales decreased by $870.9 million, or (32.9)%, to $1.77 billion for the fiscal year ended March 31, 2017, from $3 billion for the fiscal year ended March 31, 2016. The cost of sales were impacted by the reduction to the previously recognized forward losses on the 747-8 program of $131.4 million, offset by the decreased sales as noted above and by provisions for forward losses of $38.6 million mainly on the high altitude long endurance unmanned aircraft system ("UAS") and A350 programs. The fiscal year ended March 31, 2016, included a provision for forward losses of $561.2 million on the Bombardier and 747-8 programs.

Gross margin for the fiscal year ended March 31, 2017, was 20.3% compared with (23.9)% for the fiscal year ended March 31, 2016. The gross margin included net favorable cumulative catch-up adjustments, including reductions to previously recorded provisions for forward losses of $131.4 million. The net favorable cumulative catch-up adjustments included gross favorable adjustments of $163.3 million and gross unfavorable adjustments of $106.1 million. The net unfavorable cumulative catch-up adjustment for the fiscal year ended March 31, 2016, was $596.2 million.

Aerospace Structures operating loss decreased by $1.19 billion, or (92.9)%, to $90.5 million for the fiscal year ended March 31, 2017, from $1.28 billion for the fiscal year ended March 31, 2016. Operating loss improved for the year ended March 31, 2017, since the prior year included a provision for forward losses and the gross margin changes noted above and the previously mentioned goodwill and tradename impairment charges. Additionally, the provision for forward losses and gross margin changes noted above contributed to the increase in Adjusted EBITDA year over year.

Aerospace Structures operating loss as a percentage of segment sales decreased to (4.2)% for the fiscal year ended March 31, 2017, as compared with (51.1)% for the fiscal year ended March 31, 2016, due to the increase in gross margin as discussed above, which also caused the improvement in the Adjusted EBITDA margin.

Product Support: Product Support net sales increased by $26.9 million, or 8.6%, to $338.3 million for the fiscal year ended March 31, 2017, from $311.4 million for the fiscal year ended March 31, 2016. Organic sales increased $33.2 million or 13.1% and the divestiture of the Engines and APU contributed $6.3 million to the prior year period. Organic sales increased due to key wins with regional jet and commercial operators for components and accessories.

Product Support cost of sales increased by $2.2 million, or 0.9%, to $245.9 million for the fiscal year ended March 31, 2017, from $243.7 million for the fiscal year ended March 31, 2016. Organic cost of sales increased $19.4 million, or 10.4% and the divestiture of the Engines and APU contributed $17.2 million to the prior year period. Organic cost of sales increased for the current year period due to the increased sales noted above compared to the prior year period which was impacted by the impairment of excess and obsolete inventory associated with certain slow moving programs we decided to no longer support ($21.1 million). Organic gross margin for the fiscal year ended March 31, 2017, was 27.7% compared with 25.9% for the fiscal year ended March 31, 2016.

Product Support operating income decreased by $30.8 million, or 123.4%, to $55.8 million for the fiscal year ended March 31, 2017, from $25.0 million for the fiscal year ended March 31, 2016. Organic operating income increased $15.0 million, or 46.8% and the divestiture of the Engines and APU contributed $15.8 million compared to the prior year period. Organic operating income increased due to sales factors as noted above and the prior year period included an increase to the bad debt reserve resulting from an international customer's declaration of bankruptcy ($1.1 million). These same factors contributed to the increase in Adjusted EBITDA year over year.

Product Support operating income as a percentage of segment sales decreased to 16.5% for the fiscal year ended March 31, 2017, as compared with 8.0% for the fiscal year ended March 31, 2016, due to the increased sales and changes to gross margin noted above. The same factors contributed to the increase in Adjusted EBITDA margin year over year.

Liquidity and Capital Resources

Our working capital needs are generally funded through cash flow from operations and borrowings under our credit arrangements. During the year ended March 31, 2018, we used approximately $288.9 million of cash flow from operating activities, received approximately $38.2 million from investing activities and received approximately $213.6 million in financing activities.

For the fiscal year ended March 31, 2018, we had a net cash outflow of $288.9 million from operating activities, an decrease of $570.4 million, compared to a net cash inflow of $281.5 million for the fiscal year ended March 31, 2017. During fiscal 2018, the net cash used in operating activities was primarily attributable to decreased receipts from customers ($873.1 million), offset by the timing of payments on accounts payable and other accrued expenses driven by decreased pre-production costs, and net spending on the G280 and G650 Programs ($407.2 million).

We continue to invest in inventory for new programs which impacts our cash flows from operating activities. During fiscal 2018 expenditures for inventory costs on new programs, excluding progress payments, including the Bombardier Global 7000/8000 and the Embraer E-Jet programs, were $384.9 million and $35.1 million, respectively. Additionally, inventory for mature programs declined due to decreased production rates and the utilization of build ahead inventory, by approximately $144.4 million. Unliquidated progress payments netted against inventory increased $162.5 million due to timing of receipts and resolution of open assertions.

Cash flows provided by investing activities for the fiscal year ended March 31, 2018, increased $3.9 million from the fiscal year ended March 31, 2017. Cash flows provided by investing activities for the fiscal year ended March 31, 2018 included cash from the divestitures of TS-LI and Embee of $83.1 million offset by capital expenditures of $42.1 million. Cash flows used in investing activities for the fiscal year ended March 31, 2017 included cash from the divestitures of TAS - Newport News and Engines and APU of $86.2 million, offset by capital expenditures of $51.8 million.

Cash flows provided by financing activities for the fiscal year ended March 31, 2018, were $213.6 million, compared to cash flows used in financing activities for the fiscal year ended March 31, 2017, of $266.5 million. Cash flows provided by financing activities for the fiscal year ended March 31, 2018 included the issuance of our Senior Notes due 2025 of $500.0 million, offset by repayment of the 2013 Term Loan of $302.3 million, payment of financing fees $17.7 million and additional borrowings on our Credit Facility (as defined below).

As of March 31, 2018, $656.5 million was available under the Company's existing credit agreement ("Credit Facility"). On March 31, 2018, an aggregate amount of approximately $112.9 million in outstanding borrowings and approximately $30.6 million in letters of credit were outstanding under the Credit Facility, all of which were accruing interest at LIBOR plus applicable basis points totaling 2.00% per annum. Amounts repaid under the Credit Facility may be reborrowed.

In July 2017, the Company entered into a Ninth Amendment to the Credit Agreement (the “Ninth Amendment” and the Existing Credit Agreement as amended by the Ninth Amendment, the “Credit Agreement”) with the Administrative Agent and the Lenders party thereto to, among other things, (i) permit the Company to incur High Yield Indebtedness (as defined in the Credit Agreement) in an aggregate principal amount of up to $500.0 million, subject to the Company’s obligations to apply the net proceeds from this offering to repay the outstanding principal amount of the term loans in full, (ii) limit the mandatory prepayment provisions to eliminate the requirement that net proceeds received from the incurrence of Permitted Indebtedness (as defined in the Credit Agreement), including the High Yield Indebtedness, be applied to reduce the revolving credit commitments once the revolving credit commitments have been reduced to $800.0 million, (iii) amend certain covenants and other terms and (iv) modify the current interest rate and letter of credit pricing tiers.

In connection with the amendment to the Credit Agreement, the Company incurred $0.6 million of financing costs. These costs, along with the $13.2 million of unamortized financing costs subsequent to the amendment, are being amortized over the remaining term of the Credit Agreement. In accordance with the reduction in the capacity of the Credit Agreement, the Company wrote-off a proportional amount of unamortized financing fees prior to the amendment.

In May 2017, the Company entered into an Eighth Amendment to the Third Amended and Restated Credit Agreement, among the Company and its lenders to, among other things, (i) eliminate the total leverage ratio financial covenant,

(ii) increase the maximum permitted senior secured leverage ratio financial covenant applicable to each fiscal quarter, commencing with the fiscal quarter ended March 31, 2017, and to revise the step-downs applicable to such financial covenant, (iii) reduce the aggregate principal amount of commitments under the revolving line of credit to $850.0 million from $1,000.0 million, (iv) modify the maturity date of the term loans so that all of the term loans will mature on March 31, 2019, and (v) establish a new higher pricing tier for the interest rate, commitment fee and letter of credit fee pricing provisions.

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On March 28, 2016, the Company entered into a Purchase Agreement ("Receivables Purchase Agreement") to sell certain accounts receivables to a financial institution without recourse. The Company was the servicer of the accounts receivable under the Receivables Purchase Agreement. Interest rates are based on LIBOR plus 0.65% - 0.70%. As of March 31, 2017, the Company sold $78.0 million, worth of eligible accounts receivable. The Company currently has no capacity under the Receivables Purchase Agreement to sell Accounts Receivable.

In November 2014, the Company amended its receivable securitization facility (the “Securitization Facility”), increasing the purchase limit from $175.0 million to $225.0 million and extending the term through November 2017.

In May 2014, the Company amended its existing Credit Facility with its lenders to (i) to increase the maximum amount allowed for the Securitization Facility and (ii) amend certain other terms and covenants.

In November 2013, the Company amended the Credit Facility with its lenders to (i) provide for a $375.0 million Term Loan with a maturity date of May 14, 2019, (ii) maintain a Revolving Line of Credit under the Credit Facility to $0.8 billion and increase the accordion feature to $250.0 million, and (iii) amend certain other terms and covenants. The amendment resulted in a more favorable pricing grid and a more streamlined package of covenants and restrictions.

The level of unused borrowing capacity under the Credit Facility varies from time to time depending in part upon its compliance with financial and other covenants set forth in the related agreement. The Credit Facility contains certain affirmative and negative covenants, including limitations on specified levels of indebtedness to earnings before interest, taxes, depreciation and amortization, and interest coverage requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, payment of dividends and incurrence of debt. As of March 31, 2018, the Company was in compliance with all such covenants.

In August 2017, the Company issued $500.0 million principal amount of 7.750% Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes were sold at 100% of principal amount and have an effective interest yield of 7.750%. Interest on the 2025 Notes accrues at the rate of 7.750% per annum and is payable semiannually in cash in arrears on February 15 and August 15 of each year, commencing on February 15, 2018. We used the net proceeds to payoff the Term Loan and to reduce the outstanding balance of the Revolver. In connection with the issuance of the 2025 Notes, the Company incurred approximately $8.8 million of costs, which were deferred and are being amortized on the effective interest method over the term of the 2025 Notes.

In June 2014, the Company issued the 2022 Notes for $300.0 million in principal amount. The 2022 Notes were sold at 100% of principal amount and have an effective yield of 5.25%. Interest on the 2022 Notes is payable semiannually in cash in arrears on June 1 and December 1 of each year. We used the net proceeds to redeem the 2018 Notes and pay related fees and expenses. In connection with the issuance of the 2022 Notes, the Company incurred approximately $5.0 million of costs, which were deferred and are being amortized on the effective interest method over the term of the notes.

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

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

For the fiscal year ended March 31, 2017, we had a net cash inflow of $281.5 million from operating activities, an increase of $197.7 million, compared to a net cash inflow of $83.9 million for the fiscal year ended March 31, 2016. During fiscal 2017, the net cash provided by operating activities was primarily attributable to increased receipts from customers ($440.6 million), offset by the timing of payments on accounts payable and other accrued expenses driven by pre-production costs, net spending on the G280 and G650 Programs ($286.2 million) and a $5.5 million payment related to a previously resolved legal settlement.

We continue to invest in inventory for new programs which impacts our cash flows from operating activities. During fiscal 2017 expenditures for inventory costs on new programs, excluding progress payments, including the Bombardier Global 7000/8000 and the Embraer E-Jet programs, were $183.3 million and $26.4 million, respectively.

Net spend on the Tulsa Programs during fiscal 2017 was approximately $76.5 million. Additionally, inventory for mature programs declined due to decreased production rates, by approximately $82.9 million. Unliquidated progress payments netted against inventory increased $99.3 million due to timing of receipts.

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Cash flows provided by investing activities for the fiscal year ended March 31, 2017 increased $162.4 million from the fiscal year ended March 31, 2016. Cash flows provided by investing activities for the fiscal year ended March 31, 2017 included cash from the divestitures of TAS - Newport News and Engines and APU ($86.2 million) offset by capital expenditures ($51.8 million). Cash flows used in investing activities for the fiscal year ended March 31, 2016 included cash used to fund the acquisition of Fairchild ($57.1 million), and a payment to settle a working capital adjustment related to the acquisition of GE ($6.0 million) and capital expenditures ($80.0 million).
Cash flows used in financing activities for the fiscal year ended March 31, 2017 were $266.5 million, compared to cash flows provided by financing activities for the fiscal year ended March 31, 2016 of $32.5 million. Cash flows used in financing activities for the fiscal year ended March 31, 2017, included payments funded by our operations to our Credit Facility (as defined above).
Capital expenditures were $42.1 million for the fiscal year ended March 31, 2018. We funded these expenditures through cash from operations and borrowings under the Credit Facility. We expect capital expenditures of approximately $50.0 million to $70.0 million for our fiscal year ending March 31, 2018. The expenditures are expected to be used mainly to expand capacity or replace old equipment at several facilities.
Our expected future cash flows for the next five years for long-term debt, leases and other obligations are as follows:

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 Years
	(in thousands)				
Debt principal (1)	$1,455,233	$16,527	$134,094	$796,558	$508,054
Debt-interest (2)	359,535	74,743	147,785	111,039	25,968
Operating leases	134,225	26,090	40,478	25,242	42,415
Purchase obligations	1,797,258	1,435,525	267,503	79,504	14,726
Total	$3,746,251	$1,552,885	$589,860	$1,012,343	$591,163

(1) The maturities of the Term Loan reflected above are based on the maturities dates prior to the May 2017 amendment to the Credit Facility.
(2) Includes fixed-rate interest only.

The above table excludes unrecognized tax benefits of $11.8 million as of March 31, 2018, since we cannot predict with reasonable certainty the timing of cash settlements with the respective taxing authorities.

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In addition to the financial obligations detailed in the table above, we also had obligations related to our benefit plans at March 31, 2018, as detailed in the following table. Our other postretirement benefits are not required to be funded in advance, so benefit payments are paid as they are incurred. Our expected net contributions and payments are included in the table below:

	Pension Benefits	Other Postretirement Benefits
	(in thousands)	
Projected benefit obligation at March 31, 2018	$2,277,816	$ 119,164
Plan assets at March 31, 2018	1,903,901	—
Projected contributions by fiscal year		
2019	—	11,731
2020	12,300	11,295
2021	28,400	11,003
2022	42,800	10,522
2023	39,800	9,955
Total 2019 - 2023	$123,300	$ 54,506

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

We believe that cash generated by operations and borrowings under the Credit Facility will be sufficient to meet anticipated cash requirements for our current operations for the at least the next twelve months.

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

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

CRITICAL ACCOUNTING POLICIES

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

Allowance for Doubtful Accounts

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

Inventories

The Company records inventories at the lower of cost or estimated net realizable value. Costs on long-term contracts and programs in progress represent recoverable costs incurred for production or contract-specific facilities and equipment, allocable operating overhead and advances to suppliers. Pursuant to contract provisions, agencies of the

U.S. Government and certain other customers have title to, or a security interest in, inventories related to such contracts as a result of advances, performance-based payments, and progress payments. The Company reflects those advances and payments as an offset against the related

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inventory balances. The Company expenses general and administrative costs related to products and services provided essentially under commercial terms and conditions as incurred. The Company determines the costs of inventories by the first-in, first-out or average cost methods.

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

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

Capitalized pre-production costs include nonrecurring engineering, planning and design, including applicable overhead, incurred before production is manufactured on a regular basis. Significant customer-directed work changes can also cause pre-production costs to be incurred (see Note 5 of "Notes to Consolidated Financial Statements" for further discussion).

Revenue and Profit Recognition

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

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

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

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

For the fiscal year ended March 31, 2018, cumulative catch-up adjustments resulting from changes in contract values and estimated costs that arose during the fiscal year increased operating loss, net loss and earnings per share by approximately $19.7 million, $13.5 million and $0.27, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2018, included gross favorable adjustments of approximately $85.8 million and gross unfavorable adjustments of approximately $66.2 million.

For the fiscal year ended March 31, 2017, cumulative catch-up adjustments resulting from changes in estimates increased operating loss, net loss and earnings per share by approximately $57.2 million, $52.6 million and $1.07, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2017, included gross favorable adjustments of approximately $163.3 million and gross unfavorable adjustments of approximately $106.1 million, which includes a reduction to the previously recognized forward losses of $131.4 million for the 747-8 program.

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For the fiscal year ended March 31, 2016, cumulative catch-up adjustments resulting from changes in estimates decreased operating income, net income and earnings per share by approximately $596.2 million, $539.0 million and $10.95, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2016, included gross favorable adjustments of approximately $33.0 million and gross unfavorable adjustments of approximately $629.2 million which includes a provision for forward losses of $561.2 million on the Bombardier Global 7000/8000 ("Bombardier") and 747-8 programs.

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

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

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

Goodwill and Intangible Assets

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

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

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

The quantitative test is used to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then an impairment loss occurs. The impairment is measured by using the amount by which the carrying value exceeds the fair value not to exceed the amount of recorded goodwill. The determination of the fair value of our reporting units is based, among other things, on estimates of future operating performance of the reporting unit being valued. We are required to complete an impairment test for goodwill and record any resulting impairment losses at least annually. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments.

When performing the quantitative impairment test, the Company's methodology includes the use of an income approach which discounts future net cash flows to their present value at a rate that reflects the Company's cost of capital, otherwise known as the discounted cash flow method ("DCF"). These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued market acceptance of the products and services offered by the businesses, the development of new products and services by the businesses and the underlying cost of development, the future cost structure of the businesses, and future technological changes. The Company also incorporates market multiples for comparable companies in determining the fair value of our reporting units. Any such impairment would be recognized in full in the reporting period in which it has been identified. The Company early adopted Accounting Standards Update ("ASU") 2017-04, which eliminates Step 2 of the goodwill impairment analysis (see Recently Issued Accounting Pronouncements below).

Consistent with the Company's policy described here, the Company performs an annual assessment in its fiscal fourth quarter and 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. The Company performed an interim assessment of the fair value of its goodwill due to the Company's decision to combine the Aerospace Structures and Precision Components reporting segments into one reporting segment as noted above. In accordance with ASC 350-20-35-3C, there are several potential events and circumstances that could be indicators of goodwill impairment. A change in a company's reporting unit structure is one of these events, and when this does occur, a company must perform a "before and after" test of the reporting units (see Note 1). Additionally, the Company's enhanced visibility into its future cash flows based on its annual planning process was also an indicator. Consistent with the Company's policy, it performed 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.

After performing the "before" portion of the test of the reporting units, the Company concluded that the former Precision Components' reporting unit had a fair value that was lower than its carrying value by an amount of $190.2 million. Accordingly, the Company recorded a non-cash impairment charge during the fiscal quarter ended December 31, 2017 of $190.2 million, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets”. The decline in fair value is the result of declining revenues from production rate reductions on sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows.

The Company then performed the "after" portion of the test of the reporting units and concluded that the new reporting unit of Aerospace Structures' goodwill had a fair value that was lower than its carrying value by an amount that exceeded the remaining goodwill for the reporting unit. Following the applicable accounting guidance, this impairment charge is deemed to have occurred during the Company's fiscal fourth quarter. Therefore, the Company recorded a non-cash impairment charge during the fiscal quarter ended March 31, 2018, of $345.0 million, which is presented on the Consolidated Statements of Operations as "Impairment of intangible assets” for the fiscal year ended March 31, 2018. The decline in fair value is the result of declining revenues from sustained production rate reductions and sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows (See Note 2 for definition of fair value levels). The assessment for the Company's Integrated Systems and Product Support reporting units indicated that their fair value exceeded their carrying amounts.

In the fourth quarter of the fiscal year ended March 31, 2017, consistent with the Company's policy described here within, the Company performed its annual assessment of the fair value of goodwill. The Company concluded that the goodwill related to the Aerospace Structures reporting unit was impaired as of the annual testing date. The Company concluded that the reporting unit had a fair value that was lower than its carrying value by an amount that exceed the remaining goodwill for the reporting unit. Accordingly, the Company recorded a non-cash impairment charge during the fourth quarter of the fiscal year ended March 31, 2017, of $266.3 million, which is presented on the accompanying

Consolidated Statements of Operations as "Impairment of intangible assets”. The decline in fair value is the result of declining revenues from production rate reductions on sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows (see Note 2 of the Notes to Consolidated Financial Statements for definition of fair value levels).

Prior to adoption of ASU 2017-04, the Company used the quantitative assessment to perform the two-step approach required by ASC 350 to determine whether a goodwill impairment exists at the reporting unit.

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

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

In the fourth quarter of fiscal 2016, the Company performed the quantitative assessment for all three of the Company's former reporting units, which indicated that the fair value of goodwill for the former Aerospace Structures reporting unit did not exceed its carrying amount, resulting in a $597.6 million impairment of goodwill to the former Aerospace Structures reporting unit.

As of March 31, 2018, the Company had a $150.0 million indefinite-lived intangible asset associated with the tradenames acquired in the acquisitions of Vought Aircraft Industries, Inc. ("Vought"). Prior to March 31, 2017, the Company assessed whether indefinite-lived intangible assets impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on this qualitative assessment, the Company determines it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed to determine whether an indefinite-lived intangible asset impairment exists. We test the indefinite-lived intangible assets for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess of the carrying value over the amount of fair value is recognized as an impairment.

During the third quarter of the fiscal year ended March 31, 2016, the Company performed an interim assessment of fair value on our indefinite-lived intangible assets due to indicators of impairment related to the continued decline in our stock price during the fiscal third quarter. Based on the Company's evaluation, the Company concluded that the Vought tradename had a fair value of $195.8 million (Level 3) compared to a carrying value of $425.0 million. Accordingly, the Company recorded a non-cash impairment charge during the fiscal year ended March 31, 2016, of $229.2 million, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets." The decline in fair value compared to the carrying value of the Vought tradename is the result of declining revenues from production rate reductions and the slower than previously projected ramp in Bombardier Global 7000/8000 and the timing of associated earnings.

In the fourth quarter of fiscal 2016, the Company performed its annual impairment test for each of the Company's indefinite-lived intangible assets, which indicated that the Vought and Embee tradenames had a fair value of $163.0 million (Level 3) compared to a carrying value of $209.2 million. The decline in fair value of the tradenames is the result of the increase in discount rate during the fourth quarter of fiscal 2016, which required the Company to assess whether events and/or circumstances have changed regarding the indefinite-life conclusion. As a result the Company incurred a non-cash impairment charge of $46.2 million presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets" to the Vought and Embee tradenames and a reduction to indefinite-life to a useful life of 20 years.

During the fiscal year ended March 31, 2017, as part of the Company's annual assessment, the Company determined that the remaining estimated useful life for the Vought tradename should be reduced from a useful life of 20 years to a useful life of 10 years, as it better represents the financial performance relative to the expected performance.

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Finite-lived intangible assets are amortized over their useful lives ranging from 3 to 30 years. The Company continually evaluates whether events or circumstances have occurred that would indicate that the remaining estimated useful lives of long-lived assets, including intangible assets, may warrant revision or that the remaining balance may not be recoverable. Intangible assets are evaluated for indicators of impairment. When factors indicate that long-lived assets, including intangible assets, should be evaluated for possible impairment, an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets, including intangible assets, is used to measure recoverability based on the primary asset of the asset group. Some of the more important factors management considers include the Company's financial performance relative to expected and historical performance, significant changes in the way the Company manages its operations, negative events that have occurred, and negative industry and economic trends. If the estimated fair value is less than the carrying amount, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset group, generally determined based on the present value of expected future cash flows associated with the use of the asset.

Acquired Contract Liabilities, net

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

The acquired contract liabilities, net, are being amortized as non-cash revenues over the terms of the respective contracts. The Company recognized net amortization of contract liabilities of approximately $125.1 million, $121.0 million and $132.4 million in the fiscal years ended March 31, 2018, 2017 and 2016, respectively, and such amounts have been included in revenues in our results of operations. The balance of the liability as of March 31, 2018, is approximately $274.2 million and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows 2019—$68.8 million; 2020—$63.2 million; 2021—$59.1 million; 2022—$32.0 million; 2023—$25.1 million; Thereafter—$26.0 million.

Postretirement Plans

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

During the fourth quarter of the fiscal year ended March 31, 2016, we changed the method we use to estimate the service and interest components of net periodic benefit cost for our pension and other postretirement benefit plans. This new estimation approach discounts the individual expected cash flows underlying the service cost and interest cost by applying the specific spot rates derived from the yield curve used to discount the cash flows reflected in the measurement of the benefit obligation. Historically, we estimated these service and interest cost components utilizing a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period.

We made this change to provide a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. We have accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle pursuant to ASC 250, Accounting Changes and Error Corrections and accordingly have accounted for it prospectively. While the benefit obligation measured under this approach is unchanged from that determined under the prior approach, the more granular application of the spot rates reduced the service and interest cost for the pension and OPEB plans for the fiscal year ended March 31, 2017, by approximately $20.0 million. The spot rates used to determine service and interest costs for the U.S. plans ranged from 0.60% to 9.75%. Under the Company’s prior methodology, these rates

would have resulted in weighted-average rates for service cost and interest cost of 3.86% for the U.S. pension plans and 3.73% for the OPEB plans. The new approach was used to measure the service cost and interest cost for our pension and OPEB plans for the fiscal year ended March 31, 2017.
Effective April 1, 2015, the Company changed the period over which actuarial gains and losses are being amortized for its U.S. pension plans from the average remaining future service period of active plan participants to the average life expectancy of inactive plan participants. This change was made because the Company has determined that as of that date almost all plan participants are inactive.

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The accounting corridor is a defined range within which amortization of net gains and losses is not required. The discount rates at March 31, 2018, ranged from 2.65 - 4.01% compared to a weighted-average of 2.87 - 4.06% at March 31, 2017.

The assumed expected long-term rate of return on assets is the weighted-average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the Projected Benefit Obligation ("PBO"). The expected average long-term rate of return on assets is based on several factors, including actual historical market index returns, anticipated long-term performance of individual asset classes with consideration given to the related investment strategy, plan expenses and the potential to outperform market index returns. This rate is utilized principally in calculating the expected return on plan assets component of the annual pension expense. To the extent the actual rate of return on assets realized over the course of a year differs from the assumed rate, that year's annual pension expense is not affected. The gain or loss reduces or increases future pension expense over the average remaining life expectancy of inactive plan participants. The expected long-term rate of return for fiscal 2018, 2017 and 2016, was 6.50 - 8.00%. The expected long-term rate of return for fiscal 2019 will be 5.00 - 8.00% .

In addition to our defined benefit pension plans, we provide certain health care and life insurance benefits for some retired employees. Such benefits are unfunded as of March 31, 2018. Employees achieve eligibility to participate in these contributory plans upon retirement from active service if they meet specified age and years of service requirements. Election to participate for eligible employees must be made at the date of retirement. Qualifying dependents at the date of retirement are also eligible for medical coverage. Current plan documents reserve our right to amend or terminate the plans at any time, subject to applicable collective bargaining requirements for represented employees. From time to time, we have made changes to the benefits provided to various groups of plan participants. Premiums charged to most retirees for medical coverage prior to age 65 are based on years of service and are adjusted annually for changes in the cost of the plans as determined by an independent actuary. In addition to this medical inflation cost-sharing feature, the plans also have provisions for deductibles, co-payments, coinsurance percentages, out-of-pocket limits, schedules of reasonable fees, preferred provider networks, coordination of benefits with other plans, and a Medicare carve-out.

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

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

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

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

See Note 15 of "Notes to Consolidated Financial Statements" for a summary of the key events that affected our net periodic benefit cost and obligations that occurred during the fiscal years ended March 31, 2018, 2017 and 2016.

Pension income, excluding curtailments, settlements and special termination benefits (early retirement incentives) for the fiscal year ended March 31, 2018, was $61.6 million compared with pension income of $66.5 million for the fiscal year ended March 31, 2017, and $57.2 million for the fiscal year ended March 31, 2016. For the fiscal year ending March 31, 2019, the Company expects to recognize pension income of approximately $61.5 million.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). Subsequently, the FASB issued several updates to ASU 2014-09, which are codified in Accounting Standards Codification (“ASC”) 606. ASC 606 also includes new guidance on costs related to a contract, which is codified in ASC Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers.

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In applying ASC 606, revenue is recognized when control of promised goods or services transfers to a customer and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The major provisions of the new standard include the determination of enforceable rights and obligations between parties; the identification of performance obligations, including those related to material right obligations; the allocation of consideration based upon relative standalone selling price; accounting for variable consideration; the determination of whether performance obligations are satisfied over time or at a point in time; and enhanced disclosure requirements.

ASC 606 was effective for the Company beginning April 1, 2018, and permits two methods of adoption: retrospectively to each prior reporting period presented (“full retrospective method”) or retrospectively with the cumulative effect of the initial application recognized at the date of initial application (“modified retrospective method”). The Company will adopt the standard using the modified retrospective method and will record an adjustment to retained earnings for the cumulative effect of initial application on April 1, 2018 (the “Transition Adjustment”). Contracts that are substantially completed will be excluded from the Transition Adjustment.

The Company has substantially completed its review of all contracts with customers to quantify the financial statement impact of the Transition Adjustment. Contracts with customers in the Aerospace Structures segment represent a significant portion of the Transition Adjustment.

The primary effect of the Company’s adoption of ASC 606 (outside of the Aerospace Structures segment) will be to recognize revenue over time for certain of its contracts, which is a change from recognition based on shipping terms under the pre-ASC 606 accounting policy.

The Company is in the process of completing its assessment of less prevalent contractual terms including the accounting for material rights, customer acceptance terms, and variable consideration, as well as validating certain of the inputs to the calculation of the Transition Adjustment, which are not expected to be material. The Company is also in the process of completing the calculation of the Transition Adjustment for certain subsidiaries which is not expected to have a material impact.

Based on the assessment procedures performed to date, the Company estimates the Transition Adjustment impact to decrease beginning Retained Earnings on a pre-tax basis by $550.0 million to $650.0 million which has not been tax effected as the Company is completing its evaluation. The Company does not believe the tax effect to be material since it is in a valuation allowance position. The Company will likely have an accumulated deficit after recording the Transition Adjustment, which would limit or restrict our ability to pay dividends.

The Company is in the process of implementing changes to its processes, the nature of the data it gathers and its systems to comply with the requirements of ASC 606 including implementing controls.

Upon adoption of ASC 606, the Company will no longer recognize revenue using the units-of-delivery method. ASC 606 is applied by analyzing each contract, or a combination of contracts, to determine if revenue is recognized over time or at a point in time. The Company has determined that some of its contracts will have performance obligations that are satisfied over time and some at a point in time based on when control of goods and services transfers to the customer.

For performance obligations that are satisfied over time, the Company will use an input method as the basis for recognizing revenue. Input methods recognize revenue based on an entity’s efforts or inputs toward satisfying a performance obligation (for example, resources consumed, labor hours expended, costs incurred, time lapsed, or machine hours used) relative to the total expected inputs to satisfy the performance obligation. The Company will generally use costs incurred as the measure of performance; and therefore, will generally not defer any production costs. Performance obligations that are not recognized over time will be recognized at the point in time when control transfers to the customer.

As explained above, under legacy GAAP, the Company used the units-of-delivery method and certain production costs were deferred over the life of the contract block. Under ASC 606, the Company will not use contract blocks and costs will no longer be deferred and allocated to future units as under the units-of-delivery method. Accordingly, for certain contracts related to the Aerospace Structures segment, capitalized pre-production costs of $865.8 million (pretax), net of previously recognized forward loss reserves of $344.0 million (pretax) will be eliminated and result in a decrease to retained earnings as part of the Transition Adjustment noted above.

ASC 340-40 is applied to costs to obtain or fulfill a contract if existing guidance is not applicable. The Company’s accounting for preproduction, tooling and certain other costs is expected to continue under existing guidance, since the costs generally do not fall within the scope of ASC 340-40.

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The Company anticipates that in fiscal 2019, revenue for certain contracts that would have been recognized under legacy GAAP will be lower because the allocation of revenue to completed performance obligations will be accelerated into retained earnings as part of the Transition Adjustment.

The enhanced disclosure requirements of ASC 606 include discussions on the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company expects the disclosures to include qualitative and quantitative information about its contracts with customers, information about contract assets and liabilities, information about the performance obligation for customer contracts and the significant judgments made in applying the guidance in ASC 606. This will result in changes to the Company's existing disclosures, as well as new disclosures, which will impact the information reported in the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"). ASU 2017-07 requires entities to report the service cost component of net periodic pension and net periodic postretirement benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Further, ASU 2017-07 requires the other components of net periodic pension and net periodic postretirement benefit cost to be presented on the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. The amendments as set forth in ASU 2017-07 are effective for reporting periods beginning after December 15, 2017. The Company adopted the requirements of ASU 2017-07 on April 1, 2018. The Company will apply the guidance on the presentation of the components of net periodic benefit cost in the income statement retrospectively and the guidance limiting the capitalization of net periodic benefit cost in assets to the service cost component will be applied prospectively. The Company expects the adoption of ASU 2017-07 to result in an unfavorable impact to consolidated operating profit and a corresponding favorable impact in non-operating income for each year. Further, in the first quarter fiscal 2019, the Company expects to record a charge in the range of approximately $85.0 million to $90.0 million (pre-tax) representing incremental forward losses due to the adoption. Excluding the service costs, the net periodic pension benefit for the fiscal year ended March 31, 2018, was $76.9 million.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging ("ASU 2017-12"), which intends to improve and simplify accounting rules around hedge accounting. ASU 2017-12 refines and expands hedge accounting for both financial (i.e., interest rate) and commodity risks. In addition, it creates more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes. The new guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, which will be our interim period beginning January 1, 2019. Early adoption is permitted, including adoption in any interim period after the issuance of ASU 2017-12. The adoption of ASU 2017-12 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which provides clarity on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under ASC 718. The new guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, which will be our interim period beginning January 1, 2018. Early adoption is permitted, including adoption in any interim period. The amendments should be applied prospectively to an award modified on or after the adoption date. The adoption of ASU 2017-09 did not have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842) ("ASU 2016-02"). This update requires recognition of lease assets and lease liabilities on the balance sheet of lessees. ASC 842 is effective for fiscal years beginning after December 15, 2018 and interim reporting periods within those years which will be our interim period beginning April 1, 2019. Early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. The Company is currently evaluating the guidance to determine the impact it will have to the Company's consolidated financial statements.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures

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recognized as they occur, as well as certain classifications on the statement of cash flows. ASU 2016-09 will be effective for annual periods beginning after December 15, 2016. Early adoption is permitted. The Company prospectively adopted ASU 2016-09 during the fiscal year ended March 31, 2018 and it did not have a material impact on the Company's consolidated financial statements. The prior periods were not adjusted as a result of the adoption.

Forward-Looking Statements

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

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

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

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

Foreign Exchange Risk

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

We are subject to foreign currency exchange rate risk relating to receipts from customers and payments to suppliers in foreign currencies. We use foreign currency forward contracts to hedge the price risk associated with forecasted foreign denominated payments related to our ongoing business. Foreign currency forward contracts are sensitive to changes in foreign currency exchange rates. At March 31, 2018, a 10% change in the exchange rate in our portfolio of foreign currency contracts would not have material impact on our unrealized gains. Consistent with the use of these contracts to neutralize the effect of exchange rate fluctuations, such unrealized losses or gains would be offset by corresponding gains or losses, respectively, in the remeasurement of the underlying transactions being hedged. When taken together, these forward currency contracts and the offsetting underlying commitments do not create material market risk.

Interest Rate Risk

Our primary exposure to market risk consists of changes in interest rates on borrowings. An increase in interest rates would adversely affect our operating results and the cash flow available after debt service to fund operations and expansion. In addition, an increase in interest rates would adversely affect our ability to pay dividends on our common stock, if permitted to do so under certain of our debt arrangements, including the Credit Facility. We manage exposure to interest rate fluctuations by optimizing the use of fixed and variable rate debt. As of March 31, 2018, approximately 85% of our debt was fixed-rate debt. Our financing policy states that we generally maintain between 50% and 75% of our debt as fixed-rate debt on a fully leveraged basis. The ratio of our fixed-rate debt compared to our variable-rate debt was unusually high as of March 31, 2018, because we received a significant amount of customer advances in our fiscal fourth quarter, which was used to pay down our variable debt. The information below summarizes our market risks associated with debt obligations and should be read in conjunction with Note 10 of "Notes to Consolidated Financial Statements."

The following table presents principal cash flows and the related interest rates. Fixed interest rates disclosed represent the weighted-average rate as of March 31, 2018. Variable interest rates disclosed fluctuate with the LIBOR, federal funds rates and other weekly rates and represent the weighted-average rate at March 31, 2018.

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Expected Years of Maturity

	Next 12 Months	13 - 24 Months	25 - 36 Months	37 - 48 Months	49 - 60 Months	Thereafter	Total
Fixed-rate cash flows (in thousands)	$16,527	$14,236	$12,058	$381,664	$302,009	$508,052	$1,234,546
Weighted-average interest rate (%)	6.12 %	6.15 %	6.18 %	6.44 %	7.17 %	3.87 %	
Variable-rate cash flows (in thousands)	$—	$—	$107,800	$112,887	$—	$—	$220,687
Weighted-average interest rate (%)	— %	— %	2.73 %	2.73 %	— %	— %	

There are no other significant market risk exposures.

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Item 8. Financial Statements and Supplementary Data

of Independent Registered Public Accounting Firm
To the Board of Directors and Stockholders of Triumph Group, Inc.:

Opinion on the Financial Statements
We have audited the accompanying consolidated balance sheets of Triumph Group, Inc. ('the Company') as of March 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended March 31, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at March 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 2018, in conformity with U.S. generally accepted accounting principles. We also have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), Triumph Group, Inc.’s internal control over financial reporting as of March 31, 2018, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated May 22, 2018, expressed an unqualified opinion thereon.
Basis for Opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company’s auditor since 1993.

/s/ Ernst & Young LLP

Philadelphia, Pennsylvania
May 22, 2018

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

	March 31, 2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	$35,819	$69,633
Trade and other receivables, less allowance for doubtful accounts of $4,032 and $4,559	414,185	311,792
Inventories, net of unliquidated progress payments of $387,146 and $222,485	1,427,169	1,340,175
Prepaid expenses and other	44,428	30,064
Assets held for sale	1,324	21,255
Total current assets	1,922,925	1,772,919
Property and equipment, net	726,003	805,030
Goodwill	592,828	1,142,605
Intangible assets, net	507,681	592,364
Other, net	57,627	101,682
Total assets	$3,807,064	$4,414,600
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$16,527	$160,630
Accounts payable	418,367	481,243
Accrued expenses	557,105	674,379
Liabilities related to assets held for sale	440	18,008
Total current liabilities	992,439	1,334,260
Long-term debt, less current portion	1,421,757	1,035,670
Accrued pension and other postretirement benefits, noncurrent	483,887	592,134
Deferred income taxes, noncurrent	16,582	68,107
Other noncurrent liabilities	441,865	537,956
Stockholders' equity:		
Common stock, $.001 par value, 100,000,000 shares authorized, 52,460,920 and 52,460,920 shares issued; 49,669,848 and 49,573,029 shares outstanding	51	51
Capital in excess of par value	851,280	846,807
Treasury stock, at cost, 2,791,072 and 2,887,891 shares	(179,082)	(183,696)
Accumulated other comprehensive loss	(367,870)	(396,178)
Retained earnings	146,155	579,489
Total stockholders' equity	450,534	846,473
Total liabilities and stockholders' equity	$3,807,064	$4,414,600

See notes to consolidated financial statements.

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

	Year ended March 31,		
	2018	2017	2016
Net sales	$3,198,951	$3,532,799	$3,886,072
Operating costs and expenses:			
Cost of sales (exclusive of depreciation shown separately below)	2,533,153	2,689,818	3,597,299
Selling, general and administrative	289,521	281,547	287,349
Depreciation and amortization	158,368	176,946	177,755
Impairment of intangible assets	535,227	266,298	874,361
Restructuring	40,069	42,177	36,182
Loss on divestitures	30,741	19,124	—
Curtailments, settlements and early retirement incentives, net	(25,722)	—	(1,244)
Legal settlement charge, net	—	—	5,476
	3,561,357	3,475,910	4,977,178
Operating (loss) income	(362,406)	56,889	(1,091,106)
Interest expense and other, net	99,442	80,501	68,041
Loss from continuing operations before income taxes	(461,848)	(23,612)	(1,159,147)
Income tax (benefit) expense	(36,457)	19,340	(111,187)
Net loss	$(425,391)	$(42,952)	$(1,047,960)
Loss per share—basic:			
Net loss	$(8.60)	$(0.87)	$(21.29)
Weighted-average common shares outstanding—basic	49,442	49,303	49,218
Loss per share—diluted:			
Net loss	$(8.60)	$(0.87)	$(21.29)
Weighted-average common shares outstanding—diluted	49,442	49,303	49,218

See notes to consolidated financial statements.

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

	Year ended March 31,		
	2018	2017	2016
Net loss	$(425,391)	$(42,952)	$(1,047,960)
Other comprehensive loss:			
Foreign currency translation adjustment	28,529	(28,396)	(12,065)
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 $0, $0 and ($14,725), respectively	21,980	(121)	27,392
Actuarial loss, net of taxes ($283), $394 and $86,261, respectively	10,306	(15,977)	(154,659)
Reclassification from net income - losses (gains), net of tax expense (benefit):			
Amortization of net loss, net of taxes of ($5), ($40) and ($1,263), respectively	7,147	5,651	2,119
Recognized prior service credits, net of taxes of $0, $0 and $5,937, respectively	(37,623)	(15,246)	(10,876)
Total defined benefit pension plans and other postretirement benefits, net of taxes	1,810	(25,693)	(136,024)
Cash flow hedges:			
Unrealized gain (loss) arising during period, net of tax benefit (expense) of ($25), $0 and $384, respectively	133	6,582	(527)
Reclassification of loss included in net earnings, net of tax expense of $14, $0 and ($173), respectively	(2,164)	(1,509)	364
Net unrealized (loss) gain on cash flow hedges, net of tax	(2,031)	5,073	(163)
Total other comprehensive income (loss)	28,308	(49,016)	(148,252)
Total comprehensive loss	$(397,083)	$(91,968)	$(1,196,212)

See notes to consolidated financial statements.

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

	Outstanding Shares	Common Stock All Classes	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance at March 31, 2015	49,273,053	$ 51	$851,940	$(203,514)	$ (198,910)	$1,686,217	$2,135,784
Net loss	—	—	—	—	—	(1,047,960)	(1,047,960)
Foreign currency translation adjustment	—	—	—	—	(12,065)	—	(12,065)
Pension liability adjustment, net of income taxes of $76,210	—	—	—	—	(136,024)	—	(136,024)
Change in fair value of interest rate swap, net of income taxes, $2,014	—	—	—	—	(1,146)	—	(1,146)
Change in fair value of foreign currency hedges, net of income taxes of $636	—	—	—	—	983	—	983
Cash dividends ($0.16 per share)	—	—	—	—	—	(7,889)	(7,889)
Share-based compensation	36,598	—	(590)	3,247	—	—	2,657
Repurchase of restricted shares for minimum tax obligation	(1,528)	—	(96)	—	—	—	(96)
Employee stock purchase plan	20,876	—	(152)	852	—	—	700
Balance, March 31, 2016	49,328,999	51	851,102	(199,415)	(347,162)	630,368	934,944
Net loss	—	—	—	—	—	(42,952)	(42,952)
Foreign currency translation adjustment	—	—	—	—	(28,396)	—	(28,396)
Pension liability adjustment, net of income taxes of $434	—	—	—	—	(25,693)	—	(25,693)
Change in fair value of derivatives	—	—	—	—	4,834	—	4,834
Change in fair value of foreign currency hedges	—	—	—	—	239	—	239
Cash dividends ($0.16 per share)	—	—	—	—	—	(7,927)	(7,927)
Share-based compensation	191,127	—	(4,279)	12,201	—	—	7,922
Repurchase of restricted shares for minimum tax obligation	(5,926)	—	42	(224)	—	—	(182)
Excess tax benefit from exercise of stock options	—	—	2,007	—	—	—	2,007
Employee stock purchase plan	58,829	—	(2,065)	3,742	—	—	1,677

Balance, March 31, 2017	49,573,029	51	846,807	(183,696)	(396,178)	579,489	846,473
Net loss	—	—	—	—	—	(425,391)	(425,391)
Foreign currency translation adjustment	—	—	—	—	28,529	—	28,529
Pension liability adjustment, net of income taxes of ($288)	—	—	—	—	1,810	—	1,810
Change in fair value of derivatives	—	—	—	—	(2,013)	—	(2,013)
Change in fair value of foreign currency hedges, net of income taxes of $11	—	—	—	—	(18)	—	(18)
Cash dividends ($0.16 per share)	—	—	—	—	—	(7,943)	(7,943)
Share-based compensation	56,548	—	6,662	1,287	—	—	7,949
Repurchase of restricted shares for minimum tax obligation	(19,361)	—	—	(483)	—	—	(483)
Employee stock purchase plan	59,632	—	(2,189)	3,810	—	—	1,621
Balance, March 31, 2018	49,669,848	$ 51	$851,280	$(179,082)	$ (367,870)	$146,155	$450,534

See notes to consolidated financial statements.

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TRIUMPH GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	Year ended March 31,		
	2018	2017	2016
Operating Activities			
Net loss	$(425,391)	$(42,952)	$(1,047,960)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	158,368	176,946	177,755
Impairment of intangible assets	535,227	266,298	874,361
Amortization of acquired contract liability	(125,148)	(121,004)	(132,363)
Loss on divestiture and assets held for sale	30,741	19,124	—
Curtailments, settlements and early retirement incentives	(25,722)	—	(1,244)
Other amortization included in interest expense	11,677	5,553	3,904
(Recovery) provision for doubtful accounts receivable	(242)	202	1,996
(Benefit) provision for deferred income taxes	(43,108)	9,480	(118,302)
Share-based compensation	7,949	7,922	2,657
Changes in other current assets and liabilities, excluding the effects of acquisitions:			
Accounts receivable	(105,104)	112,196	73,083
Inventories	(163,417)	(272,653)	293,517
Prepaid expenses and other current assets	(4,239)	11,756	(6,958)
Accounts payable, accrued expenses and income taxes payable	(43,696)	211,560	53,914
Accrued pension and other postretirement benefits	(88,464)	(100,012)	(87,559)
Other	(8,325)	(2,894)	(2,938)
Net cash (used in) provided by operating activities	(288,894)	281,522	83,863
Investing Activities			
Capital expenditures	(42,050)	(51,832)	(80,047)
Proceeds from sale of assets	83,082	86,187	6,069
Acquisitions, net of cash acquired	(2,818)	9	(54,051)
Net cash provided by (used in) investing activities	38,214	34,364	(128,029)
Financing Activities			
Net increase (decrease) in revolving credit facility	82,888	(110,000)	(8,256)
Proceeds from issuance of long-term debt	544,243	24,400	134,797
Retirement of debt and capital lease obligations	(387,373)	(144,144)	(80,917)
Payment of deferred financing costs	(17,729)	(14,034)	(185)
Dividends paid	(7,943)	(7,927)	(7,889)
Net repayment of government grant	—	(14,570)	(5,000)
Repurchase of restricted shares for minimum tax obligations	(483)	(182)	(96)
Net cash provided by (used in) by financing activities	213,603	(266,457)	32,454
Effect of exchange rate changes on cash	3,263	(780)	79
Net change in cash and cash equivalents	(33,814)	48,649	(11,633)
Cash and cash equivalents at beginning of year	69,633	20,984	32,617
Cash and cash equivalents at end of year	$35,819	$69,633	$20,984

See notes to consolidated financial statements.

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TRIUMPH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)

1. BACKGROUND AND BASIS OF PRESENTATION

Triumph Group, Inc. ("Triumph") is a Delaware corporation which, through its operating subsidiaries, designs, engineers, manufactures and sells products for the global aerospace original equipment manufacturers ("OEMs") of aircraft and aircraft components and repairs and overhauls aircraft components and accessories for commercial airline, air cargo carrier and military customers on a worldwide basis. Triumph and its subsidiaries (collectively, the "Company") are organized based on the products and services that they provide.

Effective January 1, 2018, the Company combined its Aerospace Structures and Precision Components operating segments into one reporting segment, Aerospace Structures. Aerospace Structures and Precision Components share many of the same customers and suppliers and have substantial inter-company work on common programs. As a single operating segment, the Company believes it will be able to leverage its combined resources to make it more cost competitive and to enhance performance. The newly formed operating segment is a reportable segment. As a result, effective January 1, 2018, the Company has three reporting segments for financial reporting purposes - Integrated Systems, Product Support and Aerospace Structures.

Integrated Systems consists of the Company's operations that provide integrated solutions, including design, development and support of proprietary components, subsystems and systems, as well as production of complex assemblies using external designs. Capabilities include hydraulic, mechanical and electro-mechanical actuation, power and control; a complete suite of aerospace gearbox solutions, including engine accessory gearboxes and helicopter transmissions; active and passive heat exchange technology; fuel pumps, fuel metering units and Full Authority Digital Electronic Control fuel systems; hydro-mechanical and electromechanical primary and secondary flight controls.

Aerospace Structures consists of the Company's operations that supply commercial, business, regional and military manufacturers with large metallic and composite structures. Products include wings, wing boxes, fuselage panels, horizontal and vertical tails and sub-assemblies such as floor grids. Aerospace Structures also has the capability to engineer detailed structural designs in metal and composites. It also includes of the Company's operations that produce close-tolerance parts primarily to customer designs and model-based definition, including a wide range of aluminum, hard metal and composite structure capabilities. Capabilities include complex machining, gear manufacturing, sheet metal fabrication, forming, advanced composite and interior structures, joining processes such as welding, autoclave bonding and conventional mechanical fasteners and a variety of special processes, including: super plastic titanium forming, aluminum and titanium chemical milling and surface treatments.

Product Support consists of the Company's operations that provide full life cycle solutions for commercial, regional and military aircraft. The Company's extensive product and service offerings include full post-delivery value chain services that simplify the MRO supply chain. Through its line maintenance, component MRO and postproduction supply chain activities, Product Support is positioned to provide integrated planeside repair solutions globally. Capabilities include fuel tank repair; metallic and composite aircraft structures; nacelles; thrust reversers; interiors; auxiliary power units; and a wide variety of pneumatic, hydraulic, fuel and mechanical accessories.

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

The accompanying consolidated financial statements include the accounts of Triumph and its wholly-owned subsidiaries. Intercompany accounts and transactions have been eliminated from the consolidated financial statements.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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TRIUMPH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents

Cash equivalents consist of highly liquid investments with a maturity of three months or less at the time of purchase. Fair value of cash equivalents approximates carrying value.

Trade and Other Receivables, net

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

Trade and other receivables, net comprised of the following:

	March 31,	
	2018	2017
Billed	$363,990	$268,711
Unbilled	37,573	32,089
Total trade receivables	401,563	300,800
Other receivables	16,654	15,551
Total trade and other receivables	418,217	316,351
Less: Allowance for doubtful accounts	(4,032)	(4,559)
Total trade and other receivables, net	$414,185	$311,792

Inventories

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

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

Capitalized pre-production costs include nonrecurring engineering, planning and design, including applicable overhead, incurred before production is manufactured on a regular basis. Significant customer-directed work changes can also cause pre-production costs to be incurred (see Note 5 for further discussion).

Advance Payments and Progress Payments

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

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TRIUMPH GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Dollars in thousands, except per share data)

Property and Equipment
Property and equipment, which include equipment under capital lease and leasehold improvements, are recorded at cost and depreciated over the estimated useful lives of the related assets, or the lease term if shorter in the case of leasehold improvements, using the straight-line method. Buildings and improvements are depreciated over a period of 15 to 39.5 years, and machinery and equipment are depreciated over a period of 7 to 15 years (except for furniture, fixtures and computer equipment which are depreciated over a period of 3 to 10 years).
Goodwill and Intangible Assets
The Company accounts for goodwill and intangible assets in accordance with Accounting Standards Codification ("ASC") 350, Intangibles—Goodwill and Other. Under ASC 350, goodwill and intangible assets with indefinite lives are not amortized; rather, they are tested for impairment on at least an annual basis. Intangible assets with finite lives are amortized over their useful lives. Upon acquisition, critical estimates are made in valuing acquired intangible assets, which include, but are not limited to, future expected cash flows from customer contracts, customer lists, and estimating cash flows from projects when completed; tradename and market position, as well as assumptions about the period of time that customer relationships will continue; and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from the assumptions used in determining the fair values.
The Company's operating segments of Integrated Systems, Aerospace Structures, and Product Support are also its reporting units. The Chief Executive Officer is the Company's Chief Operating Decision Maker ("CODM"). The Company's CODM evaluates performance and allocates resources based upon review of segment information. Each of the operating segments is composed of a number of operating units, which are considered to be components. The components, for which discrete financial information exists, are aggregated for purposes of goodwill impairment testing into three reporting units. The Company's acquisition strategy is to acquire companies that complement and enhance the capabilities of the operating segments of the Company. Each acquisition is assigned to one of the Company's reporting units. The goodwill that results from each acquisition is also assigned to the reporting unit to which the acquisition is allocated, because it is that reporting unit which is intended to benefit from the synergies of the acquisition.
The Company assesses whether goodwill impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If based on this qualitative assessment the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed as required by ASC 350 to determine whether a goodwill impairment exists at the reporting unit.
The quantitative test is used to compare the carrying amount of the reporting unit's assets to the fair value of the reporting unit. If the fair value exceeds the carrying value, no further evaluation is required and no impairment loss is recognized. If the carrying amount exceeds the fair value, then an impairment loss occurs. The impairment is measured by using the amount by which the carrying value exceeds the fair value not to exceed the amount of recorded goodwill. The determination of the fair value of our reporting units is based, among other things, on estimates of future operating performance of the reporting unit being valued. The Company is required to complete an impairment test for goodwill and record any resulting impairment losses at least annually. Changes in market conditions, among other factors, may have an impact on these estimates and require interim impairment assessments.
When performing the quantitative impairment test, the Company's methodology includes the use of an income approach which discounts future net cash flows to their present value at a rate that reflects the Company's cost of capital, otherwise known as the discounted cash flow method ("DCF"). These estimated fair values are based on estimates of future cash flows of the businesses. Factors affecting these future cash flows include the continued market acceptance of the products and services offered by the businesses, the development of new products and

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

Consistent with the Company's policy, the Company performs an annual assessment in its fiscal fourth quarter and 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. The Company performed an interim assessment of the fair value of its goodwill due to the Company's decision to combine the Aerospace Structures and Precision Components reporting segments into one reporting segment as noted above. In accordance with ASC 350-20-35-3C, there are several potential events and circumstances that could be indicators of goodwill impairment. A change in a company's reporting unit structure is one of these events, and when this does occur, a company must perform a "before and after" test of the reporting units (see Note 1). Additionally, the Company's enhanced visibility into its future cash flows based on its annual planning process was also an indicator. Consistent with the Company's policy, it performed 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.

After performing the "before" portion of the test of the reporting units, the Company concluded that the former Precision Component's reporting unit had a fair value that was lower than its carrying value by an amount of $190,227. Accordingly, the Company recorded a non-cash impairment charge during the fiscal year ended March 31, 2018, of $190,227, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets." The decline in fair value is the result of declining revenues from production rate reductions on sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows.

The Company then performed the "after" portion of the test of the reporting units and concluded that the new reporting unit of Aerospace Structure's goodwill had a fair value that was lower than its carrying value by an amount that exceeded the remaining goodwill for the reporting unit. Following the applicable accounting guidance, this impairment charge is deemed to have occurred during the Company's fiscal fourth quarter. Therefore, the Company recorded a non-cash impairment charge during the fiscal quarter ended March 31, 2018, of $345,000, which is presented on the Consolidated Statements of Operations as "Impairment of intangible assets" for the fiscal year ended March 31, 2018. The decline in fair value is the result of declining revenues from sustained production rate reductions and sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows (See Note 2 for definition of fair value levels). The assessment for the Company's Integrated Systems and Product Support reporting units indicated that their fair value exceeded their carrying amounts.

In the fourth quarter of the fiscal year ended March 31, 2017, consistent with the Company's policy, the Company performed its annual assessment of the fair value of goodwill. The Company concluded that the goodwill related to the Aerospace Structures reporting unit was impaired as of the annual testing date. The Company concluded that the goodwill had a fair value that was lower than its carrying value by an amount that exceeded the remaining goodwill for the reporting unit. Accordingly, the Company recorded a non-cash impairment charge during the fourth quarter of the fiscal year ending March 31, 2017, of $266,298, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets." The decline in fair value is the result of declining revenues from production rate reductions on sun-setting programs and the slower than previously projected ramp in our development programs and the timing of associated earnings and cash flows (See Note 2 for definition of fair value levels).

Prior to adoption of ASU 2017-04, the Company used the quantitative assessment to perform the two-step approach required by ASC 350 to determine whether a goodwill impairment exists at the reporting unit.

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

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

In the fourth quarter of fiscal 2016, the Company performed the quantitative assessment for all three of the Company's former reporting units, which indicated that the fair value of goodwill for the former Aerostructures reporting unit did not exceed its carrying amount, resulting in a $597,603 impairment of goodwill to the former Aerostructures reporting unit.

As of March 31, 2018, the Company had a $150,000 intangible asset associated with the tradenames acquired in the acquisitions of Vought Aircraft Industries, Inc. ("Vought"). Prior to March 31, 2016, the Company assessed whether indefinite-lived intangible assets impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on this qualitative assessment, the Company determines it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed to determine whether an indefinite-lived intangible asset impairment exists. We test the indefinite-lived intangible assets for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess of the carrying value over the amount of fair value is recognized as an impairment.

During the third quarter of the fiscal year ended March 31, 2016, the Company performed an interim assessment of fair value on our indefinite-lived intangible assets due to indicators of impairment related to the continued decline in our stock price during the fiscal third quarter. Based on the Company's evaluation, 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 fiscal year ended March 31, 2016, of $229,200, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets." The decline in fair value compared to the carrying value of the Vought tradename is the result of declining revenues from production rate reductions and the slower than previously projected ramp in Bombardier Global 7000/8000 and the timing of associated earnings.

During the fourth quarter of the fiscal year ended March 31, 2016, the Company performed its annual impairment test for each of the Company's indefinite-lived intangible assets, which indicated that the Vought and Embee tradenames had a fair value of $163,000 (Level 3) compared to a carrying value of $209,200. The decline in fair value of the tradenames is the result of the increase in discount rate during the fourth quarter of fiscal 2016, which required the Company to assess whether events and/or circumstances have changed regarding the indefinite-life conclusion. As a result the Company incurred a non-cash impairment charge of $46,200 presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets" to the Vought and Embee tradenames and changed to a useful life of 20 years.

During the fiscal year ended March 31, 2017, as part of the Company's annual assessment, the Company determined that the remaining estimated useful life for the Vought tradename should be reduced from a useful life of 20 years to a useful life of 10 years, as it better represents the financial performance relative to the expected performance.

Finite-lived intangible assets are amortized over their useful lives ranging from 3 to 30 years. The Company continually evaluates whether events or circumstances have occurred that would indicate that the remaining estimated useful lives of long-lived assets, including intangible assets, may warrant revision or that the remaining balance may not be recoverable. Intangible assets are evaluated for indicators of impairment. When factors indicate that long-lived assets, including intangible assets, should be evaluated for possible impairment, an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets, including intangible assets, is used to measure recoverability based on the primary asset of the asset group. Some of the more important factors management considers include the Company's financial performance relative to expected and historical performance, significant changes in the way the Company manages its operations, negative events that have occurred, and negative industry and economic trends. If the estimated fair value is less than the carrying amount, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset group, generally determined based on

the present value of expected future cash flows associated with the use of the asset.
Deferred Financing Costs
Financing costs are deferred and amortized to Interest expense and other on the accompanying Consolidated Statements of Operations over the related financing period using the effective interest method or the straight-line method when it does not differ materially from the effective interest method. The Company records deferred financing costs as a direct deduction from the carrying value of that debt liability; however, the policy does exclude deferred financing costs relating to revolving debt instruments. These deferred financing costs are recorded in Other, net on the accompanying Consolidated Balance Sheets as of March 31, 2018 and 2017. Total deferred financing costs, net of accumulated amortization of $28,445 and $22,692, respectively, are recorded as of March 31, 2018 and 2017. Make-whole payments in connection with early debt retirements are classified as cash flows used in financing activities.

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Acquired Contract Liabilities, net

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

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

Included in the net sales of the Integrated Systems and Aerospace Structures is the non-cash amortization of acquired contract liabilities recognized as fair value adjustments through purchase accounting from various acquisitions. The Company recognized net amortization of contract liabilities of $125,148, $121,004 and $132,363 in the fiscal years ended March 31, 2018, 2017 and 2016, respectively, and such amounts have been included in revenues in results of operations. The balance of the liability as of March 31, 2018, is $274,167 and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows: 2019—$68,782; 2020—$63,241; 2021—$59,098; 2022—$32,021; 2023—$25,071; Thereafter $25,954.

Revenue Recognition

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

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

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

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

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materially affect results of operations and cash flows, as well as valuation of inventory. Furthermore, certain contracts are combined or segmented for revenue recognition in accordance with ASC 605-35.

For the fiscal year ended March 31, 2018, cumulative catch-up adjustments resulting from changes in contract values and estimated costs that arose during the fiscal year decreased operating loss, net loss and earnings per share by approximately $19,677, $13,479 and $0.27, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2018, included gross favorable adjustments of approximately $85,844 and gross unfavorable adjustments of approximately $66,167.

For the fiscal year ended March 31, 2017, cumulative catch-up adjustments resulting from changes in estimates increased operating income, decreased net loss and increased earnings per share by approximately $57,153, $52,598 and $1.07, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2017, included gross favorable adjustments of approximately $163,274 and gross unfavorable adjustments of approximately $106,121 which includes a reduction to the previously recognized forward losses of $131,400 on the 747-8 program.

For the fiscal year ended March 31, 2016, cumulative catch-up adjustments resulting from changes in estimates decreased operating income, net income and earnings per share by approximately $596,213, $539,023 and $10.95, respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2016, included gross favorable adjustments of approximately $32,954 and gross unfavorable adjustments of approximately $629,167 which includes a provision for forward losses of $561,158 on the Bombardier Global 7000/8000 ("Bombardier") and 747-8 programs.

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

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

As disclosed during fiscal 2016, the Company recognized a provision for forward losses associated with our long-term contract on the 747-8 and Bombardier programs. There is still risk similar to what the Company has experienced on the 747-8 and Bombardier programs. Particularly, the Company's ability to manage risks related to supplier performance, execution of cost reduction strategies, hiring and retaining skilled production and management personnel, quality and manufacturing execution, program schedule delays, potential need to negotiate facility lease extensions or alternatively relocate work and many other risks, will determine the ultimate performance of these programs.

Shipping and Handling Costs

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

Research and Development Expense

Research and development expense (which includes certain amounts subject to reimbursement from customers) was approximately $72,763, $112,418 and $103,031 for the fiscal years ended March 31, 2018, 2017 and 2016, respectively.

Retirement Benefits

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

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

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

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

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

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. When determining fair value measurements for assets and liabilities required to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and also considers assumptions that market participants would use when pricing an asset or liability. The fair value hierarchy has three levels of inputs that may be used to measure fair value: Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities; Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and Level 3—Unobservable inputs for the asset or liability. The Company has applied fair value measurements to its divestitures (see Note 4), to its goodwill and intangible impairment tests (see Note 7) and to its pension and postretirement plan assets (see Note 15).

Foreign Currency Translation

The determination of the functional currency for the Company's foreign subsidiaries is made based on appropriate economic factors. The functional currency of the Company's subsidiaries Triumph Aviation Services—Asia and Triumph Structures—Thailand is the U.S. dollar since that is the currency in which that entity primarily generates and expends cash. The functional currency of the Company's remaining subsidiaries is the local currency, since that is the currency in which those entities primarily generate and expend cash. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average monthly rates of exchange. The resultant translation adjustments are included in accumulated other comprehensive income (see Note 13). Gains and losses arising from foreign currency transactions of these subsidiaries are included in earnings.

Income Taxes

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

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

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). Subsequently, the FASB issued several updates to ASU 2014-09, which are codified in Accounting Standards Codification (“ASC”) 606. ASC 606 also includes new guidance on costs related to a contract, which is codified in ASC Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers.

In applying ASC 606, revenue is recognized when control of promised goods or services transfers to a customer and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The major provisions of the new standard include the determination of enforceable rights and obligations between parties; the identification of performance obligations, including those related to material right obligations; the allocation of consideration based upon relative standalone selling price; accounting for variable consideration; the determination of whether performance obligations are satisfied over time or at a point in time; and enhanced disclosure requirements.

ASC 606 was effective for the Company beginning April 1, 2018, and permits two methods of adoption: retrospectively to each prior reporting period presented (“full retrospective method”) or retrospectively with the cumulative effect of the initial application recognized at the date of initial application (“modified retrospective method”). The Company adopted the standard using the modified retrospective method and will record an adjustment to retained earnings for the cumulative effect of initial application on April 1, 2018 (the “Transition Adjustment”). Contracts that are substantially completed will be excluded from the Transition Adjustment.

The Company has substantially completed its review of all contracts with customers to quantify the financial statement impact of the Transition Adjustment. Contracts with customers in the Aerospace Structures segment represent a significant portion of the Transition Adjustment.

The primary effect of the Company’s adoption of ASC 606 (outside of the Aerospace Structures segment) will be to recognize revenue over time for certain of its contracts, which is a change from recognition based on shipping terms under the pre-ASC 606 accounting policy.

The Company is in the process of completing its assessment of less prevalent contractual terms including the accounting for material rights, customer acceptance terms, and variable consideration, as well as validating certain of the inputs to the calculation of the Transition Adjustment, which are not expected to be material. The Company is also in the process of completing the calculation of the Transition Adjustment for certain subsidiaries which is not expected to have a material impact.

Based on the assessment procedures performed to date, the Company estimates the Transition Adjustment impact to decrease beginning Retained Earnings on a pre-tax basis by $550,000 to $650,000 which has not been tax affected as the Company is completing its evaluation. The Company does not believe the tax effect to be material since it is in a valuation allowance position. The Company will likely have an accumulated deficit after recording the Transition Adjustment, which would limit or restrict our ability to pay dividends.

The Company is in the process of implementing changes to its processes, the nature of the data it gathers and its systems to comply with the requirements of ASC 606 including implementing controls.

Upon adoption of ASC 606, the Company will no longer recognize revenue using the units-of-delivery method. ASC 606 is applied by analyzing each contract, or a combination of contracts, to determine if revenue is recognized over time or at a point in time. The Company has determined that some of its contracts will have performance obligations that are satisfied over time and some at a point in time based on when control of goods and services transfers to the customer.

For performance obligations that are satisfied over time, the Company will use an input method as the basis for recognizing revenue. Input methods recognize revenue based on an entity’s efforts or inputs toward satisfying a performance obligation (for example, resources consumed, labor hours expended, costs incurred, time lapsed, or machine hours used) relative to the total expected inputs to satisfy the performance obligation. The Company will generally use costs incurred as the measure of performance; and therefore, will generally not defer any production costs. Performance obligations that are not recognized over time will be recognized at the point in time when control transfers to the customer.

As explained above, under legacy GAAP, the Company used the units-of-delivery method and certain production costs were deferred over the life of the contract block. Under ASC 606, the Company will not use contract blocks and costs will no longer be deferred and allocated to future units as under the units-of-delivery method. Accordingly, for certain contracts related to the Aerospace Structures segment, capitalized pre-production costs of $865,843 (pretax), net of previously recognized forward loss reserves of $343,983 (pretax) will be eliminated and result in a decrease to retained earnings as part of the Transition Adjustment noted above.

ASC 340-40 is applied to costs to obtain or fulfill a contract if existing guidance is not applicable. The Company's accounting for preproduction, tooling and certain other costs is expected to continue under existing guidance, since the costs generally do not fall within the scope of ASC 340-40.

The Company anticipates that in fiscal 2019, revenue for certain contracts that would have been recognized under legacy GAAP will be lower because the allocation of revenue to completed performance obligations will be recognized in retained earnings as part of the Transition Adjustment.

The enhanced disclosure requirements of ASC 606 include discussions on the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company expects the disclosures to include qualitative and quantitative information about its contracts with customers, information about contract assets and liabilities, information about the performance obligation for customer contracts, and the significant judgments made in applying the guidance in ASC 606. This will result in changes to the Company's existing disclosures, as well as new disclosures, which will impact the information reported in the Company's consolidated financial statements.

In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"). ASU 2017-07 requires entities to report the service cost component of net periodic pension and net periodic postretirement benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Further, ASU 2017-07 requires the other components of net periodic pension and net periodic postretirement benefit cost to be presented on the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. The amendments as set forth in ASU 2017-07 are effective for reporting periods beginning after December 15, 2017. The Company adopted the requirements of ASU 2017-07 on April 1, 2018. The Company will apply the guidance on the presentation of the components of net periodic benefit cost in the income statement retrospectively and the guidance limiting the capitalization of net periodic benefit cost in assets to the service cost component will be applied prospectively. The Company expects the adoption of ASU 2017-07 to result in an unfavorable impact to consolidated operating profit and a corresponding favorable impact in non-operating income for each year. Further, in the first quarter of fiscal 2019, the Company expects to record a charge in the range of approximately $85,000 to $90,000 (pre-tax) representing incremental forward losses due to the adoption. Excluding the service costs, the net periodic pension benefit for the fiscal year ended March 31, 2018 was $76,932.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities ("ASU 2017-12"), which intends to improve and simplify accounting rules around hedge accounting. ASU 2017-12 refines and expands hedge accounting for both financial (i.e., interest rate) and commodity risks. In addition, it creates more transparency around how economic results are presented, both on the face of the financial statements and in the footnotes. The new guidance is effective for annual periods beginning after December 15, 2018, including interim periods within those annual periods, which will be our interim period beginning April1, 2019. Early adoption is permitted, including adoption in any interim period after the issuance of ASU 2017-12. The adoption of ASU 2017-12 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which provides clarity on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under ASC 718. The new guidance is effective for annual periods beginning after December 15, 2017, including interim periods within those annual periods, which will be our interim period beginning April 1, 2018. Early adoption is permitted, including adoption in any interim period. The amendments should be applied prospectively to an award modified on or after the adoption date. The adoption of ASU 2017-09 is not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (ASC 842) ("ASU 2016-02"). This update requires recognition of lease assets and lease liabilities on the balance sheet of lessees. ASC 842 is effective for fiscal years beginning after December 15, 2018 and interim reporting periods within those years, which will be our interim period beginning April 1, 2019. Early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. The Company is currently evaluating the guidance to determine the impact it will have to the Company's consolidated financial statements.

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Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. ASU 2016-09 will be effective for annual periods beginning after December 15, 2016. Early adoption is permitted. The Company prospectively adopted ASU 2016-09 during the fiscal year ended March 31, 2018 and it did not have a material impact on the Company's consolidated financial statements. The prior periods were not adjusted as a result of the adoption.

Stock-Based Compensation

The Company recognizes compensation expense for share-based awards based on the fair value of those awards at the date of grant. Stock-based compensation expense for fiscal years ended March 31, 2018, 2017 and 2016, was $7,949, $7,922 and $2,657, 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 will issue new shares (see Note 16 for further details).

Supplemental Cash Flow Information

For the fiscal years ended March 31, 2018, 2017 and 2016, the Company paid $11,190, $7,930 and $4,887 respectively, for income taxes, net of income tax refunds received. The Company made interest payments of $86,345, $72,533 and $62,325 for fiscal years ended March 31, 2018, 2017 and 2016, respectively.

During the fiscal years ended March 31, 2018, 2017 and 2016, the Company financed $8,166, $13,066 and $188 of property and equipment additions through capital leases, respectively.

Warranty Reserves

A reserve has been established to provide for the estimated future cost of warranties on our delivered products. The Company periodically reviews the reserves and adjustments are made accordingly. A provision for warranty on products delivered is made on the basis of historical experience and identified warranty issues. Warranties cover such factors as non-conformance to specifications and defects in material and workmanship. The majority of the Company's agreements include a three-year warranty, although certain programs have warranties up to 20 years. Warranty reserves are included in accrued expenses and other noncurrent liabilities on the Consolidated Balance Sheet. The warranty reserves for the fiscal years ended March 31, 2018 and 2017, were $69,588 and $107,088, respectively. A significant component of the decrease to the warranty reserve for the fiscal year ended March 31, 2018, relates to a specific matter that we acquired from the seller for which we have an offsetting indemnification receivable from the seller, which is included in other assets on the accompanying Consolidated Balance Sheet.

3. ACQUISITION

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 Integrated Systems from the date of acquisition.

The purchase price for Fairchild was $57,130, including a working capital adjustment. Goodwill in the amount of $14,695 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 also identified an intangible asset related to customer relationships valued at $18,000 with a weighted-average life of 12.0 years.
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.

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The Fairchild acquisition has been accounted for under the acquisition method and, accordingly, is included in the consolidated financial statements from the effective date of acquisition. The Company incurred $569 in acquisition-related costs in connection with the Fairchild acquisition.

4. DIVESTED OPERATIONS AND ASSETS HELD FOR SALE

In March 2018, the Company sold all of the shares of Triumph Structures Long Island, LLC ("TS-LI") for cash proceeds of $9,500, and a note receivable of $1,400. As a result of the sale of TS-LI, the Company recognized a loss of $10,370 which is presented on the accompanying Consolidated Statements of Operations as "Loss on divestitures." The operating results of TS-LI were included in Aerospace Structures through the date of disposal.

In September 2017, the Company sold all of the shares of Triumph Processing - Embee Division, Inc. ("Embee") for total cash proceeds of $64,986. As a result of the sale of Embee, the Company recognized a loss of $17,857 which is presented in the accompanying Consolidated Statements of Operations as "Loss on divestitures." The operating results of Embee were included in Integrated Systems through the date of disposal.

In December 2016, the Company entered into a definitive agreement to divest Triumph Air Repair, the Auxiliary Power Unit Overhaul Operations of Triumph Aviation Services - Asia, Ltd. and Triumph Engines - Tempe ("Engines and APU") for total cash proceeds of $60,364. As a result, the Company recognized a loss of $14,263 on the sale. The operating results of Engines and APU were included in Product Support through the date of disposal. The transaction closed during the quarter ended June 30, 2017. An option to purchase the repair part line from Triumph Aviation Services - Asia, Ltd. was executed by the buyer of Engines and APU in May 2018 for total cash proceeds of $17,794. This transaction is expected to close in the first half of fiscal 2019 and is expected to result in a gain. The related assets and liabilities are shown as held for sale in the accompanying Consolidated Balance Sheets.

In September 2016, the Company sold all of the shares of Triumph Aerospace Systems-Newport News, Inc. ("TAS-Newport News") for total cash proceeds of $9,000. As a result of the sale of TAS-Newport News, the Company recognized a loss of $4,861 which is presented in the accompanying Consolidated Statements of Income as "Loss on divestitures." The operating results of TAS-Newport News were included in Integrated Systems through the date of disposal.

The disposal of these entities does not represent a strategic shift and is not expected to have a major effect on the Company's operations or financial results, as defined by ASC 205-20, Discontinued Operations; as a result, the disposals do not meet the criteria to be classified as discontinued operations.

To measure the amount of impairment related to the divestitures, the Company compared the fair values of assets and liabilities at the evaluation dates to the carrying amounts at the end of the month prior to the respective evaluation dates. The sale of TS-LI, Embee, Newport News and Engines and APU assets and liabilities are categorized as Level 2 within the fair value hierarchy. The key assumption included the negotiated sales price of the assets and the assumptions of the liabilities (see Note 2 above for definition of levels).

In May 2018, the Company entered into a definitive agreement to divest Triumph Structures - Los Angles, Inc. ("TSLA") and Triumph Processing, Inc. ("TPI"). The transaction is subject to customary closing conditions and is expected to close in the first half of fiscal 2019. The operating results for TSLA and TPI are included in Aerospace Structures for the fiscal year ended March 31, 2018.

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5. INVENTORIES

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

	March 31, 2018	2017
Raw materials	$69,069	$89,069
Work-in-process, including manufactured and purchased components	1,591,952	1,297,989
Finished goods	95,234	118,265
Rotable assets	58,060	57,337
Less: unliquidated progress payments	(387,146)	(222,485)
Total inventories	$1,427,169	$1,340,175

According to the provisions of U.S. Government contracts, the customer has title to, or a security interest in, substantially all inventories related to such contracts. Included above is total net inventory on government contracts of $19,695 and $34,392, respectively, at March 31, 2018 and 2017.

Work-in-process inventory includes capitalized pre-production costs on newer development programs. 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. The balance of development program inventory, composed principally of capitalized pre-production costs, excluding progress payments 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:

	March 31, 2018			
	Inventory	Capitalized Pre-Production	Forward Loss Provision	Total Inventory, net
Bombardier	$321,780	$ 685,503	$(343,000)	$664,283
Embraer	38,125	180,340	(983)	217,482
Total	$359,905	$ 865,843	$(343,983)	$881,765

	March 31, 2017			
	Inventory	Capitalized Pre-Production	Forward Loss Provision	Total Inventory, net
Bombardier	$89,650	$ 589,449	$(399,758)	$279,341
Embraer	14,987	173,169	(5,800)	182,356
Total	$104,637	$ 762,618	$(405,558)	$461,697

During the fiscal year ended March 31, 2016, the Company recorded a $399,758 forward loss charge for the Bombardier Global 7000/8000 wing program. Under our contract for this program, the Company has the right to design, develop and manufacture wing components for the Global 7000 program. The Global 7000/8000 contract provides for fixed pricing and requires the Company to fund certain up-front development expenses, with certain milestone payments made by Bombardier.

The Global 7000/8000 program charge resulted in the impairment of previously capitalized pre-production costs due to the combination of cost recovery uncertainty, higher than anticipated nonrecurring costs and increased forecasted costs on recurring production. The increases in costs were driven by several factors, including changing technical requirements, increased spending on the design and engineering phase of the program and uncertainty regarding cost reduction and cost recovery initiatives with our customer and suppliers.

The Global 7000/8000 program has continued to incur costs since March 2016 in support of the development and transition to production.

(Dollars in thousands, except per share data)

In May 2017, Triumph Aerostructures and Bombardier entered into a comprehensive settlement agreement that resolved all outstanding commercial disputes between them, including all pending litigation, related to the design, manufacture and supply of wing components for Bombardier's Global 7000 business aircraft. The settlement reset the commercial relationship between the companies and allows each company to better achieve its business objectives going forward.

Further cost increases or an inability to meet revised recurring cost forecasts on the Global 7000/8000 program may result in additional forward loss reserves in future periods, while improvements in future costs compared to current estimates may result in favorable adjustments if forward loss reserves are no longer required.

The Company is still in the early production stages for the Bombardier and Embraer programs, as these aircrafts are scheduled to enter service in calendar 2018, or later. 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 additional forward losses.

6. PROPERTY AND EQUIPMENT

Net property and equipment is:

	March 31,	
	2018	2017
Land	$61,410	$65,338
Construction in process	21,364	31,808
Buildings and improvements	371,947	378,193
Furniture, fixtures and computer equipment	166,800	160,298
Machinery and equipment	973,805	982,240
	1,595,326	1,617,877
Less: accumulated depreciation	869,323	812,847
	$726,003	$805,030

Depreciation expense for the fiscal years ended March 31, 2018, 2017 and 2016, was $101,873, $123,199 and $122,197, respectively, which includes depreciation of assets under capital lease. Included in furniture, fixtures and computer equipment above is $92,273 and $91,557, respectively, of capitalized software at March 31, 2018 and 2017, which was offset by accumulated depreciation of $86,762 and $76,847, respectively.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

The following is a summary of the changes in the carrying value of goodwill by reportable segment, for the fiscal years ended March 31, 2018 and 2017:

	Integrated Systems	Aerospace Structures	Product Support	Total
Balance, March 31, 2017	$541,155	$532,418	$69,032	$1,142,605
Impairment of goodwill	—	(535,227)	—	(535,227)
Goodwill associated with dispositions	(27,709)	—	—	(27,709)
Effect of exchange rate changes	10,447	2,809	(97)	13,159
Balance, March 31, 2018	$523,893	$—	$68,935	$592,828

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	Integrated Systems	Aerospace Structures	Product Support	Total
Balance, March 31, 2016	$560,696	$802,102	$81,456	$1,444,254
Goodwill recognized in connection with acquisitions	(1,834)	—	—	(1,834)
Impairment of goodwill	—	(266,298)	—	(266,298)
Goodwill associated with dispositions	(6,600)	—	(12,665)	(19,265)
Effect of exchange rate changes	(11,107)	(3,386)	241	(14,252)
Balance, March 31, 2017	$541,155	$532,418	$69,032	$1,142,605

As of March 31, 2018, Aerospace Structures had goodwill of $1,399,128, which was fully impaired.

Intangible Assets

The components of intangible assets, net are as follows:

	March 31, 2018			
	Weighted-Average Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	17.3	$606,148	$(240,779)	$365,369
Product rights, technology and licenses	11.4	55,253	(41,858)	13,395
Noncompete agreements and other	16.3	2,756	(965)	1,791
Tradenames	10.0	150,000	(22,874)	127,126
Total intangibles, net		$814,157	$(306,476)	$507,681

	March 31, 2017			
	Weighted-Average Life (in Years)	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	16.6	$663,165	$(241,124)	$422,041
Product rights, technology and licenses	11.4	54,347	(39,486)	14,861
Noncompete agreements and other	16.3	2,756	(786)	1,970
Tradenames	10.3	163,000	(9,508)	153,492
Total intangibles, net		$883,268	$(290,904)	$592,364

During the third quarter of the fiscal year ended March 31, 2016, the Company performed an interim assessment of fair value on our indefinite-lived intangible assets due to indicators of impairment related to the continued decline in our stock price during the fiscal 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 tradename 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 third quarter of the fiscal year ended March 31, 2016, of $229,200, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets." 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 in Bombardier Global 7000/8000 and the timing of associated earnings.

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During the fourth quarter of the fiscal year ended March 31, 2016, the Company performed its annual assessment of fair value on our indefinite-lived intangible assets. 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 rate of 14% based on the required rate of return for the tradename assets, which increased from our interim assessment driven by increased risk due to continued declines in stock price and related market multiples for stock price to EBITDA of both the Company and our peer group and increased interest rates.

Based on the Company's evaluation of indefinite-lived assets, including the tradenames, the Company concluded that the Vought and Embee tradenames had a fair value of $163,000 (Level 3) compared to a carrying value of $209,200. Accordingly, the Company recorded a non-cash impairment charge during the fiscal year ended March 31, 2016, of $46,200, which is presented on the accompanying Consolidated Statements of Operations as "Impairment of intangible assets" and a change from an indefinite-life to a useful life of 20 years.. The decline in fair value of the Vought and Embee tradenames is the result of declining revenues from production rate reductions and the slower than previously projected ramp in Bombardier Global 7000/8000 and the timing of associated earnings.

During the fiscal year ended March 31, 2017, as part of the Company's annual assessment, the Company determined that the remaining estimated useful life for the Vought tradename should be reduced from a useful life of 20 years to a useful life of 10 years, as it better represents the financial performance relative to the expected performance.

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.

Amortization expense for the fiscal years ended March 31, 2018, 2017 and 2016, was $56,495, $53,746 and $54,620, respectively. Amortization expense for the five fiscal years succeeding March 31, 2018, by year is expected to be as follows: 2019: $52,691; 2020: $51,149; 2021: $51,126; 2022: $49,859; 2023: $49,870 and thereafter: $252,986.

8. ACCRUED EXPENSES

Accrued expenses consist of the following items:

	March 31,	
	2018	2017
Accrued pension	$764	$4,094
Deferred revenue, advances and progress billings	234,198	256,275
Accrued other postretirement benefits	11,584	15,983
Accrued compensation and benefits	101,775	89,419
Accrued interest	11,873	17,911
Warranty reserve	24,319	29,110
Accrued workers' compensation	17,888	17,354
Accrued income tax	4,852	3,873
Loss contract reserve	79,376	172,416
All other	70,476	67,944
Total accrued expenses	$557,105	$674,379

(Dollars in thousands, except per share data)

9. LEASES

At March 31, 2018, future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year were as follows: 2019—$26,090; 2020—$21,701; 2021—$18,776; 2022—$14,404; 2023—$10,839 and thereafter—$42,415 through 2031. In the normal course of business, operating leases are generally renewed or replaced by other leases.

Total rental expense was $42,676, $39,114 and $33,279 for the fiscal years ended March 31, 2018, 2017 and 2016, respectively.

10. LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2018	2017
Revolving credit facility	$112,887	$29,999
Term loan	—	309,375
Receivable securitization facility	107,800	112,900
Capital leases	59,546	72,800
Senior notes due 2021	375,000	375,000
Senior notes due 2022	300,000	300,000
Senior notes due 2025	500,000	—
Other debt	—	7,978
Less: debt issuance costs	(16,949)	(11,752)
	1,438,284	1,196,300
Less: current portion	16,527	160,630
	$1,421,757	$1,035,670

Revolving Credit Facility

In July 2017, the Company entered into a Ninth Amendment to the Credit Agreement (the "Ninth Amendment" and the Existing Credit Agreement as amended by the Ninth Amendment, the "Credit Agreement") with the Administrative Agent and the Lenders party thereto to, among other things, (i) permit the Company to incur High Yield Indebtedness (as defined in the Credit Agreement) in an aggregate principal amount of up to $500,000, subject to the Company's obligations to apply the net proceeds from this offering to repay the outstanding principal amount of the term loans in full, (ii) limit the mandatory prepayment provisions to eliminate the requirement that net proceeds received from the incurrence of Permitted Indebtedness (as defined in the Credit Agreement), including the High Yield Indebtedness, be applied to reduce the revolving credit commitments once the revolving credit commitments have been reduced to $800,000, (iii) amend certain covenants and other terms and (iv) modify the current interest rate and letter of credit pricing tiers.

In connection with the amendment to the Credit Agreement, the Company incurred $633 of financing costs. These costs, along with the $13,226 of unamortized financing costs subsequent to the amendment, are being amortized over the remaining term of the Credit Agreement. In accordance with the reduction in the capacity of the Credit Agreement, the Company wrote-off a proportional amount of unamortized financing fees prior to the amendment.

In May 2017, the Company entered into an Eighth Amendment to the Third Amended and Restated Credit Agreement, among the Company and its lenders to, among other things, (i) eliminate the total leverage ratio financial covenant, (ii) increase the maximum permitted senior secured leverage ratio financial covenant applicable to each fiscal quarter, commencing with the fiscal quarter ended March 31, 2017, and to revise the step-downs applicable to such financial covenant, (iii) reduce the aggregate principal amount of commitments under the revolving line of credit to $850,000 from $1,000,000, (iv) modify the maturity date of the term loans so that all of the term loans will mature on March 31, 2019, and (v) establish a new higher pricing tier for the interest rate, commitment fee and letter of credit fee pricing provisions.

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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 $800,000 outstanding at any time. The Credit Facility bears interest at either: (i) LIBOR plus between 1.50% and 3.50%; (ii) the prime rate; or (iii) an overnight rate at the option of the Company. The applicable interest rate is based upon the Company’s ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization. In addition, the Company is required to pay a commitment fee of 0.50% on the unused portion of the Credit Facility. The Company’s obligations under the Credit Facility are guaranteed by the Company’s domestic subsidiaries.

The 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 an Amended and Restated Guarantee and Collateral Agreement, dated as of November 19, 2013, among the administrative agent, the Company and the subsidiaries of the Company party thereto.

At March 31, 2018, there were $112,887 in outstanding borrowings and $30,641 in letters of credit under the Credit Facility primarily to support insurance policies. At March 31, 2017, there were $29,999 in borrowings and $27,240 in letters of credit outstanding. The level of unused borrowing capacity under the Credit Facility varies from time to time depending in part upon the Company's compliance with financial and other covenants set forth in the related agreement. The Credit Facility contains certain affirmative and negative covenants, including limitations on specified levels of indebtedness to earnings before interest, taxes, depreciation and amortization, and interest coverage requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, payment of dividends and incurrence of debt. If an event of default were to occur under the Credit Facility, the lenders would be entitled to declare all amounts borrowed under it immediately due and payable. The occurrence of an event of default under the Credit Facility could also cause the acceleration of obligations under certain other agreements. The Company is in compliance with all such covenants as of March 31, 2018. As of March 31, 2018, the Company had borrowing capacity under the Credit Facility of $656,472 after reductions for borrowings and letters of credit outstanding under the Credit Facility.

The Credit Facility also provided for a variable rate term loan (the "2013 Term Loan"). The Company repaid the outstanding principal amount of the 2013 Term Loan in quarterly installments, on the first business day of each January, April, July and October. The 2013 Term Loan was paid in full with the proceeds from the Senior Notes due 2025 (see below).

The Company previously maintained an interest rate swap agreement to reduce its exposure to interest on the variable rate portion of its long-term debt. In conjunction with the repayment of the 2013 Term Loan, the Company terminated the interest rate swap receiving $280 upon settlement which is included in Interest expense and other on the accompanying Consolidated Statements of Operations.

As of March 31, 2017, the interest rate swap agreement had a notional amount of $309,375, respectively, and a fair value of $309, respectively, which was recorded in other comprehensive income net of applicable taxes (Level 2).

Receivables Securitization Program

In November 2017, the Company amended its receivable securitization facility (the "Securitization Facility"), decreasing the purchase limit from $225,000 to $125,000 and extending the term through November 2020. In connection with the Securitization Facility, the Company sells on a revolving basis certain eligible accounts receivable to Triumph Receivables, LLC, a wholly owned special-purpose entity, which in turn sells a percentage ownership interest in the receivables to commercial paper conduits sponsored by financial institutions. The Company is the servicer of the accounts receivable under the Securitization Facility. As of March 31, 2018, the maximum amount available under the Securitization Facility was $125,000. Interest rates are based on prevailing market rates for short-term commercial paper plus a program fee and a commitment fee. The program fee is 0.13% on the amount outstanding under the Securitization Facility. Additionally, the commitment fee is 0.50% on 100% of the maximum amount available under the Securitization Facility. At March 31, 2018, $107,800 was outstanding under the Securitization Facility. The Company securitizes its accounts receivable, which are generally non-interest bearing, in transactions that are accounted for as borrowings pursuant to the Transfers and Servicing topic of the ASC.

The agreement governing the Securitization Facility contains restrictions and covenants which include limitations on the making of certain restricted payments, creation of certain liens, and certain corporate acts such as mergers, consolidations and the sale of substantially all assets. The Company was in compliance with all such covenants as of March 31, 2018.

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Capital Leases
During the fiscal years ended March 31, 2018, 2017 and 2016, the Company entered into new capital leases in the amounts of $8,166, $13,066 and $188, respectively, to finance a portion of the Company's capital additions for the respective years. During the fiscal year ended March 31, 2016, the Company obtained financing for existing fixed assets in the amount of $6,497.
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 were deferred and are being amortized on the effective interest method over the term of the 2021 Notes.
The 2021 Notes are the Company's senior unsecured obligations and rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and senior in right of payment to all of its existing and future subordinated indebtedness. The 2021 Notes are guaranteed on a full, joint and several basis by each of the Guarantor Subsidiaries.
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 could have redeemed 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.
During May 2016, to ensure that the Company had full access to the Credit Facility during fiscal 2017, the Company obtained approval from the holders of the 2021 Notes to amend the terms of the indenture to conform with the 2022 Notes (as defined below) which allows for a higher level of secured debt. Absent this consent, the Company would have been restricted as to the level of new borrowings under the Credit Facility during fiscal 2017.
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 were deferred 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.

Senior Notes Due 2025

On August 17, 2017, the Company issued $500,000 principal amount of 7.750% Senior Notes due 2025 (the "2025 Notes"). The 2025 Notes were sold at 100% of principal amount and have an effective interest yield of 7.750%. Interest on the 2025 Notes accrues at the rate of 7.750% per annum and is payable semiannually in cash in arrears on February 15 and August 15 of each year, commencing on February 15, 2018. In connection with the issuance of the 2025 Notes, the Company incurred approximately $8,779 of costs, which were deferred and are being amortized on the effective interest method over the term of the 2025 Notes.

The 2025 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 2025 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 2025 Notes prior to August 15, 2020 by paying a "make-whole" premium. The Company may redeem some or all of the 2025 Notes on or after August 15, 2020, at specified redemption prices. In addition, prior to August 15, 2020, the Company may redeem up to 35% of the 2025 Notes with the net proceeds of certain equity offerings at a redemption price equal to 107.750% of the aggregate principal amount plus accrued and unpaid interest, if any, subject to certain limitations set forth in the indenture governing the 2025 Notes (the "2025 Indenture").

The Company is obligated to offer to repurchase the 2025 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 2025 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.

Receivables Purchase Agreement

On March 28, 2016, the Company entered into a Purchase Agreement ("Receivables Purchase Agreement") to sell certain accounts receivables to a financial institution without recourse. The Company was the servicer of the accounts receivable under the Receivables Purchase Agreement. Interest rates are based on LIBOR plus 0.65% - 0.70%. As of March 31, 2017, the Company sold $78,006 worth of eligible accounts receivable. The Company currently has no capacity under the Receivables Purchase Agreement to sell Accounts Receivable.

Financial Instruments Not Recorded at Fair Value

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

TRIUMPH GROUP, INC.