TRIUMPH GROUP INC
Form 10-K
May 27, 2016
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, 2016
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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. (Check one)

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

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

As of September 30, 2015, the aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant was approximately $2,041 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, 2015. 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 25, 2016 was 49,521,405.

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 2016 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

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

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

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

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

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

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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
Comprehensive processing services	Landing gear actuation systems
Control system valve bodies	Landing gear components and assemblies
Electronic engine controls	Main engine gear box assemblies
Exhaust nozzles and ducting	Main fuel pumps
Geared transmissions and drive train components	Secondary flight control systems
Fuel metering units	Vibration absorbers

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

Air cycle machines	Blades and vanes
APUs	Cabin 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

Certain financial information about our three segments is set forth in Note 21 of "Notes to Consolidated Financial Statements."

Effective April 2016, the Company announced that it is realigning into four business units to better meet the evolving needs of its customers. The new structure better supports our go-to-market strategies and will allow us to more effectively satisfy the needs of our customers while continuing to deliver on our commitments, accelerate organic growth and drive predictable profitability. During the first quarter of fiscal 2017, our segment financial performance information will be presented in accordance with these new four business units.

The four business units are as follows:

- Integrated Systems. 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.

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- Aerospace Structures. Supplies 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. Inclusive of the former Vought Aircraft Division, Aerospace Structures also has the capability to engineer detailed structural designs in metal and composites.
- Precision Components. Produces 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. Provides full life cycle solutions for commercial, regional and military aircraft. Triumph'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, Triumph's Product Support group 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.

Proprietary Rights

We benefit from our proprietary rights relating to designs, engineering and manufacturing processes and repair and overhaul procedures. For some products, our unique manufacturing capabilities are required by the customer's specifications or designs, thereby necessitating reliance on us for the production of such specially designed products. We view our name and mark, as well as the Vought and Embee tradenames, as significant to our business as a whole. Our products are protected by a portfolio of patents, trademarks, licenses or other forms of intellectual property that expire at various dates in the future. We continually develop and acquire new intellectual property and consider all of our intellectual property to be valuable. However, based on the broad scope of our product lines, management believes that the loss or expiration of any single intellectual property right would not have a material 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 the Aerostructures and Aerospace Systems Groups and the other the Aftermarket Services Group. These teams are responsible for selling systems, integrated assemblies and repair and overhaul services, reaching across our operating companies, to our OEM, military, airline and air cargo customers. In certain limited cases, we use independent, commission-based representatives to serve our customers' changing needs and the current trends in some of the markets and geographic regions in which we operate.

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

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

Backlog

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

As of March 31, 2016, we had outstanding purchase orders representing an aggregate invoice price of approximately $4.15 billion, of which $2.96 billion, $1.15 billion and $37 million relate to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. As of March 31, 2015, our continuing operations had outstanding purchase orders representing an aggregate invoice price of approximately $5.03 billion, of which $3.74 billion, $1.24 billion and $42 million related to the Aerostructures Group, the Aerospace Systems Group and the Aftermarket Services Group, respectively. The sharp decline in backlog was due to the production rate reductions on key programs such as Boeing 747-8, 777 and G450/G550. Of the existing backlog of $4.15 billion, approximately $1.50 billion will not be shipped by March 31, 2017.

Dependence on Significant Customers

For the fiscal years ended March 31, 2016, 2015 and 2014, the Boeing Company ("Boeing") represented approximately 38%, 42% and 45%, respectively, of our net sales, covering virtually every Boeing plant and product. For the fiscal years ended March 31, 2016, 2015 and 2014, Gulfstream Aerospace Corporation ("Gulfstream") represented approximately 12%, 9% and 8%, 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, 2016, 2015 and 2014 ,were approximately $3,088 million, $3,136 million, and $3,142 million, respectively. Our revenues from customers in all other countries for the fiscal years ended March 31, 2016, 2015 and 2014, were approximately $798 million, $753 million, and $622 million, respectively.

As of March 31, 2016 and 2015, our long-lived assets located in the United States were approximately $2,746 million and $3,683 million, respectively. As of March 31, 2016 and 2015, our long-lived assets located in all other countries were approximately $347 million and $367 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.

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

Government Regulation and Industry Oversight

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

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

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

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

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

Environmental Matters

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

Certain of our facilities, including facilities acquired and operated by us or one of our subsidiaries have at one time or another been under active investigation for environmental contamination by federal or state agencies when acquired, and at least in some cases, continue to be under investigation or subject to remediation for potential environmental contamination. We are frequently indemnified by prior owners or operators and/or present owners of the facilities for liabilities which we incur as a result of these investigations and the environmental contamination found which pre-dates our acquisition of these facilities, subject to certain limitations. We also maintain a pollution liability policy that provides coverage for material liabilities associated with the clean-up of on-site pollution conditions, as well as defense and indemnity for certain third-party suits (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

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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, 2016, we employed 14,602 persons, of whom 3,465 were management employees, 125 were sales and marketing personnel, 782 were technical personnel, 889 were administrative personnel and 9,341 were production workers. Our segments were composed of the following employees: Aerostructures Group - 9,595 persons, Aerospace Systems Group - 3,567 persons, Aftermarket Services Group - 1,311 persons, and Corporate - 129 persons.

Several of our subsidiaries are parties to collective bargaining agreements with labor unions. Under those agreements, we currently employ approximately 1,907 full-time employees. Currently, approximately 13% of our permanent employees are represented by labor unions and approximately 51% of net sales are derived from the facilities at which at least some employees are unionized. The collective bargaining agreement with our union employees with International Association of Machinists and Aerospace Workers ("IAM") District 751 at our Spokane, Washington facility has expired. As of May 11, 2016, the workforce in Spokane of approximately 400 employees has elected to strike. While we are currently in negotiations with the workforce, we have implemented plans to continue production in Spokane with support from other locations. Of the 1,907 employees represented by unions, 591 employees are working under contracts that have expired or will expire within one year and 475 employees in our Red Oak, Texas and 386 employees in our Tulsa, Oklahoma facilities have not yet negotiated initial contracts. 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, 2016, 2015 and 2014 is available in Note 2 of "Notes to Consolidated Financial Statements."

Executive Officers

Name	Age	Position
Daniel J. Crowley	53	President and Chief Executive Officer and Director
Jeffrey L. McRae	52	Senior Vice President, Chief Financial Officer
John B. Wright, II	62	Senior Vice President, General Counsel and Secretary
Thomas A. Quigley, III	39	Vice President and Controller
Thomas Holtzhum	59	Executive Vice President, Integrated Systems
MaryLou Thomas	53	Acting Executive Vice President, Aerospace Structures
Rick Rozenjack	57	Executive Vice President, Precision Components
Michael Abram	63	Executive Vice President, Product Support
Richard Lovely	57	Senior Vice President, Human Resources

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.

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

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

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

Thomas Holzthum was appointed Executive Vice President, Integrated Systems in April 2016. Prior thereto, he served as Corporate Vice President-Systems since 2013 with responsibility for eight Triumph Group companies in the Aerospace Systems segment. He joined Triumph in 1998 with the acquisition of Frisby Aerospace, where he held the position of Group Director, Hydraulics. Mr. Holzthum previously served as President of Triumph Actuation Systems-Connecticut and more recently led the successful integration of the hydraulic actuation business of GE Aviation after its acquisition.

MaryLou Thomas was appointed acting Executive Vice President, Aerospace Structures in April 2016. Prior thereto, she was Corporate Vice President - Composites, Structures and Interiors business area with operations in the United States, Mexico, Thailand and U.K. Ms. Thomas has more than thirty years of experience in the aerospace and defense industry, including service at Lockheed, Boeing and the Company.

Rick Rosenjack was appointed Executive Vice President, Precision Components in April 2016. He previously served as Corporate Vice President-Structures responsible for the Triumph Structures' group of companies, having joined Triumph in October 2014. Prior to joining the Company, Mr. Rosenjack was Chief Operating Officer of HM Dunn AeroSystems, and Vice President and General Manager of Precision Castparts Corp (PCC) after the acquisition of Heroux Devtek Aerostructures in 2012. Before that, Mr. Rosenjack spent 20 years with Textron, Inc., including five years with Bell Helicopter where he was Senior Vice President of the Commercial Helicopter Business.

Michael Abram was appointed Executive Vice President, Product Supply 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 Aftermarket Services Group, 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. Mr. Abram has extensive international business operations experience establishing start-up MRO facilities in Europe and Singapore.

Richard Lovely was appointed Senior Vice President, Human Resources in April 2016. Prior thereto, he served as Senior Vice President, Global Human Resources for Houghton International and Executive Vice President, Human Resources for Rohm and Haas.

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.

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 substantial portion of our revenue from the U.S. Government, primarily from defense related programs with the U.S. Department of Defense ("DoD") . Levels of U.S. defense spending in future periods are very difficult to predict and subject to significant risks. In addition, significant budgetary delays and constraints have already resulted in reduced spending levels, and additional reductions may be forthcoming. In August 2011, the Budget Control Act (the "Act") established limits on U.S. Government discretionary spending, including a reduction of defense spending by approximately $490 billion between the 2012 and 2021 U.S. Government fiscal years. The Act also provided that the defense budget would face “sequestration” cuts of up to an additional $500 billion during that same period to the extent that discretionary spending limits are exceeded. The impact of sequestration cuts has been reduced with respect to FY2016 and FY2017 following the enactment of The Bipartisan Budget Act of 2015 in November 2015. However, 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 significant pressure, including risk of future sequestration cuts.

In addition, there continues to be significant uncertainty with respect to program-level appropriations for the DoD and other government agencies (including NASA) within the overall budgetary framework described above. While the FY2016 appropriations enacted December 2015 included funding for Boeing’s major programs, such as F/A-18, CH-47 Chinook, AH-64 Apache, KC-46A Tanker and P-8 programs, uncertainty remains about how defense budgets in FY2017 and beyond will affect Boeing’s programs. We also expect that ongoing concerns regarding the U.S. national debt will continue to place downward pressure on DoD spending levels. 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 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 DoD customer, our revenues and market share would be further impacted.

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

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

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

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

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

Boeing, or Boeing Commercial, Military and Space, represented approximately 38% of our net sales for the fiscal year ended March 31, 2016, covering virtually every Boeing plant and product. Gulfstream represented approximately 12% of our net sales for the fiscal year ended March 31, 2016, 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 position, results of operations, and cash flows. In addition, some of our other group companies rely significantly on particular customers, the loss of which could have an adverse effect on those businesses.

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 and could have a material adverse effect on our 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.

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

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

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

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

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

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

As we pursue customers in Asia, South America and other less developed aerospace markets throughout the world, our inability to ensure the creditworthiness of our customers in these areas could adversely impact our overall profitability. In addition, with operations in Canada, China, France, Germany, 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;

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- inability to obtain, maintain or enforce intellectual property rights;
- changes in general economic and political conditions in the countries in which we operate;
- unexpected adverse changes in the laws or regulatory requirements outside the United States, including those with respect to environmental protection, export duties and quotas;
- failure by our employees or agents to comply with U.S. laws affecting the activities of U.S. companies abroad;
- difficulty with staffing and managing widespread operations; and
- difficulty of and costs relating to compliance with the different commercial and legal requirements of the countries in which we operate.

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

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

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.

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.

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

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anticipated. If any of these projects do not achieve the anticipated increase in efficiency or capacity, our returns on these capital expenditures may be lower than expected.

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

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

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

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

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.

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

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

Any exposure to environmental liabilities may adversely affect us.

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

Pursuant to certain environmental laws, a current or previous owner or operator of a contaminated site may be held liable for the entire cost of investigation, removal or remediation of hazardous materials at such property, whether or not the owner or operator knew of, or was responsible for, the presence of any hazardous materials. Although management believes that our operations and facilities are in material compliance with such laws and regulations, future changes in such laws, regulations or interpretations thereof or the nature of our operations or regulatory enforcement actions which may arise, may require us to make significant additional capital expenditures to ensure compliance in the future. Certain of our facilities, including facilities acquired and operated by us or one of our subsidiaries, have at one time or another been under active investigation for environmental contamination by federal or state agencies when acquired and, at least in some cases, continue to be under

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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.

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.

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

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

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

- availability of capital to our suppliers;
- the destruction of our suppliers' facilities or their distribution infrastructure;
- a work stoppage or strike by our suppliers' employees;
- the failure of our suppliers to provide raw materials or component parts of the requisite quality;

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- the failure of essential equipment at our suppliers' plants;
- the failure or shortage of supply of raw materials to our suppliers;
- contractual amendments and disputes with our suppliers; and
- geopolitical conditions in the global supply base.

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

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

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 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 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.

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.

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.

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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, 2016, we employed 14,602 people, of which 13.1% belonged to unions. Our unionized workforces and those of our customers and suppliers may experience work stoppages. For example, The collective bargaining agreement with our union employees with the IAM District 751 at our Spokane, Washington facility has expired. As of May 11, 2016, the workforce in Spokane of approximately 400 employee has elected to strike. While we are currently in negotiations with the workforce, we have implemented plans to continue production in Spokane with support from other locations. Our union employees with Local 848 at our Red Oak, Texas and Local 952 at our Tulsa, Oklahoma, facilities of the United Auto Workers ("UAW") are currently working without a contract. 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 over-funded or under-funded 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 under-funded status of the plans recorded on our statement of financial position and result in additional cash funding requirements to meet the minimum required funding levels.

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

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

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

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

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

As of March 31, 2016, our segments owned or leased the following facilities with the following square footage:

(Square feet in thousands)	Owned	Leased	Total
Aerostructures Group	5,176	5,634	10,810
Aerospace Systems Group	1,294	1,035	2,329
Aftermarket Services Group	716	628	1,344
Corporate	—	17	17
Total	7,186	7,314	14,500

At March 31, 2016, our segments occupied 7.4 million square feet of floor space at the following major locations:

- Aerostructures Group: Nashville, Tennessee; Hawthorne, California; Red Oak, Texas; Grand Prairie, Texas; Milledgeville, Georgia; Spokane, Washington; and Stuart, Florida
- Aerospace Systems Group: West Hartford, Connecticut; and Park City, Utah
- Aftermarket Services Group: 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 our business, we are involved in disputes, claims, lawsuits, and governmental and regulatory inquiries that we deem to be immaterial. Some may involve claims or potential claims of substantial damages, fines or penalties. While we cannot predict the outcome of any pending or future litigation or proceeding, we do not believe that any pending matter will have a material effect, individually or in the aggregate, on our financial position or results of operations, although no assurances can be given to that effect.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

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

Range of Market Price

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

	High	Low
Fiscal 2015		
1st Quarter	$72.31	$61.86
2nd Quarter	70.38	62.00
3rd Quarter	70.93	59.53
4th Quarter	67.84	51.15
Fiscal 2016		
1st Quarter	$70.68	$57.25
2nd Quarter	67.16	41.14
3rd Quarter	47.28	32.82
4th Quarter	40.36	22.94

On May 25, 2016, the reported closing price for our common stock was $37.78. As of May 25, 2016, 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 2016 and 2015, we paid cash dividends of $0.16 per share and $0.16 per share, respectively. However, our declaration and payment of cash dividends in the future and the amount thereof will depend upon our results of operations, financial condition, cash requirements, future prospects, limitations imposed by credit agreements or indentures governing debt securities and other factors deemed relevant by our Board of Directors. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all. Certain of our debt arrangements, including the Credit Facility, restrict our paying dividends and making distributions on our capital stock, except for the payment of stock dividends and redemptions of an employee's shares of capital stock upon termination of employment. On May 2, 2016, the Company announced that its Board of Directors declared a regular quarterly dividend of $0.04 per share on its outstanding common stock. The dividend is next payable on June 15, 2016, to stockholders of record as of May 31, 2016.

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 year ended March 31, 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 27, 2016, the Company remains able to purchase an additional 2,277,789 shares.

Equity Compensation Plan Information

The information required regarding equity compensation plan information will be included in our Proxy Statement in connection with our 2016 Annual Meeting of Stockholders to be held on July 21, 2016, under the heading "Equity Compensation Plan Information" and is incorporated herein by reference.

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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 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, 2011, and its relative performance is tracked through March 31, 2016.
COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN*
Among Triumph Group, Inc., and The Russell 1000 Indexes
And The S&P Aerospace & Defense Index
* $100 invested on March 31, 2011 in stock or index, including reinvestment of dividends.

	Fiscal year ended March 31					
	3/11	3/12	3/13	3/14	3/15	3/16
Triumph Group, Inc.	100.00	142.05	178.40	147.09	136.55	72.14
Russell 1000	100.00	107.86	123.42	151.09	170.33	171.18
S&P Aerospace & Defense	100.00	104.54	121.06	173.68	198.30	200.23

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,				
	2016(1)	2015(2)	2014(3)	2013(4)	2012(5)
	(in thousands, except per share data)				
Operating Data:					
Net sales	$3,886,072	$3,888,722	$3,763,254	$3,702,702	$3,407,929
Cost of sales	3,597,299	3,141,453	2,911,802	2,763,488	2,564,995
	288,773	747,269	851,452	939,214	842,934
Selling, general and administrative expense	287,349	285,773	254,715	241,349	242,553
Depreciation and amortization	177,755	158,323	164,277	129,506	119,724
Impairment of intangible assets	874,361	—	—	—	—
Restructuring	36,182	3,193	31,290	2,665	6,342
Curtailments, settlements and early retirement incentives	(1,244)	—	1,166	34,481	(40,400)
Loss (gain) on legal settlement, net	5,476	(134,693)	—	—	—
Operating (loss) income	(1,091,106)	434,673	400,004	531,213	514,715
Interest expense and other	68,041	85,379	87,771	68,156	77,138
(Loss) income from continuing operations, before income taxes	(1,159,147)	349,294	312,233	463,057	437,577
Income tax (benefit) expense	(111,187)	110,597	105,977	165,710	155,955
(Loss) income from continuing operations	(1,047,960)	238,697	206,256	297,347	281,622
Loss from discontinued operations	—	—	—	—	(765)
Net (loss) income	$(1,047,960)	$238,697	$206,256	$297,347	$280,857
Earnings per share:					
(Loss) income from continuing operations:					
Basic	$(21.29)	$4.70	$3.99	$5.99	$5.77
Diluted(6)	$(21.29)	$4.68	$3.91	$5.67	$5.43
Cash dividends declared per share	$0.16	$0.16	$0.16	$0.16	$0.14
Shares used in computing earnings per share:					
Basic	49,218	50,796	51,711	49,663	48,821
Diluted(6)	49,218	51,005	52,787	52,446	51,873

	As of March 31,				
	2016(1)	2015(2)	2014(3)	2013(4)	2012(5)
	(in thousands)				
Balance Sheet Data:					
Working capital	$606,767	$1,023,144	$1,141,741	$892,818	$741,105
Total assets	4,835,093	5,956,325	5,553,386	5,239,179	4,597,224
Long-term debt, including current portion	1,417,320	1,368,600	1,550,383	1,329,863	1,158,862
Total stockholders' equity	$934,944	$2,135,784	$2,283,911	$2,045,158	$1,793,369

(1) 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 and restructuring charges of $75,596 (March 2016). See Notes to the Consolidated Financial Statements.

(2) Includes the acquisitions of Spirit AeroSytems 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. See Notes to the Consolidated Financial Statements.

(3) 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. See Note 3 and 4 to the Consolidated Financial Statements, respectively.

(4) Includes the acquisitions of Goodrich Pump & Engine Control Systems, Inc. (March 2013) and Embee, Inc. (December 2012) from the date of each respective acquisition.

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

(6) Diluted earnings per share for the fiscal years ended March 31, 2015, 2014, 2013 and 2012, included 40,177, 811,083, 2,400,439 and 2,606,189 shares, respectively, related to the dilutive effects of the Company's Convertible Notes.

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

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

OVERVIEW

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

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

Significant financial results for the fiscal year ended March 31, 2016 include:

- Net sales for fiscal 2016 decreased 0.1% to $3.89 billion, including a 9.8% decrease in organic sales.
- Operating loss for fiscal 2016 was $(1.09) billion.
- Included in operating loss for fiscal 2016 was a non-cash impairment charge of $874.4 million primarily related to goodwill and the indefinite-lived tradename in the Aerostructures reporting, forward losses to the Bombardier Global 7000/8000 and 747-8 programs of $561.2 million and restructuring and related accelerated depreciation charges of $81.0 million.
- Net loss for fiscal 2016 was $(1.05) billion and included a charge for an income tax valuation allowance of $155.8 million.
- Backlog decreased 17.4% over the prior year to $4.15 billion.

For the fiscal year ended March 31, 2016, net sales totaled $3.89 billion, a 0.1% decrease from fiscal year 2015 net sales of $3.89 billion. Net income for fiscal year 2016 decreased 539.0% to $(1.05) billion, or $(21.29) per diluted common share, versus $238.7 million, or $4.68 per diluted common share, for fiscal year 2015.

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, 2016, we generated $83.9 million of cash flows from operating activities, used $128.0 million in investing activities and received $32.5 million in financing activities. Cash flows from operating activities in fiscal year 2015 was $467.3 million and included $112.3 million in pension contributions.

During the fiscal year ended March 31, 2016, the Company committed to a restructuring of certain its businesses as well as the consolidation of certain of its facilities ("2016 Restructuring Plan"). The Company expects to reduce its footprint by approximately 3.5 million square feet and to reduce head count by 1,200 employees. Over the next few fiscal years, the Company estimates that it will record aggregate pre-tax charges of $150.0 million to $160.0 million related to these programs, 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 year ended March 31, 2016, the Company recorded charges of $81.0 million related to this program, including accelerated depreciation of $22.4 million and severance of $16.3 million.

We are currently performing work on several new programs, which are in various stages of development. Several of the these programs are expected to enter flight testing during our fiscal 2017, including the Bombardier Global 7000/8000, and Embraer second generation E-Jet ("E2-Jets") and we expect to deliver revenue generating production units for these programs in late fiscal 2017, or early fiscal 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.

Fiscal 2016 was a challenging year for certain of our new programs. While work progressed on these development programs, we experienced difficulties in achieving estimated cost targets particularly in the areas of engineering and estimated recurring costs. As described in more detail in “Results of Operations”, we recorded a $399.8 million forward loss on our Bombardier Global 7000/8000 wing contract in the fourth quarter of 2016. 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 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 non-recurring 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. 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.

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 non-recurring 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 low single digit estimated profit margin percentage, with additional potential future cost pressures as well as opportunities for improved performance. While we still estimate positive margins for this contract, risks related to additional engineering as well as the recurring cost profile remains as this program enters flight testing.

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 January 2016, Boeing announced a rate reduction to the 747-8 program, which lowers production to one plane every two months. We have assessed the impact of the rate reduction and have recorded an additional $161.4 million forward loss during the quarter ended March 31, 2016. This announcement follows the September 2015 decision by Boeing to in-source production of the 747-8 program beginning in the second half of fiscal 2019, effectively terminating this program with us after our current contract. Additional costs associated with exiting the facilities where the 747-8 program is manufactured, such as asset impairment, supplier and lease termination charges, as well as severance and retention payments to employees and contractors have been included in the 2016 Restructuring Plan.

As disclosed during fiscal 2015, we also recognized a provision for forward losses associated with our long-term contract on the 747-8 program. There is still risk similar to what we have experienced on the 747-8 program. 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.

Consistent with our policy described in our Critical Accounting Policies here within, we performed Step 1 of the goodwill impairment test on an interim basis upon the occurrence of events or substantive changes in circumstances that indicate a reporting unit's fair value may be less than its carrying value. During the third quarter of fiscal 2016, we performed an interim assessment of the fair value of our goodwill and indefinite-lived intangible assets due to potential indicators of impairment related to the continued decline in our stock price during the third quarter.

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Our assessment focused on the Aerostructures reporting unit since it had significant changes in its economic indicators and adjusted for select changes in the risk adjusted discount rate to consider both the current return requirements of the market and the risks inherent in the reporting unit, expected long-term growth rate and cash flow projections to determine if any decline in the estimated fair value of a reporting unit could result in a goodwill impairment. We concluded that the goodwill was not impaired as of the interim impairment assessment date. However, the excess of the fair value over the carrying value was within 5% for the Company's Aerostructures reporting unit. The amount of goodwill for our Aerostructures reporting unit amounted to $1.42 billion as of the interim testing date.

During the fourth quarter of the fiscal year ended March 31, 2016, consistent with our policy described herein, we performed our annual assessment of the fair value of our goodwill for each of our three reporting units. We concluded that the goodwill of our Aerostructures 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. Accordingly, 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". The decline in fair value is the result of continued declines in stock price and related market multiples for stock price to EBITDA of both the Company and our peer group. Going forward, we will continue to monitor the performance of this reporting unit in relation to the key assumptions in our analysis.

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

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". Additionally, we determined that the tradenames will be amortized over their remaining estimated useful life of 20 years.

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

The collective bargaining agreement with our union employees with IAM District 751 at our Spokane, Washington facility has expired. As of May 11, 2016, the workforce in Spokane of approximately 400 employees has elected to strike. While we are currently in negotiations with the workforce, we have implemented plans to continue production in Spokane with support from other locations. Our union employees with UAW Local 848 at our Red Oak, Texas facility and UAW Local 952 at our Tulsa, Oklahoma facility are currently working without a contract. If we are unable to negotiate a contract with each of 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 an additional strike.

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

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

Effective June 27, 2014, the Company acquired the hydraulic actuation business of GE Aviation ("GE"). GE's hydraulic actuation business consists of three facilities located in Yakima, Washington, Cheltenham, England and the Isle of Man and is a technology leader in actuation systems. GE's key product offerings include complete landing gear actuation systems, door actuation, nose-wheel steerings, hydraulic fuses, manifolds flight control actuation and locking mechanisms for the commercial, military and business jet markets. The acquired business operates as Triumph Actuation Systems-Yakima and Triumph Actuation Systems-UK & IOM and its results are included in Aerospace Systems Group from the date of acquisition.

RESULTS OF OPERATIONS

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

Non-GAAP Financial Measures

We prepare and publicly release quarterly unaudited financial statements prepared in accordance with GAAP. In accordance with Securities and Exchange Commission (the "SEC") guidance on Compliance and Disclosure Interpretations, we also disclose and discuss certain non-GAAP financial measures in our public releases. Currently, the non-GAAP financial measure that we disclose is Adjusted EBITDA, which is our (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 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

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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:

- 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.
- 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.

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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,		
	2016	2015	2014
(Loss) income from continuing operations	$(1,047,960)	$238,697	$206,256
Legal settlement charge (gain), net of expenses	5,476	(134,693)	—
Amortization of acquired contract liabilities	(132,363)	(75,733)	(42,629)
Depreciation and amortization *	1,052,116	158,323	164,277
Curtailments, settlements and early retirement incentives	(1,244)	—	1,166
Interest expense and other	68,041	85,379	87,771
Income tax (benefit) expense	(111,187)	110,597	105,977
Adjusted EBITDA	$(167,121)	$382,570	$522,818

* - Includes Impairment charges related to intangible assets

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

	Fiscal year ended March 31, 2016				
	Total	Aerostructures	Aerospace Systems	Aftermarket Services	Corporate/ Eliminations
Operating (loss) income	$(1,091,106)	$(1,274,777)	$216,520	$ 24,977	$ (57,826)
Legal settlement charge, net	5,476	12,070	(8,494)	1,900	—
Curtailments, settlements and early retirement incentives	(1,244)	—	—	—	(1,244)
Amortization of acquired contract liabilities	(132,363)	(90,778)	(41,585)	—	—
Depreciation and amortization *	1,052,116	988,947	50,518	11,009	1,642
Adjusted EBITDA	$(167,121)	$(364,538)	$216,959	$ 37,886	$ (57,428)

* - Includes Impairment impairment charges related to intangible assets.

	Fiscal year ended March 31, 2015				
	Total	Aerostructures	Aerospace Systems	Aftermarket Services	Corporate/ Eliminations
Operating income	$434,673	$ 120,985	$184,042	$ 47,931	$ 81,715
Legal settlement (gain), net	(134,693)	—	—	—	(134,693)
Amortization of acquired contract liabilities	(75,733)	(38,719)	(37,014)	—	—
Depreciation and amortization	158,323	102,296	45,200	8,559	2,268
Adjusted EBITDA	$382,570	$ 184,562	$192,228	$ 56,490	$ (50,710)

	Fiscal year ended March 31, 2014				
	Total	Aerostructures	Aerospace Systems	Aftermarket Services	Corporate/ Eliminations
Operating income	$400,004	$ 248,637	$149,721	$ 42,265	$ (40,619)
Curtailments, settlements and early retirement incentives	1,166	—	—	—	1,166
Amortization of acquired contract liabilities	(42,629)	(25,207)	(17,422)	—	—
Depreciation and amortization	164,277	116,514	37,453	7,529	2,781
Adjusted EBITDA	$522,818	$ 339,944	$169,752	$ 49,794	$ (36,672)

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

Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015

	Year Ended March 31,	
	2016	2015
	(in thousands)	
Net sales	$3,886,072	$3,888,722
Segment operating (loss) income	$(1,033,280)	$352,958
Corporate (expense) income	(57,826)	81,715
Total operating (loss) income	(1,091,106)	434,673
Interest expense and other	68,041	85,379
Income tax (benefit) expense	(111,187)	110,597
Net (loss) income	$(1,047,960)	$238,697

Net sales decreased by $2.7 million, or (0.1)%, to $3.9 billion for the fiscal year ended March 31, 2016, from $3.9 billion for the fiscal year ended March 31, 2015. The acquisition of Fairchild and the fiscal 2015 acquisitions contributed $355.3 million. Organic sales decreased $352.7 million, or (9.8)%, due to production rate cuts by our customers on the 747-8, V-22, G450/G550 and C-17 programs. The prior fiscal year was negatively impacted by our customers' decreased production rates on existing programs and decreased military sales.

In the fourth quarter of fiscal 2016, we recorded a $399.8 million forward loss charge for the Bombardier Global 7000/8000 wing program. Under our contract for this program, we have the right to design, develop and manufacture wing components over the initial 300 ship sets. 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 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 non-recurring 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. 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.

In January 2016, Boeing announced a rate reduction to the 747-8 program, which lowers production to one plane every two months. We have assessed the impact of the rate reduction and have recorded an additional $161.4 million forward loss. This announcement follows the September 2015 decision by Boeing to in-source production of the 747-8 program beginning in the second half of fiscal 2019, effectively terminating this program with us after our current contract. Additional costs associated with exiting the facilities where the 747-8 program is manufactured, such as asset impairment, supplier and lease termination charges, as well as severance and retention payments to employees and contractors have been included in the 2016 Restructuring Plan.

Recognition of additional forward losses in the future periods continues to be a risk and will depend upon several factors, including the impact of the above discussed production rate change, our ability to successfully perform under current design and manufacturing plans, achievement of forecasted cost reductions as we continue production, our ability to successfully resolve claims and assertions with our customers and suppliers and our customers' ability to sell their products.

Cost of sales increased by $455.8 million, or 14.5%, to $3.6 billion for the fiscal year ended March 31, 2016, from $3.1 billion for the fiscal year ended March 31, 2015. The acquisition of Fairchild and the fiscal 2015 acquisitions contributed $274.5 million. The organic cost of sales included provisions for forward losses of $561.2 million on the Bombardier and 747-8 programs (as discussed above). Organic gross margin for the fiscal year ended March 31, 2016, was 3.9% compared with 19.1% for the fiscal year ended March 31, 2015. The prior year was impacted by additional costs on the 747-8 program and disruption and accelerated depreciation associated with the relocation from our Jefferson Street Facilities.

Gross margin included net unfavorable cumulative catch-up adjustments on long-term contracts and provisions for forward losses as noted above ($596.2 million). The unfavorable cumulative catch-up adjustments to operating income included gross

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favorable adjustments of $33.0 million and gross unfavorable adjustments of $629.2 million, of which $561.2 million was related to forward losses associated with the Bombardier and 747-8 programs. Excluding the aforementioned forward losses, the cumulative catch-up adjustments for the fiscal year ended March 31, 2016, reflected increased labor and supplier costs on other programs. Gross margins for fiscal 2015 included net unfavorable cumulative catch-up adjustments of $156.0 million, of which $152.0 million was related to the forward losses on the 747-8 program.

Segment operating (loss) income decreased by $1,386.2 million, or (392.7)%, to $(1,033.3) million for the fiscal year ended March 31, 2016, from $353.0 million for the fiscal year ended March 31, 2015. The decreased operating income is directly related to 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 $57.8 million for the fiscal year ended March 31, 2016, as opposed to income of $81.7 million for the fiscal year ended March 31, 2015. The fiscal year ended March 31, 2015, included the legal settlement between the Company and Eaton, which resulted in a net gain of $134.7 million.

Interest expense and other decreased by $17.3 million, or 20.3%, to $68.0 million for the fiscal year ended March 31, 2016 compared to $85.4 million for the prior year. Interest expense and other for the fiscal year ended March 31, 2016, included foreign exchange losses of $2.4 million versus foreign exchange gains of $5.0 million for the fiscal year ended March 31, 2015. Interest expense and other for the fiscal year ended March 31, 2015 included the redemption of the 2018 Notes, which included $22.6 million for pre-tax losses associated with the 4.79% redemption premium, and write-off of the remaining related unamortized discount and deferred financing fees.

The effective income tax rate was 9.6% for the fiscal year ended March 31, 2016, and reflected the establishment of a valuation allowance of $155.8 million against net deferred tax assets. Based on an evaluation of both the positive and negative evidence available, we determined that it was necessary to establish a valuation allowance against substantially all of our net deferred tax assets for the fiscal year ended March 31, 2016.

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, the Company assesses all available positive and negative evidence. This evidence includes, but is not limited to, prior earnings history, expected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objective negative evidence of recent financial reporting losses.

Based on these criteria and the relative weighting of both the positive and negative evidence available, and in particular the activity surrounding the Company's prior earnings history, including the forward losses and intangible impairments previously recognized, management determined that it was necessary to establish a valuation allowance against principally all of its net deferred tax assets at March 31, 2016. Given the objectively verifiable negative evidence of a three-year cumulative loss and the weighting of all available positive evidence, the Company excluded projected taxable income (aside from reversing taxable temporary differences) from the assessment of income that could be used as a source of taxable income to realize the deferred tax assets.

The effective tax rate for the fiscal year ended March 31, 2015, was 31.7% and included the release of previously reserved for unrecognized tax benefits of $1.1 million, the benefit of $2.8 million from a decrease of the state deferred tax rate and the benefit of $6.0 million from the retroactive reinstatement of the R&D tax credit to January 1, 2014.

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Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014

	Year Ended March 31,	
	2015	2014
	(in thousands)	
Net sales	$3,888,722	$3,763,254
Segment operating income	$352,958	$440,623
Corporate income (expenses)	81,715	(40,619)
Total operating income	434,673	400,004
Interest expense and other	85,379	87,771
Income tax expense	110,597	105,977
Net income	$238,697	$206,256

Net sales increased by $125.5 million, or 3.3%, to $3.9 billion for the fiscal year ended March 31, 2015, from $3.8 billion for the fiscal year ended March 31, 2014. The fiscal 2015 and fiscal 2014 acquisitions, net of prior year divestitures, contributed $306.1 million. Organic sales decreased $180.6 million, or 4.6%, due to production rate cuts by our customers on the 747-8, V-22, G450/G550 and C-17 programs. The prior fiscal year was negatively impacted by our customers' decreased production rates on existing programs and decreased military sales.

Cost of sales increased by $229.7 million, or 7.9%, to $3.1 billion for the fiscal year ended March 31, 2015, from $2.9 billion for the fiscal year ended March 31, 2014. The fiscal 2015 and fiscal 2014 acquisitions, net of prior year divestitures, contributed $264.2 million. Despite the decrease in organic cost of sales, the organic cost of sales included a provision for forward losses of $152.0 million on the 747-8 program in addition to losses as a result of losing NADCAP certification at one of our facilities. Organic gross margin for the fiscal year ended March 31, 2015, was 20.1% compared with 23.1% for the fiscal year ended March 31, 2014. The prior year was impacted by additional programs costs on the 747-8 program and disruption and accelerated depreciation associated with the relocation from our Jefferson Street facilities. Excluding these charges, the comparable gross margin would have been 25.4% and 26.5%, respectively.

Gross margin included net unfavorable cumulative catch-up adjustments on long-term contracts and a provision for forward losses as noted above ($156.0 million). The unfavorable cumulative catch-up adjustments to operating income included gross favorable adjustments of $4.7 million and gross unfavorable adjustments of $160.7 million, of which $152.0 million was related to forward losses associated with the 747-8 program. The cumulative catch-up adjustments for the fiscal year ended March 31, 2015, were due primarily to labor cost growth, partially offset by other minor improvements. Gross margins for fiscal 2014 included net unfavorable cumulative catch-up adjustments of $53.2 million, which $29.8 million was related to the additional 747-8 program costs from reductions to profitability estimates on the 747-8 production lots that were completed during fiscal 2014 and $15.6 million of disruption and accelerated depreciation costs related to our exit from the Jefferson Street facilities which reduced profitability estimates on production lots completed during fiscal 2014. These decreases were partially offset by lower pension and other postretirement benefit expense of $12.7 million.

Segment operating income decreased by $87.7 million, or 19.9%, to $353.0 million for the fiscal year ended March 31, 2015 from $440.6 million for the fiscal year ended March 31, 2014. The organic operating income decreased $100.9 million, or 22.6%, and was a result of the decreased organic sales, the provision for forward losses and gross margin changes noted above, partially offset by decreased moving costs related to the relocation from our Jefferson Street facilities ($28.1 million), and legal fees ($4.5 million).

Corporate operations yielded income of $81.7 million for the fiscal year ended March 31, 2015, as opposed to expenses of $40.6 million for the fiscal year ended March 31, 2014. This result is due to the legal settlement between the Company and Eaton, which created a net gain of $134.7 million, partially offset by increased due diligence and acquisition related expenses ($9.8 million).

Interest expense and other decreased by $2.4 million, or 2.7%, to $85.4 million for the fiscal year ended March 31, 2015 compared to $87.8 million for the prior year. Interest expense and other for the fiscal year ended March 31, 2015 decreased due to lower average debt outstanding during the period as compared to the fiscal year ended March 31,

2014. Interest expense and other for the fiscal year ended March 31, 2015, included the redemption of the 2018 Notes, which included $22.6 million for pre-tax losses associated with the 4.79% redemption premium, and write-off of the remaining related unamortized discount and deferred financing fees. The fiscal year ended March 31, 2014, included the redemption of the 2017 Notes, which included

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$11.0 million of pre-tax losses associated with the 4% redemption premium, and the write-off of the remaining related unamortized discount and deferred financing fees.

The effective income tax rate was 31.7% for the fiscal year ended March 31, 2015, and 33.9% for the fiscal year ended March 31, 2014. The income tax provision for the fiscal year ended March 31, 2015, was reduced to reflect the release of previously reserved for unrecognized tax benefits of $1.1 million, the benefit of $2.8 million from a decrease of the state deferred tax rate and the benefit of $6.0 million from the retroactive reinstatement of the R&D tax credit to January 1, 2014. For the fiscal year ended March 31, 2014, the income tax provision was reduced to reflect the release of previously reserved for unrecognized tax benefits of $0.7 million and additional research and development tax credit carryforward and NOL carryforward of $2.3 million.

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

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

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

Business Segment Performance

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

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

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

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

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

We currently generate a majority of our revenue from clients in the commercial aerospace industry, the military, the business jet industry and the regional airline industry. Our growth and financial results are largely dependent on continued

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demand for our products and services from clients in these industries. If any of these industries experiences a downturn, our clients in these sectors may conduct less business with us. The following table summarizes our net sales by end market by business segment. The loss of one or more of our major customers or an economic downturn in the commercial airline or the military and defense markets could have a material adverse effect on our business.

	Year Ended March 31,		
	2016	2015	2014
Aerostructures			
Commercial aerospace	35.6 %	38.5 %	42.4 %
Military	10.5	14.0	16.1
Business Jets	15.6	11.0	10.0
Regional	0.4	0.4	0.4
Non-aviation	0.1	0.4	0.5
Total Aerostructures net sales	62.2 %	64.3 %	69.4 %
Aerospace Systems			
Commercial aerospace	14.6 %	13.2 %	8.4 %
Military	11.1	10.6	11.4
Business Jets	2.0	1.4	1.0
Regional	0.9	1.0	1.0
Non-aviation	1.3	1.7	1.3
Total Aerospace Systems net sales	29.9 %	27.9 %	23.1 %
Aftermarket Services			
Commercial aerospace	6.0 %	6.3 %	6.3 %
Military	1.4	1.0	0.7
Regional	0.5	0.5	0.2
Non-aviation	—	—	0.3
Total Aftermarket Services net sales	7.9 %	7.8 %	7.5 %
Total Consolidated net sales	100.0%	100.0%	100.0%

We continue to experience a higher proportion of our sales mix in the commercial aerospace end market. We recently have experienced an increase in our business jet end market due to the acquisition of the Tulsa Programs and a decrease in our military end market due to the wind-down of the C-17 program.

Business Segment Performance—Fiscal year ended March 31, 2016 compared to fiscal year ended March 31, 2015

	Year Ended March 31,		%	% of Total Sales	
	2016	2015	Change	2016	2015
	(in thousands)				
NET SALES					
Aerostructures	$2,427,809	$2,510,371	(3.3)%	62.5 %	64.6 %
Aerospace Systems	1,166,795	1,089,117	7.1 %	30.0 %	28.0 %
Aftermarket Services	311,394	304,013	2.4 %	8.0 %	7.8 %
Elimination of inter-segment sales	(19,926)	(14,779)	34.8 %	(0.5)%	(0.4)%
Total net sales	$3,886,072	$3,888,722	(0.1)%	100.0 %	100.0 %

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	Year Ended March 31,		% Change	% of Segment Sales	
	2016	2015		2016	2015
	(in thousands)				
SEGMENT OPERATING INCOME					
Aerostructures	$(1,274,777)	$120,985	(1,153.7)%	(52.5)%	4.8 %
Aerospace Systems	216,520	184,042	17.6 %	18.6 %	16.9%
Aftermarket Services	24,977	47,931	(47.9)%	8.0 %	15.8%
Corporate	(57,826)	81,715	(170.8)%	n/a	n/a
Total segment operating income	$(1,091,106)	$434,673	(351.0)%	(28.1)%	11.2%

	Year Ended March 31,		% Change	% of Segment Sales	
	2016	2015		2016	2015
	(in thousands)				
Adjusted EBITDA					
Aerostructures	$(364,538)	$184,562	(297.5)%	(15.0)%	7.4 %
Aerospace Systems	216,959	192,228	12.9 %	18.6 %	17.6%
Aftermarket Services	37,886	56,490	(32.9)%	12.2 %	18.6%
Corporate	(57,428)	(50,710)	13.2 %	n/a	n/a
	$(167,121)	$382,570	(143.7)%	(4.3)%	9.8 %

Aerostructures: The Aerostructures segment net sales decreased by $82.6 million, or 3.3%, to $2.4 billion for the fiscal year ended March 31, 2016, from $2.5 billion for the fiscal year ended March 31, 2015. Organic sales decreased by $326.7 million or 13.5%, due to decreased production rate cuts by our customers on the 747-8, Gulfstream G450/G550, A330 and C-17 programs. The acquisition of the Tulsa Programs contributed $244.1 million to net sales. Aerostructures cost of sales increased by $382.5 million, or 17.4%, to $2.6 billion for the fiscal year ended March 31, 2016, from $2.2 billion for the fiscal year ended March 31, 2015. The acquisition of the Tulsa Programs contributed $200.6 million for the fiscal year ended March 31, 2016 and organic cost of sales increased by $200.6 million, or 9.5%. The organic cost of sales included provisions for forward losses of $561.2 million on the Bombardier and 747-8 programs (as discussed above). Excluding the aforementioned forward losses, the cumulative catch-up adjustments for the fiscal year ended March 31, 2016, included increased labor and supplier costs on other programs. The fiscal year ended March 31, 2015, included a provision for forward losses of $152.0 million on the 747-8 program and losses as a result of losing NADCAP certification at one of our facilities.

Organic gross margin for the fiscal year ended March 31, 2016, was (10.8)% compared with 12.4% for the fiscal year ended March 31, 2015. The organic gross margin included net unfavorable cumulative catch-up adjustments and provisions for forward losses of $561.2 million. The net unfavorable cumulative catch-up adjustments included gross favorable adjustments of $33.0 million and gross unfavorable adjustments of $629.2 million, which includes forward losses of $561.2 million associated with the Bombardier and 747-8 programs. The net unfavorable cumulative catch-up adjustment for the fiscal year ended March 31, 2015, was $156.0 million, which included $152.0 million of forward losses related to the 747-8 program.

Aerostructures segment operating (loss) income decreased by $1,395.8 million, or 1,153.7%, to $(1,274.8) million for the fiscal year ended March 31, 2016, from $121.0 million for the fiscal year ended March 31, 2015. The decreased operating income is directly related to the provision for forward losses and gross margin changes noted above and the previously mentioned goodwill and tradename impairment charges and included restructuring charges ($62.7 million). Additionally, the provision for forward losses and gross margin changes noted above contributed to the decrease in Adjusted EBITDA year over year.

Aerostructures segment operating income as a percentage of segment sales decreased to (52.5)% for the fiscal year ended March 31, 2016, as compared with 4.8% for the fiscal year ended March 31, 2015, due to the decrease in gross margin as discussed above, which also caused the decline in the Adjusted EBITDA margin.

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Aerospace Systems: The Aerospace Systems segment net sales increased by $77.7 million, or 7.1%, to $1.17 billion for the fiscal year ended March 31, 2016, from $1.09 billion for the fiscal year ended March 31, 2015. The acquisitions of Fairchild and GE contributed $93.5 million of net sales. Organic net sales decreased by $15.8 million, or 1.8%, primarily due to slower commercial rotocraft demand and lower aftermarket revenue.

Aerospace Systems cost of sales increased by $53.7 million, or 7.3%, to $792.2 million for the fiscal year ended March 31, 2016, from $738.5 million for the fiscal year ended March 31, 2015. Organic cost of sales decreased by $8.4 million, or 1.5%, while the acquisitions of Fairchild and GE contributed $62.7 million in cost of sales. Organic gross margin for the fiscal year ended March 31, 2016, was 34.2% compared with 34.4% for the fiscal year ended March 31, 2015.

Aerospace Systems segment operating income increased by $32.5 million, or 17.6%, to $216.5 million for the fiscal year ended March 31, 2016, from $184.0 million for the fiscal year ended March 31, 2015. Operating income increased primarily due to the acquisitions of Fairchild and GE ($22.5 million) and the net favorable settlement of a contingent liability ($8.5 million), partially offset by restructuring charges ($4.6 million). These same factors contributed to the increase in Adjusted EBITDA year over year.

Aerospace Systems segment operating income as a percentage of segment sales increased to 18.6% for the fiscal year ended March 31, 2016, as compared with 16.9% for the fiscal year ended March 31, 2015, due to the effects of the acquisitions of Fairchild and GE. The same factors contributed to the increase in Adjusted EBITDA margin year over year.

Aftermarket Services: The Aftermarket Services segment net sales increased by $7.4 million, or 2.4%, to $311.4 million for the fiscal year ended March 31, 2016, from $304.0 million for the fiscal year ended March 31, 2015. Organic sales decreased $10.3 million, or 3.5%, and the acquisition of NAAS contributed $17.7 million. Organic sales decreased due to a decreased demand from commercial customers.

Aftermarket Services cost of sales increased by $23.6 million, or 10.7%, to $243.7 million for the fiscal year ended March 31, 2016, from $220.1 million for the fiscal year ended March 31, 2015. The organic cost of sales increased $12.5 million, or 5.9%, and the acquisition of NAAS contributed $11.1 million to cost of sales. Organic gross margin for the fiscal year ended March 31, 2016, was 20.2% compared with 27.3% for the fiscal year ended March 31, 2015. The decrease in gross margin was impacted by the impairment of excess and obsolete inventory associated with certain slow moving programs we have decided to no longer support ($21.1 million).

Aftermarket Services segment operating income decreased by $23.0 million, or 47.9%, to $25.0 million for the fiscal year ended March 31, 2016, from $47.9 million for the fiscal year ended March 31, 2015. Operating income decreased primarily due to the decreased organic sales and the decline in gross margins noted above. These same factors contributed to the decrease in Adjusted EBITDA year over year.

Aftermarket Services segment operating income as a percentage of segment sales decreased to 8.0% for the fiscal year ended March 31, 2016, as compared with 15.8% for the fiscal year ended March 31, 2015, due to the decreased organic sales and the decline in gross margins noted above. The same factors contributed to the decrease in Adjusted EBITDA margin year over year.

Business Segment Performance—Fiscal year ended March 31, 2015 compared to fiscal year ended March 31, 2014

	Year Ended March 31,		%	% of Total Sales	
	2015	2014	Change	2015	2014
	(in thousands)				
NET SALES					
Aerostructures	$2,510,371	$2,622,917	(4.3)%	64.6 %	69.7 %
Aerospace Systems	1,089,117	871,750	24.9 %	28.0 %	23.2 %
Aftermarket Services	304,013	287,343	5.8 %	7.8 %	7.6 %
Elimination of inter-segment sales	(14,779)	(18,756)	(21.2)%	(0.4)%	(0.5)%
Total net sales	$3,888,722	$3,763,254	3.3 %	100.0 %	100.0 %

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	Year Ended March 31, 2015	2014	% Change	% of Segment Sales 2015	2014
	(in thousands)				
SEGMENT OPERATING INCOME					
Aerostructures	$120,985	$248,637	(51.3)%	4.8%	9.5%
Aerospace Systems	184,042	149,721	22.9%	16.9%	17.2%
Aftermarket Services	47,931	42,265	13.4%	15.8%	14.7%
Corporate	81,715	(40,619)	(301.2)%	n/a	n/a
Total segment operating income	$434,673	$400,004	8.7%	11.2%	10.6%

	Year Ended March 31, 2015	2014	% Change	% of Total Sales 2015	2014
	(in thousands)				
Adjusted EBITDA					
Aerostructures	$184,562	$339,944	(45.7)%	7.4 %	13.0%
Aerospace Systems	192,228	169,752	13.2 %	17.6%	19.5%
Aftermarket Services	56,490	49,794	13.4 %	18.6%	17.3%
Corporate	(50,710)	(36,672)	38.3 %	n/a	n/a
	$382,570	$522,818	(26.8)%	9.8 %	13.9%

Aerostructures: The Aerostructures segment net sales decreased by $112.6 million, or 4.3%, to $2.5 billion for the fiscal year ended March 31, 2015, from $2.6 billion for the fiscal year ended March 31, 2014. Organic sales decreased by $181.2 million, or 6.9%, and the acquisitions of the Tulsa Programs and Primus, net of prior year divestiture contributed $68.6 million in net sales. Organic sales decreased due to production rate cuts by our customers on the 747-8, V-22, G450/G550 and C-17 programs.

Aerostructures cost of sales increased by $60.9 million, or 2.9%, to $2.2 billion for the fiscal year ended March 31, 2015, from $2.1 billion for the fiscal year ended March 31, 2014. The fiscal 2015 and fiscal 2014 acquisitions, net of prior year divestiture, contributed $79.9 million. Despite the decrease in organic cost of sales, the organic cost of sales included a provision for forward losses of $152.0 million on the 747-8 program and losses as a result of losing NADCAP certification at one of our facilities, as discussed above. Excluding the aforementioned forward losses, the organic cost of sales decreased due to the decrease in net sales noted above. The cost of sales for the fiscal year ended March 31, 2014, included reductions in profitability estimates on the 747-8 programs, driven largely by the identification of additional program costs ($85.0 million) identified during the year and additional program costs resulting from disruption and accelerated depreciation associated with the relocation from our Jefferson Street facilities ($38.4 million).

Organic gross margin for the fiscal year ended March 31, 2015, was 13.7% compared with 18.9% for the fiscal year ended March 31, 2014. The organic gross margin included net unfavorable cumulative catch-up adjustments and a provision for forward losses of $152.0 million. The net unfavorable cumulative catch-up adjustments included gross favorable adjustments of $4.7 million and gross unfavorable adjustments of $160.7 million, which includes forward losses of $152.0 million associated with the 747-8 program. The cumulative catch-up adjustments for the fiscal year ended March 31, 2015, excluding the effects of the forward losses, were due primarily to labor cost growths, partially offset by other minor improvements. The net unfavorable cumulative catch-up adjustment for the fiscal year ended March 31, 2014, was $53.2 million, which included $29.8 million related to additional 747-8 program costs from reductions to profitability estimates on the 747-8 production lots that were completed during the fiscal year ended March 31, 2014, and $15.6 million of disruption and accelerated depreciation costs related to our exit from the Jefferson Street facilities which reduced profitability estimates on production lots completed during fiscal year ended March 31, 2014. Excluding these charges, the comparable gross margin would have been 21.0% and 23.8%, respectively.

Aerostructures segment operating income decreased by $127.7 million, or 51.3%, to $121.0 million for the fiscal year ended March 31, 2015, from $248.6 million for the fiscal year ended March 31, 2014. Operating income was directly affected by the decrease in organic sales, the decreased organic gross margins noted above, offset by decreased moving costs related to the relocation from our Jefferson Street facilities ($28.1 million). Additionally, these same factors contributed to the decrease in Adjusted EBITDA year over year.

Aerostructures segment operating income as a percentage of segment sales decreased to 4.8% for the fiscal year ended March 31, 2015, as compared with 9.5% for the fiscal year ended March 31, 2014, due to the decrease in sales and gross margin as discussed above, which also caused the decline in the Adjusted EBITDA margin.

Aerospace Systems: The Aerospace Systems segment net sales increased by $217.4 million, or 24.9%, to $1.09 billion for the fiscal year ended March 31, 2015, from $871.8 million for the fiscal year ended March 31, 2014. The GE and General Donlee acquisitions contributed $225.4 million of net sales. Organic net sales decreased by $8.0 million, or 0.9%, primarily due to decreased production associated with the V-22 program.

Aerospace Systems cost of sales increased by $166.7 million, or 29.2%, to $738.5 million for the fiscal year ended March 31, 2015, from $571.8 million for the fiscal year ended March 31, 2014. Organic cost of sales decreased by $9.7 million, or 1.8%, while the acquisitions of GE and General Donlee contributed $176.5 million in cost of sales. Organic gross margin for the fiscal year ended March 31, 2015, was 35.3% compared with 34.7% for the fiscal year ended March 31, 2014 due to changes in sales mix.

Aerospace Systems segment operating income increased by $34.3 million, or 22.9%, to $184.0 million for the fiscal year ended March 31, 2015, from $149.7 million for the fiscal year ended March 31, 2014. Operating income increased primarily due to the acquisitions of GE and General Donlee and by decreased legal fees ($7.1 million). These same factors contributed to the increase in Adjusted EBITDA year over year.

Aerospace Systems segment operating income as a percentage of segment sales decreased to 16.9% for the fiscal year ended March 31, 2015, as compared with 17.2% for the fiscal year ended March 31, 2014, due to the effects of the acquisitions of GE and General Donlee. The same factors contributed to the decrease in Adjusted EBITDA margin year over year.

Aftermarket Services: The Aftermarket Services segment net sales increased by $16.7 million, or 5.8%, to $304.0 million for the fiscal year ended March 31, 2015, from $287.3 million for the fiscal year ended March 31, 2014. Organic sales increased by $4.6 million, or 1.6%, and the acquisition of NAAS offset by the previously divested Triumph Instruments companies contributed $12.1 million.

Aftermarket Services cost of sales increased by $6.2 million, or 2.9%, to $220.1 million for the fiscal year ended March 31, 2015, from $213.9 million for the fiscal year ended March 31, 2014. The organic cost of sales decreased by $1.7 million, or 0.8%, and the acquisition of NAAS net of the previously divested Triumph Instruments companies contributed $7.9 million to cost of sales. Organic gross margin for the fiscal year ended March 31, 2015, was 27.3% compared with 25.6% for the fiscal year ended March 31, 2014. The increase in gross margin was impacted by the increase in efficiencies in production associated with the higher volume of work.

Aftermarket Services segment operating income increased by $5.7 million, or 13.4%, to $47.9 million for the fiscal year ended March 31, 2015, from $42.3 million for the fiscal year ended March 31, 2014. Operating income increased primarily due to the increased sales and gross margin noted above and the acquisition of NAAS net of the previously divested Triumph Instruments companies ($1.6 million). These same factors contributed to the increase in Adjusted EBITDA year over year.

Aftermarket Services segment operating income as a percentage of segment sales increased to 15.8% for the fiscal year ended March 31, 2015, as compared with 14.7% for the fiscal year ended March 31, 2014, due to the improved gross margin noted above.

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, 2016, we generated approximately $83.9 million of cash flow from operating activities, used approximately $128.0 million in investing activities and received approximately $32.5 million in financing activities. In fiscal 2015, cash flows from operating activities included pension contributions of $112.3 million.

For the fiscal year ended March 31, 2016, we had a net cash inflow of $83.9 million from operating activities, a decrease of $383.5 million, compared to a net cash inflow of $467.3 million for the fiscal year ended March 31, 2015. During fiscal 2016, the net cash provided by operating activities was primarily attributable to the timing of payments on accounts payable and other accrued expenses ($251.5 million) driven by pre-production costs and net spending on the Tulsa Programs discussed below, offset by increased receipts from customers and others related to increased collection efforts ($40.9 million). During fiscal 2015, the net increase in cash provided by operating activities was primarily due to the cash received from a legal settlement ($134.7 million), and an income tax refund ($26.0 million).

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We continue to invest in inventory for new programs which impacts our cash flows operating activities. During fiscal 2016 expenditures for inventory costs on new programs, excluding progress payments, including the Bombardier Global 7000/8000 and the Embraer E-Jet programs, were $146.1 million and $83.8 million, respectively. Net spend on the Tulsa Programs during fiscal 2016 was approximately $57.3 million. Additionally, inventory for mature programs declined due to decreased production rates, by approximately $67.8 million. Unliquidated progress payments netted against inventory decreased $66.8 million due to timing of receipts.

Cash flows used in investing activities for the fiscal year ended March 31, 2016, decreased $60.1 million from the fiscal year ended March 31, 2015. Cash flows used in investing activities for the fiscal year ended March 31, 2016, included 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 investing activities for the fiscal year ended March 31, 2015 included the cash received from the acquisition of the Tulsa Programs ($160.0 million) offset by the acquisitions of GE ($65.0 million) and NAAS ($43.7 million) and the working capital finalization of the acquisition of Primus ($13.0 million).

Cash flows provided by financing activities for the fiscal year ended March 31, 2016, were $32.5 million, compared to cash flows used in financing activities for the fiscal year ended March 31, 2015, of $395.2 million. Cash flows provided by financing activities for the fiscal year ended March 31, 2016, included additional borrowings on our Credit Facility (as defined below) to fund the acquisition of Fairchild and to fund operations. Cash flows used in financing activities for the fiscal year ended March 31, 2015, included the redemption of the 2018 Notes, settlement of the Convertible Senior Subordinated Notes ("Convertible Notes") redemptions and the purchase of our common stock ($184.4 million), offset by the issuance of the 2022 Notes.

As of March 31, 2016, $834.3 million was available under the Company's existing credit agreement ("Credit Facility"). On March 31, 2016, an aggregate amount of approximately $140.0 million in outstanding borrowing and approximately $25.7 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.

On March 28, 2016, we entered into a Purchase Agreement ("Receivables Purchase Agreement") to sell certain accounts receivables to a financial institution without recourse. We are the servicer of the accounts receivable under the Receivables Purchase Agreement. As of March 31, 2016, the maximum amount available under the Receivables Purchase Agreement was $90.0 million. Interest rates are based on LIBOR plus 0.65% -0.70%. As of March 31, 2016, we sold $89.9 million worth of eligible 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 $1,000.0 million and increase the accordion feature to $250.0 million, and (iii) amend certain other terms and covenants. The amendment resulted in a more favorable pricing grid and a more streamlined package of covenants and restrictions.

The level of unused borrowing capacity under the Company's Revolving Credit Facility varies from time to time depending in part upon its compliance with financial and other covenants set forth in the related agreement. The Credit Facility contains certain affirmative and negative covenants, including limitations on specified levels of indebtedness to earnings before interest, taxes, depreciation and amortization, and interest coverage requirements, and includes limitations on, among other things, liens, mergers, consolidations, sales of assets, payment of dividends and incurrence of debt. As of March 31, 2016, the Company was in compliance with all such covenants.

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

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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, 2015, we had a net cash inflow of $467.3 million from operating activities, an inflow increase of $332.2 million, compared to a net cash inflow of $135.1 million for the fiscal year ended March 31, 2014. During fiscal 2015, the increase in net cash provided by operating activities was primarily due to the cash received from legal settlement ($134.7 million), increased receipts from customers and others relating to additional sales from fiscal 2015 and fiscal 2014 acquisitions ($110.4 million), an income tax refund ($26.0 million), and decreased disbursements to employees, suppliers and others ($114.9 million) due to timing, offset by increased pension contributions ($66.0 million).
We invested in inventory for new programs and additional production costs for ramp-up activities in support of increasing build rates on several programs and build ahead for the relocation from our largest facilities. During fiscal 2015, inventory build for capitalized pre-production costs on new programs, including the Bombardier Global 7000/8000 and the Embraer E-Jet programs, were $127.0 million and $48.7 million, respectively. Offsetting this inventory build was a provision for forward losses on our long-term contract on the 747-8 program of $152.0 million. Unliquidated progress payments netted against inventory increased $24.9 million due to timing of receipts. Capitalized pre-production costs are expected to continue to increase, while our production is expected to remain consistent over the next few quarters.
Cash flows used in investing activities for the fiscal year ended March 31, 2015, decreased by $178.8 million from the fiscal year ended March 31, 2014. Cash flows used in investing activities included the cash received from the acquisition of Tulsa Programs ($160.0 million) offset by the acquisitions of GE ($65.0 million) and NAAS ($43.7 million) and the working capital finalization of the acquisition of Primus ($13.0 million). The fiscal year ended March 31, 2014, included the fiscal 2014 acquisitions of $94.5 million and capital expenditures of $86.6 million associated with our new facilities in Red Oak, Texas.
Cash flows used in financing activities for the fiscal year ended March 31, 2015, were $395.2 million, compared to cash flows provided by financing activities for the fiscal year ended March 31, 2014, of $103.2 million. Cash flows used in financing activities for the fiscal year ended March 31, 2015, included the redemption of the 2018 Notes, settlement of the Convertible Senior Subordinated Notes ("Convertible Notes") redemptions and the purchase of our common stock ($184.4 million), offset by the issuance of the 2022 Notes.
At March 31, 2016, $19.2 million of cash and cash equivalents were held by foreign subsidiaries and were primarily denominated in foreign currencies. If these amounts would be remitted as dividends, the Company may be subject to additional U.S. taxes, net of allowable foreign tax credits. We currently expect to utilize the balances to fund our foreign operations.
Subsequent to year end, to ensure that we had full access to our Revolving Credit Facility (the "Credit Facility") during fiscal 2017, we obtained approval from the holders of the 2021 Notes to amend the terms of the indenture to conform with the 2022 Notes which allows for a higher level of secured debt. Absent this consent, we would have been restricted as to the level of new borrowings under the Credit Facility during fiscal 2017.
Further, to mitigate the risk of failing to obtain the consent and to ensure we had adequate liquidity through fiscal 2017, we chose to make a significant draw on the Credit Facility in early April 2016, taking the outstanding balance to approximately $800,000. We paid down substantially all of the draw to the Credit Facility upon receiving consent from the holders of the 2021 Notes in May 2016.
In May 2016, the Company entered into a Sixth Amendment to the Third Amended and Restated Credit Agreement, among the Company, the Subsidiary Co-Borrowers, the lenders party thereto and the Administrative Agent (the “Sixth Amendment” and the Credit Facility, as amended by the Sixth Amendment, the “Credit Agreement”), pursuant to which those lenders electing to enter into the Sixth Amendment extended the expiration date for the revolving line of credit and the maturity date for the term loan by five years to May 3, 2021. Lenders holding revolving credit commitments aggregating $940.0 million elected to extend the expiration date for the revolving line of credit, and Lenders holding

approximately $324.5 million of term loans (out of an aggregate outstanding term loan balance of approximately $330.0 million) elected to extend the term loan maturity date.
In addition, the Sixth Amendment amended the Credit Facility to, among other things, (i) modify certain financial covenants to allow for the add-back of certain cash and non-cash charges, (ii) amend the total leverage ratio financial covenant to provide for a gradual reduction in the maximum permitted total leverage ratio commencing with the fiscal year ending March 31, 2018, (iii) increase the interest rate, commitment fee and letter of credit fee pricing provisions for the highest pricing tier, (iv) establish the interest rate, commitment fee and letter of credit fee pricing at the highest pricing tier until the Company

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delivers its compliance certificate for its fiscal year ending March 31, 2017, (v) increase the minimum revolver availability threshold test in connection with the Company making certain permitted investments, certain additional permitted dividends, permitted acquisitions and permitted payments of certain types of indebtedness, and (vi) decrease the maximum senior secured leverage ratio threshold test in connection with the Company making certain permitted investments, certain permitted dividends, permitted acquisitions and permitted payments of certain types of indebtedness during the period from the date of the Sixth Amendment until the Company delivers its compliance certificate for the fiscal year ending March 31, 2017.

Capital expenditures were $80.0 million for the fiscal year ended March 31, 2016. We funded these expenditures through cash from operations and borrowings under the Credit Facility. We expect capital expenditures of approximately $80.0 million to $100.0 million and net investments in new major programs of $50.0 million to $60.0 million of which will be reflected in inventory for our fiscal year ending March 31, 2017. 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	$1,426,116	$42,383	$430,042	$273,409	$680,282
Debt-interest(1)	233,121	46,071	91,767	77,167	18,116
Operating leases	168,305	27,904	46,218	33,643	60,540
Purchase obligations	1,965,090	1,457,022	471,967	35,215	886
Total	$3,792,632	$1,573,380	$1,039,994	$419,434	$759,824

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(1) Includes fixed-rate interest only.

The above table excludes unrecognized tax benefits of $9.7 million as of March 31, 2016, 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, 2016, 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, 2016	$2,430,315	$ 179,901
Plan assets at March 31, 2016	1,925,685	—
Projected contributions by fiscal year		
2017	40,000	16,547
2018	40,000	15,973
2019	—	15,550
2020	—	14,953
2021	—	14,432
Total 2017 - 2021	$80,000	$ 77,455

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

We believe that cash generated by operations and borrowings under the Credit Facility will be sufficient to meet anticipated cash requirements for our current operations for the foreseeable future.

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

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

CRITICAL ACCOUNTING POLICIES

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

Allowance for Doubtful Accounts

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

Inventories

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

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

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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 towards completion. Depending on the contract, we measure progress toward completion using either the cost-to-cost method or the units-of-delivery method, with the great majority measured under the units-of-delivery method.

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

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

For the fiscal year ended March 31, 2016, cumulative catch-up adjustments resulting from changes in contract values and estimated costs that arose during the fiscal year decreased operating (loss) income, net (loss) 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

provisions of $561.2 million for forward losses on the Bombardier and 747-8 programs.
For the fiscal year ended March 31, 2015, cumulative catch-up adjustments resulting from changes in estimates decreased operating income, net income and earnings per share by approximately $(156.0) million, $(106.6) million and $(2.09), respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2015, included

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gross favorable adjustments of approximately $4.7 million and gross unfavorable adjustments of approximately $160.7 million, which includes a provision of $152.0 million for forward losses on the 747-8 program.

For the fiscal year ended March 31, 2014, cumulative catch-up adjustments resulting from changes in estimates decreased operating income, net income and earnings per share by approximately $(53.2) million, $(35.1) million and $(0.67), respectively. The cumulative catch-up adjustments to operating income for the fiscal year ended March 31, 2014, included gross favorable adjustments of approximately $14.3 million and gross unfavorable adjustments of approximately $67.5 million.

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.

The Aftermarket Services Group provides repair and overhaul services, certain of which are provided under long-term power-by-the-hour contracts, comprising approximately 6% of the segment's fiscal 2016 net sales. The Company applies the proportional performance method to recognize revenue under these contracts. Revenue is recognized over the contract period as units are delivered based on the relative value in proportion to the total estimated contract consideration. In estimating the total contract consideration, management evaluates the projected utilization of its customer's fleet over the term of the contract, in connection with the related estimated repair and overhaul servicing requirements to the fleet based on such utilization. Changes in utilization of the fleet by customers, among other factors, may have an impact on these estimates and require adjustments to estimates of revenue to be realized.

Goodwill and Intangible Assets

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

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

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

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the Company elects not to perform a qualitative assessment, a quantitative assessment is performed using a two-step approach required by ASC 350 to determine whether a goodwill impairment exists at the reporting unit.

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

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

In the fourth quarter of fiscal 2016, the Company performed the quantitative assessment, in lieu of the qualitative assessment for each of the Company's three reporting units, which indicated that the fair value of goodwill for the Aerostructures reporting unit did not exceed its carrying amount. As a result we incurred an $597.6 million impairment of goodwill to the Aerostructures reporting unit. The assessment for the Company's Aerospace Systems and Aftermarket Services reporting units indicated that the fair value of their respective goodwill exceeded the carrying amount. We incurred no impairment of goodwill as a result of our annual goodwill impairment tests in fiscal 2015 or 2014 (see Note 7 of "Notes to Consolidated Financial Statements" for further discussion).

As of March 31, 2015, the Company had a $438.4 million indefinite-lived intangible asset associated with the Vought and Embee tradenames. The Company assesses whether indefinite-lived intangible assets impairment exists using both the qualitative and quantitative assessments. The qualitative assessment involves determining whether events or circumstances exist that indicate it is more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. If based on this qualitative assessment the Company determines it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount or if the Company elects not to perform a qualitative assessment, a quantitative assessment is performed to determine whether an indefinite-lived intangible asset impairment exists. We test the indefinite-lived intangible assets for impairment by comparing the carrying value to the fair value based on current revenue projections of the related operations, under the relief from royalty method. Any excess carry value over the amount of fair value is recognized as an impairment.

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 potential indicators of impairment related to the continued decline in our stock price during the fiscal third quarter. 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 $195.8 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".

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, which required the Company to assess whether events and/or circumstances have changed regarding the indefinite-life conclusion. As a result we 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. Additionally, it was determined that the tradenames will be amortized over their remaining estimated useful life of 20 years. We incurred no impairment of indefinite-lived assets as a result of our annual indefinite-lived assets impairment tests in fiscal 2015 or 2014 (see Note 7 of "Notes to Consolidated Financial Statements" for further discussion).
Finite-lived intangible assets are amortized over their useful lives ranging from 3 to 32 years. We continually evaluate whether events or circumstances have occurred that would indicate that the remaining estimated useful lives of our long-lived

assets, including intangible assets, may warrant revision or that the remaining balance may not be recoverable. Intangible assets are evaluated for indicators of impairment. When factors indicate that long-lived assets, including intangible assets, should be evaluated for possible impairment, an estimate of the related undiscounted cash flows over the remaining life of the long-lived assets, including intangible assets, is used to measure recoverability. Some of the more important factors we consider include our financial performance relative to our expected and historical performance, significant changes in the way we manage our operations, negative events that have occurred, and negative industry and economic trends. If the estimated fair value is less than the carrying value, measurement of the impairment will be based on the difference between the carrying value and fair value of the asset group, generally determined based on the present value of expected future cash flows associated with the use of the asset.

Acquired Contract Liabilities, net

In connection with several of our acquisitions, we assumed existing long-term contracts. Based on our review of these contracts, we concluded that the terms of certain contracts to be either more or less favorable than could be realized in market transactions as of the date of the acquisition. As a result, we recognized acquired contract liabilities, net of acquired contract assets as of the acquisition date of each respective acquisition, based on the present value of the difference between the contractual cash flows of the executory contracts and the estimated cash flows had the contracts been executed at the acquisition date. The liabilities principally relate to long-term life of program contracts that were initially executed 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 $132.4 million, $75.7 million and $42.6 million in the fiscal years ended March 31, 2016, 2015 and 2014, respectively, and such amounts have been included in revenues in our results of operations. The balance of the liability as of March 31, 2016, is approximately $522.7 million and, based on the expected delivery schedule of the underlying contracts, the Company estimates annual amortization of the liability as follows 2017—$125.2 million; 2018—$117.5 million; 2019—$78.0 million; 2020—$59.7 million; 2021—$59.7 million; Thereafter—$82.6 million.

Postretirement Plans

The liabilities and net periodic cost of our pension and other postretirement plans are determined using methodologies that involve several actuarial assumptions, the most significant of which are the discount rate, the expected long-term rate of asset return 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 will reduce 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 will be 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, 2016, ranged from 3.25 - 3.93% compared to a weighted-average of 3.78% at March 31, 2015.

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 2016, 2015 and 2014, was 6.50 - 8.25%. The expected long-term rate of return for fiscal 2017 will be 8.00%.

In addition to our defined benefit pension plans, we provide certain healthcare and life insurance benefits for some retired employees. Such benefits are unfunded as of March 31, 2016. 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, 2016, 2015 and 2014.

Pension income, excluding curtailments, settlements and special termination benefits (early retirement incentives) for the fiscal year ended March 31, 2016, was $57.2 million compared with pension income of $52.4 million for the fiscal year ended March 31, 2015, and $35.0 million for the fiscal year ended March 31, 2014. For the fiscal year ending March 31, 2017, the Company expects to recognize pension income of approximately $66.5 million.

Recently Issued Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842). ASU 2016-02 requires lessees to recognize assets and liabilities for most leases. ASU 2016-02 is effective for annual periods beginning after December 15, 2018. Early adoption is permitted. Full retrospective application is prohibited. ASU 2016-02's transition provision are applied using a modified retrospective approach at the beginning of the earliest comparative period presented in the financial statements. The Company is currently evaluating ASU 2016-02 and has not determined the impact it may have on the Company’s consolidated results of operations, financial position or cash flows nor decided on the method of adoption.

In November 2015, the FASB issued ASU 2015-17, Income Taxes (Subtopic 740-10): Balance Sheet Classification of Deferred Taxes. ASU 2015-17 requires companies to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. ASU 2015-17 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is allowed for financial statements that have not been previously issued. Entities may elect to adopt the guidance either prospectively or retrospectively to all prior periods (i.e., the balance sheet for each period is adjusted). During fiscal 2016, the Company adopted this standard retrospectively to all prior periods and resulting in a reclass of $145.4 million from a current deferred tax asset to a noncurrrent deferred tax liability on the Consolidated Balance Sheet. The adoption did not have a material impact on the Company’s financial position, results of operations or cash flows.

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

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

In May 2014, the FASB issued guidance codified in Accounting Standards Codification ("ASC") 606, Revenue Recognition - Revenue from Contracts with Customers, which amends the guidance in former ASC 605, Revenue Recognition. The objective of ASC 606 is to establish a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will supersede most of the existing revenue recognition guidance. The principle of ASC 606 is that an entity will recognize revenue at the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. ASC 606 is effective for interim and annual reporting periods beginning after December 15, 2016, and can be adopted by the Company using either a full retrospective or modified retrospective approach, with early adoption prohibited. The Company is currently evaluating ASC 606 and has not determined the impact it may have on the Company’s consolidated results of operations, financial position or cash flows nor decided on the method of 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," "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."

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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, 2016, 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, 2016, approximately 77% of our debt was fixed-rate debt. Our financing policy states that we generally maintain between 50% and 75% of our debt as fixed-rate debt, however, a portion of our variable debt is fixed through an interest rate swap. The information below summarizes our market risks associated with debt obligations and should be read in conjunction with Note 10 of "Notes to Consolidated Financial Statements."

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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, 2016. Variable interest rates disclosed fluctuate with the LIBOR, federal funds rates and other weekly rates and represent the weighted-average rate at March 31, 2016.

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)	$42,383	$46,904	$51,832	$255,707	$15,527	$680,285	$1,092,638
Weighted-average interest rate (%)	4.31 %	4.36 %	4.41 %	4.68 %	5.02 %	2.18 %	
Variable-rate cash flows (in thousands)	$—	$191,300	$140,000	$—	$2,178	$—	$333,478
Weighted-average interest rate (%)	— %	1.29 %	0.95 %	— %	0.06 %	— %	

There are no other significant market risk exposures.

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Item 8. Financial Statements and Supplementary Data