TRIUMPH GROUP INC /
Form 10-Q
February 02, 2007

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 10-Q

x	**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period Ended December 31, 2006.**

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 Number: 1-12235

TRIUMPH GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**51-0347963** (I.R.S. Employer Identification No.)
1550 Liberty Ridge, Suite 100 **Wayne, PA** (Address of principal executive offices)	**19087** (Zip Code)

(610) 251-1000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. Large accelerated filer o Accelerated filer x Non-accelerated filer o

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

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

Common Stock, par value $0.001 per share, 16,387,503 shares as of December 31, 2006.

TRIUMPH GROUP, INC.

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Part I. Financial Information

Item 1. Financial Statements.

Triumph Group, Inc.
Consolidated Balance Sheets
(dollars in thousands)

	DECEMBER 31, 2006 (unaudited)	**MARCH 31, 2006**
ASSETS		
Current assets:		
Cash	$ 9,349	$ 5,698
Accounts receivable, net	160,989	147,780
Inventories	285,981	235,878
Deferred income taxes	6,868	6,868
Prepaid expenses and other	6,444	4,894
Total current assets	469,631	401,118
Property and equipment, net	274,672	237,325
Goodwill	321,290	272,737
Intangible assets, net	61,827	49,424
Other, net	19,126	14,179
Total assets	$ 1,146,546	$ 974,783

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

	DECEMBER 31, 2006 (unaudited)	MARCH 31, 2006
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 83,443	$ 73,995
Accrued expenses	69,056	68,488
Income taxes payable	5,880	5,195
Current portion of long-term debt	71	8,078
Total current liabilities	158,450	155,756
Long-term debt, less current portion	279,619	153,339
Deferred income taxes and other	98,756	101,985
Stockholders equity:		
Common stock, $.001 par value, 50,000,000 shares authorized,16,388,003 and 16,027,324 shares issued	16	16
Capital in excess of par value	273,151	260,124
Treasury stock, at cost, 500 and 18,311 shares	0	(455)
Accumulated other comprehensive income (loss)	832	(162)
Retained earnings	335,722	304,180
Total stockholders equity	609,721	563,703
Total liabilities and stockholders equity	$ 1,146,546	$ 974,783

SEE ACCOMPANYING NOTES.

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

	THREE MONTHS ENDED DECEMBER 31, 2006	2005	NINE MONTHS ENDED DECEMBER 31, 2006	2005
Net sales	$ 242,341	$ 187,221	$ 691,285	$ 548,551
Operating costs and expenses:				
Cost of products sold	174,997	137,881	500,768	404,577
Selling, general, and administrative	34,333	28,007	98,348	79,781
Depreciation and amortization	9,234	8,130	26,811	24,043
	218,564	174,018	625,927	508,401
Operating income	23,777	13,203	65,358	40,150
Interest expense and other	3,227	3,086	10,754	9,445
Charge for early extinguishment of debt	5,088		5,088	
Income before income taxes	15,462	10,117	49,516	30,705
Income tax expense	4,661	770	16,671	7,145
Net income	$ 10,801	$ 9,347	$ 32,845	$ 23,560
Earnings per share basic:				
Net income	$ 0.66	$ 0.59	$ 2.03	$ 1.48
Weighted average common shares outstanding basic	16,262	15,912	16,168	15,909
Earnings per share diluted:				
Net income	$ 0.66	$ 0.58	$ 2.01	$ 1.47
Weighted average common shares outstanding diluted	16,459	16,052	16,353	16,038
Dividends declared and paid per common share	$ 0.04	$ 0.00	$ 0.08	$ 0.00

SEE ACCOMPANYING NOTES.

Triumph Group, Inc.

Consolidated Statements of Cash Flows

(dollars in thousands)

(unaudited)

	NINE MONTHS ENDED DECEMBER 31, 2006	2005
OPERATING ACTIVITIES		
Net income	$ 32,845	$ 23,560
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,811	24,043
Other amortization included in interest expense	1,429	570
Provision for doubtful accounts receivable	680	845
Provision for deferred income taxes	2,573	424
Changes in other current assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(1,009)	5,697
Inventories	(40,255)	(17,005)
Prepaid expenses and other	(729)	(645)
Accounts payable, accrued expenses and accrued income taxes payable	(973)	(15,478)
Other	(677)	4,249
Net cash provided by operating activities	20,695	26,260
INVESTING ACTIVITIES		
Capital expenditures	(40,139)	(17,288)
Proceeds from sale of assets	338	112
Cash used for businesses and intangible assets acquired	(94,552)	(12,734)
Net cash used in investing activities	(134,353)	(29,910)

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Triumph Group, Inc.

Consolidated Statements of Cash Flows (continued)

(dollars in thousands)

(unaudited)

	NINE MONTHS ENDED DECEMBER 31, 2006	2005
FINANCING ACTIVITIES		
Net increase in revolving credit facility borrowings	$ 35,259	$ 8,200
Proceeds from issuance of long term debt	201,991	3,229
Repayment of debt and capital lease obligations	(53)	(4,490)
Retirement of long-term debt	(124,424)	(2,320)
Payment of deferred financing costs	(6,102)	(1,317)
Proceeds from exercise of stock options, including excess tax benefit of $886 in 2006	11,718	261
Cash dividends on common stock	(1,303)	
Net cash provided by financing activities	117,086	3,563
Effect of exchange rate changes on cash	223	(179)
Net change in cash	3,651	(266)
Cash at beginning of period	5,698	4,844
Cash at end of period	$ 9,349	$ 4,578
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for income taxes, net of refunds	$ 12,561	$ 6,579
Cash paid for interest	$ 15,015	$ 10,434

SEE ACCOMPANYING NOTES.

Triumph Group, Inc.

Consolidated Statements of Comprehensive Income

(dollars in thousands)

(unaudited)

	THREE MONTHS ENDED DECEMBER 31, 2006	**2005**	**NINE MONTHS ENDED DECEMBER 31, 2006**	**2005**
Net income	$ 10,801	$ 9,347	$ 32,845	$ 23,560
Other comprehensive income				
Foreign currency translation adjustment	512	(180)	994	(984)
Total comprehensive income	$ 11,313	$ 9,167	$ 33,839	$ 22,576

SEE ACCOMPANYING NOTES.

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Triumph Group, Inc.

Notes to Consolidated Financial Statements

(dollars in thousands, except per share data)

(Unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements of Triumph Group, Inc. (the Company) have been prepared in conformity with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended December 31, 2006 are not necessarily indicative of the results that may be expected for the fiscal year ending March 31, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Company designs, engineers and manufactures products for original equipment manufacturers of aircraft and aircraft components and repairs and overhauls aircraft components and accessories for commercial airline, air cargo carrier and military customers on a worldwide basis.

USE OF ESTIMATES

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

ACCOUNTING FOR STOCK-BASED COMPENSATION

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 123R, *Share-Based Payment,* which requires companies to measure compensation cost for all share-based payments (including employee stock options) at fair value. The Company adopted SFAS No. 123R, using the modified-prospective transition method, beginning on April 1, 2006, and therefore, began to expense the fair value of all outstanding options over their remaining vesting periods to the extent the options were not fully vested as of the adoption date and began to expense the fair value of all options granted subsequent to March 31, 2006 over their requisite service periods. During the three and nine months ended December 31, 2006, the Company recorded $600 and $1,764 of share-based compensation expense. Previous periods have not been restated. (See Note 7 for further details).

RECENTLY ISSUED FINANCIAL ACCOUNTING STANDARD

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans.* This statement amends SFAS Nos. 87, 88, 106 and 132(R). SFAS No. 158 requires employers to recognize the overfunded or underfunded status of a defined benefit plan as an asset or liability in the statement of financial position, and to recognize annual changes in gains or losses, prior service costs, or other credits that have not been recognized as a component of net periodic pension cost, net of tax through comprehensive income. SFAS No. 158 also requires an employer to measure defined benefit plan assets and obligations as of the date of its year-end statement of financial position, with limited exceptions.

Triumph Group, Inc.

Notes to Consolidated Financial Statements

(dollars in thousands, except per share data)

(Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

We are required to apply the recognition provisions of SFAS No. 158 and provide the required disclosures as of the end of the fiscal year ended March 31, 2007. The March 31, 2007 funded status of our plans will depend on actual benefits paid, the actual return on our plans assets for 2007 and the prevailing interest rates at year-end. We are currently evaluating the impact of adopting SFAS No. 158 on our consolidated balance sheets. The measurement provision of SFAS No. 158 is effective for fiscal years ending after December 15, 2008. The Company uses a December 31 measurement date for its union plans and March 31 for its supplemental executive retirement plan.

In June 2006, the FASB issued Financial Interpretation No. 48 (FIN No. 48), *Accounting for Uncertainty in Income Taxes,* which clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with SFAS No. 109, Accounting for Income Taxes. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact of adopting this interpretation.

INTANGIBLE ASSETS

Intangible assets cost and accumulated amortization at December 31, 2006 were $102,105 and $40,278, respectively. Intangible assets cost and accumulated amortization at March 31, 2006 were $83,459 and $34,035, respectively. Intangible assets consist of two major classes: (i) product rights and licenses, which at December 31, 2006 had a weighted-average life of 11.6 years, and (ii) non-compete agreements, customer relationships and other, which at December 31, 2006 had a weighted-average life of 10.7 years. Gross cost and accumulated amortization of product rights and licenses at December 31, 2006 were $69,452 and $29,368, respectively, and at March 31, 2006 were $69,452 and $24,631, respectively. Gross cost and accumulated amortization of noncompete agreements, customer relationships and other at December 31, 2006 were $32,653 and $10,910, respectively, and at March 31, 2006 were $14,007 and $9,404, respectively. Amortization expense for the three and nine months ended December 31, 2006 was $2,269 and $6,243, respectively. Amortization expense for the fiscal year ending March 31, 2007 and the succeeding five fiscal years by year is expected to be as follows: 2007: $8,516; 2008: $9,055; 2009: $8,816; 2010: $8,625; 2011: $6,801; 2012: $5,258.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Triumph Group, Inc.

Notes to Consolidated Financial Statements (continued)

(dollars in thousands, except per share data)

(Unaudited)

3. ACQUISITIONS

Effective April 1, 2006, the Company acquired the assets and business of Excel Manufacturing, Inc., through a newly organized, wholly-owned subsidiary of the Company, Triumph Structures Wichita, Inc. The acquisition of this business adds a significant new capability to the Company s Aerospace Systems segment with the acquired company s high-speed monolithic machining processes. Triumph Structures Wichita, Inc. specializes in complex, high speed monolithic precision machining, turning, subassemblies and sheet metal fabrication, serving domestic and international aerospace customers.

Effective April 1, 2006 the Company also acquired the assets and business of Air Excellence International, Inc. and its affiliates through two newly organized, wholly-owned subsidiaries of the Company, Triumph Interiors, LLC and Triumph Interiors Limited. The acquisition of this business expands the products and services supplied by our Aftermarket Services segment and allows the Company to provide integrated interior solutions to the airline industry and maintenance service providers. Triumph Interiors, LLC and Triumph Interiors Limited specialize in refurbishing and repairing aircraft interiors such as sidewalls, ceiling panels and overhead storage bins and manufactures a full line of interior lighting and plastic components.

Effective November 1, 2006, the Company acquired Allied Aerospace Industries, Inc. (Allied) through the merger of a newly organized, wholly-owned subsidiary of the Company, with and into Allied. The acquired business has since been consolidated into a single subsidiary of the company, Triumph Aerospace Systems Newport News, Inc. The acquisition of this business allows the Company to meet the growing demand for outsourced technical design and engineering capabilities. Triumph Aerospace Systems Newport News, Inc. specializes in engineering design and manufacturing solutions for complex aerospace and defense programs.

The acquisitions of the assets and businesses of Excel Manufacturing, Inc., Air Excellence International, Inc. and its affiliates, and Allied Aerospace Industries, Inc. are herein referred to as the 2007 Acquisitions . The combined purchase price of the 2007 Acquisitions of $93,583 includes cash paid at closing, estimated deferred payments and direct costs of the transactions. The excess of the combined purchase price over the preliminary estimated fair value of the net assets acquired of $48,123 was recorded as goodwill, all of which is tax-deductible. The Company has also identified intangible assets valued at approximately $18,646 comprised of noncompete agreements, customer relationships, and backlog. The Company has recorded its best estimate of the intangibles and property and equipment subject to appraisals; accordingly, the allocation of the purchase price is not complete and is subject to change.

The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate for the 2007 Acquisitions:

Accounts receivable	$ 12,630
Inventory	10,547
Prepaids and other	816
Property and equipment	17,137
Goodwill	48,123
Intangible assets	18,646
Total assets	$ 107,899
Accounts payable	$ 8,870
Accrued expenses	7,339
Other current liabilities	476
Other long-term liability	7,756
Total liabilities	$ 24,441

These acquisitions have been accounted for under the purchase method and, accordingly, are included in the consolidated financial statements from their effective dates of acquisition. These acquisitions were funded by the Company s long-term borrowings in place at the date of each respective acquisition.

Triumph Group, Inc.

Notes to Consolidated Financial Statements (continued)

(dollars in thousands, except per share data)

(Unaudited)

The following unaudited pro forma information for the three and nine months ended December 31, 2006 and 2005 have been prepared assuming the 2007 Acquisitions had occurred on April 1, 2005. The pro forma information for the three and nine months ended December 31, 2006 is as follows: Net sales: $244,263 and $713,193; Net income: $9,717 and $33,034; Net income per share basic: $0.60 and $2.04; and Net income per share diluted: $0.59 and $2.02. The pro forma information for the three and nine months ended December 31, 2005 is as follows: Net sales: $205,800 and $576,918; Net income: $8,394 and $20,754; Net income per share basic: $0.53 and $1.30; and Net income per share diluted: $0.52 and $1.29.

The unaudited pro forma information includes adjustments for interest expense that would have been incurred to finance the purchase, additional depreciation based on the estimated fair market value of the property and equipment acquired, and the amortization of the intangible assets arising from the transactions.

The unaudited pro forma financial information is not necessarily indicative of the results of operations as it would have been had the transaction been effected on the assumed date.

4. INVENTORIES

The components of inventories are as follows:

	DECEMBER 31, 2006	**MARCH 31, 2006**
Raw materials	$ 34,301	$ 27,005
Manufactured and purchased components	92,149	81,149
Work-in-process	104,739	85,597
Finished goods	54,792	42,127
Total inventories	$ 285,981	$ 235,878

5. LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31, 2006	**MARCH 31, 2006**
Convertible senior subordinated notes	$ 201,250	$ 0
Senior notes	0	124,424
Revolving credit facility	67,084	31,825
Subordinated promissory notes	5,500	0
Other debt	5,856	5,168
	279,690	161,417
Less current portion	71	8,078
	$ 279,619	$ 153,339

Triumph Group, Inc.

Notes to Consolidated Financial Statements (continued)

(dollars in thousands, except per share data)

(Unaudited)

5. LONG TERM DEBT (continued)

Credit Facility

On September 18, 2006, the Company amended its existing amended and restated credit agreement (the Credit Facility) with its lenders to permit the issuance of up to $202,000 of convertible debt and to revise the definition of consolidated total indebtedness to exclude indebtedness under the senior notes.

On October 20, 2006, the Company amended the Credit Facility with its lenders to increase the Credit Facility to $350,000 from $250,000, extend the maturity date to June 30, 2011 and amend certain other terms and covenants. The Credit Facility bears interest at either (i) LIBOR plus between 0.625% and 2.00% or (ii) the prime rate or (iii) an overnight rate at the option of the company. The applicable interest rate is based upon the Company s ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization. In addition, the Company is required to pay a commitment fee of between 0.175% and 0.400% on the unused portion of the Credit Facility.

On December 22, 2006, the Company amended the Credit Facility with its lenders primarily to eliminate a financial covenant restricting aggregate capital expenditures to 200% of consolidated depreciation expense in any fiscal year. The Company s obligations under the Credit Facility are guaranteed by the Company s subsidiaries.

Convertible Senior Subordinated Notes

On September 18, 2006, the Company issued $201,250 in convertible senior subordinated notes to qualified institutional buyers pursuant to Rule 144A of the Securities Act of 1933, as amended (the Notes). The Notes are direct, unsecured, senior subordinated obligations of the Company, and rank (i) junior in right of payment to all of the Company s existing and future senior indebtedness, (ii) equal in right of payment with any other future senior subordinated indebtedness, and (iii) senior in right of payment to all subordinated indebtedness. In connection with the issuance and sale of the Notes, the Company entered into an indenture (the Indenture), dated as of September 18, 2006, with The Bank of New York Trust Company, N.A., as trustee.

The Company received net proceeds from the sale of the Notes of approximately $195,148 after deducting offering expenses of approximately $6,102. The intended use of the net proceeds from the sale was for prepayment of the Company s outstanding senior notes, including a make-whole premium, fees and expenses in connection with the prepayment, and to repay a portion of the outstanding indebtedness under the Company s Credit Facility. Approximately $6,102 in debt issuance costs have been recorded as other assets in the accompanying consolidated balance sheets. Debt issuance costs are being amortized over a period of five years.

The Notes bear interest at a fixed rate of 2.625% per annum, payable in cash semi-annually in arrears on each April 1 and October 1 beginning April 1, 2007. During the period commencing on October 6, 2011 and ending on, but excluding, April 1, 2012 and each six-month period from October 1 to March 31 or from April 1 to September 30 thereafter, the Company will pay contingent interest during the applicable interest period if the average trading price (as defined in the Indenture) of a Note for the five consecutive trading days ending on the third trading day immediately preceding the first day of the relevant six-month period equals or exceeds 120% of the principal amount of the Notes. The contingent interest payable per Note in respect of any six-month period will equal 0.25% per annum calculated on the average trading price of a Note for the relevant five trading day period. This contingent interest feature represents an embedded derivative. Since it is in the control of the Company to call the Notes at any time after October 6, 2011, the value of the derivative was determined to be de minimis. Accordingly, no value has been assigned at issuance or at December 31, 2006.

Triumph Group, Inc.

Notes to Consolidated Financial Statements (continued)

(dollars in thousands, except per share data)

(Unaudited)

The Notes mature on October 1, 2026 unless earlier redeemed, repurchased or converted. The Company may redeem the Notes for cash, either in whole or in part, anytime on or after October 6, 2011 at a redemption price equal to 100% of the principal amount of the Notes to be redeemed plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to but not including the date of redemption. In addition, holders of the Notes will have the right to require the Company to repurchase for cash all or a portion of their Notes on October 1, 2011, 2016 and 2021, at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any, up to, but not including, the date of repurchase. The Notes are convertible into the Company s common stock at a rate equal to 18.3655 shares per $1,000 principal amount of the Notes (equal to an initial conversion price of approximately $54.45 per share), subject to adjustment as described in the Indenture. Upon conversion, the Company will deliver to the holder surrendering the Notes for conversion, for each $1,000 principal amount of Notes, an amount consisting of cash equal to the lesser of $1,000 and the Company s total conversion obligation and, to the extent that the Company s total conversion obligation exceeds $1,000, at the Company s election, cash or shares of the Company s common stock in respect of the remainder.

If the Company undergoes a fundamental change (as defined in the Indenture), holders of the Notes will have the right, subject to certain conditions, to require the Company to repurchase for cash all or a portion of their Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased plus accrued and unpaid interest, including contingent interest and additional amounts, if any. The carrying amount of convertible senior subordinated notes approximates fair value.

Pursuant to the Indenture, the Company agreed to file with the SEC no later than the 90th day after the first date of original issuance of the Notes, a shelf registration statement covering resales of the Notes and the common stock issuable on conversion under Rule 415 under the Securities Act. On December 14, 2006, the Company filed, and the SEC declared effective, the shelf registration statement covering resales of the Notes and common stock issuable on conversion under Rule 415 under the Securities Act.

Prepayment of Senior Notes

On October 4, 2006, the Company prepaid all of its outstanding Class A Senior Notes and Class B Senior Notes (collectively, the Senior Notes) and, accordingly, the rights of the holders of the Senior Notes under the Note Purchase Agreement, dated November 21, 2002, between the Company and such holders, as amended, ceased. The Senior Notes were prepaid with the proceeds from the Company s sale of the Notes as discussed above. Immediately prior to prepayment, $68,375 aggregate principal amount of Class A Senior Notes, which carried a fixed rate of interest of 6.06%, were outstanding, and $56,049 aggregate amount of Class B Senior Notes, which carried a fixed rate of interest of 5.59%, were outstanding. If the Company had not prepaid the outstanding Senior Notes, they would have matured on December 2, 2012, subject to a requirement under the Note Purchase Agreement that the Company annually prepay $8,007 of the outstanding Class B notes starting on December 2, 2006. The Senior Notes were senior unsecured obligations of the Company and ranked junior in right of payment to the rights of the Company s secured creditors to the extent of their security in the Company s assets, equal in right of payment to the rights of creditors under the Company s other existing and future unsecured unsubordinated obligations, senior in right of payment to the rights of creditors under obligations expressly subordinated to the Senior Notes, and effectively subordinated to secured and unsecured creditors of the Company s subsidiaries. The prepayment was made upon proper notice to the holders of the Senior Notes at a price equal to 100% of the principal amount of the outstanding Senior Notes being prepaid, plus accrued and unpaid interest of approximately $2,466, plus a make whole premium of approximately $4,395 based on the value of the remaining scheduled interest payments on the Senior Notes being prepaid. The Company expensed the make whole premium of $4,395 as well as unamortized debt issuance costs related to the Senior Notes of $693 in the third quarter of fiscal 2007.

Triumph Group, Inc.

Notes to Consolidated Financial Statements (continued)

(dollars in thousands, except per share data)

(Unaudited)

6. EARNINGS PER SHARE

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

	THREE MONTHS ENDED DECEMBER 31, (in thousands)		NINE MONTHS ENDED DECEMBER 31, (in thousands)	
	2006	2005	2006	2005
Weighted average common shares outstanding basic	16,262	15,912	16,168	15,909
Net effect of dilutive stock options	197	140	185	129
Weighted average common shares outstanding diluted	16,459	16,052	16,353	16,038