

TRIUMPH GROUP INC /
Form 10-K/A
June 14, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K/A

(Mark One)

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

For the fiscal year ended March 31, 2004

or

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

For the transition period from _____ to _____

Commission File No. 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 Number)

1550 Liberty Ridge, Suite 100, Wayne, Pennsylvania 19087
(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**

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 No

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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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

As of September 30, 2003, the aggregate market value of the shares of Common Stock held by non-affiliates of the Registrant was approximately \$454,142,732. 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, 2003. For purposes of making this calculation only, the Registrant has defined affiliates as including all directors, executive officers and beneficial owners of more than ten percent of the Common Stock.

The number of outstanding shares of the Registrant's Common Stock, par value \$.001 per share, on May 17, 2004 was 15,860,064.

Documents Incorporated by Reference

Portions of the following document are incorporated herein by reference:

The Proxy Statement of Triumph Group, Inc. in connection with our 2004 Annual Meeting of Stockholders is incorporated in part in Part III hereof, as specified herein.

EXPLANATORY NOTE

This amendment on Form 10-K/A is being filed solely to correct the "Report of Independent Registered Public Accounting Firm" to reflect the new requirements of the Public Company Accounting Oversight Board. The financial statements and notes thereto have not been changed in this amendment.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Triumph Group, Inc. as of March 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended March 31, 2004. Our audits also included the financial statement schedule listed in the index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Triumph Group, Inc. at March 31, 2004 and 2003, and the consolidated results of its operations and its cash flows for each of the three years in the period ended March 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Philadelphia, Pennsylvania
April 22, 2004

TRIUMPH GROUP, INC.

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	March 31,	
	2004	2003
ASSETS		
Current assets:		
Cash	\$ 6,766	\$ 8,583
Accounts receivable, less allowance for doubtful accounts of \$7,293 and \$5,140	122,273	106,841
Inventories	206,751	196,343
Assets held for sale	28,296	27,883
Income tax refund receivable	8,829	
Prepaid expenses and other	3,801	3,549
Total current assets	376,716	343,199
Property and equipment, net	248,626	215,832
Goodwill	267,621	260,467
Intangible assets, net	27,514	31,055
Other, net	15,371	13,615
Total assets	\$ 935,848	\$ 864,168
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 55,259	\$ 47,466
Accrued expenses	49,771	44,808
Liabilities related to assets held for sale	8,809	6,361
Income taxes payable	1,533	3,231
Deferred income taxes	1,444	1,585
Current portion of long-term debt	4,884	7,831
Total current liabilities	121,700	111,282
Long-term debt, less current portion	220,963	191,692
Deferred income taxes and other	78,069	66,209
Stockholders' equity:		
Common stock, \$.001 par value, 50,000,000 shares authorized, 16,027,324 shares issued	16	16
Capital in excess of par value	259,322	258,675
Treasury stock, at cost, 167,260 and 183,260 shares	(4,152)	(4,549)
Accumulated other comprehensive income	1,408	543
Retained earnings	258,522	240,300
Total stockholders' equity	515,116	494,985
Total liabilities and stockholders' equity	\$ 935,848	\$ 864,168

March 31,

See notes to consolidated financial statements.

TRIUMPH GROUP, INC.

Consolidated Statements of Income

(In thousands, except per share data)

	Year ended March 31,		
	2004	2003	2002
Net sales	\$ 608,315	\$ 565,381	\$ 565,343
Operating costs and expenses:			
Cost of products sold	454,047	398,258	385,392
Selling, general and administrative	89,418	72,113	70,251
Depreciation and amortization	28,237	24,387	20,546
Special charge			5,044
	571,702	494,758	481,233
Operating income	36,613	70,623	84,110
Interest expense and other	12,212	12,365	12,773
Income from continuing operations before income taxes	24,401	58,258	71,337
Income tax expense	4,991	20,682	22,220
Income from continuing operations	19,410	37,576	49,117
(Loss) income from discontinued operations, net	(1,188)	(859)	320
Net income	\$ 18,222	\$ 36,717	\$ 49,437
Earnings per share basic:			
Income from continuing operations	\$ 1.23	\$ 2.37	\$ 3.11
(Loss) income from discontinued operations, net	(0.07)	(0.05)	0.02
Net Income	\$ 1.15*	\$ 2.32	\$ 3.13
Weighted average common shares outstanding basic	15,842	15,833	15,784
Earnings per share diluted:			
Income from continuing operations	\$ 1.22	\$ 2.36	\$ 3.09
(Loss) income from discontinued operations, net	(0.07)	(0.05)	0.02
Net Income	\$ 1.14*	\$ 2.31	\$ 3.11
Weighted average common shares outstanding diluted	15,918	15,924	15,918

Year ended March 31,

* Difference due to rounding.

See notes to consolidated financial statements.

TRIUMPH GROUP, INC.

Consolidated Statements of Stockholders' Equity

(Dollars in thousands)

	Common Stock All Classes	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
Balance at March 31, 2001	\$ 15	\$ 241,877	\$ (5,167)	\$ (1,174)	\$ 154,340	\$ 389,891
Net income					49,437	49,437
Foreign currency translation adjustment				(51)		(51)
Cumulative effect of accounting change				(1,934)		(1,934)
Change in fair value of interest rate swap				3		3
Total comprehensive income						47,455
Purchase of 25,000 shares of common stock			(750)			(750)
Exercise of options to purchase common stock			665		(140)	525
Issuance of 450,000 shares of common stock in public offering	1	16,030				16,031
Other		349				349
Balance at March 31, 2002	16	258,256	(5,252)	(3,156)	203,637	453,501
Net income					36,717	36,717
Foreign currency translation adjustment				1,768		1,768
Change in fair value of interest rate swap				1,931		1,931
Total comprehensive income						40,416
Purchase of 10,000 shares of common stock			(220)			(220)
Exercise of options to purchase common stock		70	923		(54)	939
Other		349				349
Balance at March 31, 2003	16	258,675	(4,549)	543	240,300	494,985
Net income					18,222	18,222
Foreign currency translation adjustment				865		865
Total comprehensive income						19,087
Exercise of options to purchase common stock		(57)	397			340
Other		704				704

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	Common Stock All Classes	Capital in Excess of Par Value	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total
Balance at March 31, 2004	\$ 16	\$ 259,322	\$ (4,152)	\$ 1,408	\$ 258,522	\$ 515,116

See notes to consolidated financial statements.

TRIUMPH GROUP, INC.

Consolidated Statements of Cash Flows

(Dollars in thousands)

	Year ended March 31,		
	2004	2003	2002
Operating Activities			
Net income	\$ 18,222	\$ 36,717	\$ 49,437
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	28,237	24,387	20,546
Non-cash special charge			5,044
Other amortization included in interest expense	473	415	387
Provision for doubtful accounts receivable	3,675	2,161	2,179
Provision for deferred income taxes	6,518	6,009	7,421
Interest on subordinated and junior subordinated promissory notes paid by issuance of additional notes		634	1,099
Changes in other current assets and liabilities, excluding the effects of acquisitions	(12,676)	(4,706)	(8,973)
Changes in discontinued operations	2,035	(1,193)	156
Other	(837)	580	(2,631)
Net cash provided by operating activities	45,647	65,004	74,665
Investing Activities			
Capital expenditures	(25,446)	(31,567)	(29,311)
Proceeds from sale of assets	1,095	1,065	684
Cash used for businesses acquired	(50,036)	(75,672)	(29,489)
Net cash used in investing activities	(74,387)	(106,174)	(58,116)
Financing Activities			
Net proceeds from common stock offering			16,031
Net increase (decrease) in revolving credit facility	34,159	(81,871)	(30,667)
Proceeds from issuance of long-term debt		150,000	7,500
Retirement of long-term debt		(19,354)	
Repayment of debt and capital lease obligations	(7,903)	(5,793)	(6,961)
Payment of deferred financing cost		(1,588)	
Purchase of treasury stock		(220)	(750)
Proceeds from exercise of stock options	340	939	525
Net cash provided by (used in) financing activities	26,596	42,113	(14,322)
Effect of exchange rate changes on cash	327	810	(11)
Net change in cash	(1,817)	1,753	2,216

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	Year ended March 31,		
Cash at beginning of year	8,583	6,830	4,614
Cash at end of year	\$ 6,766	\$ 8,583	\$ 6,830

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

1. Basis of Presentation

Triumph Group, Inc. ("Triumph") is a Delaware corporation which, through its operating subsidiaries, is engaged in aviation products and services.

The accompanying consolidated financial statements include the accounts of Triumph and its subsidiaries (collectively, the "Company"). Intercompany accounts and transactions have been eliminated from the consolidated financial statements.

2. Summary of Significant Accounting Policies

Organization

Triumph designs, engineers, manufactures or repairs and overhauls aircraft components and industrial gas turbine components and accessories for commercial airlines, air cargo carriers and original equipment manufacturers of aircraft and aircraft components and power generation equipment on a worldwide basis. The Company is organized into three groups, which are aggregated for reporting purposes, based on the products and services that it provides.

The Company's revenue is generated from the design, engineering, manufacturing, repair, overhaul and distribution of aircraft components, such as mechanical and electromechanical control systems, aircraft and engine accessories, structural components, auxiliary power units, commonly referred to as APUs, avionics and aircraft instruments. The Company's repair and overhaul revenues are derived from services on auxiliary power units, aircraft accessories, including constant-speed drives, cabin compressors, starters and generators, and pneumatic drive units for both commercial airlines and original equipment manufacturers ("OEMs"). Further, the Company provides precision machining services primarily to various OEMs for other sub-assembly components manufactured from refractory and other metals for the aviation and aerospace industry. The structural components revenues are derived from stretch forming, die forming, milling, bonding, machining, welding and assembly and fabrication on aircraft wings, fuselages and skins for aircraft produced by OEMs such as Boeing and Bombardier. The Company also manufactures metallic and composite bonded honeycomb assemblies for fuselage, wings and flight control surface parts for airlines and other aircraft operators. The flight controls and instrumentation revenues are derived from designing and engineering of mechanical and electromechanical controls, such as hydraulic systems, main engine gearbox assemblies and mechanical cable for OEMs and commercial airlines. The Company also performs repair and overhaul services, and supplies spare parts, for various types of cockpit instruments and gauges for a broad range of commercial airlines on a worldwide basis. In addition, the Company repairs and overhauls industrial gas turbine components, primarily for power generation equipment operators and applies high temperature coatings for both internal and external customers.

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

Concentration of Credit Risk

Accounts Receivable are recorded net of an allowance for doubtful accounts. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The

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Company records the allowance for doubtful accounts based on prior experience and for specific collectibility matters when they arise. The Company writes off balances against the reserve when collectibility is deemed remote.

The Company's trade accounts receivable are exposed to credit risk; however, the risk is limited due to the diversity of the customer base and the customer base's wide geographical area. Trade accounts receivable from The Boeing Company ("Boeing") represented approximately 16% of total accounts receivable as of March 31, 2004 and 2003. The Company had no other significant concentrations of credit risk. Boeing represented approximately 22%, 16% and 15% of net sales in fiscal 2004, 2003 and 2002, respectively. No other single customer accounted for more than 10% of the Company's net sales; however, the loss of any significant customer, including Boeing, could have a material adverse effect on the Company and its operating subsidiaries.

During fiscal years 2004, 2003 and 2002, the Company had foreign sales of \$135,189, \$122,194 and \$132,213, respectively. The Company reports as foreign sales those sales with delivery points outside of the United States.

Use of Estimates

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

Derivatives and Hedging Activities

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." The statement requires the Company to recognize all derivatives on the balance sheet at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in income or stockholder's equity (other comprehensive income), depending on whether the derivative is being used to hedge changes in fair value or cash flows. The ineffective portion of a derivatives change in fair value, if any, will be immediately recognized in earnings. The adoption of SFAS No. 133 on April 1, 2001 resulted in the cumulative effect of an accounting change being recognized as a charge of \$1,934 (net of \$1,185 of income tax benefit) in other comprehensive income.

Use of Derivative Financial Instruments

The Company periodically uses derivative financial instruments principally to manage the risk that changes in interest rates will affect the amount of its future interest payments. The Company had entered into an interest rate swap contract which effectively converted a portion of its floating-rate debt to a fixed-rate basis through November 2002. Under the interest rate swap contract, the Company paid amounts equal to the specified fixed-rate interest (6.56%) multiplied by the notional principal amount (\$100,000), and received a floating-rate interest (30-day LIBOR) multiplied by the same notional principal amount. The net effect of the spread between the floating rate and the fixed rate is reflected as an adjustment to interest expense in the period incurred. No other cash payments were to be made unless the contract was terminated prior to maturity, in which case the amount paid or received in settlement was established by agreement at the time of termination and should represent the market

quotation, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract. The Company accounted for its interest rate swap contract as a cash flow hedge which was highly effective. The Company's interest rate swap terminated in November 2002. The Company did not experience any ineffectiveness with its interest rate swap and, accordingly, did not recognize any gains or losses in its earnings.

Property and Equipment

Property and equipment are recorded at cost and depreciated over the estimated useful lives of the related assets by the straight-line method. Buildings and improvements are depreciated over a period of 15 to 39¹/₂ years, and machinery and equipment are depreciated over a period of 7 to 15 years (except for furniture, fixtures and computer equipment which are depreciated over a period of 3 to 10 years).

Goodwill and Intangible Assets

In June 2001, the FASB approved the issuance of SFAS No. 141, "Business Combinations" ("SFAS No. 141") and SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). SFAS No. 141 applies to all business combinations completed after June 30, 2001 and requires the use of the purchase method of accounting. SFAS No. 141 also establishes new criteria for determining whether intangible assets should be recognized separately from goodwill. SFAS No. 142 provides that goodwill and intangible assets with indefinite lives will not be amortized but rather will be tested for impairment on an annual basis. The Company has three reporting units based upon the review and resource allocation performed by the Chief Operating Decision Maker as described in SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company allocates goodwill to its three reporting units based upon the benefits that each acquisition adds to each reporting unit. The Company tests its goodwill for impairment annually during the fourth quarter of its fiscal year. The Company has determined based on its tests that no impairment of its goodwill exists as of March 31, 2004.

Intangible assets cost and accumulated amortization at March 31, 2004 were \$49,609 and \$22,095, respectively. Intangible assets cost and accumulated amortization at March 31, 2003 were \$48,619 and \$17,564, respectively. Intangible assets consist of two major classes: (i) product rights and licenses, which at March 31, 2004 had a weighted-average life of 11.3 years, and (ii) non-compete agreements and other, which at March 31, 2004 had a weighted-average life of 12.4 years. Gross cost and accumulated amortization of product rights and licenses at March 31, 2004 were \$37,108 and \$14,143 respectively, and at March 31, 2003 were \$37,108 and \$10,680, respectively. Gross cost and accumulated amortization of noncompete agreements and other at March 31, 2004 were \$12,501 and \$7,952, respectively, and at March 31, 2003 were \$11,511 and \$6,884, respectively. Amortization expense for the fiscal years ended March 31, 2004, 2003, and 2002 was \$4,531, \$4,292 and \$4,544, respectively. Amortization expense for the five fiscal years succeeding March 31, 2004 by year is expected to be as follows: 2005: \$4,258; 2006: \$4,151; 2007: \$4,055; 2008: \$3,972; 2009: \$3,825.

Revenue Recognition

Revenues are recorded when completed products or repaired parts are shipped. Reserves for contract losses are accrued when estimated costs to complete exceed expected future revenues. The Company's policy with respect to sales returns and allowances generally provides that the customer may not return products or be given allowances, except at the Company's option. Accruals for sales returns, other allowances, and estimated warranty costs are provided at the time of shipment based upon past experience.

Shipping and Handling Costs

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

Pre-production Design and Development Costs

The Company expenses as incurred design and development costs related to long-term supply arrangements unless such costs are contractually recoverable. At March 31, 2001, the Company had capitalized \$5,044 of contractually recoverable design and development costs which were charged to expense in fiscal 2002 because the program was deemed unlikely to go into production. In the second quarter of fiscal 2002, the Company became aware that the program had been cancelled. Upon learning of the cancellation of the program, the Company evaluated its position relative to any potential recovery of its costs and determined that there was no opportunity for recovery and accordingly, wrote-off the design and development costs that had been capitalized related to the program.

Research and Development Expense

Research and development expense was approximately \$7,434, \$2,061 and \$577 for the years ended March 31, 2004, 2003 and 2002, respectively.

Foreign Currency Translation

The financial statements of the Company's French subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the rates of exchange at the balance sheet date. Income and expense items are translated at average monthly rates of exchange. The resultant translation adjustments are included in accumulated other comprehensive income. At March 31, 2004 and 2003, accumulated comprehensive income resulting from foreign currency translation was \$1,408 and \$543, respectively. Gains and losses arising from foreign currency transactions of these subsidiaries are included in net earnings.

New Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51." This interpretation clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," and requires consolidation of variable interest entities by their primary beneficiaries if certain conditions are met. This interpretation applies to variable interest entities created or obtained after January 31, 2003. For variable interest entities created or obtained before February 1, 2003 and for variable interests in special-purpose entities the adoption of this standard was effective as of December 31, 2003. For all

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other variable interest entities adoption of this standard was effective as of March 31, 2004. Adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Stock-Based Compensation

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure," which amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company uses the accounting method under Accounting Principles Board ("APB") Opinion No. 25 ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, when the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma disclosure regarding net income and earnings per share has been determined as if the Company had accounted for its employee stock options under the fair value method. The fair value of the Company's stock options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions: risk-free interest rate of 3.7% for 2004, 4.8% for 2003 and 5.0% for 2002; no dividends; a volatility factor of the expected market price of the Company's Common stock of .39, .37 and .34 for 2004, 2003 and 2002, respectively, and a weighted-average expected life of the options of 6 years.

For purposes of pro forma disclosures, the weighted average fair value of the options (\$14.24 for the 2004 issuance, \$19.69 for the 2003 issuance and \$16.30 for the 2002 issuance) is amortized to expense over the options' assumed vesting period. The following pro forma information has been prepared assuming the Company accounted for its stock options under the fair value method:

Pro Forma Net Income and Earnings Per Share

	Year ended March 31,		
	2004	2003	2002
Net income, as reported	\$ 18,222	\$ 36,717	\$ 49,437
Stock-based employee compensation cost, net of related tax effects, included in reported net income	168	224	224
Stock-based employee compensation cost, net of related tax effects, determined under the fair value method	(1,946)	(2,147)	(1,927)
Pro forma net income	\$ 16,444	\$ 34,794	\$ 47,734
Earnings per share basic:			
Net income, as reported	\$ 1.15	\$ 2.32	\$ 3.13
Pro forma net income	\$ 1.04	\$ 2.20	\$ 3.02
Earnings pers share diluted			
Net income, as reported	\$ 1.14	\$ 2.31	\$ 3.11
Pro forma net income	\$ 1.04	\$ 2.20	\$ 3.02

Reclassifications

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

3. Acquisitions

In May 2003, the Company acquired certain assets of Parker Hannifin's United Aircraft Products Division, which are being operated by the Company's Triumph Thermal Systems, Inc. subsidiary. In January 2004, the Company acquired from Rolls-Royce North America Venture I Inc. all of the outstanding stock of Rolls-Royce Gear Systems, Inc., which was renamed Triumph Gear Systems, Inc. (collectively, the "2004 Acquisitions"). The Company acquired the assets of Triumph Thermal Systems, Inc. to expand its product line offerings to its control systems customers. Located in Forrest, Ohio, these assets are used in conjunction with the design, development, manufacture and sale of thermal transfer systems for the aerospace industry. Products include Plate Fin, Tubular, and Surface Heat Exchangers, Liquid Cooling Systems, Electronic Cooling Systems, Oil Reservoirs and High Temperature Bleed Air ECS Heat Exchangers. The Company acquired Triumph Gear Systems, Inc. to expand its product line offerings in geared and high-lift systems and acquire the design and engineering capabilities for these products. Located in Park City, Utah, this subsidiary specializes in the design, development, manufacture, sale and repair of gearboxes, high-lift flight control actuators and gear-driven actuators and gears for the aerospace industry. Primary products include aircraft and engine mounted accessory drives, utility actuation components and systems, high-lift actuation systems and flight control actuators for both civil and military application. The subsidiary also operates a FAA and JAA certified repair and overhaul center in Park City. Also as part of the transaction, the Company and Rolls-Royce have entered into exclusive long-term supply agreements for all Rolls-Royce related business. The combined purchase price of the 2004 Acquisitions of \$52,140 includes cash paid at the closings and direct costs of the transactions. The excess of the combined purchase price over the preliminary estimated fair value of the combined net assets acquired of \$9,463 was recorded as goodwill, all of which is tax-deductible. The purchase price of the Triumph Gear Systems, Inc. acquisition has not been finalized and is subject to the final negotiation of the values on the closing balance sheet. Also, the Company has retained the services of an independent appraisal firm to assist in the valuation of certain intangible assets acquired as part of the acquisition of Triumph Gear Systems, Inc. The Company expects to finalize its purchase price allocation for this acquisition after the final appraisal has been received in the first quarter of fiscal 2005.

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The following condensed balance sheet represents the amounts assigned to each major asset and liability caption in the aggregate for the 2004 Acquisitions recorded in each respective acquisition:

Cash	\$ 1
Accounts receivable	8,939
Inventory	9,299
Prepays and other	234
Property and equipment	33,112
Goodwill	9,463
Intangible assets	175
Deferred tax assets	418
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Total assets	\$ 61,641
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Accounts payable	\$ 3,993
Accrued expenses	7,259
	<hr/>
Total liabilities	\$ 11,252
	<hr/>

In April 2002, the Company acquired certain assets of Ozone Industries, Inc. ("Ozone Assets"), which are being operated by the Company's subsidiary, HTD Aerospace, Inc. In July 2002, the Company acquired substantially all of the assets of Aerocell Structures, Inc. ("Aerocell Assets"), which are being operated by the Company's subsidiary, Triumph Airborne Structures, Inc. In August 2002, the Company acquired substantially all of the assets of Furst Aircraft and Instrument ("Furst") which are being operated by the Company's subsidiary, Furst Aircraft, Inc. In January 2003, the Company acquired substantially all of the assets of Boeing's Spokane Fabrication Operation which are being operated by the Company's subsidiary, Triumph Composite Systems, Inc. (collectively, the "2003 Acquisitions"). The Company acquired the Ozone Assets to expand its product line offerings in hydraulic control systems, the Aerocell Assets to expand its capabilities and customer base in repair of flight control surfaces, Furst to expand its capabilities and customer base in instrument repair, and Triumph Composite Systems to expand its product line offerings of structural components to include stressed floor panels. The Ozone Assets are used in conjunction with the design, development, testing and manufacturing of aircraft hydraulic systems and components for the defense and commercial aircraft markets. These proprietary products include nose wheel steering assemblies and hydraulic quick disconnect couplings. The Aerocell Assets are used in the repair and overhaul of airframe components, bonded components and structural assemblies for all commercial air fleets. Furst operates within the business jet market as a certified instrument repair, overhaul and re-certification facility and has capabilities on more than 1,500 components and represents most major manufacturers. In addition, Furst provides avionics installation services, rotables, loaners, engineering, 24-hour AOG support, inventory and parts management and field services. Triumph Composite Systems, Inc.'s facility is dedicated to the production of aircraft parts made of composite and thermoplastic materials. Triumph Composite Systems, Inc.'s primary products include floor panels, air control systems ducts and non-structural composite flight deck components. As part of the transaction, the Company and Boeing have entered into an eight-year single-source supply agreement for the products currently produced at Triumph Composite Systems. The combined purchase price of the 2003 Acquisitions was \$69,483. This amount includes cash paid at the closings, direct costs of the transactions and deferred payments. The excess of the combined purchase price over the preliminary estimated fair value of the combined net

assets acquired of \$9,669 was recorded as goodwill, all of which is tax-deductible. The purchase price has not been finalized in one of the acquisitions due to an amount held in escrow relating to certain elements of the purchase price that are subject to change pursuant to agreement on a closing balance sheet. The disposition of the escrow funds are not expected to materially affect purchase accounting. The Ozone acquisition agreement provided for a purchase price adjustment based upon a final agreed upon value for the net assets acquired, as of the closing date. During fiscal 2004, the Company finalized with the seller the fair value of the net assets acquired and received a refund from the seller in the amount of \$210.

In November 2002, the Company acquired the remaining four percent of the stock of its subsidiary, Triumph Controls, Inc. for a cash purchase price of \$4,060. The amount of the purchase price in excess of the carrying value of the minority interest liability of \$3,425 was recorded as goodwill.

In August 2001, the Company acquired substantially all of the assets of EMCO Fluid Systems, Inc., which was renamed EFS Aerospace, Inc. ("EFS"). The Company acquired EFS to expand its product line offerings in hydraulic control systems. EFS, located in Valencia, California, designs, produces, assembles and tests both hydraulic and pneumatic valves and actuators for the aviation and aerospace industries. The purchase price of approximately \$35,061 includes the assumption of debt and certain liabilities and direct costs of the transaction. The excess of the purchase price over the estimated fair value of the net assets acquired of \$24,293 was recorded as goodwill, all of which is tax-deductible. The EFS acquisition agreement had provided for a \$5,000 contingent subordinated promissory note. In March 2003, the Company renegotiated the \$5,000 contingent subordinated promissory note to a \$2,500 non-contingent subordinated promissory note. During fiscal 2004, the Company re-evaluated its allocation of fair value to the assets acquired and assigned \$640 to contracted backlog, with a life of 37 months, and \$300 to proprietary designs, with a life of 30 years and reduced goodwill by the corresponding amount.

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

The following unaudited pro forma information for the fiscal years ended March 31, 2004 and 2003 have been prepared assuming the 2004 Acquisitions had occurred on April 1, 2002. The pro forma information for the fiscal year ended March 31, 2004 is as follows: Net Sales: \$648,173; Net Income: \$21,276; Net income per share basic: \$1.34; Net income per share diluted: \$1.34. The pro forma information for the fiscal year ended March 31, 2003 is as follows: Net Sales: \$633,042; Net Income: \$40,843; Net income per share basic: \$2.58; Net income per share diluted: \$2.56. The following unaudited pro forma information for the fiscal years ended March 31, 2003 and 2002 have been prepared assuming the 2003 Acquisitions had occurred on April 1, 2001. The pro forma information for the fiscal year ended March 31, 2003 is as follows: Net Sales: \$570,261; Net Income: \$36,185; Net income per share basic: \$2.29; Net income per share diluted: \$2.27. The pro forma information for the fiscal year ended March 31, 2002 is as follows: Net Sales: \$601,569; Net Income: \$48,312; Net income per share basic: \$3.06; Net income per share diluted: \$3.04. The pro forma effect of the EFS acquisition for the fiscal year ended March 31, 2002 was not material.

The pro forma effects of the acquisition of Boeing's Spokane Fabrication Operation assets are not included in the above pro forma amounts because the required information is not available. The

Spokane Fabrication Operation was a cost center of Boeing, which did not have separate financial statements.

The unaudited pro forma information includes adjustments for interest expense that would have been incurred to finance the purchases, 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 they would have been had the transactions been effected on the assumed dates.

4. Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market. The components of inventories are as follows:

	March 31,	
	2004	2003
Raw materials	\$ 68,302	\$ 60,039
Work-in-process	65,112	74,154
Finished goods	73,337	62,150
	<u>206,751</u>	<u>196,343</u>
Total inventories	\$ 206,751	\$ 196,343

5. Income Taxes

The components of income tax expense are as follows:

	Year ended March 31,		
	2004	2003	2002
Current:			
Federal	\$ (2,517)	\$ 13,327	\$ 13,728
State	990	1,346	1,071
	<u>(1,527)</u>	<u>14,673</u>	<u>14,799</u>
Deferred:			
Federal	5,525	5,279	6,520
State	993	730	901
	<u>6,518</u>	<u>6,009</u>	<u>7,421</u>
	<u>\$ 4,991</u>	<u>\$ 20,682</u>	<u>\$ 22,220</u>

Income tax expense for the Company's foreign operations, which is included in the above amounts, for fiscal years 2004, 2003 and 2002 was \$524, \$370 and \$690, respectively.

A reconciliation of the statutory federal income tax rate to the effective tax rate is as follows:

	Year ended March 31,		
	2004	2003	2002
Statutory federal income tax rate	35.0%	35.0%	35.0%
State and local income taxes, net of federal tax benefit	5.7	2.5	1.8
Miscellaneous permanent items and nondeductible accruals	0.2		0.1
Research and development tax credit	(7.3)	(0.1)	(0.6)
Extraterritorial Income (ETI) Exclusion tax benefits	(7.2)	(3.3)	(1.9)
Other	(5.9)	1.4	(3.3)
Effective income tax rate	20.5%	35.5%	31.1%

Included in "Other" in fiscal 2004 is approximately \$2,000 of favorable tax adjustments resulting from the completion of income tax audits through fiscal year 2000. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts reportable for income tax purposes.

The components of deferred tax assets and liabilities are as follows:

	March 31,	
	2004	2003
Deferred tax assets:		
Net operating loss carryforwards	\$ 339	\$ 339
Accounts receivable	1,728	1,906
Accruals and reserves	2,281	2,370
Other	219	219
	4,567	4,834
Deferred tax liabilities:		
Property and equipment	47,872	41,027
Other assets	24,644	19,554
Inventory	4,077	4,108
Prepaid expenses and other	2,356	2,733
	78,949	67,422
Net deferred tax liabilities	\$ 74,382	\$ 62,588

As of March 31, 2004, the Company has federal and state net operating loss carryforwards expiring in 3 to 16 years.

Income taxes paid during the years ended March 31, 2004, 2003 and 2002 were, \$724, \$9,365 and \$11,985, respectively.

6. Long-Term Debt

Long-term debt consists of the following:

	March 31,	
	2004	2003
Senior notes	\$ 150,000	\$ 150,000
Revolving credit facility	66,621	32,462
Subordinated promissory notes	3,750	9,245
Other debt	5,476	7,816
	<u>225,847</u>	<u>199,523</u>
Less current portion	4,884	7,831
	<u>\$ 220,963</u>	<u>\$ 191,692</u>

In December 2002, the Company issued two classes of Senior Notes: \$80,000 of Class A notes and \$70,000 of Class B notes. The Class A notes carry a fixed rate of interest of 6.06% and mature on December 2, 2012. The Class B notes carry a fixed rate of interest of 5.59% and mature in seven annual installments of \$10,000 starting on December 2, 2006 through December 2, 2012. The proceeds of the Senior Notes were used to pay down the Company's revolving credit facility ("Credit Facility"). Effective March 31, 2004, the Company amended the Senior Notes to change certain terms and covenants. The interest rate may increase up to an additional 0.63% if certain conditions arise.

In conjunction with the issuance of the Senior Notes, the Company amended its Credit Facility to reduce the credit limit from \$350,000 to \$250,000, extend the expiration date thereof from June 13, 2004 to December 13, 2006 and amend certain terms and covenants. In July 2003, the Company increased its Credit Facility to \$265,000 from \$250,000. Effective March 31, 2004, the Company amended the Credit Facility to change certain terms and covenants. The Credit Facility bears interest at either LIBOR plus between 1.0% and 2.375% or the prime rate (or the Federal Funds rate plus 0.5% if greater) or an overnight interest rate at the option of the Company. The variation in the 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 0.2% and 0.475% on the unused portion of the Credit Facility. The Company may allocate up to \$15,000 of the available Credit Facility for the issuance of letters of credit of which \$9,283 and \$6,551 was used at March 31, 2004 and 2003, respectively. At March 31, 2004 and 2003, the effective interest rate on borrowings under the Credit Facility was 3.10% and 2.68%, respectively. At March 31, 2004, \$189,096 of additional borrowings were available under the Credit Facility.

In conjunction with the EFS acquisition, the Company assumed \$10,000 of seller financing with an interest rate of 6% with principal payments due through the maturity date of October 2005 and \$1,067 of other debt. In October 2001, the Company retired substantially all of the then outstanding balance of the other debt of EFS. In March 2003, the Company renegotiated the \$5,000 contingent subordinated promissory note to a \$2,500 non-contingent subordinated promissory note payable in two annual installments of \$1,250 on each of October 12, 2003 and 2004.

On August 23, 2001, the Company entered into a loan agreement with the Illinois Development Finance Authority related to the Illinois Development Finance Authority Economic Development Bonds, series of 2001 (the "Bonds"). The proceeds of the Bonds of \$7,500 were used to fund the purchase of the Company's TriWestern Metals new electro-galvanizing production line. The Bonds were

due to mature on August 1, 2016 and were secured by the equipment. The Bonds bear interest at a variable rate based on LIBOR, which at March 31, 2002 was 3.5%. In November 2002, the Company retired all of the outstanding Bonds totaling \$7,500, plus accrued interest. The retirement of the Bonds was funded by borrowings under the Company's Credit Facility.

In November 2002, the Company retired all of the 10.5% subordinated promissory notes and all of the 10.5% junior subordinated promissory notes, totaling \$11,854. The retirement of these notes were funded by borrowings under the Company's Credit Facility. With regard to these notes, the Company, at its sole discretion, was permitted to pay interest by issuance of additional 10.5% notes and elected to do so for \$634 and \$1,057 for the years ended March 31, 2003 and 2002, respectively.

The indentures under the debt agreements described above contain restrictions and covenants which include limitations on the Company's ability to incur additional indebtedness, issue stock options or warrants, make certain restricted payments and acquisitions, create liens, enter into transactions with affiliates, sell substantial portions of its assets and pay cash dividends. Additional covenants require compliance with financial tests, including leverage, interest coverage ratio, and maintenance of minimum net worth.

The fair value of the Company's Credit Facility, senior notes and the industrial revenue bonds approximate their carrying values. The fair value of the subordinated promissory notes, based on a discounted cash flow method, was approximately \$3,848 and \$9,566 at March 31, 2004 and 2003, respectively.

Maturities of long-term debt are as follows: 2005 \$4,884; 2006 \$1,739; 2007 \$77,362; 2008 \$10,406; 2009 \$10,413; thereafter, \$121,043 through 2012.

Interest paid on indebtedness during the years ended March 31, 2004, 2003, and 2002 amounted to \$12,972, \$8,559, and \$12,256, respectively.

7. Stockholders' Equity

In March 2001, the Company completed the sale of 3,000,003 shares of its Common stock for \$37.50 per share through an underwritten public offering. In addition, the Company granted the underwriters of its public offering a 30-day option to purchase additional shares to cover over-allotments. In April 2001, the underwriters exercised the over-allotment option and the Company sold an additional 450,000 shares of its Common stock. The net proceeds from the sales totaled \$122,406 and were used to repay long-term debt.

On January 3, 2001, the Company granted to its two top executive officers a total of 27,000 shares of its Common stock, valued at \$1,043 at issuance, which vests over three years and is included in capital in excess of par value.

The Company purchased 10,000 shares and 25,000 shares of its Common stock as treasury stock in fiscal 2003 and fiscal 2002, respectively. Treasury stock is recorded at cost.

The holders of the Common stock and the Class D common stock are entitled to one vote per share on all matters to be voted upon by the stockholders of Triumph except that Class D does not participate in the voting of directors and is entitled to participate ratably in any distributions. During fiscal 2002, 1,500,000 shares of Class D common stock were converted to shares of the Company's

Common stock. During fiscal 2003, the remaining 1,848,535 shares of Class D common stock outstanding were converted to common stock.

The Company has preferred stock of \$.01 par value, 250,000 shares authorized. At March 31, 2004 and 2003, no shares of preferred stock were outstanding.

The Company has Class D common stock of \$.001 par value, 6,000,000 shares authorized. At March 31, 2004 and 2003, no shares of Class D common stock were outstanding.

8. Earnings Per Share

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

	Year ended March 31,		
	2004	2003	2002
	(thousands)		
Weighted average common shares outstanding basic	15,842	15,833	15,784
Net effect of dilutive stock options	76	91	134
Weighted average common shares outstanding diluted	15,918	15,924	15,918

Options to purchase 462,100 shares of Common stock, at prices ranging from \$38.35 per share to \$44.91 per share, were outstanding during fiscal 2004. These options were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the Common stock during the twelve months ended March 31, 2004 and, therefore, the effect would be antidilutive.

9. Employee Benefit Plans

Defined Contribution Pension Plan

The Company sponsors a defined contribution 401(k) plan, under which salaried and certain hourly employees may defer a portion of their compensation. Eligible participants may contribute to the plan up to the allowable amount as determined by the plan of their regular compensation before taxes. The Company matches contributions at 50% of the first 6% of compensation contributed by the participant. All contributions and Company matches are invested at the direction of the employee in one or more mutual funds. Company matching contributions vest immediately and aggregated \$3,061, \$2,711, and \$2,633 for the years ended March 31, 2004, 2003 and 2002, respectively.

Accrued Compensation

Included in accrued expenses at March 31, 2004 and 2003 is accrued compensation of \$18,121 and \$14,996, respectively.

Stock Option Plans

The Company has stock option plans under which employees and non-employee directors may be granted options to purchase shares of the Company's Common stock at the fair market value at the time of the grant. Options generally vest over three to four years and expire ten years from the date of the grant.

Summary of Stock Option Activity

	Options	Weighted Average Exercise Price
Balance, March 31, 2001	490,195	\$ 27.73
Granted	220,000	\$ 38.35
Exercised	(26,978)	\$ 19.45
Forfeited	(3,350)	\$ 32.71
Balance, March 31, 2002	679,867	\$ 31.47
Granted	211,500	\$ 44.67
Exercised	(36,950)	\$ 25.43
Forfeited	(40,400)	\$ 38.00
Balance, March 31, 2003	814,017	\$ 34.85
Granted	301,000	\$ 32.85
Exercised	(16,000)	\$ 21.23
Forfeited	(64,050)	\$ 38.21
Balance, March 31, 2004	1,034,967	\$ 34.28

Summary of Stock Options Outstanding at March 31, 2004

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
\$19.00	129,717	2.6	\$ 19.00	129,717	\$ 19.00
\$24.63-\$26.44	142,750	5.3	\$ 25.99	141,083	\$ 26.00
\$31.38-\$34.29	299,900	9.2	\$ 32.92	22,400	\$ 33.77
\$38.35	179,500	7.1	\$ 38.35	94,832	\$ 38.35
\$43.13-\$44.91	283,100	6.6	\$ 44.30	149,768	\$ 43.76
	1,034,967			537,800	

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At March 31, 2004 and 2003, 155,052 options and 392,002 options, respectively, were available for issuance under the plans.

10. Leases

At March 31, 2004, future minimum payments under noncancelable operating leases with initial or remaining terms of more than one year were as follows: 2005 \$13,363; 2006 \$18,971; 2007 \$8,544; 2008 \$9,027; 2009 \$5,881; thereafter, \$11,395 through 2021. In the normal course of business, operating leases may contain residual value guarantees and purchase options are generally renewed or replaced by other leases.

Total rental expense was \$14,130, \$13,300 and \$10,450 for the years ended March 31, 2004, 2003 and 2002, respectively.

11. Property and Equipment

Net property and equipment at March 31, 2004 and 2003 is:

	March 31,	
	2004	2003
Land	\$ 17,620	\$ 12,120
Buildings and improvements	110,930	85,093
Machinery and equipment	220,141	196,944
	348,691	294,157
Less accumulated depreciation	100,065	78,325
	\$ 248,626	\$ 215,832

Depreciation expense for the years ended March 31, 2004, 2003 and 2002 was \$23,706, \$20,095 and \$16,002, respectively.

12. Goodwill

The following is a summary of the changes in the carrying value of goodwill from March 31, 2003 through March 31, 2004 and from March 31, 2002 through March 31, 2003:

	2004	2003
Balance at beginning of year	\$ 260,467	\$ 250,410
Goodwill recognized in connection with acquisitions	9,463	14,891
Purchase price allocation adjustments	(2,878)	(5,727)
Effect of exchange rate changes	569	893
	267,621	260,467
	\$ 267,621	\$ 260,467

During fiscal 2004, the Company finalized the purchase price adjustment related to its four acquisitions from fiscal 2003. As a result, the Company's purchase price was reduced by \$2,144 with a corresponding reduction in goodwill. Also during fiscal 2004, the Company re-evaluated its allocation of

fair value to the assets of EFS. As a result, the Company assigned \$940 to intangible assets, adjusted its deferred taxes and reduced goodwill by \$734.

During fiscal 2003, the Company re-evaluated its allocation of fair value to the assets, adjusted its deferred taxes and reduced a note payable to the seller (see Note 6) for EFS resulting in a reduction of goodwill by \$4,756. Also during fiscal 2003, the Company re-evaluated its allocation of fair value to the assets of select subsidiaries acquired during fiscal 2001 and reduced goodwill by \$971.

13. Commitments and Contingencies

Certain of the Company's business operations and facilities are subject to a number of federal, state and local environmental laws and regulations. The Company is indemnified for environmental liabilities related to assets purchased from IKON Office Solutions, Inc. (formerly Alco Standard Corporation) which existed prior to the acquisition of the assets in July 1993. In the opinion of management, there are no significant environmental concerns which would have a material effect on the financial condition or operating results of the Company which are not covered by such indemnification.

The Company is involved in certain litigation matters arising out of its normal business activities. In the opinion of management, the ultimate resolution of such litigation will not have a material effect on the financial condition or operating results of the Company.

14. Collective Bargaining Agreements

Approximately 14% of the Company's labor force is covered under collective bargaining agreements. These collective bargaining agreements expire over the next several years including one operating location that will expire in the next 12 months, and one operating location which expired and is currently in administrative proceedings. The collective bargaining agreement, which expired, represents approximately 2% of the Company's labor force.

15. Supplemental Cash Flow Information

	Year ended March 31,		
	2004	2003	2002
Changes in other current assets and liabilities, excluding the effects of acquisitions:			
Accounts receivable	\$ (9,919)	\$ (4,688)	\$ 10,802
Inventories	(930)	(8,003)	(9,421)
Prepaid expenses and other current assets	(11)	46	(303)
Accounts payable, accrued expenses, and income taxes payable	(1,816)	7,939	(10,051)
	<u>\$ (12,676)</u>	<u>\$ (4,706)</u>	<u>\$ (8,973)</u>
Noncash investing and financing activities:			
Seller note related to acquired business	\$	\$	\$ 7,500

16. Discontinued Operations

In March of 2003, the Company designated its Metals businesses ("Metals") as discontinued operations and attempted to sell these businesses in fiscal 2004. While the Company did not complete the sale in fiscal year 2004, it is continuing to pursue the sale of these businesses or the underlying assets. Current discussions are underway with several potential buyers. The businesses that comprise the discontinued operations manufacture, machine, process and distribute metal products to customers in the computer, container and office furniture industries, primarily within North America, in addition to providing structural steel erection services. The Company had historically stated that it would retain Metals due to its positive cash flows which were used to fund the growth of its aviation businesses. However, the Company decided to focus on its core capabilities in aviation and sell Metals. For business segment reporting, Metals was previously reported as a separate segment. Revenues from the Metals businesses were \$44,989, \$42,560 and \$47,427 for the years ended March 31, 2004, 2003 and 2002, respectively. The (loss) income from discontinued operations for the years ended March 31, 2004, 2003 and 2002 was \$(1,188), net of income tax benefit of \$(654), \$(859), net of income tax benefit of \$(474), and \$320, net of income taxes of \$145, respectively. Interest (expense) income of \$(528), \$354 and \$43 was allocated to Metals for the years ended March 31, 2004, 2003 and 2002, respectively, based upon the actual borrowings of the operations. Such amounts are included in the (loss) income from discontinued operations of those years.

The components of assets held for sale and liabilities related to the assets held for sale of the discontinued operations in the consolidated balance sheet are as follows:

	March 31,	
	2004	2002
Cash	\$ 203	\$ 152
Accounts receivable, less allowance for doubtful accounts of \$50 and \$21	4,637	3,463
Inventories	6,037	6,685
Prepaid expenses and other	29	46
Property and equipment, net	17,390	17,537
	<u>28,296</u>	<u>27,883</u>
Assets held for sale	\$ 28,296	\$ 27,883
	<u>4,780</u>	<u>3,888</u>
Accounts Payable	\$ 4,780	\$ 3,888
Accrued Expenses	667	568
Deferred income tax	3,362	1,905
	<u>8,809</u>	<u>6,361</u>
Liabilities related to assets held for sale	\$ 8,809	\$ 6,361

Inventories are stated at the lower of cost (first-in, first-out method) or market. Inventories are comprised primarily of raw materials.

At March 31, 2004, future minimum payments under non-cancelable operating leases with initial or remaining terms of more than one year were as follows: 2005 \$827; 2006 \$815; 2007 \$376; 2008 \$339; 2009 \$198. Total rent expense was \$935, \$1,252 and \$1,397 for the years ended March 31, 2004, 2003 and 2002, respectively.

Net property and equipment at March 31, 2004 and 2003 is:

	March 31,	
	2004	2003
Land	\$ 432	\$ 432
Buildings and improvements	2,152	2,093
Machinery and equipment	23,995	24,202
	26,579	26,727
Accumulated depreciation	(9,189)	(9,190)
	\$ 17,390	\$ 17,537

Depreciation expense for the years ended March 31, 2004, 2003 and 2002 was \$0, \$1,577 and \$1,164, respectively. Capital expenditures for the years ended March 31, 2004, 2003 and 2002 were \$320, \$2,898 and \$3,331, respectively.

17. Quarterly Financial Information (Unaudited)

	Fiscal 2004 ⁽¹⁾				Fiscal 2003 ⁽²⁾			
	June 30	Sept. 30	Dec. 31 ⁽³⁾	Mar. 31 ⁽³⁾	June 30	Sept. 30	Dec. 31	Mar. 31
Net sales	\$ 140,629	\$ 145,116	\$ 146,815	\$ 175,755	\$ 139,789	\$ 141,328	\$ 132,574	\$ 151,690
Gross profit	40,223	38,497	33,818	41,730	42,101	41,287	39,927	43,808
Net income	7,080	7,289	2,656	1,197	10,046	10,055	7,906	8,710
Earnings per share:								
Net income basic	0.45	0.46	0.17	0.08	0.64	0.63	0.50	0.55
Net income diluted	0.45	0.46	0.17	0.08	0.63	0.63	0.50	0.55

- (1) In fiscal 2004, the Company acquired Triumph Thermal Systems, Inc. on May 31, 2003 and Triumph Gear Systems, Inc. on January 1, 2004.
- (2) In fiscal 2003, the Company acquired the Ozone assets on April 29, 2002, the Aerocell assets on July 31, 2002, Furst on August 1, 2002 and Triumph Composite Systems on January 9, 2003.
- (3) The results for the third and fourth quarters of fiscal 2004 include the aggregate effect of charges to earnings of \$10,129 related to inventory write-downs and a fourth quarter charge of \$2,989 related to decisions made regarding the recoverability of customer accounts receivables and the continuing value of certain fixed assets, all associated with the operations of the Company's Components Group.

TRIUMPH GROUP, INC.

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS
(Dollars in thousands)

	Balance at beginning of year	Additions charged to expense	Additions ⁽¹⁾ (Deductions) ⁽²⁾	Balance at end of year
For year ended March 31, 2004:			1,152	
Allowance for doubtful accounts receivable	\$ 5,140	3,675	(2,674)	\$ 7,293
For year ended March 31, 2003:			592	
Allowance for doubtful accounts receivable	\$ 3,854	2,161	(1,467)	\$ 5,140
For year ended March 31, 2002:			264	
Allowance for doubtful accounts receivable	\$ 2,900	2,179	(1,489)	\$ 3,854

- (1) Additions consist of accounts receivable recoveries, miscellaneous adjustments and amounts recorded in conjunction with the acquisitions of EFS Aerospace, Inc., the Ozone Assets, the Aerocell Assets, Furst, the assets of The Boeing Company's Spokane Fabrication operation, Parker Hannifin's United Aircraft Products Division and Triumph Gear Systems, Inc.
- (2) Deductions represent write-offs of related account balances.

EXHIBIT INDEX

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Triumph Group, Inc. ⁽¹⁾
3.2	Bylaws of Triumph Group, Inc. ⁽¹⁾
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation of Triumph Group, Inc. ⁽²⁾
4	Form of certificate evidencing Common Stock of Triumph Group, Inc. ⁽¹⁾
10.1	Employment Agreement with Richard C. III. ⁽³⁾
10.2	Employment Agreement with John R. Bartholdson. ⁽³⁾
10.3	Employment Agreement with Richard M. Eisenstaedt. ⁽³⁾
10.4	Employment Agreement with Lawrence J. Resnick. ⁽³⁾
10.5	1996 Stock Option Plan. ⁽¹⁾
10.6	Directors' Stock Option Plan. ⁽²⁾
10.7	Amended and Restated Credit Agreement dated October 16, 2000 among Triumph Group, Inc., PNC Bank National Association, as Administrative Agent, Bank of America, N.A., as Documentation Agent, First Union National Bank, as Syndication Agent, and Mellon Bank, N.A., as Co-Agent. ⁽⁴⁾
10.8	Second Amendment to Amended and Restated Credit Agreement dated October 16, 2000. ⁽⁵⁾
10.9	Third Amendment to Amended and Restated Credit Agreement dated October 16, 2000. ⁽⁴⁾
10.10*	Fourth Amendment to Amended and Restated Credit Agreement dated October 16, 2000.
10.11	Agreement for Triumph Group, Inc. Restricted Stock between Triumph Group, Inc. and Richard C. III dated January 3, 2001. ⁽⁶⁾
10.12	Agreement for Triumph Group, Inc. Restricted Stock between Triumph Group, Inc. and John R. Bartholdson dated January 3, 2001. ⁽⁶⁾
10.13	Note Purchase Agreement dated November 21, 2002 in the aggregate amount of \$150 million in Series A and Series B Senior Notes. ⁽⁵⁾
10.14*	First Amendment to Note Purchase Agreement dated November 21, 2002 in the aggregate amount of \$150 million in Series A and Series B Senior Notes.
10.15	Triumph Group, Inc. Supplemental Executive Retirement Plan effective November 1, 2003.
21.1*	Subsidiaries of Triumph Group, Inc.
23.1*	Consent of Ernst & Young LLP.
31.1**	Certification Required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
31.2**	Certification Required by Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended.
32.1**	Certification Required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Act of 1934, as amended, and 18 U.S.C. Section 1350.
32.2**	Certification Required by Rule 13a-14(b) or Rule 15d-14(b) under the Securities Act of 1934, as amended, and 18 U.S.C. Section 1350.

(1) Incorporated by reference to our Registration Statement on Form S-1 (Registration No. 333-10777), declared effective on October 24, 1996.

(2) Incorporated by reference to our Annual Report on Form 10-K for the year ended March 31, 1999.

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- (3) Incorporated by reference to our Annual Report on Form 10-K for the year ended March 31, 2003.
- (4) Incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended September 30, 2000.
- (5) Incorporated by reference to our Quarterly Report on Form 10-Q for the quarter ended December 31, 2002.
- (6) Incorporated by reference to our Annual Report on Form 10-K for the year ended March 31, 2001.

*
Previously Filed.

**
filed herewith.

QuickLinks

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

TRIUMPH GROUP, INC. Consolidated Balance Sheets (Dollars in thousands, except per share data)

TRIUMPH GROUP, INC. Consolidated Statements of Income (In thousands, except per share data)

TRIUMPH GROUP, INC. Consolidated Statements of Stockholders' Equity (Dollars in thousands)

TRIUMPH GROUP, INC. Consolidated Statements of Cash Flows (Dollars in thousands)

Notes to Consolidated Financial Statements (Dollars in thousands, except per share data)

TRIUMPH GROUP, INC. SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS (Dollars in thousands)

Signatures

EXHIBIT INDEX