



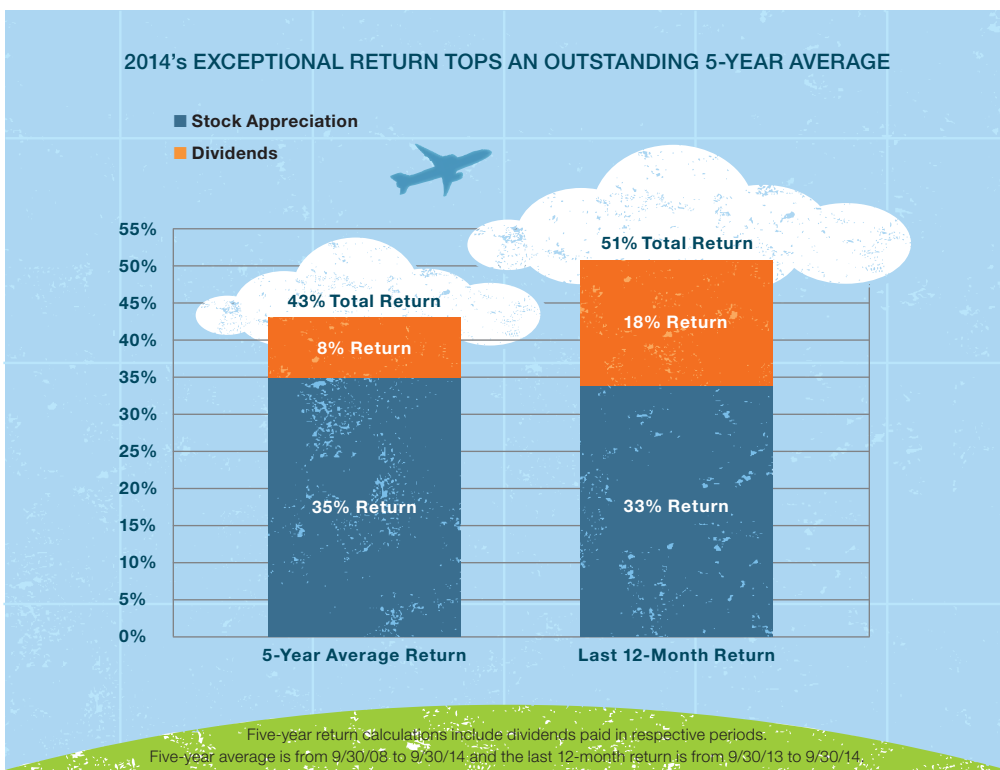
CONSISTENT PERFORMANCE  
**EXCEPTIONAL RETURNS**

2014 ANNUAL REPORT

**TRANSDIGM GROUP INCORPORATED (NYSE: TDG)** is a leading global producer, designer and supplier of engineered aerospace components, systems and subsystems. Our products are customized to meet specific needs of aircraft operators and airframe manufacturers and are largely proprietary to TransDigm. Our parts are represented in nearly every commercial and military aircraft in service today. This worldwide installed base of an estimated 93,000 aircraft represents a reliable recurring stream of aftermarket revenue.

## CONSISTENT PERFORMANCE **EXCEPTIONAL RETURNS**

OUR PROVEN STRATEGY AND CONSISTENT PERFORMANCE HAVE DELIVERED CONSISTENTLY HIGH RETURNS TO SHAREHOLDERS. TOTAL ANNUAL RETURNS HAVE AVERAGED 43% OVER THE LAST FIVE YEARS. THE FISCAL 2014 TOTAL RETURN WAS EXCEPTIONAL EVEN BY THIS STANDARD – SHAREHOLDERS REALIZED A 12-MONTH TOTAL RETURN OF 51%, COMPRISED OF A \$25 PER SHARE CASH DIVIDEND IN ADDITION TO 33% STOCK PRICE APPRECIATION.



This annual report contains forward-looking statements. These statements are based on certain assumptions and management's current knowledge. Accordingly, we caution you not to unduly rely on forward-looking statements, which speak only as of the date hereof. We intend these statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "expect," "anticipate," "believe," and similar expressions are intended to identify forward-looking statements. We caution you that forward-looking statements involve risks and uncertainties that could cause actual results to vary from those statements. For a discussion of these risks see "Risk Factors" on page 7 of the Form 10-K incorporated in this annual report.

## FELLOW SHAREHOLDERS:

Fiscal 2014 was a busy and profitable year for TransDigm. We took advantage of favorable credit markets to fund payment of another special dividend of \$25 per share and refinance approximately \$1.6 billion of 7-3/4% Senior Subordinated Notes with lower interest rates. We also completed two acquisitions and purchased 909,700 shares of our own stock, all while supporting our existing businesses, maintaining financial flexibility, and growing net sales, EBITDA as Defined and adjusted net income at double-digit rates. We are pleased that our consistent performance continues to provide shareholders with exceptional returns.

W. Nicholas Howley  
Chairman and Chief Executive Officer

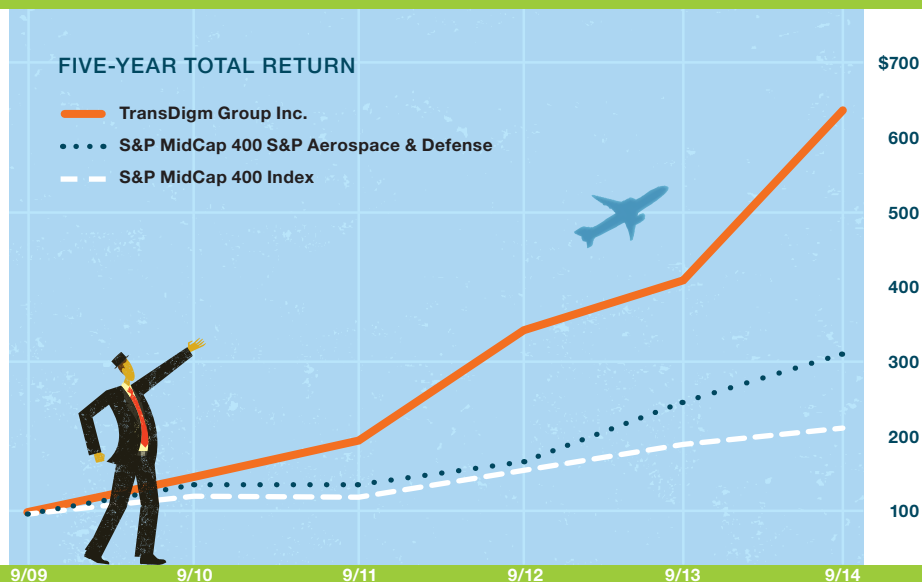


The acquisitions of actuator manufacturer Elektro-Metall Export (EME) and parachute manufacturer Airborne Systems for a combined purchase price of approximate \$310 million further expanded our geographic footprint. German-based EME is our first standalone European acquisition, and Airborne has two facilities in the United Kingdom. We now have 10 locations in Europe, six in Asia and two in Mexico.

Fiscal 2014 net sales rose 23.3% to \$2,372.9 million from \$1,924.4 million in fiscal 2013. Organic net sales grew approximately 8% with the favorable contribution from acquisitions accounting for the balance of the increase. After a soft 2013, the commercial aftermarket recovered and organic sales increased 12%. Commercial OEM sales increased 8% driven by a 12% rise in commercial transport OEM sales.

Adjusted net income, which excludes non-cash stock compensation, acquisitions, refinancing, expenses related to dividends, and other non-recurring charges, increased 16.4% to \$442.4 million, or \$7.76 per share, from \$380.1 million, or \$6.90 per share, in fiscal 2013.

This graph compares the cumulative total return of a hypothetical investment in the shares of common stock of TransDigm Group with the cumulative total return of the same hypothetical investment in the S&P MidCap 400 Index and S&P MidCap 400 S&P Aerospace & Defense. The values are based on the respective market prices of each on the dates shown. This assumes an initial investment of \$100 on 9/30/09, including reinvestment of dividends.



OUR STRONG PERFORMANCE  
IN 2014 REFLECTS THE  
ABILITY OF OUR UNIQUE  
BUSINESS MODEL AND  
CONSISTENT STRATEGY  
TO CREATE AND SUSTAIN  
INTRINSIC SHAREHOLDER  
VALUE THROUGH ALL  
PHASES OF THE AEROSPACE  
MARKET CYCLE.



EBITDA As Defined, a meaningful indicator of operating performance, increased 19.2% to \$1,073.2 million in 2014 compared with fiscal 2013. Our fiscal 2014 EBITDA As Defined margin remained high at 48% of net sales, excluding dilution from the five most recent acquisitions. This represents a 1% increase over the same margin in fiscal 2013.

Amidst record sales and new business orders, we continued to tightly manage our cost structure. Productivity initiatives included consolidating some acquired manufacturing operations, moving other operations to lower-cost locations, and enhancing our strategic sourcing of material from efficient domestic and offshore sources.

#### **A UNIQUE BUSINESS MODEL**

Our strong performance in 2014 reflects the ability of our unique business model and consistent strategy to create and sustain intrinsic shareholder value through all phases of the aerospace market cycle. To restate, the strategy has five elements:

- Operate a wide range of proprietary niche aerospace businesses with significant aftermarket exposure. More than 90% of our net sales are generated from proprietary products and around three-quarters are from products for which we are the sole source provider. About 55% of net sales and a much higher percentage of EBITDA are from the higher margin, more stable aftermarket.
- Consistently pursue a three-part value-based operating strategy focused on new business, improvements to our cost structure, and value based pricing.
- Maintain a decentralized, incentivized organization that keeps us close to the customer and enables us to attract and retain entrepreneurial managers who think and act like owners.
- Follow a focused and disciplined process to acquire proprietary aerospace businesses with significant aftermarket revenue where we can demonstrate a clear path to value creation.
- Maintain a capital structure appropriate to achieving our long-term goal of private equity-like returns with the liquidity of a public market.

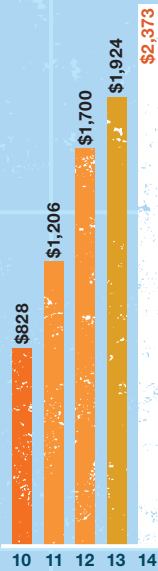
#### **FLEXIBLE CAPITAL STRUCTURE**

We view our capital structure and the efficient allocation of capital as another means to create shareholder value. We are willing to increase our debt leverage when we see good opportunities or view our leverage as suboptimum for value creation. We strive to return money to our shareholders when and if that seems an appropriate way to create value.

# CONSISTENT PERFORMANCE



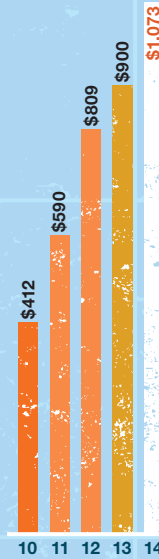
**SALES**  
(IN MILLIONS)



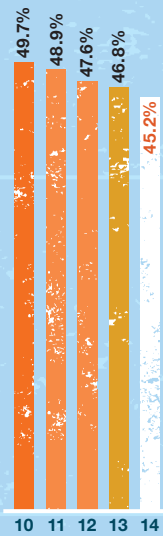
**ADJUSTED EARNINGS PER SHARE**<sup>1</sup>



**EBITDA AS DEFINED**<sup>2</sup>  
(IN MILLIONS)



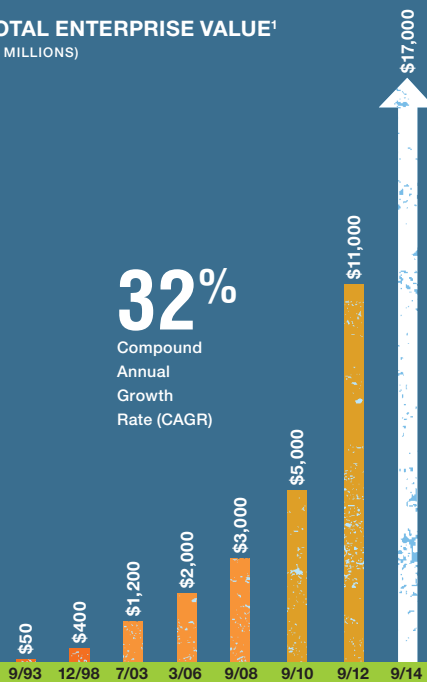
**EBITDA AS DEFINED MARGIN**<sup>2</sup>



<sup>1</sup> Adjusted Net Income is a non-GAAP financial measure presented here as supplemental disclosure to net income and reported results. Please see a reconciliation of Adjusted Net Income to net income immediately following the Form 10-K incorporated in this annual report. Adjusted Earnings per Share is defined as Adjusted Net Income divided by diluted shares outstanding.

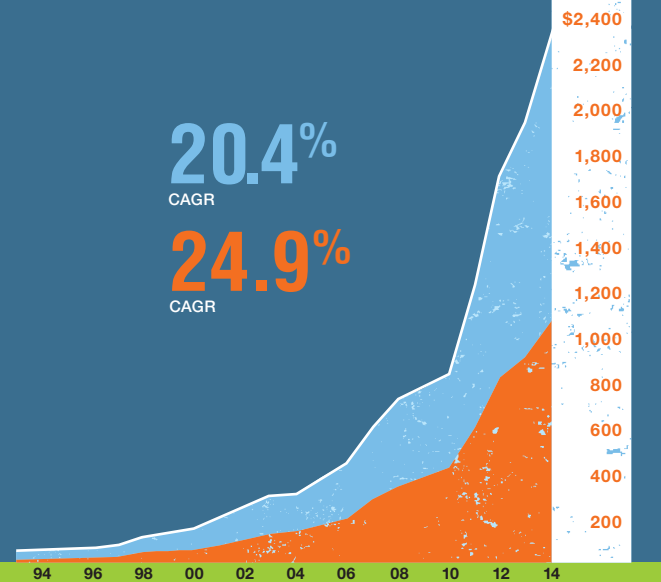
<sup>2</sup> EBITDA As Defined is a non-GAAP financial measure presented here as supplemental disclosures to net income and reported results. For a presentation of the most directly comparable GAAP measure and a reconciliation of EBITDA As Defined, please see page 26 of the Form 10-K incorporated in this annual report, under Item 6, Selected Financial Data.

**TOTAL ENTERPRISE VALUE**<sup>1</sup>  
(IN MILLIONS)



**32%**  
Compound Annual Growth Rate (CAGR)

■ SALES (IN MILLIONS)  
■ EBITDA AS DEFINED (IN MILLIONS)



**20.4%**  
CAGR

**24.9%**  
CAGR

<sup>1</sup>Total Enterprise Value is equity value plus total net debt.

## NEW BUSINESS

### 2014 WAS ANOTHER RECORD YEAR FOR NEW BUSINESS ORDERS.

Here are a few examples:

A number of our businesses were busy developing engineered solutions for the new engine options on the Boeing and Airbus fleets. Our **CHAMPION AEROSPACE** unit was awarded the ignition system for the Pratt & Whitney PurePower PW1100G geared turbofan option for the A320neo. Our **HARCO** group is also supplying a variety of engine temperature sensors.

Our **HARTWELL** unit is supplying the engine nacelle latches and various hold-open rods for both the A320neo and the B737 MAX engine cowlings and thrust reversers.

Our **SCHNELLER** unit is developing and producing customized business-class seat laminates for airlines ordering the A350, A380 and B787. Many of these new seat configurations are being outfitted with our new AmSafe airbag-equipped seat belts. **SCHNELLER** is also actively supplying the interior refurbishment laminates for the existing commercial fleet for many of the world's airlines. Our **ADAMS RITE AEROSPACE** unit is providing lighter-weight energy-efficient LED lighting solutions to various airlines operating the B737 and B757 aircraft.

In the military markets, our **AERO FLUID PRODUCTS** group developed extended-range fuel system valves for the Predator drone. Our **ARKWIN** unit is developing the hydraulic system reservoir for the upper and lower rotors on the new Joint Multi-role helicopter. We have also been active developing upgraded electrical power transformers and frequency converters for the C-130J transport and the EA-6B jet. Our recently acquired **AIRBORNE** unit continues to get large new business orders for its safer next-generation T-11 parachutes and for its GPS-steerable Joint Precision Airdrop System (JPADS) cargo parachutes.



As a result of our strong free cash flow, high margins and relatively low capital requirements, we have been able to de-lever quickly. Last year was the fourth time since the end of fiscal 2009 that we have returned significant cash value to shareholders through special dividends funded in large part through debt financing.

After paying the most recent special dividend, buying back about \$160 million of our stock, and making two acquisitions for \$310 million, we still closed fiscal year 2014 with \$820 million in cash, about \$400 million in unrestricted and undrawn revolver, and additional capacity under our credit agreement. Based on current capital market conditions, we believe we have adequate capacity to make more than \$2 billion of acquisitions without issuing additional equity.

### MANAGEMENT CHANGES

President and Chief Operating Officer Ray Laubenthal decided to retire after 21 years with TransDigm. Ray has been a key part of building TransDigm since its inception, and we are deeply grateful to him for his service, his contributions and his friendship. He was appointed to the Board on December 31, 2014, and he remains a significant investor in the Company.

In keeping with our close attention to succession planning at the senior level and throughout the organization, we hired Kevin Stein to be a Chief Operating Officer of our Power segment. This segment makes up about half of our business. Kevin is a high-caliber senior aerospace executive with extensive operating experience. He comes from Precision Castparts Corp., a well-managed aerospace company that has consistently generated substantial value for its shareholders.

Additionally, we promoted Bob Henderson to be the new Chief Operating Officer of our Airframe segment. Bob has been a significant partner in our growth over the last 20 years. He has been an Executive Vice President since 2005, responsible for a broad range of the Company's businesses and many acquisition integrations. Bob brings a unique understanding of our culture, history and value creation process.

In summary, 2014 was a very good year for TransDigm. I'm confident that with our consistent value-focused strategy and strong mix of businesses, we can continue to create long-term intrinsic value for our shareholders. We thank our shareholders for their investment and for their support of our proxy proposals. We thank our customers for choosing TransDigm, and we thank our managers and employees for their hard work and dedication. We look forward to reporting to you on our progress during 2015.

SINCERELY,

W. Nicholas Howley  
Chairman and Chief Executive Officer

January 9, 2015

# TRANSDIGM BUSINESS GROUPS

## ADAMS RITE AEROSPACE

Cockpit security systems, aircraft hardware, cabin lighting, water faucets and systems and throttle quadrants  
Fullerton, CA

## ADELWIGGINS GROUP

Flexible fluid line connectors, special connectors and quick disconnects, heaters, hoses, refueling systems and clamps  
Los Angeles, CA

## AERO FLUID PRODUCTS

Fuel, hydraulic and pneumatic valves; fluid regulator systems  
Painesville, OH

## AEROCONTROLEX GROUP

Fuel, hydraulic and lubrication pumps; mechanical controls and gear box actuators  
South Euclid, OH

## AEROSONIC

Air data sensing, test and display components  
Clearwater, FL

## AIRBORNE SYSTEMS EUROPE

Naval decoys, emergency escape systems and other related products  
Llangeinor and Bridgend, Wales UK

## AIRBORNE SYSTEMS NORTH AMERICA

Military parachutes, cargo aerial delivery systems and other related products  
Pennauken, NJ

## AMSAFE PASSENGER RESTRAINTS

Passenger seatbelts and unique seatbelt airbag applications  
Phoenix, AZ

## AMSAFE RESTRAINTS & SPECIALTY DEVICES

Airframe barrier nets, lightweight cargo nets, fire containment covers and Tarian ballistic shields  
Bridport, Dorset UK

## ARKWIN

Precision hydraulic and fuel system components  
Westbury, NY

## AVIONIC INSTRUMENTS

Power conversion equipment, including static inverters, frequency converters and transformer rectifiers  
Avenel, NJ

## AVTECHTYEE

Flight deck audio, metallic and carbon fiber composite engineered structural rods and power control products  
Everett, WA

## CDA INTERCORP

Specialized controllable drive actuators, motors, transducers and gearing for technologically advanced control systems  
Deerfield Beach, FL

## CHAMPION AEROSPACE

Igniters, excitors, and leads for turbine engines, spark plugs, oil filters and ignition harnesses for reciprocating engines  
Liberty, SC

## DUKES AEROSPACE

Fuel pumps, solenoids, pneumatic valves and cabin pressure control systems  
Northridge, CA

## ELEKTRO-METALL EXPORT

Electromechanical actuators, electrical and electromechanical components and assemblies  
Ingolstadt, Germany

## ELECTROMECH TECHNOLOGIES

Electromechanical equipment including actuators, motors, blowers, valves, liquid level sensors and electronics  
Wichita, KS

## HARCO

Engine thermocouples, sensors, cable assemblies, and air data systems  
Branford, CT

## HARTWELL

Access latches, latching systems, complex door assemblies and other assemblies for aircraft  
Placentia, CA

## MARATHONNORCO AEROSPACE

Nickel-cadmium batteries, battery chargers, hold-open rods, support struts and coupling devices  
Waco, TX

## SCHNELLER

Decorative laminates and non-textile flooring for all commercial aircraft platforms  
Kent, OH

## SHIELD RESTRAINTS SYSTEMS

Specialty vehicle restraint products  
Elkhart, IN

## SKURKA AEROSPACE

AC/DC motors, fans, blowers, speed transducers and tachometers  
Camarillo, CA

## TECHNICAL AIRBORNE COMPONENTS

Custom-engineered control, structural and system rods  
Milmort, Belgium

## WHIPPANY ACTUATION SYSTEMS

Electromechanical motion control subsystems including control electronics, motors, high power mechanical transmissions and actuators  
Whippany, NJ



# OFFICERS & BOARD OF DIRECTORS

## CORPORATE EXECUTIVE MANAGEMENT

### W. NICHOLAS HOWLEY<sup>(4)</sup>

Chief Executive Officer and  
Chairman of the Board of Directors

### GREGORY RUFUS

Executive Vice President,  
Chief Financial Officer and Secretary

### ROBERT S. HENDERSON

Chief Operating Officer – Airframe

### KEVIN STEIN

Chief Operating Officer – Power

### KEVIN FRAILEY

Executive Vice President

### BERNT G. IVERSEN, II

Executive Vice President –  
Business Development and  
Mergers & Acquisitions

### JOHN F. LEARY

Executive Vice President

### PETER PALMER

Executive Vice President

### JAMES SKULINA

Executive Vice President

### JORGE L. VALLADARES III

Executive Vice President

### HALLE FINE TERRION

General Counsel and  
Chief Compliance Officer

## OPERATING UNIT MANAGEMENT

### JOHN SCHAEFFER

President, Adams Rite Aerospace, Inc.

### JEFF ZIELINSKI

President, AdelWiggins Group

### PAULA WHEELER

President, Aero Fluid Products

### ROGER V. JONES

President, AeroControlex Group

### JOSEPH K. GROTE

President, Aerosonic and  
CDA Intercorp LLC

### CHRIS ROWE

President, Airborne Systems Europe

### BRYCE WIEDEMAN

President, Airborne Systems North America

### WILLARD HAGAN

President, AmSafe Passenger Restraints

### IAN KENTFIELD

President, AmSafe Restraints &  
Specialty Devices

### FRANK ROBILOTTO

President, Arkwin Industries, Inc.

### RIGO CRUZ

President, Avionic Instruments LLC

### HERB MARDANY

President, AvtechTyee, Inc.

### JASON MARLIN

President, Champion Aerospace LLC

### SCOTT CUMMINGS

President, Dukes Aerospace, Inc.

### CHAD OHL

President, Electromech Technologies, LLC

### UWE BASLER

President, Elektro-Metall Export GmbH

### PATRICK MURPHY

President, Harco LLC

### JOEL REISS

President, Hartwell Corporation

### SERGIO RODRIGUEZ

President, MarathonNorco Aerospace, Inc.

### ALEX FEIL

President, Schneller LLC

### BRIAN BABIN

President, Shield Restraint Systems, Inc.

### MICHAEL BARNABA

President, Skurka Aerospace Inc.

### DIRK DHOOGHE

President, Technical Airborne  
Components Industries SPRL

### KEVIN FRAILEY

President, Whippany Actuation  
Systems, LLC

## BOARD OF DIRECTORS

### W. NICHOLAS HOWLEY<sup>(4)</sup>

Chief Executive Officer and  
Chairman of the Board of Directors  
TransDigm Group Incorporated

### WILLIAM DRIES<sup>(2) (3)</sup>

Retired Senior Vice President and  
Chief Financial Officer  
EnPro Industries

### MERVIN DUNN<sup>(1) (3)</sup>

President and Chief Executive Officer of  
Merv Dunn Management & Consulting, LLC and  
Co-Chairman of the Board of Futuris Group of  
Companies Ltd.

### MICHAEL GRAFF<sup>(1) (3)</sup>

Managing Director  
Warburg Pincus LLC and  
General Partner, Warburg Pincus & Co.

### SEAN P. HENNESSY<sup>(1) (2)</sup>

Senior Vice President – Finance and  
Chief Financial Officer  
The Sherwin-Williams Company

### RAYMOND F. LAUBENTHAL

Retired President and Chief Operating Officer  
Transdigm Group Incorporated

### DOUGLAS W. PEACOCK<sup>(2) (3) (4)</sup>

Retired Chairman of the  
Board of Directors and past  
Chief Executive Officer of TransDigm Inc.

### ROBERT J. SMALL<sup>(1) (2) (4)</sup>

Managing Director  
Berkshire Partners LLC

### JOHN STAER<sup>(2)</sup>

Retired Chief Executive Officer, Satair A/S

(1) Compensation Committee

(2) Audit Committee

(3) Nominating & Corporate Governance Committee

(4) Executive Committee



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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-K**

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

For the fiscal year ended September 30, 2014

**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 001-32833

**TransDigm Group Incorporated**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**41-2101738**

(I.R.S. Employer Identification No.)

**1301 East 9<sup>th</sup> Street, Suite 3000, Cleveland, Ohio**  
(Address of principal executive offices)

**44114**  
(Zip Code)

**(216) 706-2960**

(Registrants' telephone number, including area code)

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

**Common Stock**  
(Title)

**New York Stock Exchange**  
(Name of exchange on which registered)

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

None

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

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 a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of March 30, 2014, based upon the last sale price of such voting and non-voting common stock on that date, was \$9,131,910,309.

The number of shares outstanding of TransDigm Group Incorporated's common stock, par value \$.01 per share, was 52,459,049 as of October 25, 2014.

Documents incorporated by reference: The registrant incorporates by reference in Part III hereof portions of its definitive Proxy Statement for its 2015 Annual Meeting of Stockholders.

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## *Special Note Regarding Forward-Looking Statements*

*This report on Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and 27A of the Securities Act of 1933, as amended. Discussions containing such forward-looking statements may be found in Items 1, 1A, 2, 3, 5 and 7 hereof and elsewhere within this Report generally. In addition, when used in this Report, the words “believes,” “anticipates,” “expects,” “should” and similar words or expressions are intended to identify forward-looking statements. Although the Company (as defined below) believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, such forward-looking statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from the forward-looking statements made in this Report. The more important of such risks and uncertainties are set forth under the caption “Risk Factors” and elsewhere in this Report. Many such factors are outside the control of the Company. Consequently, such forward-looking statements should be regarded solely as our current plans, estimates and beliefs. We do not undertake, and specifically decline, any obligation, to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.*

In this report, the term “TD Group” refers to TransDigm Group Incorporated, which holds all of the outstanding capital stock of TransDigm Inc. The terms “Company,” “TransDigm,” “we,” “us,” “our” and similar terms refer to TD Group, together with TransDigm Inc. and its direct and indirect subsidiaries. References to “fiscal year” mean the year ending or ended September 30. For example, “fiscal year 2014” or “fiscal 2014” means the period from October 1, 2013 to September 30, 2014.

## **PART I**

### **ITEM 1. BUSINESS**

#### **The Company**

TransDigm Inc. was formed in 1993 in connection with a leveraged buyout transaction. TD Group was formed in 2003 to facilitate a leveraged buyout of TransDigm Inc. The Company was owned by private equity funds until its initial public offering in 2006. TD Group’s common stock is publicly traded on the New York Stock Exchange under the ticker symbol “TDG.”

We believe we are a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. Our business is well diversified due to the broad range of products we offer to our customers. We estimate that about 90% of our net sales for fiscal year 2014 were generated by proprietary products. In addition, for fiscal year 2014, we estimate that we generated about 3/4 of our net sales from products for which we are the sole source provider.

Most of our products generate significant aftermarket revenue. Once our parts are designed into and sold on a new aircraft, we generate net sales from aftermarket consumption over the life of that aircraft, which is generally estimated to be approximately 25-30 years. A typical platform can be produced for 20 to 30 years, giving us an estimated product life cycle in excess of 50 years. We estimate that approximately 55% of our net sales in fiscal year 2014 were generated from aftermarket sales, the vast majority of which come from the commercial and military aftermarkets. These aftermarket revenues have historically produced a higher gross margin and been more stable than sales to original equipment manufacturers, or OEMs.

#### **Products**

We primarily design, produce and supply highly-engineered proprietary aerospace components (and certain systems/subsystems) with significant aftermarket content. We seek to develop highly customized products to solve specific needs for aircraft operators and manufacturers. We attempt to differentiate ourselves based on

engineering, service and manufacturing capabilities. We typically choose not to compete for non-proprietary “build to print” business because it frequently offers lower margins than proprietary products. We believe that our products have strong brand names within the industry and that we have a reputation for high quality, reliability and customer support.

Our business is well diversified due to the broad range of products that we offer to our customers. Some of our more significant product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology and military personnel parachutes and cargo delivery systems.

## **Segments**

The Company’s businesses are organized and managed in three reporting segments: Power & Control, Airframe and Non-aviation.

The Power & Control segment includes operations that primarily develop, produce and market systems and components that predominately provide power to or control power of the aircraft utilizing electronic, fluid, power and mechanical motion control technologies. Major product offerings include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices and specialized AC/DC electric motors and generators. Primary customers of this segment are engine and power system and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Airframe segment includes operations that primarily develop, produce and market systems and components that are used in non-power airframe applications utilizing airframe and cabin structure technologies. Major product offerings include engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, aircraft audio systems, specialized lavatory components, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology, military personnel parachutes and cargo aerial delivery systems. Primary customers of this segment are airframe manufacturers and cabin system suppliers and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Non-aviation segment includes operations that primarily develop, produce and market products for non-aviation markets. Major product offerings include seatbelts and safety restraints for ground transportation applications, mechanical/electro-mechanical actuators and controls for space applications, and refueling systems for heavy equipment used in mining, construction and other industries. Primary customers of this segment are off road vehicle suppliers and subsystem suppliers, child restraint system suppliers, satellite and space system suppliers and manufacturers of heavy equipment used in mining, construction and other industries.

For financial information about our segments, see Note 16, “Segments” to our Consolidated Financial Statements.

## **Sales and Marketing**

Consistent with our overall strategy, our sales and marketing organization is structured to continually develop technical solutions that meet customer needs. In particular, we attempt to focus on products and programs that will lead to high-margin, repeatable sales in the aftermarket.

We have structured our sales efforts along our major product offerings, assigning a product manager to certain products. Each product manager is expected to grow the sales and profitability of the products for which he or she is responsible and to achieve the targeted annual level of bookings, sales, new business and profitability for such products. The product managers are assisted by account managers and sales engineers who are responsible for covering major OEM and aftermarket accounts. Account managers and sales engineers are expected to be familiar with the personnel, organization and needs of specific customers to achieve total bookings and new business goals at each account and, together with the product managers, to determine when additional resources are required at customer locations. Most of our sales personnel are evaluated, in part, on their bookings and their ability to identify and obtain new business opportunities.

Though typically performed by employees, the account manager function may be performed by independent representatives depending on the specific customer, product and geographic location. We also use a number of distributors to provide logistical support as well as primary customer contact with certain smaller accounts. Our major distributors are Aviall, Inc. (a subsidiary of The Boeing Company) and Satair A/S (a subsidiary of Airbus S.A.S.).

### **Manufacturing and Engineering**

We maintain 42 principal manufacturing facilities. Most of our manufacturing facilities are comprised of manufacturing, distribution and engineering functions, and most facilities have certain administrative functions, including management, sales and finance. We continually strive to improve productivity and reduce costs, including rationalization of operations, developing improved control systems that allow for accurate product profit and loss accounting, investing in equipment, tooling, information systems and implementing broad-based employee training programs. Management believes that our manufacturing systems and equipment contribute to our ability to compete by permitting us to meet the rigorous tolerances and cost sensitive price structure of aircraft component customers.

We attempt to differentiate ourselves from our competitors by producing uniquely engineered products with high quality and timely delivery. Our engineering costs are recorded in Cost of Sales and in Selling and Administrative Expenses in our Consolidated Statements of Income. Total engineering expense represents approximately 7% of our operating units' aggregate costs, or approximately 4% of our consolidated net sales. Our proprietary products, and particularly our new product initiatives, are designed by our engineers and are intended to serve the needs of the aircraft component industry. These proprietary designs must withstand the extraordinary conditions and stresses that will be endured by products during use and meet the rigorous demands of our customers' tolerance and quality requirements.

We use sophisticated equipment and procedures to comply with quality requirements, specifications and Federal Aviation Administration ("FAA") and OEM requirements. We perform a variety of testing procedures, including testing under different temperature, humidity and altitude levels, shock and vibration testing and X-ray fluorescent measurement. These procedures, together with other customer approved techniques for document, process and quality control, are used throughout our manufacturing facilities.

### **Customers**

Our customers include: (1) distributors of aerospace components; (2) worldwide commercial airlines, including national and regional airlines; (3) large commercial transport and regional and business aircraft OEMs; (4) various armed forces of the United States and friendly foreign governments; (5) defense OEMs; (6) system suppliers; and (7) various other industrial customers. For the year ended September 30, 2014, Boeing (which includes Aviall, Inc., a distributor of commercial aftermarket parts to airlines throughout the world) accounted for approximately 13% of our net sales. Our top ten customers for fiscal year 2014 accounted for approximately 43% of our net sales. Products supplied to many of our customers are used on multiple platforms.

Active commercial production programs include the Boeing 737, 747, 767, 777 and 787, the Airbus A319/20/21, A330/A340, A350 and A380, the Bombardier CRJ's, Challenger and Learjets, the Embraer RJ's, the

Cessna Citation family, the Raytheon Premier and Hawker and most Gulfstream airframes. Military platforms include aircraft such as the Boeing C-17, F-15, F-18 and V-22, the Airbus A400M, the Lockheed Martin C-130J, F-16 and F-35 Joint Strikefighter, the Northrop Grumman E-2C Hawkeye, the Sikorsky UH-60 helicopter, CH-47 Chinook and AH-64 Apache helicopters, the General Atomics Predator Drone and the Raytheon Patriot Missile. TransDigm has been awarded numerous contracts for the development of engineered products for production on the Airbus A320 NEO, the Boeing 737 MAX, the Sikorsky S-97, JMR helicopter and Boeing P-8 Poseidon.

The demand for our aftermarket parts and services depends on, among other things, the breadth of our installed OEM base, revenue passenger miles (“RPMs”), the size and age of the worldwide aircraft fleet and, to a lesser extent, airline profitability. We believe that we are also a leading supplier of components used on U.S. designed military aircraft, including components that are used on a variety of fighter aircraft, military freighters and military helicopters.

### **Competition**

The niche markets within the aerospace industry that we serve are relatively fragmented and we face several competitors for many of the products and services we provide. Due to the global nature of the commercial aircraft industry, competition in these categories comes from both U.S. and foreign companies. Competitors in our product offerings range in size from divisions of large public corporations to small privately-held entities, with only one or two components in their entire product portfolios.

We compete on the basis of engineering, manufacturing and marketing high quality products, which we believe meet or exceed the performance and maintenance requirements of our customers, consistent and timely delivery, and superior customer service and support. The industry’s stringent regulatory, certification and technical requirements, and the investments necessary in the development and certification of products, create barriers to entry for potential new competitors. As long as customers receive products that meet or exceed expectations and performance standards, we believe that they will have a reduced incentive to certify another supplier because of the cost and time of the technical design and testing certification process. In addition, we believe that the availability, dependability and safety of our products are reasons for our customers to continue long-term supplier relationships.

### **Government Contracts**

Companies engaged in supplying defense-related equipment and services to U.S. Government agencies are subject to business risks specific to the defense industry. These risks include the ability of the U.S. Government to unilaterally: (1) suspend us from receiving new contracts pending resolution of alleged violations of procurement laws or regulations; (2) terminate existing contracts; (3) reduce the value of existing contracts; (4) audit our contract-related costs and fees, including allocated indirect costs; and (5) control and potentially prohibit the export of our products.

### **Governmental Regulation**

The commercial aircraft component industry is highly regulated by the FAA in the United States and by the Joint Aviation Authorities in Europe and other agencies throughout the world, while the military aircraft component industry is governed by military quality specifications. We, and the components we manufacture, are required to be certified by one or more of these entities or agencies, and, in many cases, by individual OEMs, in order to engineer and service parts and components used in specific aircraft models.

We must also satisfy the requirements of our customers, including OEMs and airlines that are subject to FAA regulations, and provide these customers with products and services that comply with the government regulations applicable to commercial flight operations. In addition, the FAA requires that various maintenance

routines be performed on aircraft components. We believe that we currently satisfy or exceed these maintenance standards in our repair and overhaul services. We also maintain several FAA approved repair stations.

In addition, sales of many of our products that will be used on aircraft owned by non-U.S. entities are subject to compliance with U.S. export control laws.

### **Raw Materials**

We require the use of various raw materials in our manufacturing processes. We also purchase a variety of manufactured component parts from various suppliers. At times, we concentrate our orders among a few suppliers in order to strengthen our supplier relationships. Most of our raw materials and component parts are generally available from multiple suppliers at competitive prices.

### **Intellectual Property**

We have various trade secrets, proprietary information, trademarks, trade names, patents, copyrights and other intellectual property rights, which we believe, in the aggregate but not individually, are important to our business.

### **Backlog**

As of September 30, 2014, the Company estimated its sales order backlog at \$1,195 million compared to an estimated sales order backlog of \$1,081 million as of September 30, 2013. The increase in estimated sales order backlog of approximately \$114 million is primarily due to acquisitions. The majority of the purchase orders outstanding as of September 30, 2014 are scheduled for delivery within the next twelve months. Purchase orders may be subject to cancellation or deferral by the customer prior to shipment. The level of unfilled purchase orders at any given date during the year will be materially affected by the timing of the Company's receipt of purchase orders and the speed with which those orders are filled. Accordingly, the Company's backlog as of September 30, 2014 may not necessarily represent the actual amount of shipments or sales for any future period.

### **Foreign Operations**

Although we manufacture a significant portion of our products in the United States, we manufacture some products in Belgium, China, Malaysia, Mexico, Sri Lanka and the United Kingdom. Although the majority of sales of our products are made to customers (including distributors) located in the United States, our products are ultimately sold to and used by customers (including airlines and other end users of aircraft) throughout the world. A number of risks inherent in international operations could have a material adverse effect on our results of operations, including currency fluctuations, difficulties in staffing and managing multi-national operations, general economic and political uncertainties and potential for social unrest in countries in which we operate, limitations on our ability to enforce legal rights and remedies, restrictions on the repatriation of funds, change in trade policies, tariff regulation, difficulties in obtaining export and import licenses and the risk of government financed competition.

Our direct sales to foreign customers were approximately \$735.9 million, \$572.0 million, and \$508.8 million for fiscal years 2014, 2013 and 2012, respectively. Sales to foreign customers are subject to numerous additional risks, including the impact of foreign government regulations, political uncertainties and differences in business practices. There can be no assurance that foreign governments will not adopt regulations or take other action that would have a direct or indirect adverse impact on the business or market opportunities of the Company within such governments' countries. Furthermore, there can be no assurance that the political, cultural and economic climate outside the United States will be favorable to our operations and growth strategy.

## **Environmental Matters**

Our operations and facilities are subject to a number of federal, state, local and foreign environmental laws and regulations that govern, among other things, discharges of pollutants into the air and water, the generation, handling, storage and disposal of hazardous materials and wastes, the remediation of contamination and the health and safety of our employees. Environmental laws and regulations may require that the Company investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. Certain facilities and third-party sites utilized by subsidiaries of the Company have been identified as potentially responsible parties under the federal Superfund laws and comparable state laws. The Company is currently involved in the investigation and remediation of a number of sites under applicable laws.

Estimates of the Company's environmental liabilities are based on current facts, laws, regulations and technology. These estimates take into consideration the Company's prior experience and professional judgment of the Company's environmental advisors. Estimates of the Company's environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluations and cost estimates, the extent of corrective actions that may be required and the number and financial condition of other potentially responsible parties, as well as the extent of their responsibility for the remediation.

Accordingly, as investigation and remediation proceed, it is likely that adjustments in the Company's accruals will be necessary to reflect new information. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations or cash flows in a given period. Based on currently available information, however, the Company does not believe that future environmental costs in excess of those accrued with respect to sites for which the Company has been identified as a potentially responsible party are likely to have a material adverse effect on the Company's financial condition.

Environmental liabilities are recorded when the liability is probable and the costs are reasonably estimable, which generally is not later than at completion of a feasibility study or when the Company has recommended a remedy or has committed to an appropriate plan of action. The liabilities are reviewed periodically and, as investigation and remediation proceed, adjustments are made as necessary. Liabilities for losses from environmental remediation obligations do not consider the effects of inflation and anticipated expenditures are not discounted to their present value. The liabilities are not reduced by possible recoveries from insurance carriers or other third parties, but do reflect anticipated allocations among potentially responsible parties at federal Superfund sites or similar state-managed sites, third party indemnity obligations, and an assessment of the likelihood that such parties will fulfill their obligations at such sites.

## **Employees**

As of September 30, 2014, we had approximately 7,300 full time, part time and temporary employees. Approximately 11% of our full time and part time employees were represented by labor unions. Collective bargaining agreements between us and these labor unions expire at various dates ranging from February 2015 to May 2018. We consider our relationship with our employees generally to be satisfactory.

## **Legal Proceedings**

We are from time to time subject to, and are presently involved in, litigation or other legal proceedings arising in the ordinary course of business. Based upon information currently known to us, we believe the outcome of such proceedings will not have, individually or in the aggregate, a material adverse effect on our business, our financial condition or results of operations.



## Available Information

TD Group's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, including any amendments, will be made available free of charge on the Company's website, [www.transdigm.com](http://www.transdigm.com), as soon as reasonably practicable, following the filing of the reports with the Securities and Exchange Commission.

## ITEM 1A. RISK FACTORS

*Set forth below are important risks and uncertainties that could negatively affect our business and financial condition and could cause our actual results to differ materially from those expressed in forward-looking statements contained in this report.*

**Our business is sensitive to the number of flight hours that our customers' planes spend aloft, the size and age of the worldwide aircraft fleet and our customers' profitability. These items are, in turn, affected by general economic and geopolitical and other worldwide conditions.**

Our business is directly affected by, among other factors, changes in revenue passenger miles (RPMs), the size and age of the worldwide aircraft fleet and, to a lesser extent, changes in the profitability of the commercial airline industry. RPMs and airline profitability have historically been correlated with the general economic environment, although national and international events also play a key role. For example, in the recent past, the airline industry has been severely affected by the downturn in the global economy, higher fuel prices, the increased security concerns among airline customers following the events of September 11, 2001, the Severe Acute Respiratory Syndrome, or SARS, epidemic and the conflicts in Afghanistan and Iraq, and could be impacted by future geopolitical or other worldwide conditions, such as war, terrorist acts, or a worldwide infectious disease outbreak. In addition, global market and economic conditions have been challenging with continued turbulence in the U.S. and international markets and economies and have prolonged declines in business and consumer spending. As a result of the substantial reduction in airline traffic resulting from these events, the airline industry incurred large losses and financial difficulties. Some carriers have also parked or retired a portion of their fleets and have reduced workforces and flights. During periods of reduced airline profitability, some airlines may delay purchases of spare parts, preferring instead to deplete existing inventories. If demand for new aircraft and spare parts decreases, there would be a decrease in demand for certain of our products.

**Our sales to manufacturers of aircraft are cyclical, and a downturn in sales to these manufacturers may adversely affect us.**

Our sales to manufacturers of large commercial aircraft, such as The Boeing Company, Airbus S.A.S, and related OEM suppliers, as well as manufacturers of business jets (which accounted for approximately 26% of our net sales in fiscal year 2014) have historically experienced periodic downturns. In the past, these sales have been affected by airline profitability, which is impacted by, among other things, fuel and labor costs, price competition, downturns in the global economy and national and international events, such as the events of September 11, 2001. In addition, sales of our products to manufacturers of business jets are impacted by, among other things, downturns in the global economy. Downturns adversely affect our net sales, gross margin and net income.

**We rely heavily on certain customers for much of our sales.**

Our largest customer for fiscal year 2014 was The Boeing Company (which includes Aviall, Inc., a distributor of commercial aftermarket parts to airlines throughout the world). Boeing accounted for approximately 13% of our net sales in fiscal year 2014. Our top ten customers for fiscal year 2014 accounted for approximately 43% of our net sales. A material reduction in purchasing by one of our larger customers for any reason, including but not limited to economic downturn, decreased production, strike or resourcing, could have a material adverse effect on our net sales, gross margin and net income.

**We generally do not have guaranteed future sales of our products. Further, when we enter into fixed price contracts with some of our customers, we take the risk for cost overruns.**

As is customary in our business, we do not generally have long-term contracts with most of our aftermarket customers and, therefore, do not have guaranteed future sales. Although we have long-term contracts with many of our OEM customers, many of those customers may terminate the contracts on short notice and, in most cases, our customers have not committed to buy any minimum quantity of our products. In addition, in certain cases, we must anticipate the future volume of orders based upon the historic purchasing patterns of customers and upon our discussions with customers as to their anticipated future requirements, and this anticipated future volume of orders may not materialize.

We also have entered into multi-year, fixed-price contracts with some of our customers, pursuant to which we have agreed to perform the work for a fixed price and, accordingly, realize all the benefit or detriment resulting from any decreases or increases in the costs of making these products. Sometimes we accept a fixed-price contract for a product that we have not yet produced, and this increases the risk of cost overruns or delays in the completion of the design and manufacturing of the product. Most of our contracts do not permit us to recover increases in raw material prices, taxes or labor costs.

**U.S. military spending is dependent upon the U.S. defense budget.**

The military and defense market is significantly dependent upon government budget trends, particularly the U.S. Department of Defense (the “DOD”) budget. In addition to normal business risks, our supply of products to the United States Government is subject to unique risks largely beyond our control. DOD budgets could be negatively impacted by several factors, including, but not limited to, a change in defense spending policy by the current presidential administration, the U.S. Government’s budget deficits, spending priorities, the cost of sustaining the U.S. military presence in the Middle East and possible political pressure to reduce U.S. Government military spending, each of which could cause the DOD budget to remain unchanged or to decline. A significant decline in U.S. military expenditures could result in a reduction in the amount of our products sold to the various agencies and buying organizations of the U.S. Government.

**We intend to pursue acquisitions. Our business may be adversely affected if we cannot consummate acquisitions on satisfactory terms, or if we cannot effectively integrate acquired operations.**

A significant portion of our growth has occurred through acquisitions. Any future growth through acquisitions will be partially dependent upon the continued availability of suitable acquisition candidates at favorable prices and upon advantageous terms and conditions. We intend to pursue acquisitions that we believe will present opportunities consistent with our overall business strategy. However, we may not be able to find suitable acquisition candidates to purchase or may be unable to acquire desired businesses or assets on economically acceptable terms. In addition, we may not be able to raise the capital necessary to fund future acquisitions. Because we may actively pursue a number of opportunities simultaneously, we may encounter unforeseen expenses, complications and delays, including regulatory complications or difficulties in employing sufficient staff and maintaining operational and management oversight.

We regularly engage in discussions with respect to potential acquisition and investment opportunities. If we consummate an acquisition, our capitalization and results of operations may change significantly. Future acquisitions could result in margin dilution and further likely result in the incurrence of additional debt and contingent liabilities and an increase in interest and amortization expenses or periodic impairment charges related to goodwill and other intangible assets as well as significant charges relating to integration costs.

Acquisitions involve risks that the businesses acquired will not perform in accordance with expectations and that business judgments concerning the value, strengths and weaknesses of businesses acquired will prove incorrect. In addition, we may not be able to successfully integrate any business we acquire into our existing business. The successful integration of new businesses depends on our ability to manage these new businesses

and cut excess costs. The successful integration of future acquisitions may also require substantial attention from our senior management and the management of the acquired business, which could decrease the time that they have to service, attract customers and develop new products and services or attend to other acquisition opportunities.

**We are subject to certain unique business risks as a result of supplying equipment and services to the U.S. Government.**

Companies engaged in supplying defense-related equipment and services to U.S. Government agencies are subject to business risks specific to the defense industry. These risks include the ability of the U.S. Government to unilaterally:

- suspend us from receiving new contracts pending resolution of alleged violations of procurement laws or regulations;
- terminate existing contracts;
- reduce the value of existing contracts; and
- audit our contract-related costs and fees, including allocated indirect costs.

Most of our U.S. Government contracts can be terminated by the U.S. Government for its convenience without significant notice. Termination for convenience provisions provide only for our recovery of costs incurred or committed, settlement expenses and profit on the work completed prior to termination.

On contracts for which the price is based on cost, the U.S. Government may review our costs and performance, as well as our accounting and general business practices. Based on the results of such audits, the U.S. Government may adjust our contract-related costs and fees, including allocated indirect costs. In addition, under U.S. Government purchasing regulations, some of our costs, including most financing costs, amortization of intangible assets, portions of research and development costs, and certain marketing expenses may not be subject to reimbursement.

In addition, even where the price is not based on cost, the U.S. Government may seek to review our costs to determine whether our pricing is “fair and reasonable”. Five of our subsidiaries and divisions were subject to such a pricing review for years 2002 through 2004 and it is possible that we will be subject to a similar pricing review in the future. Such a review could be costly and time consuming for our management and could distract from our ability to effectively manage the business. As a result of such a review, we could be subject to providing a refund to the U.S. Government or we could be asked to enter into an arrangement whereby our prices would be based on cost or the DOD could seek to pursue alternative sources of supply for our parts. Any of those occurrences could lead to a reduction in our revenue from, or the profitability of certain of our supply arrangements with, certain agencies and buying organizations of the U.S. Government.

**Our business may be adversely affected if we would lose our government or industry approvals or if more stringent government regulations are enacted or if industry oversight is increased.**

The aerospace industry is highly regulated in the United States and in other countries. In order to sell our components, we and the components we manufacture must be certified by the FAA, the DOD and similar agencies in foreign countries and by individual manufacturers. If new and more stringent government regulations are adopted or if industry oversight increases, we might incur significant expenses to comply with any new regulations or heightened industry oversight. In addition, if material authorizations or approvals were revoked or suspended, our business would be adversely affected.

In addition to the aviation approvals, we are at times required to obtain approval from U.S. Government agencies to export our products. Failure to obtain approval to export or determination by the U.S. Government

that we failed to receive required approvals or licenses could eliminate or restrict our ability to sell our products outside the United States, and the penalties that could be imposed by the U.S. Government for failure to comply with these laws could be significant.

**Our substantial indebtedness could adversely affect our financial health and could harm our ability to react to changes to our business and prevent us from fulfilling our obligations under our indebtedness.**

We have a significant amount of indebtedness. As of September 30, 2014, our total indebtedness was approximately \$7,473.1 million, which was approximately 126.3% of our total capitalization because of our recent dividends funded with indebtedness.

In addition, we may be able to incur substantial additional indebtedness in the future. For example, as of September 30, 2014, we had approximately \$413.2 million of unused commitments under our revolving loan facility and \$25.0 million of unused capacity under our trade receivable securitization facility (the “Securitization Facility”) (with the availability of such capacity being dependent on the amount of our outstanding trade receivables). Although our senior secured credit facility and the indentures (the “Indentures”) governing the 5½% senior subordinated notes issued in October 2012 (the “2020 Notes”), the 7½% senior subordinated notes issued in July 2013 (the “2021 Notes”), the 6% senior subordinated notes issued in June 2014 (the “2022 Notes”), and the 6½% senior subordinated notes issued June 2014 (the “2024 Notes” and together with the 2020 Notes, the 2021 Notes, the 2022 Notes, the “Notes”) contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and the indebtedness incurred in compliance with these qualifications and exceptions could be substantial. If we incur additional debt, the risks associated with our substantial leverage would increase.

Our substantial debt could also have other important consequences to investors. For example, it could:

- increase our vulnerability to general economic downturns and adverse competitive and industry conditions;
- increase the risk we are subjected to downgrade or put on a negative watch by the ratings agencies;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures, research and development efforts and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to competitors that have less debt; and
- limit, along with the financial and other restrictive covenants contained in the documents governing our indebtedness, among other things, our ability to borrow additional funds, make investments and incur liens.

In addition, all of our debt under the senior secured credit facility, which includes a \$3.9 billion term loan facility and a revolving loan facility of \$420.0 million, bears interest at floating rates. Accordingly, in the event that interest rates increase, our debt service expense will also increase. In order to reduce the floating interest rate risk, as of September 30, 2014, three forward starting interest rate swap agreements were in place fixing the rate of interest through June 30, 2015 on an aggregate notional amount of \$353 million of debt under the senior secured credit facility. An additional three forward starting interest rate swap agreements were in place that fix the interest beginning September 30, 2014 on an aggregate notional amount of \$1.0 billion of debt under the senior secured credit facility. In addition, in July 2014, we entered into five forward starting interest rate swap agreements that fix the interest beginning March 31, 2016 on an aggregate notional amount of \$750 million of debt under the senior secured credit facility.

Our substantial level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on or other amounts due in respect of our indebtedness, including the Notes. We cannot assure you that our business will generate sufficient cash flow from operations or that future borrowings will be available to us under the senior secured credit facility or otherwise in amounts sufficient to enable us to service our indebtedness. If we cannot service our debt, we will have to take actions such as reducing or delaying capital investments, selling assets, restructuring or refinancing our debt or seeking additional equity capital.

**To service our indebtedness, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control and any failure to meet our debt service obligations could harm our business, financial condition and results of operations.**

Our ability to make payments on and to refinance our indebtedness, including the Notes, amounts borrowed under the credit facilities, amounts due under our Securitization Facility, and to fund our operations, will depend on our ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated cost savings and operating improvements will be realized on schedule or at all or that future borrowings will be available to us under the senior secured credit facility or otherwise in amounts sufficient to enable us to service our indebtedness, including the amounts borrowed under the senior secured credit facility, amounts borrowed under our Securitization Facility and the Notes, or to fund our other liquidity needs. If we cannot service our debt, we will have to take actions such as reducing or delaying capital investments, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We cannot assure you that any of these remedies could, if necessary, be effected on commercially reasonable terms, or at all. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments, the Indentures and the senior secured credit facility may restrict us from adopting any of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness on acceptable terms and would otherwise adversely affect the Notes.

**The terms of the senior secured credit facility and Indentures may restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.**

Our senior secured credit facility and the Indentures contain a number of restrictive covenants that impose significant operating and financial restrictions on TD Group, TransDigm Inc. and its subsidiaries (in the case of the senior secured credit facility) and TransDigm Inc. and its subsidiaries (in the case of the Indentures) and may limit their ability to engage in acts that may be in our long-term best interests. The senior secured credit facility and Indentures include covenants restricting, among other things, the ability of TD Group, TransDigm Inc. and its subsidiaries (in the case of the senior secured credit facility) and TransDigm Inc. and its subsidiaries (in the case of the Indentures) to:

- incur or guarantee additional indebtedness or issue preferred stock;
- pay distributions on, redeem or repurchase our capital stock or redeem or repurchase our subordinated debt;
- make investments;
- sell assets;
- enter into agreements that restrict distributions or other payments from our restricted subsidiaries to us;
- incur or allow to exist liens;

- consolidate, merge or transfer all or substantially all of our assets;
- engage in transactions with affiliates;
- create unrestricted subsidiaries; and
- engage in certain business activities.

A breach of any of these covenants could result in a default under the senior secured credit facility or the Indentures. If any such default occurs, the lenders under the senior secured credit facility and the holders of the Notes may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the senior secured credit facility also have the right in these circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the senior secured credit facility, the lenders under that facility will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash, and they will also have the right to prevent us from making debt service payments on the Notes. If the debt under the senior secured credit facility or the Notes were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full our debt.

**We could incur substantial costs as a result of violations of or liabilities under environmental laws and regulations.**

Our operations and facilities are subject to a number of federal, state, local and foreign environmental laws and regulations that govern, among other things, discharges of pollutants into the air and water, the generation, handling, storage and disposal of hazardous materials and wastes, the remediation of contamination and the health and safety of our employees. Environmental laws and regulations may require that the Company investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. Certain facilities and third-party sites utilized by subsidiaries of the Company have been identified as potentially responsible parties under the federal Superfund laws and comparable state laws. The Company is currently involved in the investigation and remediation of a number of sites under applicable laws.

Estimates of the Company's environmental liabilities are based on current facts, laws, regulations and technology. These estimates take into consideration the Company's prior experience and professional judgment of the Company's environmental advisors. Estimates of the Company's environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluations and cost estimates, the extent of corrective actions that may be required and the number and financial condition of other potentially responsible parties, as well as the extent of their responsibility for the remediation.

Accordingly, as investigation and remediation proceed, it is likely that adjustments in the Company's accruals will be necessary to reflect new information. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations or cash flows in a given period. Based on currently available information, however, the Company does not believe that future environmental costs in excess of those accrued with respect to sites for which the Company has been identified as a potentially responsible party are likely to have a material adverse effect on the Company's financial condition.

Environmental liabilities are recorded when the liability is probable and the costs are reasonably estimable, which generally is not later than at completion of a feasibility study or when the Company has recommended a remedy or has committed to an appropriate plan of action. The liabilities are reviewed periodically and, as investigation and remediation proceed, adjustments are made as necessary. Liabilities for losses from environmental remediation obligations do not consider the effects of inflation and anticipated expenditures are not discounted to their present value. The liabilities are not reduced by possible recoveries from insurance carriers or other third parties, but do reflect anticipated allocations among potentially responsible parties at federal Superfund sites or similar state-managed sites, third party indemnity obligations, and an assessment of the likelihood that such parties will fulfill their obligations at such sites.

**We are dependent on our highly trained employees and any work stoppage or difficulty hiring similar employees could adversely affect our business.**

Because our products are complicated and highly engineered, we depend on an educated and trained workforce. There is substantial competition for skilled personnel in the aircraft component industry, and we could be adversely affected by a shortage of skilled employees. We may not be able to fill new positions or vacancies created by expansion or turnover or attract and retain qualified personnel.

As of September 30, 2014, we had approximately 7,300 full time, part time and temporary employees. Approximately 11% of our full time and part time employees were represented by labor unions. Collective bargaining agreements between us and these labor unions expire at various dates ranging from February 2015 to May 2018. We consider our relationship with our employees generally to be satisfactory. Although we believe that our relations with our employees are satisfactory, we cannot assure you that we will be able to negotiate a satisfactory renewal of these collective bargaining agreements or that our employee relations will remain stable. Because we maintain a relatively small inventory of finished goods, any work stoppage could materially and adversely affect our ability to provide products to our customers.

**Our business is dependent on the availability of certain components and raw materials from suppliers.**

Our business is affected by the price and availability of the raw materials and component parts that we use to manufacture our components. Our business, therefore, could be adversely impacted by factors affecting our suppliers (such as the destruction of our suppliers' facilities or their distribution infrastructure, a work stoppage or strike by our suppliers' employees or the failure of our suppliers to provide materials of the requisite quality), or by increased costs of such raw materials or components if we were unable to pass along such price increases to our customers. Because we maintain a relatively small inventory of raw materials and component parts, our business could be adversely affected if we were unable to obtain these raw materials and components from our suppliers in the quantities we require or on favorable terms. Although we believe in most cases that we could identify alternative suppliers, or alternative raw materials or component parts, the lengthy and expensive FAA and OEM certification processes associated with aerospace products could prevent efficient replacement of a supplier, raw material or component part.

**Our facilities are located near known earthquake fault zones and hurricane paths, and the occurrence of a natural disaster could cause damage to our facilities and equipment, which could require us to curtail or cease operations.**

A number of our manufacturing facilities are located in the greater Los Angeles area, an area known for earthquakes, and are thus vulnerable to damage. In addition, a number of our manufacturing facilities are located along the Eastern seaboard area susceptible to hurricanes. We are also vulnerable to damage from other types of disasters, including power loss, fire, explosions, floods, communications failures, terrorist attacks and similar events. If any disaster were to occur, our ability to operate our business at our facilities could be impaired.

**The Company's subsidiaries which operate outside of the continental United States may be subject to additional risks.**

A number of risks inherent in international operations could have a material adverse effect on our results of operations, including currency fluctuations, difficulties in staffing and managing multi-national operations, general economic and political uncertainties and potential for social unrest in countries in which we operate, limitations on our ability to enforce legal rights and remedies, restrictions on the repatriation of funds, change in trade policies, tariff regulation, difficulties in obtaining export and import licenses and the risk of government financed competition. Furthermore, the Company is subject to laws and regulations, such as the Foreign Corrupt Practices Act or similar local anti-bribery laws, which generally prohibit companies and their employees, agents and contractors from making improper payments to governmental officials for the purpose of obtaining or retaining business. Failure to comply with these laws could subject the Company to civil and criminal penalties that could materially adversely affect the Company's results of operations.

**We face significant competition.**

We operate in a highly competitive global industry and compete against a number of companies. Competitors in our product lines are both U.S. and foreign companies and range in size from divisions of large public corporations to small privately held entities. We believe that our ability to compete depends on high product performance, consistent high quality, short lead-time and timely delivery, competitive pricing, superior customer service and support and continued certification under customer quality requirements and assurance programs. We may have to adjust the prices of some of our products to stay competitive.

**We could be adversely affected if one of our components causes an aircraft to crash.**

Our operations expose us to potential liabilities for personal injury or death as a result of the failure of an aircraft component that we have designed, manufactured or serviced. While we maintain liability insurance to protect us from future products liability claims, in the event of product liability claims our insurers may attempt to deny coverage or any coverage we have may not be adequate. We also may not be able to maintain insurance coverage in the future at an acceptable cost. Any liability not covered by insurance or for which third party indemnification is not available could result in significant liability to us.

In addition, a crash caused by one of our components could damage our reputation for quality products. We believe our customers consider safety and reliability as key criteria in selecting a provider of aircraft components. If a crash were to be caused by one of our components, or if we were to otherwise fail to maintain a satisfactory record of safety and reliability, our ability to retain and attract customers may be materially adversely affected.

**We have recorded a significant amount of intangible assets, which may never generate the returns we expect.**

Mergers and acquisitions have resulted in significant increases in identifiable intangible assets and goodwill. Identifiable intangible assets, which primarily include trademarks, trade names, trade secrets, and technology, were approximately \$1,217.2 million at September 30, 2014, representing approximately 18% of our total assets. Goodwill recognized in accounting for the mergers and acquisitions was approximately \$3,525.1 million at September 30, 2014, representing approximately 52% of our total assets. We may never realize the full value of our identifiable intangible assets and goodwill, and to the extent we were to determine that our identifiable intangible assets or our goodwill were impaired within the meaning of applicable accounting standards, we would be required to write-off the amount of any impairment.

**Our stock price may be volatile, and your investment in our common stock could suffer a decline in value.**

There has been significant volatility in the market price and trading volume of equity securities, which is unrelated to the financial performance of the companies issuing the securities. These broad market fluctuations may negatively affect the market price of our common stock. You may not be able to sell your shares at or above the purchase price due to fluctuations in the market price of our common stock caused by changes in our operating performance or prospects, including possible changes due to the cyclical nature of the aerospace industry and other factors such as fluctuations in OEM and aftermarket ordering, which could cause short-term swings in profit margins, or unrelated to our operating performance, including market conditions affecting the stock market generally or the stocks of aerospace companies more specifically.

**Future sales of our common stock in the public market could lower our share price.**

We may sell additional shares of common stock into the public markets or issue convertible debt securities to raise capital in the future. The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the public markets or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities to raise capital at a time and price that we deem appropriate.



**Our corporate documents and Delaware law contain certain provisions that could discourage, delay or prevent a change in control of our company.**

Provisions in our amended and restated certificate of incorporation and bylaws may discourage, delay or prevent a merger or acquisition involving us that our stockholders may consider favorable. For example, our amended and restated certificate of incorporation authorizes our Board of Directors to issue up to 149,600,000 shares of “blank check” preferred stock. Without stockholder approval, the Board of Directors has the authority to attach special rights, including voting and dividend rights, to this preferred stock. With these rights, holders of preferred stock could make it more difficult for a third party to acquire us. Our amended and restated certificate of incorporation also provides that the affirmative vote of the holders of at least 75% of the voting power of our issued and outstanding capital stock, voting together as a single class, is required for the alteration, amendment or repeal of certain provisions of our amended and restated certificate of incorporation and certain provisions of our amended and restated bylaws, including the provisions relating to our stockholders’ ability to call special meetings, notice provisions for stockholder business to be conducted at an annual meeting, requests for stockholder lists and corporate records, nomination and removal of directors, and filling of vacancies on our Board of Directors.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law. Under these provisions, if anyone becomes an “interested stockholder,” we may not enter into a “business combination” with that person for three years without special approval, which could discourage a third party from making a takeover offer and could delay or prevent a change of control. For purposes of Section 203, “interested stockholder” means, generally, someone owning 15% or more of our outstanding voting stock or an affiliate of ours that owned 15% or more of our outstanding voting stock during the past three years, subject to certain exceptions as described in Section 203.

**We do not pay regular quarterly or annual cash dividends on our stock.**

On October 15, 2012, July 3, 2013 and June 4, 2014 the Company’s board of directors authorized and declared special cash dividends of \$12.85, \$22.00 and \$25.00, respectively, on each outstanding share of common stock and cash dividend equivalent payments to holders of options under its stock option plans.

Notwithstanding the special cash dividends paid in October 2012, July 2013 and June 2014, we do not anticipate declaring or paying regular quarterly or annual cash dividends on our common stock or any other equity security in the foreseeable future. The amounts that may be available to us to pay future special cash dividends are restricted under our debt and other agreements. Any payment of special cash dividends on our common stock in the future will be at the discretion of our Board of Directors and will depend on our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions and other factors deemed relevant by our Board of Directors. Therefore, you should not rely on regular quarterly or annual dividend income from shares of our common stock and you should not rely on special dividends with any regularity or at all.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

TransDigm's owned properties as of September 30, 2014 are as follows:

| <u>Location</u>          | <u>Business Segment</u> | <u>Square Footage</u> |
|--------------------------|-------------------------|-----------------------|
| Liberty, SC              | Power & Control         | 219,000               |
| Waco, TX                 | Airframe                | 218,800               |
| Bridport, United Kingdom | Airframe                | 193,200               |
| Ingolstadt, Germany      | Power & Control         | 191,900               |
| Kent, OH                 | Airframe                | 185,000               |
| Phoenix, AZ              | Airframe                | 138,700               |
| Paks, Hungary            | Power & Control         | 137,800               |
| Los Angeles, CA          | Airframe                | 131,000               |
| Westbury, NY             | Power & Control         | 112,300               |
| Pinellas Park, FL        | Airframe                | 110,000               |
| Llangeinor, UK           | Airframe                | 110,000               |
| Letchworth, UK           | Airframe                | 88,200                |
| Placentia, CA            | Airframe                | 86,600                |
| Addison, IL              | Power & Control         | 83,300                |
| Painesville, OH          | Power & Control         | 63,900                |
| Clearwater, FL           | Airframe                | 61,000                |
| South Euclid, OH         | Power & Control         | 60,000                |
| Wichita, KS              | Power & Control         | 57,000                |
| Earlysville, VA          | Airframe                | 53,000                |
| Branford, CT             | Power & Control         | 52,000                |
| Avenel, NJ               | Power & Control         | 48,500                |
| Herstal, Belgium         | Airframe                | 45,700                |
| Valencia, CA             | Power & Control         | 38,000                |
| Pennsauken, NJ           | Airframe                | 38,000                |
| Rancho Cucamonga, CA     | Airframe                | 32,700                |
| Melaka, Malaysia         | Power & Control         | 24,800                |
| Deerfield Beach, FL      | Non-aviation            | 20,000                |

The properties listed above, except Bridport, Pinellas Park, Herstal, Branford, Valencia, Clearwater, Earlysville, Westbury and Melaka are subject to mortgage liens under our senior secured credit facility. The Pinellas Park property is currently vacant and under contract to sell. The Earlysville property is currently vacant.

TransDigm's leased properties as of September 30, 2014 are as follows:

| <u>Location</u>       | <u>Business Segment</u> | <u>Square Footage</u> |
|-----------------------|-------------------------|-----------------------|
| Santa Ana, CA         | Airframe                | 144,300               |
| Dayton, NV            | Airframe                | 144,000               |
| Everett, WA           | Airframe                | 121,000               |
| Whippany, NJ          | Power & Control         | 114,300               |
| Nittambuwa, Sri Lanka | Airframe                | 113,000               |
| Fullerton, CA         | Airframe                | 100,000               |
| Anaheim, CA           | Airframe                | 99,900                |

| <u>Location</u>              | <u>Business Segment</u> | <u>Square Footage</u> |
|------------------------------|-------------------------|-----------------------|
| Collegeville, PA .....       | Power & Control         | 90,000                |
| Kunshan, China .....         | Non-aviation            | 75,300                |
| Camarillo, CA .....          | Power & Control         | 70,000                |
| Elkart, IN .....             | Non-aviation            | 63,500                |
| Matamoros, Mexico .....      | Power & Control         | 60,500                |
| Tempe, AZ .....              | Power & Control         | 40,200                |
| Chongqing, China .....       | Airframe                | 37,700                |
| Northridge, CA .....         | Power & Control         | 35,000                |
| Erie, PA .....               | Airframe                | 30,300                |
| London, United Kingdom ..... | Airframe                | 27,400                |
| Nogales, Mexico .....        | Power & Control         | 27,000                |
| Bridgend, UK .....           | Airframe                | 24,800                |
| Pennsauken, NJ .....         | Airframe                | 23,900                |
| Cleveland, OH .....          | Corporate office        | 20,100                |
| Lake Elsinore, CA .....      | Airframe                | 16,100                |
| Cleveland, OH .....          | Power & Control         | 13,100                |
| Placentia, CA .....          | Airframe                | 8,400                 |
| Eloy, AZ .....               | Airframe                | 8,100                 |
| Brize Norton, UK .....       | Airframe                | 7,200                 |
| Westbury, NY .....           | Power & Control         | 6,800                 |
| Toulouse, France .....       | Airframe                | 5,400                 |
| Pasadena, CA .....           | Corporate office        | 5,300                 |

TransDigm also leases certain of its other non-material facilities. Management believes that our machinery, plants and offices are in satisfactory operating condition and that it will have sufficient capacity to meet foreseeable future needs without incurring significant additional capital expenditures.

### **ITEM 3. LEGAL PROCEEDINGS**

During the ordinary course of business, TransDigm is from time to time threatened with, or may become a party to, legal actions and other proceedings related to its businesses, products or operations. While TransDigm is currently involved in some legal proceedings, management believes the results of these proceedings will not have a material effect on its financial condition, results of operations, or cash flows.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

#### Market Information

Our common stock is traded on the New York Stock Exchange, or NYSE, under the ticker symbol "TDG." The following chart sets forth, for the periods indicated, the high and low sales prices of the common stock on the NYSE.

|  | <u>High</u> | <u>Low</u> |
|--|-------------|------------|
| <b>Fiscal 2013</b>                         |             |            |
| For Quarter ended December 29, 2012 .....  | \$152.62    | \$116.61   |
| For Quarter ended March 30, 2013 .....     | 153.12      | 132.41     |
| For Quarter ended June 29, 2013 .....      | 164.62      | 142.92     |
| For Quarter ended September 30, 2013 ..... | 164.40      | 134.48     |
| <b>Fiscal 2014</b>                         |             |            |
| For Quarter ended December 28, 2013 .....  | 162.95      | 136.86     |
| For Quarter ended March 29, 2014 .....     | 187.64      | 158.87     |
| For Quarter ended June 28, 2014 .....      | 198.29      | 162.20     |
| For Quarter ended September 30, 2014 ..... | 191.15      | 164.74     |

#### Holdings

On October 31, 2014, there were 41 stockholders of record of our common stock. We estimate that there were approximately 44,227 beneficial stockholders as of October 31, 2014, which includes an estimated amount of stockholders who have their shares held in their accounts by banks and brokers.

#### Dividends

In June 2014 TD Group's Board of Directors declared a special cash dividend of \$25.00 on each outstanding share of common stock. In July 2013 TD Group's Board of Directors declared a special cash dividend of \$22.00 on each outstanding share of common stock. Also, in October 2012 TD Group's Board of Directors declared a special cash dividend of \$12.85 on each outstanding share of common stock.

We do not anticipate declaring or paying regular quarterly or annual cash dividends on our common stock in the near future. Any payment of special cash dividends on our common stock in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, financial condition, future prospects, contractual restrictions under our debt documents, the availability of surplus under Delaware law and other factors deemed relevant by our Board of Directors. TD Group is a holding company and conducts all of its operations through direct and indirect subsidiaries. Unless TD Group receives dividends, distributions, advances, transfers of funds or other payments from our subsidiaries, TD Group will be unable to pay any dividends on our common stock in the future. The ability of any subsidiaries to take any of the foregoing actions is limited by the terms of our debt documents and may be limited by future debt or other agreements that we may enter into.

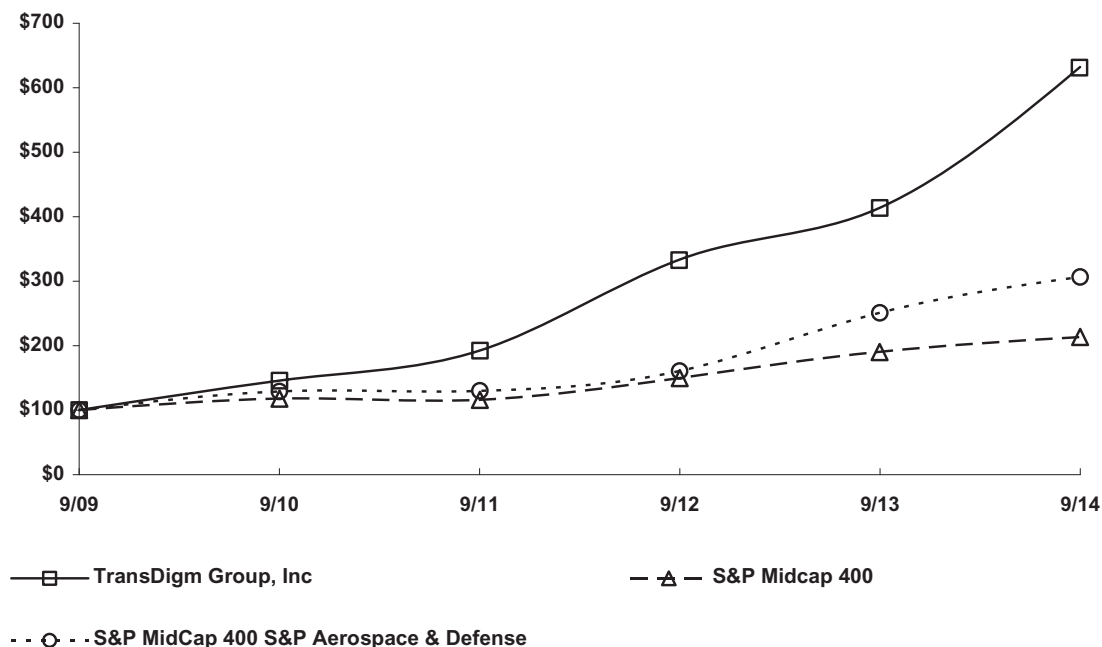
#### Performance Graph

Set forth below is a line graph comparing the cumulative total return of a hypothetical investment in the shares of common stock of TD Group with the cumulative total return of a hypothetical investment in each of the S&P Midcap 400 Index and the S&P MidCap 400 S&P Aerospace & Defense Index based on the respective market prices of each such investment on the dates shown below, assuming an initial investment of \$100 on September 30, 2009.

The following performance graph and related information shall not be deemed “soliciting material” nor to be “filed” with the SEC, nor shall such information be incorporated by reference into any future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except to the extent we specifically incorporate it by reference into such filing.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among TransDigm Group, Inc, the S&P Midcap 400 Index,  
and S&P MidCap 400 S&P Aerospace & Defense



\*\$100 invested on 9/30/09 in stock or index, including reinvestment of dividends.  
Fiscal year ending September 30.

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|  | 9/09   | 9/10   | 9/11   | 9/12   | 9/13   | 9/14   |
|--|--------|--------|--------|--------|--------|--------|
| TransDigm Group Incorporated           | 100.00 | 146.01 | 192.18 | 333.84 | 413.99 | 632.20 |
| S&P Midcap 400                         | 100.00 | 117.78 | 116.27 | 149.96 | 190.83 | 213.37 |
| S&P MidCap 400 S&P Aerospace & Defense | 100.00 | 129.41 | 129.49 | 160.54 | 251.24 | 306.39 |

### Purchases of Equity Securities by the Issuer or Affiliated Purchaser

On October 29, 2013, we announced a program replacing a previous program permitting us to repurchase a portion of our outstanding shares not to exceed \$200 million in the aggregate. During the year ended September 30, 2014, the Company repurchased 909,700 shares of its common stock at a gross cost of approximately \$159.9 million at a weighted-average price per share of \$175.68 per share. No repurchases were made under the program during the year ended September 30, 2013. On October 22, 2014 we announced a new program replacing this program permitting us to repurchase a portion of our outstanding shares not to exceed \$250 million in the aggregate.

## Equity Compensation Plan Information

| Plan category   | Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights<br>(a) | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights<br>(b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))<br>(c) |
|---|--|--|--|
| Equity compensation plans approved by security holders <sup>(1)</sup> ..... | 5,652,615  | \$80.10  | 6,687,222  |

(1) Includes information related to the 2003 stock option plan, the 2006 stock incentive plan and the 2014 stock option plan, each as described below.

### *2003 Stock Option Plan*

In connection with the acquisition of the Company by Warburg Pincus in 2003, TD Group adopted a stock option plan for the benefit of our employees. The stock option plan has been amended and restated on several occasions, most recently effective as of July 18, 2008 and we refer to such stock option plan as it is currently in effect as the 2003 stock option plan. As of September 30, 2014, there were options to purchase 324,511 shares of TD Group common stock outstanding. As of September 30, 2013, there were no shares available for issuance under options not yet granted. The stock option plan has expired and no further grants will be made from the plan.

### *2006 Stock Incentive Plan*

Prior to the consummation of its initial public offering, TD Group adopted a new stock incentive plan, which was amended most recently on March 3, 2011. The plan is designed to assist us in attracting, retaining, motivating and rewarding key employees, directors or consultants, and promoting the creation of long-term value for stockholders of TD Group by closely aligning the interests of these individuals with those of our stockholders. The 2006 stock incentive plan permits TD Group to award our key employees, directors or consultants stock options, restricted stock and other stock-based incentives. The total number of shares of TD Group common stock reserved for issuance or delivery under the 2006 stock incentive plan is 8,119,668, subject to adjustment in the event of any stock dividend or split, reorganization, recapitalization, merger, share exchange or any other similar corporate transaction or event. As of September 30, 2014, there were 23,989 shares of common stock issued and outstanding under the 2006 stock incentive plan that had been issued to directors. In addition, options to purchase 6,408,457 shares had been issued thereunder, of which 5,328,104 were outstanding. As of September 30, 2014, there were 1,687,222 shares available for issuance under awards not yet granted. The stock incentive plan will expire on March 14, 2016 and no further shares will be granted under the plan thereafter.

### *2014 Stock Option Plan*

In July 2014, the board of directors of TD Group adopted a new stock option plan, which was subsequently approved by stockholders on October 2, 2014. The plan is designed to assist us in attracting, retaining, motivating and rewarding key employees, directors or consultants, and promoting the creation of long-term value for stockholders of TD Group by closely aligning the interests of these individuals with those of our stockholders. The 2014 stock option plan permits TD Group to award our key employees, directors or consultants stock options. The total number of shares of TD Group common stock reserved for issuance or delivery under the 2014 stock option plan is 5,000,000, subject to adjustment in the event of any stock dividend or split, reorganization, recapitalization, merger, share exchange or any other similar corporate transaction or event. As of September 30, 2014, there were no options to purchase shares issued thereunder.

## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected historical consolidated financial and other data of TD Group for the fiscal years ended September 30, 2010 to 2014 which have been derived from TD Group's audited consolidated financial statements.

Separate historical financial information of TransDigm Inc. is not presented since the 2018 Notes, 2020 Notes, 2021 Notes, 2022 Notes and the 2024 Notes are guaranteed by TD Group and all direct and indirect domestic restricted subsidiaries of TransDigm Inc. and since TD Group has no operations or significant assets separate from its investment in TransDigm Inc.

Acquisitions of businesses and product lines completed by TD Group during the last five fiscal years are as follows:

- On December 2, 2009, Dukes Aerospace, Inc., a newly formed subsidiary of TransDigm Inc., acquired certain assets and liabilities from Dukes, Inc. and GST Industries, Inc.
- On September 3, 2010, TransDigm Inc. acquired all of the outstanding capital stock of Semco Instruments, Inc.
- On December 6, 2010, TransDigm Inc. acquired all of the outstanding capital stock of McKechnie Aerospace Holdings, Inc.
- On December 31, 2010, AeroControlex Group, Inc., a subsidiary of TransDigm Inc., acquired the actuation business of Telair International, Inc.
- On August 31, 2011, TransDigm Inc. acquired all of the outstanding limited liability units of Schneller Holdings LLC.
- On December 9, 2011, TransDigm Inc. acquired all of the outstanding capital stock of Harco Laboratories, Incorporated.
- On February 15, 2012, TransDigm Inc. acquired all of the outstanding capital stock of AmSafe Global Holdings, Inc.
- On September 17, 2012, TransDigm Inc. acquired all of the outstanding limited liability units of Aero-Instruments Co., LLC.
- On June 5, 2013, Buccaneer Acquisition Sub Inc., a subsidiary of TransDigm Inc., completed the tender offer of a majority of the outstanding stock of Aerosonic Corporation ("Aerosonic"). Buccaneer Acquisition Sub Inc. was subsequently merged into Aerosonic Corporation on June 10, 2013; in connection therewith, all outstanding shares of Aerosonic were cancelled and Aerosonic became a wholly owned subsidiary of TransDigm Inc.
- On June 5, 2013, TransDigm Inc. acquired all of the outstanding stock of Arkwin Industries, Inc. ("Arkwin").
- On June 28, 2013, Whippany Actuation Systems, LLC, a newly formed subsidiary of TransDigm Inc., acquired assets from GE Aviation's Electromechanical Actuation Division ("Whippany Actuation").
- On December 19, 2013, TransDigm Inc. acquired all of the outstanding stock of Airborne Global Inc. ("Airborne").
- On March 6, 2014, TransDigm Germany GmbH, a newly formed subsidiary of TransDigm Inc., acquired Elektro-Metall Export GmbH ("EME").

All of the acquisitions were accounted for using the acquisition method. The results of operations of the acquired businesses and product lines are included in TD Group's consolidated financial statements from the date of each of the acquisitions.

## Non-GAAP Financial Measures

We present below certain financial information based on our EBITDA and EBITDA As Defined. References to “EBITDA” mean earnings before interest, taxes, depreciation and amortization, and references to “EBITDA As Defined” mean EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliations of net income to EBITDA and EBITDA As Defined and the reconciliations of net cash provided by operating activities to EBITDA and EBITDA As Defined presented below.

Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under accounting principles generally accepted in the United States of America (“GAAP”). We present EBITDA and EBITDA As Defined because we believe they are useful indicators for evaluating operating performance and liquidity.

Our management believes that EBITDA and EBITDA As Defined are useful as indicators of liquidity because securities analysts, investors, rating agencies and others use EBITDA to evaluate a company’s ability to incur and service debt. In addition, EBITDA As Defined is useful to investors because the revolving credit facility under our senior secured credit facility requires compliance under certain circumstances, on a pro forma basis, with a financial covenant that measures the ratio of the amount of our secured indebtedness to the amount of our Consolidated EBITDA defined in the same manner as we define EBITDA As Defined herein.

In addition to the above, our management uses EBITDA As Defined to review and assess the performance of the management team in connection with employee incentive programs and to prepare its annual budget and financial projections. Moreover, our management uses EBITDA As Defined to evaluate acquisitions.

Although we use EBITDA and EBITDA As Defined as measures to assess the performance of our business and for the other purposes set forth above, the use of these non-GAAP financial measures as analytical tools has limitations, and you should not consider any of them in isolation, or as a substitute for analysis of our results of operations as reported in accordance with GAAP. Some of these limitations are:

- neither EBITDA nor EBITDA As Defined reflects the significant interest expense, or the cash requirements necessary to service interest payments, on our indebtedness;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and neither EBITDA nor EBITDA As Defined reflects any cash requirements for such replacements;
- the omission of the substantial amortization expense associated with our intangible assets further limits the usefulness of EBITDA and EBITDA As Defined;
- neither EBITDA nor EBITDA As Defined includes the payment of taxes, which is a necessary element of our operations; and
- EBITDA As Defined excludes the cash expense we have incurred to integrate acquired businesses into our operations, which is a necessary element of certain of our acquisitions.

Because of these limitations, EBITDA and EBITDA As Defined should not be considered as measures of discretionary cash available to us to invest in the growth of our business. Management compensates for these limitations by not viewing EBITDA or EBITDA As Defined in isolation and specifically by using other GAAP measures, such as net income, net sales and operating profit, to measure our operating performance. Neither EBITDA nor EBITDA As Defined is a measurement of financial performance under GAAP, and neither should be considered as an alternative to net income or cash flow from operations determined in accordance with GAAP. Our calculation of EBITDA and EBITDA As Defined may not be comparable to the calculation of similarly titled measures reported by other companies.



The information presented below should be read together with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and accompanying notes included elsewhere herein.

|   | Fiscal Years Ended<br>September 30,       |             |             |             |           |
|---|---|-------------|-------------|-------------|-----------|
|   | 2014                                      | 2013        | 2012        | 2011        | 2010      |
|   | (in thousands, except per share amounts ) |             |             |             |           |
| <b>Statement of Income Data:</b>  |   |             |             |             |           |
| Net Sales . . . . .   | \$2,372,906                               | \$1,924,400 | \$1,700,208 | \$1,206,021 | \$827,654 |
| Gross profit <sup>(1)</sup> . . . . .   | 1,267,874                                 | 1,049,562   | 945,717     | 661,185     | 473,066   |
| Selling and administrative expenses . . . . .   | 276,446                                   | 254,468     | 201,709     | 133,711     | 94,918    |
| Amortization of intangible assets . . . . .   | 63,608                                    | 45,639      | 44,233      | 40,339      | 15,079    |
| Income from operations <sup>(1)</sup> . . . . .   | 927,820                                   | 749,455     | 699,775     | 487,135     | 363,069   |
| Interest expense—net . . . . .  | 347,688                                   | 270,685     | 211,906     | 185,256     | 112,234   |
| Refinancing costs . . . . .   | 131,622                                   | 30,281      | —           | 72,454      | —         |
| Income from continuing operations before income taxes . . . . .                         | 448,510                                   | 448,489     | 487,869     | 229,425     | 250,835   |
| Income tax provision . . . . .  | 141,600                                   | 145,700     | 162,900     | 77,200      | 87,390    |
| Income from continuing operations . . . . .   | 306,910                                   | 302,789     | 324,969     | 152,225     | 163,445   |
| Income from discontinued operations, net of tax . . . . .                               | —   | —           | —           | 19,909      | —         |
| Net income . . . . .  | \$ 306,910                                | \$ 302,789  | \$ 324,969  | \$ 172,134  | \$163,445 |
| Net income applicable to common stock . . . . .   | \$ 180,284                                | \$ 131,546  | \$ 321,670  | \$ 169,323  | \$133,132 |
| <b>Denominator for basic and diluted earnings per share under the two-class method:</b> |   |             |             |             |           |
| Weighted-average common shares outstanding . . . . .                                    | 52,748                                    | 52,258      | 50,996      | 49,888      | 49,171    |
| Vested options deemed participating securities . . . . .                                | 4,245                                     | 2,822       | 2,886       | 3,445       | 3,752     |
| Total shares for basic and diluted earnings per share . . . . .                         | 56,993                                    | 55,080      | 53,882      | 53,333      | 52,923    |
| <b>Net earnings per share:</b>  |   |             |             |             |           |
| Net earnings per share from continuing operations-basic and diluted . . . . .           | \$ 3.16                                   | \$ 2.39     | \$ 5.97     | \$ 2.80     | \$ 2.52   |
| Net earnings per share from discontinued operations-basic and diluted . . . . .         | —   | —           | —           | 0.37        | —         |
| Net earnings per share <sup>(2)</sup> . . . . .   | \$ 3.16                                   | \$ 2.39     | \$ 5.97     | \$ 3.17     | \$ 2.52   |
| Cash dividends paid per common share . . . . .  | \$ 25.00                                  | \$ 34.85    | \$ —        | \$ —        | \$ 7.65   |

|   | As of September 30, |            |            |            |            |
|---|---------------------|------------|------------|------------|------------|
|   | 2014                | 2013       | 2012       | 2011       | 2010       |
|   | (in thousands)      |            |            |            |            |
| <b>Balance Sheet Data:</b>                          |                     |            |            |            |            |
| Cash and cash equivalents . . . . .                 | \$ 819,548          | \$ 564,740 | \$ 440,524 | \$ 376,183 | \$ 234,112 |
| Working capital . . . . .                           | 1,103,669           | 997,995    | 816,616    | 663,433    | 470,496    |
| Total assets . . . . .                              | 6,756,848           | 6,148,879  | 5,459,617  | 4,513,636  | 2,677,818  |
| Long-term debt, including current portion . . . . . | 7,473,131           | 5,731,238  | 3,619,125  | 3,138,375  | 1,771,646  |
| Stockholders’ (deficit) equity . . . . .            | (1,556,099)         | (359,381)  | 1,218,834  | 810,949    | 592,979    |

|   | Fiscal Years Ended September 30, |            |            |             |            |
|---|----------------------------------|------------|------------|-------------|------------|
|   | 2014                             | 2013       | 2012       | 2011        | 2010       |
|   | (in thousands)                   |            |            |             |            |
| <b>Other Financial Data:</b>                                |                                  |            |            |             |            |
| Cash flows provided by (used in):                           |                                  |            |            |             |            |
| Operating activities . . . . .                              | \$ 541,222                       | \$ 470,205 | \$ 413,885 | \$ 260,386  | \$ 197,304 |
| Investing activities . . . . .                              | (329,638)                        | (502,442)  | (876,292)  | (1,397,028) | (176,559)  |
| Financing activities . . . . .                              | 43,973                           | 156,195    | 527,186    | 1,278,521   | 23,200     |
| Depreciation and amortization . . . . .                     | 96,385                           | 73,515     | 68,227     | 60,460      | 30,165     |
| Capital expenditures . . . . .                              | 34,146                           | 35,535     | 25,246     | 18,026      | 12,887     |
| Ratio of earnings to fixed charges <sup>(3)</sup> . . . . . | 2.3x                             | 2.6x       | 3.3x       | 2.2x        | 3.2x       |
| <b>Other Data:</b>  |                                  |            |            |             |            |
| EBITDA <sup>(4)</sup> . . . . .                             | \$ 892,583                       | \$ 792,689 | \$ 768,002 | \$ 475,141  | \$ 393,234 |
| EBITDA As Defined <sup>(4)</sup> . . . . .                  | \$1,073,207                      | \$ 900,278 | \$ 809,019 | \$ 589,874  | \$ 411,609 |

- (1) Gross profit and income from operations include the effect of charges relating to purchase accounting adjustments to inventory associated with the acquisition of various businesses and product lines for the fiscal years ended September 30, 2014, 2013, 2012, 2011 and 2010 of \$10,441,000, \$7,352,000, \$12,882,000, \$18,073,000, and \$4,794,000, respectively.
- (2) Net earnings per share is calculated by dividing net income applicable to common stock by the basic and diluted weighted average common shares outstanding.
- (3) For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings from continuing operations before income taxes plus fixed charges. Fixed charges consist of interest expense, amortization of debt issuance costs and the portion (approximately 33%) of rental expense that management believes is representative of the interest component of rental expense.
- (4) EBITDA represents earnings from continuing operations before interest, taxes, depreciation and amortization. EBITDA As Defined represents EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliation of net income to EBITDA and EBITDA As Defined and the reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined presented below. See “Non-GAAP Financial Measures” for additional information and limitations regarding these non-GAAP financial measures.

The following table sets forth a reconciliation of net income to EBITDA and EBITDA As Defined:

|   | Fiscal Years Ended September 30, |           |           |           |           |
|---|----------------------------------|-----------|-----------|-----------|-----------|
|   | 2014                             | 2013      | 2012      | 2011      | 2010      |
|   | (in thousands)                   |           |           |           |           |
| Net income  | \$ 306,910                       | \$302,789 | \$324,969 | \$172,134 | \$163,445 |
| Less income from discontinued operations                        | —                                | —         | —         | 19,909    | —         |
| Income from continuing operations                               | 306,910                          | 302,789   | 324,969   | 152,225   | 163,445   |
| Adjustments:  |                                  |           |           |           |           |
| Depreciation and amortization expense                           | 96,385                           | 73,515    | 68,227    | 60,460    | 30,165    |
| Interest expense, net   | 347,688                          | 270,685   | 211,906   | 185,256   | 112,234   |
| Income tax provision  | 141,600                          | 145,700   | 162,900   | 77,200    | 87,390    |
| EBITDA, excluding discontinued operations                       | 892,583                          | 792,689   | 768,002   | 475,141   | 393,234   |
| Adjustments:  |                                  |           |           |           |           |
| Inventory purchase accounting adjustments <sup>(1)</sup>        | 10,441                           | 7,352     | 12,882    | 18,073    | 4,794     |
| Acquisition integration costs <sup>(2)</sup>                    | 7,424                            | 10,942    | 7,896     | 11,821    | 4,171     |
| Acquisition transaction-related expenses <sup>(3)</sup>         | 3,480                            | 8,139     | 5,880     | 2,817     | 2,717     |
| Acquisition earnout adjustments <sup>(4)</sup>                  | —                                | —         | (5,000)   | (3,000)   | —         |
| Other acquisition accounting adjustments                        | —                                | —         | (2,792)   | —         | —         |
| Non-cash stock and deferred compensation expense <sup>(5)</sup> | 26,332                           | 48,884    | 22,151    | 12,568    | 6,693     |
| Net gain on sale of real estate                                 | (804)                            | —         | —         | —         | —         |
| Refinancing costs <sup>(6)</sup>                                | 131,622                          | 30,281    | —         | 72,454    | —         |
| Other nonrecurring charges                                      | 2,129                            | 1,991     | —         | —         | —         |
| EBITDA As Defined   | \$1,073,207                      | \$900,278 | \$809,019 | \$589,874 | \$411,609 |

- (1) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.
- (2) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.
- (3) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.
- (4) Represents the reversal of the earn-out liability related to the Dukes Aerospace acquisition based on lower growth projections relative to the required growth targets of the four-year earn-out arrangement.
- (5) Represents the compensation expense recognized by TD Group under our stock option and deferred compensation plans.
- (6) For the period ended September 30, 2014, represents debt issue costs including the premium paid to redeem our 2018 Notes in June 2014. For the period September 30, 2013 represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013. For the period ended September 30, 2011, represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7¾% senior subordinated notes due 2014, the write off of debt issue costs and unamortized note premium and discount and settlement of the interest rate swap agreement and other expenses.

The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined:

|   | Fiscal Years Ended September 30, |                  |                  |                  |                  |
|---|----------------------------------|------------------|------------------|------------------|------------------|
|   | 2014                             | 2013             | 2012             | 2011             | 2010             |
|   | (in thousands)                   |                  |                  |                  |                  |
| Net Cash Provided by Operating Activities . . . . .             | \$ 541,222                       | \$470,205        | \$413,885        | \$260,386        | \$197,304        |
| Adjustments:  |                                  |                  |                  |                  |                  |
| Changes in assets and liabilities, net of effects               |                                  |                  |                  |                  |                  |
| from acquisitions of businesses . . . . .                       | (27,967)                         | (71,618)         | (11,749)         | (30,874)         | (4,971)          |
| Net gain on sale of real estate . . . . .                       | 804                              | —                | —                | —                | —                |
| Interest expense, net <sup>(1)</sup> . . . . .                  | 333,753                          | 258,752          | 199,362          | 175,414          | 104,656          |
| Income tax provision—current . . . . .                          | 151,016                          | 148,314          | 138,100          | 130,109          | 85,490           |
| Non-cash stock and deferred compensation                        |                                  |                  |                  |                  |                  |
| expense <sup>(2)</sup> . . . . .                                | (26,332)                         | (48,884)         | (22,151)         | (12,574)         | (6,704)          |
| Excess tax benefit from exercise of stock                       |                                  |                  |                  |                  |                  |
| options . . . . .   | 51,709                           | 66,201           | 50,555           | 23,411           | 17,459           |
| Refinancing costs <sup>(3)</sup> . . . . .                      | (131,622)                        | (30,281)         | —                | (72,454)         | —                |
| EBITDA . . . . .  | 892,583                          | 792,689          | 768,002          | 473,418          | 393,234          |
| Adjustments:  |                                  |                  |                  |                  |                  |
| Inventory purchase accounting                                   |                                  |                  |                  |                  |                  |
| adjustments <sup>(4)</sup> . . . . .                            | 10,441                           | 7,352            | 12,882           | 21,828           | 4,794            |
| Acquisition integration costs <sup>(5)</sup> . . . . .          | 7,424                            | 10,942           | 7,896            | 11,821           | 4,171            |
| Acquisition transaction-related expenses <sup>(6)</sup> . . . . | 3,480                            | 8,139            | 5,880            | 2,817            | 2,717            |
| Acquisition earnout adjustments <sup>(7)</sup> . . . . .        | —                                | —                | (5,000)          | (3,000)          | —                |
| Other acquisition accounting adjustments . . . .                | —                                | —                | (2,792)          | —                | —                |
| Non-cash stock and deferred compensation                        |                                  |                  |                  |                  |                  |
| expense <sup>(2)</sup> . . . . .                                | 26,332                           | 48,884           | 22,151           | 12,568           | 6,693            |
| Net gain on sale of real estate . . . . .                       | (804)                            | —                | —                | —                | —                |
| Refinancing costs <sup>(3)</sup> . . . . .                      | 131,622                          | 30,281           | —                | 72,454           | —                |
| Other nonrecurring charges . . . . .                            | 2,129                            | 1,991            | —                | —                | —                |
| EBITDA from discontinued operations . . . . .                   | —                                | —                | —                | (2,032)          | —                |
| EBITDA As Defined . . . . .                                     | <u>\$1,073,207</u>               | <u>\$900,278</u> | <u>\$809,019</u> | <u>\$589,874</u> | <u>\$411,609</u> |

- (1) Represents interest expense excluding the amortization of debt issue costs and note premium and discount.
- (2) Represents the compensation expense recognized by TD Group under our stock option and deferred compensation plans.
- (3) For the period ended September 30, 2014, represents debt issue costs including the premium paid to redeem our 2018 Notes in June 2014. For the period ended September 30, 2013, represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013. For the period ended September 30, 2011, represents costs incurred in connection with the refinancing in December 2010, including the premium paid to redeem our 7¾% senior subordinated notes due 2014, the write off of debt issue costs and unamortized note premium and discount and settlement of the interest rate swap agreement and other expenses.
- (4) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.
- (5) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.
- (6) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.
- (7) Represents the reversal of the earn-out liability related to the Dukes Aerospace acquisition based on lower growth projections relative to the required growth targets of the four-year earn-out arrangement.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion of our financial condition and results of operations should be read together with "Selected Financial Data" and TD Group's consolidated financial statements and the related notes included elsewhere in this report. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed under the heading entitled "Risk Factors" included elsewhere in this report. These risks could cause our actual results to differ materially from any future performance suggested below.*

### Overview

We believe we are a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. Our business is well diversified due to the broad range of products we offer to our customers. Some of our more significant product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology and military personnel parachutes and cargo delivery systems. Each of these product offerings is composed of many individual products that are typically customized to meet the needs of a particular aircraft platform or customer.

### *Long-term Sustainable Growth*

For fiscal year 2014, we generated net sales of \$2,372.9 million, gross profit of \$1,267.9 million or 53.4% of sales, and net income of \$306.9 million. We believe we have achieved steady, long-term growth in sales and improvements in operating performance since our formation in 1993 due to our competitive strengths and through execution of our value-driven operating strategy. More specifically, focusing our businesses on our value-driven operating strategy of obtaining profitable new business, carefully controlling the cost structure and pricing our highly engineered value-added products to fairly reflect the value we provide and the resources required to do so has historically resulted in improvements in gross profit and income from operations over the long term.

Our selective acquisition strategy has also contributed to the growth of our business. The integration of certain acquisitions into our existing businesses combined with implementing our proven operating strategy has historically resulted in improvements of the financial performance of the acquired business.

Our key competitive strengths and the elements of our business strategy are set forth in more detail below.

We believe our key competitive strengths include:

***Large and Growing Installed Product Base with Aftermarket Revenue Stream.*** We provide components to a large and growing installed base of aircraft to which we supply aftermarket products. We estimate that our products are installed on approximately 93,000 commercial transport, regional transport, military and general aviation fixed wing turbine aircraft and rotary wing aircraft.

***Diversified Revenue Base.*** We believe that our diversified revenue base reduces our dependence on any particular product, platform or market channel and has been a significant factor in maintaining our financial performance. Our products are installed on almost all of the major commercial aircraft platforms now in production. We expect to continue to develop new products for military and commercial applications.

**Significant Barriers to Entry.** We believe that the niche nature of our markets, the industry’s stringent regulatory and certification requirements, the large number of products that we sell and the investments necessary to develop and certify products create barriers to entry for potential competitors.

Our business strategy is made up of two key elements: (1) a value-driven operating strategy focused around our three core value drivers and (2) a selective acquisition strategy.

**Value-Driven Operating Strategy.** Our three core value drivers are:

- *Obtaining Profitable New Business.* We attempt to obtain profitable new business by using our technical expertise and application skill and our detailed knowledge of our customer base and the individual niche markets in which we operate. We have regularly been successful in identifying and developing both aftermarket and OEM products to drive our growth.
- *Improving Our Cost Structure.* We are committed to maintaining and continuously improving our lean cost structure through detailed attention to the cost of each of the products that we offer and our organizational structure, with a focus on reducing the cost of each.
- *Providing Highly Engineered Value-Added Products to Customers.* We focus on the engineering, manufacturing and marketing of a broad range of highly engineered niche products that we believe provide value to our customers. We believe we have been consistently successful in communicating to our customers the value of our products. This has generally enabled us to price our products to fairly reflect the value we provide and the resources required to do so.

**Selective Acquisition Strategy.** We selectively pursue the acquisition of proprietary aerospace component businesses when we see an opportunity to create value through the application of our three core value-driven operating strategies. The aerospace industry, in particular, remains highly fragmented, with many of the companies in the industry being small private businesses or small non-core operations of larger businesses. We have significant experience among our management team in executing acquisitions and integrating acquired businesses into our company and culture. As of the date of this report, we have successfully acquired 49 businesses and/or product lines since our formation in 1993. Many of these acquisitions have been integrated into an existing TransDigm production facility, which enables a higher production capacity utilization, which in turn improves gross profit levels due to the ability to spread the fixed manufacturing overhead costs over higher production volume.

Acquisitions and divestitures during the previous three fiscal years are more fully described in Note 2, “Acquisitions” in the notes to the consolidated financial statements included herein.

## EBITDA and EBITDA As Defined

The following table sets forth a reconciliation of net income to EBITDA and EBITDA As Defined:

|  | Fiscal Years Ended<br>September 30, |                  |
|--|-------------------------------------|------------------|
|  | 2014                                | 2013             |
|  | (in thousands)                      |                  |
| Net income   | \$ 306,910                          | \$302,789        |
| Adjustments:   |                                     |                  |
| Depreciation and amortization expense                    | 96,385                              | 73,515           |
| Interest expense, net                                    | 347,688                             | 270,685          |
| Income tax provision                                     | 141,600                             | 145,700          |
| EBITDA   | 892,583                             | 792,689          |
| Adjustments:   |                                     |                  |
| Inventory purchase accounting adjustments <sup>(2)</sup> | 10,441                              | 7,352            |
| Acquisition integration costs <sup>(3)</sup>             | 7,424                               | 10,942           |
| Acquisition transaction-related expenses <sup>(4)</sup>  | 3,480                               | 8,139            |
| Non-cash stock compensation expense <sup>(5)</sup>       | 26,332                              | 48,884           |
| Net gain on sale of real estate                          | (804)                               | —                |
| Refinancing costs <sup>(6)(7)</sup>                      | 131,622                             | 30,281           |
| Other nonrecurring charges                               | 2,129                               | 1,991            |
| EBITDA As Defined <sup>(1)</sup>                         | <u>\$1,073,207</u>                  | <u>\$900,278</u> |

- (1) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA As Defined represents EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliation of net income to EBITDA and EBITDA As Defined. See “Non-GAAP Financial Measures” for additional information and limitations regarding these non-GAAP financial measures.
- (2) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.
- (3) Represents costs incurred to integrate acquired businesses and product lines into TD Group’s operations, facility relocation costs and other acquisition-related costs.
- (4) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.
- (5) Represents the compensation expense recognized by TD Group under our stock option plans.
- (6) Represents debt issue costs expensed in conjunction with the repurchase of the 2018 Notes in June 2014.
- (7) Represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.

The following table sets forth a reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined:

|   | Fiscal Years Ended<br>September 30, |                  |
|---|-------------------------------------|------------------|
|   | 2014                                | 2013             |
|   | (in thousands)                      |                  |
| Net Cash Provided by Operating Activities   | \$ 541,222                          | \$470,205        |
| Adjustments:  |                                     |                  |
| Changes in assets and liabilities, net of effects from acquisitions of businesses | (27,967)                            | (71,618)         |
| Net gain on sale of real estate   | 804                                 | —                |
| Interest expense, net <sup>(1)</sup>  | 333,753                             | 258,752          |
| Income tax provision—current  | 151,016                             | 148,314          |
| Non-cash stock compensation expense <sup>(2)</sup>                                | (26,332)                            | (48,884)         |
| Excess tax benefit from exercise of stock options                                 | 51,709                              | 66,201           |
| Refinancing costs <sup>(3)(4)</sup>   | (131,622)                           | (30,281)         |
| EBITDA <sup>(5)</sup>   | 892,583                             | 792,689          |
| Adjustments:  |                                     |                  |
| Inventory purchase accounting adjustments <sup>(6)</sup>                          | 10,441                              | 7,352            |
| Acquisition integration costs <sup>(7)</sup>                                      | 7,424                               | 10,942           |
| Acquisition transaction-related expenses <sup>(8)</sup>                           | 3,480                               | 8,139            |
| Non-cash stock compensation expense <sup>(2)</sup>                                | 26,332                              | 48,884           |
| Net gain on sale of real estate   | (804)                               | —                |
| Refinancing costs <sup>(3)(4)</sup>   | 131,622                             | 30,281           |
| Other nonrecurring charges  | 2,129                               | 1,991            |
| EBITDA As Defined <sup>(5)</sup>  | <u>\$1,073,207</u>                  | <u>\$900,278</u> |

- (1) Represents interest expense excluding the amortization of debt issue costs and note premium and discount.
- (2) Represents the compensation expense recognized by TD Group under our stock option plans.
- (3) Represents debt issue costs expensed in conjunction with the repurchase of the 2018 Notes in June 2014.
- (4) Represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.
- (5) EBITDA represents earnings before interest, taxes, depreciation and amortization. EBITDA As Defined represents EBITDA plus, as applicable for each relevant period, certain adjustments as set forth in the reconciliation of net cash provided by operating activities to EBITDA and EBITDA As Defined. See “Non-GAAP Financial Measures” for additional information and limitations regarding these non-GAAP financial measures.
- (6) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.
- (7) Represents costs incurred to integrate acquired businesses and product lines into TD Group’s operations, facility relocation costs and other acquisition-related costs.
- (8) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.

### Trend Information

We predominantly serve customers in the commercial, regional, business jet and general aviation aftermarket, which accounts for approximately 37% of total sales; the commercial aerospace OEM market, comprising large commercial transport manufacturers and regional and business jet manufacturers, which accounts for approximately 28% of total sales; and the defense market, which accounts for approximately 30% of total sales. Non-aerospace sales comprise approximately 5% of our total sales.



The commercial aerospace industry, including the aftermarket and OEM market, is impacted by the health of the global economy and geo-political events around the world. The commercial aerospace industry had shown strength with increases in revenue passenger miles, or RPMs, between 2003 and 2008, as well as increases in OEM production and backlog. However, in 2009, the global economic downturn negatively impacted the commercial aerospace industry causing RPMs to decline slightly. This market sector began to rebound in 2010 and positive growth has continued thru 2014 with increases in RPMs, as well as the growth in the large commercial OEM sector (aircraft with 100 or more seats) with order announcements by The Boeing Company and Airbus S.A.S. leading to planned increases in production. The 2015 leading indicators and industry consensus suggest a continuation of current trends in the commercial transport market sector supported by continued RPM growth and increases in production at the OEM level.

The defense aerospace market is dependent on government budget constraints, the timing of orders and the extent of global conflicts. It is not necessarily affected by general economic conditions that affect the commercial aerospace industry.

Our presence in both the commercial aerospace and military sectors of the aerospace industry may mitigate the impact on our business of any specific industry risk. We service a diversified customer base in the commercial and military aerospace industry, and we provide components to a diverse installed base of aircraft, which mitigates our exposure to any individual airframe platform. At times, declines in sales in one channel have been offset by increased sales in another. However, due to differences between the profitability of our products sold to OEM and aftermarket customers, variation in product mix can cause variation in gross margin.

There are many short-term factors (including inventory corrections, unannounced changes in order patterns, strikes and mergers and acquisitions) that can cause short-term disruptions in our quarterly shipment patterns as compared to previous quarters and the same periods in prior years. As such, it can be difficult to determine longer-term trends in our business based on quarterly comparisons. To normalize for short-term fluctuations, we tend to look at our performance over several quarters or years of activity rather than discrete short-term periods.

There are also fluctuations in OEM and aftermarket ordering and delivery requests from quarter-to-quarter, as well as variations in product mix from quarter-to-quarter, that may cause positive or negative variations in gross profit margins since commercial aftermarket sales have historically produced a higher gross margin than sales to commercial OEMs. Again, in many instances these are timing events between quarters and must be balanced with macro aerospace industry indicators.

### ***Commercial Aftermarket***

The key growth factors in the commercial aftermarket include worldwide RPMs and the size and activity level of the worldwide fleet of aircraft. After a decline in RPMs in 2009, worldwide RPMs returned to growth between 2010 and 2014 and current industry consensus indicates that positive RPM growth will continue in 2015.

### ***Commercial OEM Market***

The commercial transport market sector continued to grow during 2014. Our commercial transport OEM shipments and revenues generally run ahead of the Boeing and Airbus airframe delivery schedules. As a result and consistent with prior years, our fiscal 2015 shipments will be a function of, among other things, the estimated 2015 and 2016 commercial airframe production rates. We have been experiencing increased sales in the large commercial OEM sector (aircraft with 100 or more seats) driven by an increase in production by The Boeing Company and Airbus S.A.S tied to previous order announcements. Industry consensus indicates this production increase will continue in 2015 and 2016, though the growth may moderate and begin to flatten.

The business jet OEM market significantly declined between 2008 and 2010, impacted by the slowdown in economic growth, corporate profits, commodity prices and stock market returns across the world. However, the business jet OEM market started to modestly recover in 2012, but has remained sluggish through 2014 and could show modest growth in 2015.

### ***Defense***

Our military business fluctuates from year to year, and is dependent, to a degree, on government budget constraints, the timing of orders and the extent of global conflicts. In recent years, defense spending has reached historic highs, due in part to the military engagements in Afghanistan and Iraq and the war on terrorism. For a variety of reasons, the military spending outlook is very uncertain. For planning purposes we assume that military related sales of our types of products to be flat to modestly down in future years over the recent high levels.

### **Critical Accounting Policies**

Our consolidated financial statements have been prepared in conformity with GAAP, which often requires the judgment of management in the selection and application of certain accounting principles and methods. Management believes that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, investors are cautioned that the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

Below are those policies applied in preparing our financial statements that management believes are the most dependent on the application of estimates and assumptions. For additional accounting policies, see Note 3, "Summary of Significant Accounting Policies" in the notes to the consolidated financial statements included herein.

*Revenue Recognition and Related Allowances:* Revenue is recognized from the sale of products when title and risk of loss passes to the customer, which is generally at the time of shipment. Substantially all product sales are made pursuant to firm, fixed-price purchase orders received from customers. Collectability of amounts recorded as revenue is reasonably assured at the time of sale. Provisions for returns, uncollectible accounts and the cost of repairs under contract warranty provisions are provided for in the same period as the related revenues are recorded and are principally based on historical results modified, as appropriate, by the most current information available. We have a history of making reasonably dependable estimates of such allowances; however, due to uncertainties inherent in the estimation process, it is possible that actual results may vary from the estimates and the differences could be material.

Management estimates the allowance for doubtful accounts based on the aging of the accounts receivable and customer creditworthiness. The allowance also incorporates a provision for the estimated impact of disputes with customers. Management's estimate of the allowance amounts that are necessary includes amounts for specifically identified credit losses and estimated credit losses based on historical information. The determination of the amount of the allowance for doubtful accounts is subject to significant levels of judgment and estimation by management. Depending on the resolution of potential credit and other collection issues, or if the financial condition of any of the Company's customers were to deteriorate and their ability to make required payments were to become impaired, increases in these allowances may be required. Historically, changes in estimates in the allowance for doubtful accounts have not been significant.

*Inventories:* Inventories are stated at the lower of cost or market. Cost of inventories is determined by the average cost and the first-in, first-out (FIFO) methods for all locations except CEF Industries, LLC, which determines the cost of inventories using the last-in, first-out (LIFO) method. Because the Company sells products that are installed on airframes that can be in-service for 25 or more years, it must keep a supply of such products on hand while the airframes are in use. Where management estimated that the current market value was below cost or determined that future demand was lower than current inventory levels, based on historical experience,

current and projected market demand, current and projected volume trends and other relevant current and projected factors associated with the current economic conditions, a reduction in inventory cost to estimated net realizable value was made by recording a provision included in cost of sales. Although management believes that the Company's estimates of excess and obsolete inventory are reasonable, actual results may differ materially from the estimates and additional provisions may be required in the future. In addition, in accordance with industry practice, all inventories are classified as current assets as all inventories are available and necessary to support current sales, even though a portion of the inventories may not be sold within one year. Historically, changes in estimates in the net realizable value of inventories have not been significant.

*Intangible Assets:* Mergers and acquisitions are accounted for using the acquisition method and have resulted in significant amounts of identifiable intangible assets and goodwill. Fair value adjustments to the Company's assets and liabilities are recognized and the results of operations of the acquired business are included in our consolidated financial statements from the effective date of the merger or acquisition. We generally use third-party appraisals to assist us in determining the estimated fair value of the intangible assets.

Intangible assets other than goodwill are recognized if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed or exchanged, regardless of the Company's intent to do so. Goodwill and identifiable intangible assets are recorded at their estimated fair value on the date of acquisition and are reviewed at least annually for impairment based on cash flow projections and fair value estimates.

GAAP requires that the annual, and any interim, impairment assessment be performed at the reporting unit level. The reporting unit level is one level below an operating segment. Substantially all goodwill was determined and recognized for each reporting unit pursuant to the accounting for the merger or acquisition as of the date of each transaction. With respect to acquisitions integrated into an existing reporting unit, any acquired goodwill is combined with the goodwill of the reporting unit.

At the time of goodwill impairment testing, management determines the estimated fair value through the use of a discounted cash flow valuation model incorporating discount rates commensurate with the risks involved for each reporting unit. If the calculated estimated fair value is less than the current carrying value, impairment of goodwill of the reporting unit may exist. The use of a discounted cash flow valuation model to determine estimated fair value is common practice in impairment testing. The key assumptions used in the discounted cash flow valuation model for impairment testing includes discount rates, growth rates, cash flow projections and terminal value rates. Discount rates are set by using the Weighted Average Cost of Capital ("WACC") methodology. The WACC methodology considers market and industry data as well as company specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized for each reporting unit is indicative of the return an investor would expect to receive for investing in such a business.

Management, considering industry and company-specific historical and projected data, develops growth rates, sales projections and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. As an indicator that each reporting unit has been valued appropriately through the use of the discounted cash flow valuation model, the aggregate of all reporting unit's estimated fair value is reconciled to the total market capitalization of the Company.

The Company had 27 reporting units with goodwill as of the first day of the fourth quarter of fiscal 2014, the date of the last annual impairment test. The estimated fair values of each of the reporting units was substantially in excess of their respective carrying values (by 19 percent or more), and therefore no goodwill impairment was recorded. The Company performed a sensitivity analysis on the discount rate, which is a significant assumption in the calculation of fair values. With a one percentage point increase in the discount rate, the reporting units would continue to have fair values in excess of their respective carrying values.

Management tests indefinite-lived intangible assets for impairment at the asset level, as determined by appropriate asset valuation at the time of acquisition. The impairment test for indefinite-lived intangible assets consists of a comparison between the estimated fair values and carrying values. If the carrying amounts of intangible assets that have indefinite useful lives exceed their estimated fair values, an impairment loss will be recognized in an amount equal to the difference. Management utilizes the royalty savings valuation method to determine the estimated fair value for each indefinite-lived intangible asset. In this method, management estimates the royalty savings arising from the ownership of the intangible asset. The key assumptions used in estimating the royalty savings for impairment testing include discount rates, royalty rates, growth rates, sales projections and terminal value rates. Discount rates used are similar to the rates developed by the WACC methodology considering any differences in company-specific risk factors between reporting units and the indefinite-lived intangible assets. Royalty rates are established by management with the advice of valuation experts and periodically substantiated by valuation experts. Management, considering industry and company-specific historical and projected data, develops growth rates and sales projections for each significant intangible asset. Terminal value rate determination follows common methodology of capturing the present value of perpetual sales estimates beyond the last projected period assuming a constant WACC and low long-term growth rates.

The discounted cash flow and royalty savings valuation methodologies require management to make certain assumptions based upon information available at the time the valuations are performed. Actual results could differ from these assumptions. Management believes the assumptions used are reflective of what a market participant would have used in calculating fair value considering the current economic conditions.

*Income Taxes:* The Company estimates income taxes in each jurisdiction in which it operates. This involves estimating taxable earnings, specific taxable and deductible items, the likelihood of generating sufficient future taxable income to utilize deferred tax assets and possible exposures related to future tax audits. To the extent these estimates change, adjustments to deferred and accrued income taxes are made in the period in which the changes occur. Historically, such adjustments have not been significant.

## Results of Operations

The following table sets forth, for the periods indicated, certain operating data of the Company, including presentation of the amounts as a percentage of net sales (amounts in thousands):

|                                     | Fiscal Years Ended September 30, |                 |                   |                 |                   |                 |
|-------------------------------------|----------------------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
|                                     | 2014                             | 2014 % of Sales | 2013              | 2013 % of Sales | 2012              | 2012 % of Sales |
| Net sales                           | \$2,372,906                      | 100.0%          | \$1,924,400       | 100.0%          | \$1,700,208       | 100.0%          |
| Cost of sales                       | 1,105,032                        | 46.6            | 874,838           | 45.5            | 754,491           | 44.4            |
| Selling and administrative expenses | 276,446                          | 11.6            | 254,468           | 13.2            | 201,709           | 11.8            |
| Amortization of intangible assets   | 63,608                           | 2.7             | 45,639            | 2.4             | 44,233            | 2.6             |
| Income from operations              | 927,820                          | 39.1            | 749,455           | 38.9            | 699,775           | 41.2            |
| Interest expense, net               | 347,688                          | 14.7            | 270,685           | 14.0            | 211,906           | 12.5            |
| Refinancing costs                   | 131,622                          | 5.5             | 30,281            | 1.6             | —                 | —               |
| Income tax provision                | 141,600                          | 6.0             | 145,700           | 7.6             | 162,900           | 9.6             |
| Net Income                          | <u>\$ 306,910</u>                | <u>12.9%</u>    | <u>\$ 302,789</u> | <u>15.7%</u>    | <u>\$ 324,969</u> | <u>19.1%</u>    |

## Fiscal year ended September 30, 2014 compared with fiscal year ended September 30, 2013

### Total Company

*Net Sales.* Net organic sales and acquisition sales and the related dollar and percentage changes for the fiscal years ended September 30, 2014 and 2013 were as follows (amounts in millions):

|                             | Fiscal Years Ended |                    | Change         | % Change<br>Total Sales |
|-----------------------------|--------------------|--------------------|----------------|-------------------------|
|                             | September 30, 2014 | September 30, 2013 |                |                         |
| Organic sales . . . . .     | \$2,080.4          | \$1,924.4          | \$156.0        | 8.1%                    |
| Acquisition sales . . . . . | 292.5              | —                  | 292.5          | 15.2%                   |
|                             | <u>\$2,372.9</u>   | <u>\$1,924.4</u>   | <u>\$448.5</u> | <u>23.3%</u>            |

Acquisition sales represent sales of acquired businesses for the period up to one year subsequent to their acquisition dates. The amount of acquisition sales shown in the table above was mainly attributable to the acquisition of Airborne and EME in fiscal 2014 and Whippyng Actuation, Arkwin and Aerosonic in fiscal 2013.

Organic sales for the fiscal year ended September 30, 2013 include a favorable commercial OEM retroactive contract pricing adjustment of approximately \$2 million. Excluding the impact of the retroactive contract pricing adjustment, commercial OEM sales increased \$49.3 million or an increase of 8.6%, commercial aftermarket sales increased \$90.1 million, or an increase of 12.0%, and defense sales increased \$26.5 million, or an increase of 5.5%, for the fiscal year ended September 30, 2014 compared to the fiscal year ended September 30, 2013.

*Cost of Sales and Gross Profit.* Cost of sales increased by \$230.2 million, or 26.3%, to \$1,105.0 million for the fiscal year ended September 30, 2014 compared to \$874.8 million for the fiscal year ended September 30, 2013. Cost of sales and the related percentage of total sales for the fiscal years ended September 30, 2014 and 2013 were as follows (amounts in millions):

|   | Fiscal Years Ended |                    | Change         | % Change |
|---|--------------------|--------------------|----------------|----------|
|   | September 30, 2014 | September 30, 2013 |                |          |
| Cost of sales—excluding costs below . . . . .       | \$1,084.5          | \$ 849.2           | \$235.3        | 27.7%    |
| % of total sales . . . . .                          | 45.7%              | 44.1%              |                |          |
| Inventory purchase accounting adjustments . . . . . | 10.4               | 7.4                | 3.0            | 41.5%    |
| % of total sales . . . . .                          | 0.4%               | 0.4%               |                |          |
| Acquisition integration costs . . . . .             | 6.1                | 10.9               | (4.8)          | -44.3%   |
| % of total sales . . . . .                          | 0.3%               | 0.6%               |                |          |
| Stock compensation expense . . . . .                | 4.0                | 7.3                | (3.3)          | -45.5%   |
| % of total sales . . . . .                          | 0.2%               | 0.4%               |                |          |
| Total cost of sales . . . . .                       | <u>\$1,105.0</u>   | <u>\$ 874.8</u>    | <u>\$230.2</u> | 26.3%    |
| % of total sales . . . . .                          | 46.6%              | 45.5%              |                |          |
| Gross profit . . . . .                              | <u>\$1,267.9</u>   | <u>\$1,049.6</u>   | <u>\$218.3</u> | 20.8%    |
| Gross profit percentage . . . . .                   | <u>53.4%</u>       | <u>54.5%</u>       |                |          |

The increase in the dollar amount of cost of sales during the fiscal year ended September 30, 2014 was primarily due to increased volume associated with the sales from acquisitions and organic sales growth partially offset by lower stock compensation expense related to the accelerated vesting in the prior year (discussed further below) and lower acquisition-related costs as shown in the table above.

Gross profit as a percentage of sales decreased by 1.1 percentage points to 53.4% for the fiscal year ended September 30, 2014 from 54.5% for the fiscal year ended September 30, 2013. The dollar amount of gross profit increased by \$218.3 million, or 20.8%, for the fiscal year ended September 30, 2014 compared to the comparable period last year due to the following items:

- Gross profit on the sales from the acquisitions indicated above (excluding acquisition-related costs) was approximately \$108 million for the fiscal year ended September 30, 2014, which represented gross profit of approximately 37% of the acquisition sales. The lower gross profit margin on the acquisition sales reduced gross profit as a percentage of consolidated sales by approximately 2 percentage points.
- Impact of lower inventory purchase accounting adjustments and acquisition integration costs charged to cost of sales of approximately \$2 million.
- Impact of lower stock compensation expense of \$3 million mainly due to accelerated vesting in the prior year (discussed further below).
- Organic sales growth described above, application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers), and positive leverage on our fixed overhead costs spread over a higher production volume, resulted in a net increase in gross profit of approximately \$105 million for the fiscal year ended September 30, 2014.

*Selling and Administrative Expenses.* Selling and administrative expenses increased by \$22.0 million to \$276.4 million, or 11.6% of sales, for the fiscal year ended September 30, 2014 from \$254.5 million, or 13.2% of sales, for the comparable period last year. Selling and administrative expenses and the related percentage of total sales for the fiscal years ended September 30, 2014 and 2013 were as follows (amounts in millions):

|   | <b>Fiscal Years Ended</b> |                           | <b>Change</b>  | <b>% Change</b> |
|---|---------------------------|---------------------------|----------------|-----------------|
|   | <b>September 30, 2014</b> | <b>September 30, 2013</b> |                |                 |
| Selling and administrative expenses—excluding costs below . . . . . | \$249.4                   | \$204.8                   | \$ 44.7        | 21.8%           |
| % of total sales . . . . .  | 10.5%                     | 10.6%                     |                |                 |
| Stock compensation expense . . . . .                                | 22.4                      | 41.6                      | (19.2)         | -46.1%          |
| % of total sales . . . . .  | 0.9%                      | 2.2%                      |                |                 |
| Acquisition related expenses . . . . .                              | 4.6                       | 8.1                       | (3.5)          | -43.2%          |
| % of total sales . . . . .  | 0.2%                      | 0.4%                      |                |                 |
| Total selling and administrative expenses . . . . .                 | <u>\$276.4</u>            | <u>\$254.5</u>            | <u>\$ 22.0</u> | 8.6%            |
| % of total sales . . . . .  | 11.6%                     | 13.2%                     |                |                 |

The increase in the dollar amount of selling and administrative expenses during the fiscal year ended September 30, 2014 is primarily due to higher selling and administrative expenses relating to recent acquisitions of approximately \$35 million, which was approximately 12% of the acquisition sales, partially offset by lower acquisition related expenses of approximately \$3 million and by lower stock compensation expense of approximately \$19 million. Stock compensation expense was higher in fiscal 2013 primarily due to accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011.

*Amortization of Intangible Assets.* Amortization of intangible assets increased to \$63.6 million for the fiscal year ended September 30, 2014 from \$45.6 million for the comparable period last year. The net increase of \$18.0 million was primarily due to amortization expense related to the additional identifiable intangible assets recognized in connection with acquisitions during the last twelve months.

*Refinancing Costs.* Refinancing costs of \$131.6 million were recorded during the year ended September 30, 2014 representing debt issue costs expensed in conjunction with the repurchase of the 2018 Notes. The charge consisted of the premium of \$121.1 million paid to redeem the 2018 Notes and the write-off of debt issue costs of

\$10.5 million. Refinancing costs of \$30.3 million were recorded during the fiscal year ended September 30, 2013 representing debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.

*Interest Expense-net.* Interest expense-net includes interest on outstanding borrowings, amortization of debt issue costs and revolving credit facility fees offset by interest income. Interest expense-net increased \$77.0 million, or 28.4%, to \$347.7 million for the fiscal year ended September 30, 2014 from \$270.7 million for the comparable period last year. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately \$6.31 billion for the fiscal year ended September 30, 2014 and approximately \$4.63 billion for the fiscal year ended September 30, 2013 slightly offset by a decrease in the weighted average cash interest rate during the fiscal year ended September 30, 2014 of 5.3% compared to the weighted average cash interest rate during the comparable prior period of 5.6%. The increase in weighted average level of borrowings was primarily due to additional borrowings of \$900 million relating to the incremental term loan in July 2013, the issuance in July 2013 of the \$500 million 2021 Notes, the issuance in June 2014 of the \$2,350 million 2022 and 2024 Notes, borrowings under the trade receivable securitization facility in June 2014, and the issuance in June 2014 of \$825 million of additional borrowings under the 2014 Credit Facility. The weighted average interest rate for cash interest payments on total outstanding borrowings at September 30, 2014 was 4.9%.

*Income Taxes.* Income tax expense as a percentage of income before income taxes was approximately 31.6% for the fiscal year ended September 30, 2014 compared to 32.5% for the fiscal year ended September 30, 2013. The Company's effective tax rate for these periods was less than the Federal statutory tax rate due primarily to the domestic manufacturing deduction. The decrease in the effective tax rate for the fiscal year ended September 30, 2014 compared to the fiscal year ended September 30, 2013 was primarily due to the ability to recognize the benefit from the utilization of foreign tax credits in the current year and discrete items related to adjustments resulting from the filing of the Company's September 30, 2013 U.S. tax return partially offset by the expiration of the research and development tax credit.

*Net Income.* Net income increased \$4.1 million, or 1.4%, to \$306.9 million for the fiscal year ended September 30, 2014 compared to net income of \$302.8 million for the year ended September 30, 2013. The increase in net income is primarily due to growth in net sales described above and a lower effective tax rate offset by higher interest expense as a result of an increase in the level of outstanding borrowings and one-time costs of \$90.1 million, net of tax, or \$1.58 per share, attributable to the refinancing of our capital structure in June 2014.

*Earnings per Share.* The basic and diluted earnings per share were \$3.16 for the fiscal year ended September 30, 2014 and \$2.39 per share for the fiscal year ended September 30, 2013. Net income for the fiscal year ended September 30, 2014 of \$306.9 million was decreased by dividend equivalent payments of \$126.6 million resulting in net income available to common shareholders of \$180.3 million. Net income for the fiscal year ended September 30, 2013 of \$302.8 million was decreased by dividend equivalent payments of \$171.2 million resulting in net income available to common shareholders of \$131.5 million. The increase in earnings per share of \$0.77 per share to \$3.16 per share is a result of the factors referred to above.

## Business Segments

*Segment Net Sales.* Net sales by segment for the fiscal years ended September 30, 2014 and 2013 were as follows (amounts in millions):

|                           | Fiscal Years Ended September 30, |               |                  |               |                |              |
|---------------------------|----------------------------------|---------------|------------------|---------------|----------------|--------------|
|                           | 2014                             | % of Sales    | 2013             | % of Sales    | Change         | % Change     |
| Power & Control . . . . . | \$1,077.2                        | 45.4%         | \$ 872.3         | 45.3%         | \$204.9        | 23.5%        |
| Airframe . . . . .        | 1,200.2                          | 50.6%         | 951.4            | 49.4%         | 248.8          | 26.2%        |
| Non-aviation . . . . .    | 95.5                             | 4.0%          | 100.7            | 5.3%          | (5.2)          | -5.2%        |
|                           | <u>\$2,372.9</u>                 | <u>100.0%</u> | <u>\$1,924.4</u> | <u>100.0%</u> | <u>\$448.5</u> | <u>23.3%</u> |

Sales for the Power & Control segment, excluding acquisitions, increased approximately \$49 million when compared to the fiscal year ended September 30, 2013. The sales increase was primarily due to an increase in commercial aftermarket sales of approximately \$40 million, or an increase of 11.7%, and an increase in defense sales of approximately \$8 million, or an increase of 2.3%. Acquisition sales totaled \$156 million, or a 17.9% increase in segment sales, resulting from the acquisitions of EME in fiscal 2014 and Whippany Actuation and Arkwin in fiscal 2013.

Sales for the Airframe segment, excluding acquisitions and OEM retroactive contract pricing adjustments, increased approximately \$117 million when compared to the fiscal year ended September 30, 2013. The sales increase was primarily due to an increase in commercial aftermarket sales of approximately \$50 million, or an increase of 12.3%, an increase in commercial OEM sales of approximately \$48 million, or an increase of 12.0%, and an increase in defense sales of approximately \$20 million, or a increase of 14.9%. Acquisition sales for the Airframe segment totaled \$134 million, or a 14.1% increase in segment sales, resulting from the acquisitions of Airborne in fiscal 2014 and Aerosonic in fiscal 2013. The fiscal year ended September 30, 2013, reflects an OEM retroactive contract pricing adjustment of approximately \$2 million.

Acquisition sales for the Non-aviation segment totaled \$3 million, or an increase of 2.8%. Organic sales declined \$8 million, or 7.9%.

*EBITDA As Defined.* EBITDA As Defined by segment for the fiscal years ended September 30, 2014 and 2013 were as follows (amounts in millions):

|                           | Fiscal Years Ended September 30, |                    |                |                    |                |              |
|---------------------------|----------------------------------|--------------------|----------------|--------------------|----------------|--------------|
|                           | 2014                             | % of Segment Sales | 2013           | % of Segment Sales | Change         | % Change     |
| Power & Control . . . . . | \$ 550.7                         | 51.1%              | \$456.0        | 52.3%              | \$ 94.7        | 20.8%        |
| Airframe . . . . .        | 529.0                            | 44.1%              | 444.1          | 46.7%              | 84.9           | 19.1%        |
| Non-aviation . . . . .    | 18.5                             | 19.4%              | 23.6           | 23.4%              | (5.1)          | -21.6%       |
|                           | <u>\$1,098.2</u>                 | <u>46.3%</u>       | <u>\$923.7</u> | <u>48.0%</u>       | <u>\$174.5</u> | <u>18.9%</u> |

EBITDA As Defined for the Power & Control segment, excluding acquisitions, increased approximately \$44 million when compared to the fiscal year ended September 30, 2013 due to increases in defense sales and commercial aftermarket sales. EBITDA As Defined from the acquisitions in fiscal 2014 and 2013 was approximately \$51 million for the fiscal year ended September 30, 2014.

EBITDA As Defined for the Airframe segment, excluding acquisitions and a prior year retroactive pricing adjustment, increased approximately \$59 million when compared to the fiscal year ended September 30, 2013. The increase was primarily due to the increases in commercial OEM and commercial aftermarket sales and defense sales. EBITDA As Defined from the acquisitions of Aerosonic and Airborne was approximately \$28 million for the fiscal year ended September 30, 2014. The year ended September 30, 2013 reflects EBITDA As Defined of approximately \$2 million relating to the previously mentioned retroactive contract pricing adjustment.



EBITDA As Defined for the Non-aviation segment acquisition was approximately \$0.4 million for the fiscal year ended September 30, 2014. Organic EBITDA declined approximately \$5.5 million due to the organic sales decrease noted above and the mix of products sold in the non-aviation markets.

**Fiscal year ended September 30, 2013 compared with fiscal year ended September 30, 2012**

**Total Company**

*Net Sales.* Net organic sales, acquisition sales and sales of the AmSafe distribution business, which was acquired as part of AmSafe on February 15, 2012 and sold on August 16, 2012, and the related dollar and percentage changes for the fiscal years ended September 30, 2013 and 2012 were as follows (amounts in millions):

|                                     | <b>Fiscal Years Ended</b> |                           | <b>Change</b>  | <b>% Change<br/>Total Sales</b> |
|-------------------------------------|---------------------------|---------------------------|----------------|---------------------------------|
|                                     | <b>September 30, 2013</b> | <b>September 30, 2012</b> |                |                                 |
| Organic sales . . . . .             | \$1,740.3                 | \$1,681.4                 | \$ 58.9        | 3.5%                            |
| Acquisition sales . . . . .         | 184.1                     | —                         | 184.1          | 10.8%                           |
| AmSafe distribution sales . . . . . | —                         | 18.8                      | (18.8)         | -1.1%                           |
|                                     | <u>\$1,924.4</u>          | <u>\$1,700.2</u>          | <u>\$224.2</u> | <u>13.2%</u>                    |

Acquisition sales represent sales of acquired businesses for the period up to one year subsequent to their acquisition dates. The amount of acquisition sales shown in the table above was mainly attributable to the acquisition of Whippany Actuation, Arkwin and Aerosonic in fiscal 2013 and Aero-Instruments, AmSafe and Harco in fiscal 2012.

Organic sales for the fiscal year ended September 30, 2013 include a favorable commercial OEM retroactive contract pricing adjustment of approximately \$2 million. Organic sales for the fiscal year ended September 30, 2012 include favorable commercial OEM retroactive contract pricing adjustments of approximately \$13 million and a favorable commercial aftermarket retroactive contract pricing adjustment of approximately \$6 million.

Excluding the impact of the retroactive contract pricing adjustments and the AmSafe distribution sales indicated above, commercial OEM sales increased \$51.4 million, or an increase of 10.5%, commercial aftermarket sales increased \$3.3 million, or an increase of 0.5%, and defense sales increased \$33.1 million, or an increase of 8.3%, for the fiscal year ended September 30, 2013 compared to the fiscal year ended September 30, 2012. The commercial aftermarket comparable sales, particularly in the second half of fiscal 2013 compared to the second half of fiscal 2012, were negatively impacted by non-market items associated with changing past business practices of previously-acquired businesses, changes in distributors and related inventory fluctuations. We believe that the underlying demand in the commercial aftermarket channel began to trend up more positively during the second half of the fiscal year.

*Cost of Sales and Gross Profit.* Cost of sales increased by \$120.3 million, or 16.0%, to \$874.8 million for the fiscal year ended September 30, 2013 compared to \$754.5 million for the fiscal year ended September 30, 2012. Cost of sales and the related percentage of total sales for the fiscal years ended September 30, 2013 and 2012 were as follows (amounts in millions):

|   | <u>Fiscal Years Ended</u> |                           | <u>Change</u>  | <u>% Change</u> |
|---|---------------------------|---------------------------|----------------|-----------------|
|   | <u>September 30, 2013</u> | <u>September 30, 2012</u> |                |                 |
| Cost of sales—excluding acquisition-related costs |                           |                           |                |                 |
| below .....                                       | \$ 849.2                  | \$731.6                   | \$117.6        | 16.1%           |
| % of total sales .....                            | 44.1%                     | 43.0%                     |                |                 |
| Inventory purchase accounting adjustments .....   | 7.4                       | 12.9                      | (5.5)          | -42.9%          |
| % of total sales .....                            | 0.4%                      | 0.8%                      |                |                 |
| Acquisition integration costs .....               | 10.9                      | 6.7                       | 4.3            | 64.4%           |
| % of total sales .....                            | 0.6%                      | 0.4%                      |                |                 |
| Stock compensation expense .....                  | 7.3                       | 3.3                       | 4.0            | 120.7%          |
| % of total sales .....                            | 0.4%                      | 0.2%                      |                |                 |
| Total cost of sales .....                         | <u>\$ 874.8</u>           | <u>\$754.5</u>            | <u>\$120.3</u> | 16.0%           |
| % of total sales .....                            | <u>45.5%</u>              | <u>44.4%</u>              |                |                 |
| Gross profit .....                                | <u>\$1,049.6</u>          | <u>\$945.7</u>            | <u>\$103.8</u> | 11.0%           |
| Gross profit percentage .....                     | <u>54.5%</u>              | <u>55.6%</u>              |                |                 |

The increase in the dollar amount of cost of sales during the fiscal year ended September 30, 2013 was primarily due to increased volume associated with the sales from acquisitions and organic sales growth and higher stock compensation expense related to the accelerated vesting (discussed further below) partially offset by lower acquisition-related costs as shown in the table above.

Gross profit as a percentage of sales decreased by 1.1 percentage points to 54.5% for the fiscal year ended September 30, 2013 from 55.6% for the fiscal year ended September 30, 2012. The dollar amount of gross profit increased by \$103.8 million, or 11.0%, for the fiscal year ended September 30, 2013 compared to the comparable period last year due to the following items:

- Gross profit on the sales from the acquisitions indicated above (excluding acquisition-related costs) was approximately \$80 million for the fiscal year ended September 30, 2013, which represented gross profit of approximately 43% of the acquisition sales.
- Impact of lower inventory purchase accounting adjustments and acquisition integration costs charged to cost of sales of approximately \$1 million.
- Organic sales growth described above, application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers), and positive leverage on our fixed overhead costs spread over a higher production volume, partially offset by unfavorable OEM versus aftermarket sales mix, resulted in a net increase in gross profit of approximately \$44 million for the fiscal year ended September 30, 2013.
- The gross profit increase described above was partially offset by higher stock compensation expense of \$4 million mainly due to the accelerated vesting (discussed further below) and the impact of the favorable retroactive contract pricing adjustments that were higher in the prior year by approximately \$17 million.

*Selling and Administrative Expenses.* Selling and administrative expenses increased by \$52.8 million to \$254.5 million, or 13.2% of sales, for the fiscal year ended September 30, 2013 from \$201.7 million, or 11.9% of sales, for the comparable period last year. Selling and administrative expenses and the related percentage of total sales for the fiscal years ended September 30, 2013 and 2012 were as follows (amounts in millions):

|   | <u>Fiscal Years Ended</u> |                           | <u>Change</u> | <u>% Change</u> |
|---|---------------------------|---------------------------|---------------|-----------------|
|   | <u>September 30, 2013</u> | <u>September 30, 2012</u> |               |                 |
| Selling and administrative expenses—excluding costs below . . . . . | \$204.8                   | \$183.6                   | \$21.2        | 11.6%           |
| % of total sales . . . . .  | 10.6%                     | 10.8%                     |               |                 |
| Stock compensation expense . . . . .                                | 41.6                      | 18.8                      | 22.7          | 120.7%          |
| % of total sales . . . . .  | 2.2%                      | 1.1%                      |               |                 |
| Acquisition related expenses . . . . .                              | 8.1                       | 7.1                       | 1.0           | 14.1%           |
| % of total sales . . . . .  | 0.4%                      | 0.4%                      |               |                 |
| Acquisition earn-out adjustments . . . . .                          | —                         | (5.0)                     | 5.0           | -100.0%         |
| % of total sales . . . . .  | 0.0%                      | -0.3%                     |               |                 |
| Other acquisition accounting adjustments . . . . .                  | —                         | (2.8)                     | 2.8           | -100.0%         |
| % of total sales . . . . .  | 0.0%                      | -0.2%                     |               |                 |
| Total selling and administrative expenses . . . . .                 | <u>\$254.5</u>            | <u>\$201.7</u>            | <u>\$52.8</u> | 26.2%           |
| % of total sales . . . . .  | 13.2%                     | 11.9%                     |               |                 |

The increase in the dollar amount of selling and administrative expenses during the fiscal year ended September 30, 2013 is primarily due to higher selling and administrative expenses relating to recent acquisitions of approximately \$25 million, which was approximately 14% of the acquisition sales, and additional stock compensation expense of approximately \$21 million recorded in June 2013 related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011.

*Amortization of Intangible Assets.* Amortization of intangible assets increased to \$45.6 million for the fiscal year ended September 30, 2013 from \$44.2 million for the comparable period last year. The net increase of \$1.4 million was primarily due to amortization expense related to the additional identifiable intangible assets recognized in connection with acquisitions during the last twelve months partially offset by order backlog relating to prior acquisitions becoming fully amortized.

*Refinancing Costs.* Refinancing costs of \$30.3 million were recorded during the fiscal year ended September 30, 2013 representing debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.

*Interest Expense-net.* Interest expense-net includes interest on outstanding borrowings, amortization of debt issue costs and revolving credit facility fees offset by interest income. Interest expense-net increased \$58.8 million, or 27.7%, to \$270.7 million for the fiscal year ended September 30, 2013 from \$211.9 million for the comparable period last year. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately \$4.63 billion for the fiscal year ended September 30, 2013 and approximately \$3.44 billion for the fiscal year ended September 30, 2012 slightly offset by a decrease in the weighted average cash interest rate during the fiscal year ended September 30, 2013 of 5.6% compared to the weighted average cash interest rate during the comparable prior period of 6.2%. The increase in borrowings was primarily due to the additional \$150 million term loan facility under the amendments to our 2011 Credit Facility which occurred in October 2012, additional borrowings of \$36.4 million relating to our refinancing of the 2011 Credit Facility in February 2013, additional borrowings of \$900 million relating to the Incremental Term Facility in July 2013, the issuance in October 2012 of our \$550 million 2020 Notes and the issuance in July 2013 of our \$500 million 2021 Notes. The weighted average interest rate for cash interest payments on total outstanding borrowings at September 30, 2013 was 5.4%.

*Income Taxes.* Income tax expense as a percentage of income before income taxes was approximately 32.5% for the fiscal year ended September 30, 2013 compared to 33.4% for the fiscal year ended September 30, 2012. The Company's effective tax rate for these periods was less than the Federal statutory tax rate due primarily to the domestic manufacturing deduction. The decrease in the effective tax rate for the fiscal year ended September 30, 2013 compared to the fiscal year ended September 30, 2012 was primarily due to the retroactive reinstatement of the research and development tax credit and an increased benefit from the domestic manufacturing deduction.

*Net Income.* Net income decreased \$22.2 million, or 6.8%, to \$302.8 million for the fiscal year ended September 30, 2013 compared to net income of \$325.0 million for the year ended September 30, 2012. The decrease in net income was primarily due to the higher interest expense-net discussed above, the after-tax impact of \$20.4 million, or \$0.37 per share, related to the refinancing costs recorded during the period and the after-tax additional stock compensation expense recorded in June 2013 of \$16.6 million, or \$0.30 per share, related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011. The decrease noted above was partially offset by an increase in net income from operations.

*Earnings per Share.* The basic and diluted earnings per share were \$2.39 for the fiscal year ended September 30, 2013 and \$5.97 per share for the fiscal year ended September 30, 2012. Net income for the fiscal year ended September 30, 2013 of \$302.8 million was decreased by dividend equivalent payments of \$171.2 million resulting in net income available to common shareholders of \$131.5 million. Net income for the fiscal year ended September 30, 2012 of \$325.0 million was decreased by dividend equivalent payments of \$3.3 million resulting in net income available to common shareholders of \$321.7 million. The decrease in earnings per share of \$5.97 per share to \$2.39 per share is a result of the factors referred to above.

## **Business Segments**

*Segment Net Sales.* Net sales by segment for the fiscal years ended September 30, 2013 and 2012 were as follows (amounts in millions):

|                           | <b>Fiscal Years Ended September 30,</b> |                   |                  |                   |                |                 |
|---------------------------|---|-------------------|------------------|-------------------|----------------|-----------------|
|                           | <b>2013</b>                             | <b>% of Sales</b> | <b>2012</b>      | <b>% of Sales</b> | <b>Change</b>  | <b>% Change</b> |
| Power & Control . . . . . | \$ 872.3                                | 45.3%             | \$ 776.3         | 45.7%             | \$ 96.0        | 12.4%           |
| Airframe . . . . .        | 951.4                                   | 49.4%             | 843.6            | 49.6%             | 107.8          | 12.8%           |
| Non-aviation . . . . .    | 100.7                                   | 5.3%              | 80.3             | 4.7%              | 20.4           | 25.4%           |
|                           | <u>\$1,924.4</u>                        | <u>100.0%</u>     | <u>\$1,700.2</u> | <u>100.0%</u>     | <u>\$224.2</u> | <u>13.2%</u>    |

Sales for the Power & Control segment, excluding acquisitions and a retroactive contract pricing adjustment, increased approximately \$32 million when compared to the fiscal year ended September 30, 2012. The sales increase was primarily due to an increase in defense sales of approximately \$18 million, or an increase of 6.2%, an increase in commercial aftermarket sales of approximately \$13 million, or an increase of 4.1%, and an increase in commercial OEM sales of approximately \$4 million, or an increase of 3.1%. Acquisition sales totaled \$70 million, or a 9.0% increase in segment sales, resulting from the acquisitions of Whippany Actuation and Arkwin in fiscal 2013 and Harco and Aero-Instruments in fiscal 2012. Sales for the fiscal year ended September 30, 2012 include a favorable commercial aftermarket retroactive contract pricing adjustment of approximately \$6 million.

Sales for the Airframe segment, excluding acquisitions, the AmSafe distribution business, and OEM retroactive contract pricing adjustments, increased approximately \$54 million when compared to the fiscal year ended September 30, 2012. The sales increase was primarily due to an increase in commercial OEM sales of approximately \$50 million, or an increase of 14.3%, and an increase in defense sales of approximately \$15 million, or an increase of 14.2%, offset by a decline in commercial aftermarket sales of approximately \$10

million, or a decrease of 2.6%. The commercial aftermarket comparable sales, particularly in the second half of fiscal 2013 compared to the second half of fiscal 2012, were negatively impacted by non-market items associated with changing past business practices of previously-acquired businesses, changes in distributors and related inventory fluctuations. Acquisition sales for the Airframe segment totaled \$83 million, or a 9.8% increase in segment sales, resulting from the acquisitions of AeroSonic in fiscal 2013 and AmSafe in fiscal 2012. The fiscal year ended September 30, 2013 reflects an OEM retroactive contract pricing adjustment of approximately \$2 million. The fiscal year ended September 30, 2012 reflects sales of \$18.8 million related to the AmSafe distribution business, which was acquired as part of AmSafe on February 15, 2012 and sold on August 16, 2012. The fiscal year ended September 30, 2012 also reflects OEM retroactive contract pricing adjustments of approximately \$13 million.

Acquisition sales for the Non-aviation segment totaled \$31 million resulting primarily from the non-aviation business of AmSafe acquired in fiscal 2012. Organic sales declined by approximately \$11 million.

*EBITDA As Defined.* EBITDA As Defined by segment for the fiscal years ended September 30, 2013 and 2012 were as follows (amounts in millions):

|                 | Fiscal Years Ended September 30, |                    |                |                    |               |              |
|-----------------|----------------------------------|--------------------|----------------|--------------------|---------------|--------------|
|                 | 2013                             | % of Segment Sales | 2012           | % of Segment Sales | Change        | % Change     |
| Power & Control | \$456.0                          | 52.3%              | \$410.3        | 52.8%              | \$45.7        | 11.1%        |
| Airframe        | 444.1                            | 46.7%              | 402.0          | 47.7%              | 42.1          | 10.5%        |
| Non-aviation    | 23.6                             | 23.4%              | 24.1           | 30.1%              | (0.5)         | -2.1%        |
|                 | <u>\$923.7</u>                   | <u>48.0%</u>       | <u>\$836.4</u> | <u>49.2%</u>       | <u>\$87.3</u> | <u>10.4%</u> |

EBITDA As Defined for the Power & Control segment, excluding acquisitions and a prior year commercial aftermarket retroactive contract pricing adjustment, increased approximately \$28 million when compared to the fiscal year ended September 30, 2012 due to increases in defense sales and commercial aftermarket sales. EBITDA As Defined from the acquisitions of Whippany Actuation, Arkwin, Aero-Instruments and Harco was approximately \$23 million for the fiscal year ended September 30, 2013, which represented EBITDA As Defined of approximately 33% of the acquisition sales.

EBITDA As Defined for the Airframe segment, excluding acquisitions, pricing adjustments, and the AmSafe distribution business, increased approximately \$25 million when compared to the fiscal year ended September 30, 2012. The increase was primarily due to the increases in commercial OEM sales and defense sales partially offset by a decrease in commercial aftermarket sales. EBITDA As Defined from the acquisitions of AeroSonic and AmSafe was approximately \$31 million for the fiscal year ended September 30, 2013, which represented EBITDA As Defined of approximately 37% of the acquisition sales. The year ended September 30, 2012 reflects EBITDA As Defined of approximately \$13 million relating to prior year OEM retroactive contract pricing adjustments and approximately \$3 million relating to the AmSafe distribution business. The year ended September 30, 2013 reflects EBITDA As Defined of approximately \$2 million relating to the previously mentioned retroactive contract pricing adjustment.

EBITDA As Defined for the Non-aviation segment from the acquisition of AmSafe was approximately \$3 million for the fiscal year ended September 30, 2013. Organic EBITDA declined approximately \$4 million due to the organic sales decrease noted above and the mix of products sold in the non-aviation markets.

## Backlog

As of September 30, 2014, the Company estimated its sales order backlog at \$1,195 million compared to an estimated sales order backlog of \$1,081 million as of September 30, 2013. The increase in estimated sales order backlog of approximately \$114 million is primarily due to acquisitions. The majority of the purchase orders

outstanding as of September 30, 2014 are scheduled for delivery within the next twelve months. Purchase orders may be subject to cancellation or deferral by the customer prior to shipment. The level of unfilled purchase orders at any given date during the year will be materially affected by the timing of the Company's receipt of purchase orders and the speed with which those orders are filled. Accordingly, the Company's backlog as of September 30, 2014 may not necessarily represent the actual amount of shipments or sales for any future period.

## **Foreign Operations**

Although we manufacture a significant portion of our products in the United States, we manufacture some products in Belgium, China, Malaysia, Mexico, Sri Lanka and the United Kingdom. We sell our products in the United States as well as in foreign countries. Although the majority of sales of our products are made to customers (including distributors) located in the United States, our products are ultimately sold to and used by customers, (including airlines and other end users of aircraft), throughout the world. A number of risks inherent in international operations could have a material adverse effect on our results of operations, including currency fluctuations, difficulties in staffing and managing multi-national operations, general economic and political uncertainties and potential for social unrest in countries in which we operate, limitations on our ability to enforce legal rights and remedies, restrictions on the repatriation of funds, change in trade policies, tariff regulation, difficulties in obtaining export and import licenses and the risk of government financed competition.

Our direct sales to foreign customers were approximately \$735.9 million, \$572.0 million, and \$508.8 million for fiscal years 2014, 2013 and 2012, respectively. Sales to foreign customers are subject to numerous additional risks, including the impact of foreign government regulations, political uncertainties and differences in business practices. There can be no assurance that foreign governments will not adopt regulations or take other actions that would have a direct or indirect adverse impact on the business or market opportunities of the Company within such governments' countries. Furthermore, there can be no assurance that the political, cultural and economic climate outside the United States will be favorable to our operations and growth strategy.

## **Inflation**

Many of the Company's raw materials and operating expenses are sensitive to the effects of inflation, which could result in changing operating costs. The effects of inflation on the Company's businesses during the fiscal years 2014, 2013 and 2012 were not significant.

## **Liquidity and Capital Resources**

We have historically maintained a capital structure comprising a mix of equity and debt financing. We vary our leverage both to optimize our equity return and to pursue acquisitions. We expect to meet our current debt obligations as they come due through internally generated funds from current levels of operations and/or through refinancing in the debt or equity markets prior to the maturity dates of our debt.

We continually evaluate our debt facilities to assess whether they most efficiently and effectively meet the current and future needs of our business. The Company evaluates from time to time the appropriateness of its current leverage, taking into consideration the Company's debt holders, equity holders, credit ratings, acquisition opportunities and other factors. The Company's debt leverage ratio, which is computed as total debt divided by EBITDA As Defined for the applicable twelve-month period, has varied widely during the Company's history, ranging from approximately 3.5 to 7.0. Our debt leverage ratio at September 30, 2014 was approximately 7.0.

The Company regularly engages in discussions with respect to potential acquisitions and investments. However, there can be no assurance that the Company will be able to consummate an agreement with respect to any future acquisition. The Company's acquisition strategy may require substantial capital, and no assurance can be given that the Company will be able to raise any necessary funds on acceptable terms or at all. If the Company incurs additional debt to finance acquisitions, total interest expense will increase.

If the Company has excess cash, it may consider methods by which it can provide cash to its debt or equity holders through a dividend, prepayment of indebtedness, repurchase of stock, repurchase of debt or other means. Whether the Company undertakes additional stock repurchases or other aforementioned activities will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors. The amounts involved may be material. In addition, the Company may issue additional debt if prevailing market conditions are favorable to doing so.

The Company's ability to make scheduled interest payments on, or to refinance, the Company's indebtedness, or to fund non-acquisition related capital expenditures and research and development efforts, will depend on the Company's ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control. Based on its current levels of operations and absent any disruptive events, management believes that internally generated funds and borrowings available under our revolving loan facility should provide sufficient resources to finance its operations, non-acquisition related capital expenditures, research and development efforts and long-term indebtedness obligations through at least fiscal 2015. There can be no assurance, however, that the Company's business will generate sufficient cash flow from operations or that future borrowings will be available to the Company under the senior secured credit facility in an amount sufficient to enable it to pay its indebtedness or to fund its other liquidity needs. The Company may need to refinance all or a portion of its indebtedness on or before maturity. Also, to the extent the Company accelerates its growth plans, consummates acquisitions or has lower than anticipated sales or increases in expenses, the Company may also need to raise additional capital. In particular, increased working capital needs occur whenever the Company consummates acquisitions or experiences strong incremental demand. There can be no assurance that the Company will be able to raise additional capital on commercially reasonable terms or at all.

The Company has not, at this time, determined to change the nature of its debt facilities. However, in the future, the Company may increase its borrowings in connection with acquisitions, if cash flow from operations becomes insufficient to fund current operations or for other short-term cash needs or for stock repurchases or dividends. Our future leverage will also be impacted by the then current conditions of the credit markets.

*Operating Activities.* The Company generated \$541.2 million of net cash from operating activities during fiscal 2014 compared to \$470.2 million during fiscal 2013. The net increase of \$71.0 million was due primarily to an increase in income from operations offset by higher interest payments due to the Company's current debt structure.

The Company generated \$470.2 million of net cash from operating activities during fiscal 2013 compared to \$413.9 million during fiscal 2012. The net increase of \$56.3 million was due primarily to an increase in income from operations and lower income tax payments offset by higher interest payments due to the Company's current debt structure.

*Investing Activities.* Net cash used in investing activities was \$329.6 million during fiscal 2014 consisting primarily of the acquisitions of Airborne and EME for a total of \$311.9 million and capital expenditures of \$34.1 million offset by the cash proceeds on the sale of real estate of \$16.4 million.

Net cash used in investing activities was \$502.4 million during fiscal 2013 consisting primarily of the acquisitions of Whippany Actuation, Arkwin and Aerosonic for a total of \$483.3 million and capital expenditures of \$35.5 million offset by the cash proceeds on the sale of our equity investment in C-Safe LLC of \$16.4 million.

Net cash used in investing activities was \$876.3 million during fiscal 2012 consisting primarily of the acquisition of AmSafe, Harco and Aero-Instruments for a total of \$868.7 million and capital expenditures of \$25.2 million offset by the cash proceeds on the sale of the distribution business of \$17.7 million.

*Financing Activities.* Net cash provided by financing activities during fiscal 2014 was \$44.0 million, which comprised \$2,326.4 million of net proceeds from our Notes due 2022 and 2024, \$805.4 million of additional net proceeds under our 2014 Credit Facility, \$199.2 million of net proceeds from the trade receivable securitization

facility, and \$78.4 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options offset by \$1,451.4 million of dividends and dividend equivalent payments, \$1,721.0 million for the repurchase of our 2018 Notes, \$159.9 million of treasury stock purchases, and \$33.1 million of repayments on the 2014 Credit Facility.

Net cash provided by financing activities during fiscal 2013 was \$156.2 million, which comprised \$3,064.0 million of net proceeds from our 2013 Credit Facility, \$147.4 million of additional net proceeds from the amendment of our 2011 Credit Facility, \$494.8 million of net proceeds from our 2021 Notes, \$541.6 million of net proceeds from our 2020 Notes and \$87.7 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options offset by \$18.8 million repayment on the 2013 Credit Facility, the repayment of our 2011 Credit Facility of \$2,169.1 million and \$1,991.4 million of dividend and dividend equivalent payments.

Net cash provided by financing activities during fiscal 2012 was \$527.2 million, which comprised \$484.3 million of additional net proceeds from the Amendment under our 2011 Credit Facility and \$66.3 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options offset by \$19.3 million repayment on our 2011 Secured Credit Facility, \$3.3 million of dividend equivalent payments and \$0.8 million of treasury stock purchased.

#### *Description of Senior Secured Credit Facility and Indentures*

On June 4, 2014, TransDigm Inc. amended and restated its existing credit agreement dated February 28, 2013, by entering into a Second Amended and Restated Credit Agreement (the “2014 Credit Facility”). The 2014 Credit Facility permits, among other things, (i) the payment of a special dividend of up to \$1.7 billion to the holders of TD Group’s common stock, par value \$.01 per share, (ii) the issuance of the 2022 Notes and the 2024 Notes (each as defined below), (iii) the incurrence of certain new tranche D term loans (the “Tranche D Term Loans”) in an aggregate principal amount equal to \$825 million, which Tranche D Term Loans were fully drawn on June 4, 2014 and mature on June 4, 2021, (iv) the increase of the total revolving commitments thereunder to \$420 million, which includes a sublimit of up to \$100 million of multicurrency revolving commitments, and (v) certain changes to certain affirmative and negative covenants and the financial covenant thereunder. The terms and conditions that apply to the Tranche D Term Loans, including pricing, are substantially the same as the terms and conditions that apply to the other term loans under the 2014 Credit Facility. In addition, the Revolving A Credit Commitments previously available under the credit facility were terminated.

The term loan facilities under the 2014 Credit Facility (the “Term Loan Facility”) now consist of three tranches of term loans—Tranche B Term Loans, Tranche C Term Loans and Tranche D Term Loans. The Revolving Credit Facility now consists of one tranche—Revolving B Commitments, which include up to \$100 million of multicurrency revolving commitments. The Tranche B Term Loans consist of \$500 million in the aggregate maturing on February 14, 2017, the Tranche C Term Loans consist of \$2,600 million in the aggregate maturing on February 28, 2020 and the Tranche D Term Loans consist of \$825 million in the aggregate maturing on June 4, 2021. The Term Loan Facility requires quarterly principal payments of \$7.8 million, which began on March 28, 2013, and an additional quarterly principal payment of \$2.1 million which began on September 30, 2014. The Revolving B Commitments consist of \$420 million in the aggregate and mature on February 28, 2018. At September 30, 2014, the Company had \$6.8 million letters of credit outstanding and \$413.2 million of borrowings available under the 2014 Credit Facility.

Under the terms of the 2014 Credit Facility, TransDigm is entitled on one or more occasions, subject to the satisfaction of certain conditions, to request additional commitments under the Revolving Credit Facility or additional term loans in the aggregate principal amount of up to \$1.0 billion to the extent that existing or new lenders agree to provide such additional term loans.



All of the indebtedness outstanding under the 2014 Credit Facility is guaranteed by TD Group and all of TransDigm's current and future domestic restricted subsidiaries (other than immaterial subsidiaries). In addition, the obligations of TransDigm and the guarantors under the 2014 Credit Facility are secured ratably in accordance with each lender's respective revolving and term loan commitments by a first priority security interest in substantially all of the existing and future property and assets, including inventory, equipment, general intangibles, intellectual property, investment property and other personal property (but excluding leasehold interests and certain other assets) of TransDigm and its existing and future domestic restricted subsidiaries (other than immaterial subsidiaries), and a first priority pledge of the capital stock of TransDigm and its subsidiaries (other than foreign subsidiaries and certain domestic subsidiaries, of which 65% of the voting capital stock is pledged).

The interest rates per annum applicable to the loans under the 2014 Credit Facility will be, at TransDigm's option, equal to either an alternate base rate or an adjusted LIBO rate for one, two, three or six-month (or to the extent agreed to by each relevant lender, nine or twelve-month) interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted LIBO rate is subject to a floor of .75%. At September 30, 2014 the applicable interest rate was 3.50% on the Tranche B Term Loan and 3.75% on the Tranche C and Tranche D Term Loans.

The Term Loan Facility requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as defined in the 2014 Credit Facility), commencing 90 days after the end of each fiscal year, commencing with the fiscal year ending September 30, 2014, subject to certain exceptions. In addition, subject to certain exceptions (including, with respect to asset sales, the reinvestment in productive assets), TransDigm will be required to prepay the loans outstanding under the Term Loan facility at 100% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of certain asset sales and issuance or incurrence of certain indebtedness. In addition, if, prior to December 4, 2014 with respect to Tranche B and Tranche C Term Loans and June 4, 2015 with respect to Tranche D Term Loans, the principal amount of the term loans are (i) prepaid substantially concurrently with the incurrence by TD Group, TransDigm or any its subsidiaries of new bank loans that have an effective yield lower than the yield in effect on the term loans so prepaid or (ii) received by a lender due to a mandatory assignment following the failure of such lender to consent to an amendment of the 2014 Credit Facility that has the effect of reducing the effective interest rate with respect to the term loans, such prepayment or receipt shall be accompanied by a premium of 1.0%.

The 2014 Credit Facility contains certain covenants that limit the ability of TD Group, TransDigm and TransDigm's restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness or issue preferred stock; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to TransDigm; (vi) incur or suffer to exist liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of their assets; and (viii) engage in transactions with affiliates.

At September 30, 2014, three forward-starting interest rate swap agreements were in place to swap variable rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million. These interest rate swap agreement converted the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

On July 16, 2013, the Company entered into three forward-starting interest rate swap agreements beginning September 30, 2014 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$1.0 billion through June 30, 2019. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.

On July 24, 2014, the Company entered into five forward-starting interest rate swap agreements beginning March 31, 2016 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$750 million through June 30, 2020. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.

In December 2010, TransDigm Inc. issued \$1.6 billion in aggregate principal amount of its 7<sup>3</sup>/<sub>4</sub>% Senior Subordinated Notes due 2018 (the “2018 Notes”) at an issue price of 100% of the principal amount. Such notes did not require principal payments prior to their maturity in December 2018. Interest under the 2018 Notes was payable semi-annually. In June 2014, the Company repurchased or discharged all the 2018 Notes for an aggregate price of \$1.7 billion.

In October 2012, TransDigm Inc. issued \$550 million in aggregate principal amount of its 5<sup>1</sup>/<sub>2</sub>% Senior Subordinated Notes due 2020 (“2020 Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in October 2020. Interest under the 2020 Notes is payable semi-annually.

In July 2013, the Company issued \$500 million in aggregate principal amount of its 7<sup>1</sup>/<sub>2</sub>% Senior Subordinated Notes due 2021 (“2021 Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in July 2021. Interest under the 2021 Notes is payable semi-annually.

In June 2014, the Company issued \$1.15 billion in aggregate principal amount of its 6% Senior Subordinated Notes due 2022 (“2022 Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in July 2022. Interest under the 2022 Notes is payable semi-annually.

In June 2014, the Company issued \$1.2 billion in aggregate principal amount of its 6<sup>1</sup>/<sub>2</sub>% Senior Subordinated Notes due 2024 (“2024 Notes”) and together with the 2018 Notes, 2020 Notes, 2021 Notes, and the 2022 Notes, the “Notes”) at an issue price of 100% of the principal amount. Such notes do not require principal payments prior to their maturity in July 2024. Interest under the 2024 Notes is payable semi-annually.

The Notes represent unsecured obligations of TransDigm Inc. ranking subordinate to TransDigm Inc.’s senior debt, as defined in the applicable Indentures. The Notes are subordinated to all of TransDigm’s existing and future senior debt, rank equally with all of its existing and future senior subordinated debt and rank senior to all of its future debt that is expressly subordinated to the Notes. The Notes are guaranteed on a senior subordinated unsecured basis by TD Group and its wholly-owned domestic subsidiaries named in the Indenture. The guarantees of the Notes are subordinated to all of the guarantors’ existing and future senior debt, rank equally with all of their existing and future senior subordinated debt and rank senior to all of their future debt that is expressly subordinated to the guarantees of the Notes. The Notes are structurally subordinated to all of the liabilities of TD Group’s non-guarantor subsidiaries. The Notes contain many of the restrictive covenants included in the 2014 Credit Facility. TransDigm is in compliance with all the covenants contained in the Notes.

### *Certain Restrictive Covenants in Our Debt Documents*

The credit facility and the indentures governing the Notes (the “Indentures”) contain restrictive covenants that, among other things, limit the incurrence of additional indebtedness, the payment of dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of other indebtedness. In addition, if the total amount of revolving loans and letters of credit exceeds 25% of the aggregate revolving commitment, the credit facility requires that the Company meet a net debt to EBITDA As Defined ratio, on a pro forma basis. A breach of any of the covenants or an inability to comply with the required leverage ratio could result in a default under the credit facilities or the Indentures. If any such default occurs, the lenders under the credit facilities and the holders of the Notes may elect to declare all outstanding borrowings, together with accrued interest and other amounts payable thereunder, to be immediately due and payable. The lenders under the credit facilities also have the right in these circumstances to terminate any commitments they have to provide further borrowings. In addition, following an event of default under the credit facilities, the lenders thereunder will have the right to proceed against the collateral granted to them to secure the debt, which includes our available cash, and they will also have the right to prevent us from making debt service payments on the Notes.

### *Trade Receivables Securitization*

During the quarter ended December 28, 2013, the Company established a trade receivables securitization facility (the “Securitization Facility”). The Securitization Facility effectively increases the Company’s borrowing capacity by up to \$225 million depending on the amount of trade accounts receivable, and matures on August 7, 2015. The Company uses the proceeds from the securitization program as an alternative to other forms of debt, effectively reducing borrowing costs. As of September 30, 2014, the Company has borrowed \$200 million under the Securitization Facility.

### *Stock Repurchase Program*

On October 29, 2013, we announced a program replacing a previous program permitting us to repurchase a portion of our outstanding shares not to exceed \$200 million in the aggregate. During the year ended September 30, 2014, the Company repurchased 909,700 shares of its common stock at a gross cost of approximately \$159.9 million at a weighted-average price of \$175.68 per share. No repurchases were made under the program during the year ended September 30, 2013. On October 22, 2014 we announced a new program replacing this program permitting us to repurchase a portion of our outstanding shares not to exceed \$250 million in the aggregate.

### **Contractual Obligations**

The following is a summary of contractual cash obligations as of September 30, 2014 (in millions):

|   | <u>2014</u>  | <u>2015</u>    | <u>2016</u>    | <u>2017</u>    | <u>2018</u>    | <u>2019 and thereafter</u> | <u>Total</u>      |
|---|--------------|----------------|----------------|----------------|----------------|----------------------------|-------------------|
| Senior Secured Credit Facility <sup>(1)</sup> | \$ 39.3      | \$ 39.3        | \$515.5        | \$ 34.3        | \$ 34.3        | \$3,210.4                  | \$ 3,873.1        |
| 2020 Notes                                    | —            | —              | —              | —              | —              | 550.0                      | 550.0             |
| 2021 Notes                                    | —            | —              | —              | —              | —              | 500.0                      | 500.0             |
| 2022 Notes                                    | —            | —              | —              | —              | —              | 1,150.0                    | 1,150.0           |
| 2024 Notes                                    | —            | —              | —              | —              | —              | 1,200.0                    | 1,200.0           |
| Scheduled Interest Payments <sup>(2)</sup>    | 382.7        | 385.7          | 381.7          | 372.2          | 365.6          | 764.3                      | 2,652.2           |
| Operating Leases                              | 11.5         | 10.4           | 8.3            | 6.7            | 5.2            | 19.5                       | 61.6              |
| Purchase Obligations                          | 209.7        | 77.8           | 24.0           | 20.6           | 20.0           | —                          | 352.1             |
| Total Contractual Cash Obligations            | <u>643.2</u> | <u>\$513.2</u> | <u>\$929.5</u> | <u>\$433.8</u> | <u>\$425.1</u> | <u>\$7,394.2</u>           | <u>\$10,339.0</u> |

- (1) The tranche B term loan matures in February 2017, the tranche C term loan matures in February 2020, and the tranche D term loan matures in June 2021. The term loans require quarterly principal payments totaling \$9.8 million.

- (2) Assumes that the variable interest rate on our tranche B borrowings under our senior secured credit facility remains constant at 3.5% and the tranche C borrowings under our senior secured credit facility remains constant at 3.75%. In addition, interest payments include the impact of the 5.17% interest rate fixed through our forward-starting swap agreements from December 31, 2012 through June 30, 2015 on an aggregate notional amount of \$353 million, the impact of the 5.4% interest rate fixed through our forward-starting swap agreements from September 30, 2014 through June 30, 2019 on an aggregate notional amount of \$1.0 billion, and the impact of the 5.8% interest rate fixed through our forward-starting swap agreements from March 31, 2016 through June 30, 2020 on an aggregate notional amount of \$750 million.

In addition to the contractual obligations set forth above, the Company incurs capital expenditures for the purpose of maintaining and replacing existing equipment and facilities and, from time to time, for facility expansion. Capital expenditures totaled approximately \$34.1 million, \$35.5 million, and \$25.2 million during fiscal 2014, 2013, and fiscal 2012, respectively. The Company expects its capital expenditures in fiscal 2015 to be between \$60 million and \$65 million.

### **New Accounting Standards**

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 which creates a new topic in the Accounting Standards Codification (“ASC”) Topic 606, “*Revenue From Contracts With Customers*.” In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 establishes a new control-based revenue recognition model; changes the basis for deciding when revenue is recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. In addition, ASU 2014-09 adds a new Subtopic to the Codification, ASC 340-40, “*Other Assets and Deferred Costs: Contracts with Customers*,” to provide guidance on costs related to obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of another ASC Topic. The guidance is effective for the Company for annual reporting periods, including interim periods therein, for the year ending September 30, 2018. Early application is not permitted. The Company is currently evaluating the impact that the update will have on its financial position, results of operations, cash flows and financial statement disclosures.

### **Additional Disclosure Required by Indentures**

Separate financial statements of TransDigm Inc. are not presented since TD Group has no operations or significant assets separate from its investment in TransDigm Inc. and since the Notes are guaranteed by TD Group and all direct and indirect domestic restricted subsidiaries of TransDigm Inc. TransDigm Inc.’s immaterial wholly owned foreign subsidiaries are not obligated to guarantee the Notes.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Our main exposure to market risk relates to interest rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate and floating-rate long-term debt. At September 30, 2014, we had borrowings under our 2014 Credit Facility of \$3.87 billion that were subject to interest rate risk. Borrowings under our 2014 Credit Facility bear interest, at our option, at a rate equal to either an alternate base rate or an adjusted LIBO rate for a one-, two-, three- or six-month (or to the extent available to each lender, nine- or twelve-month) interest period chosen by us, in each case, plus an applicable margin percentage. Accordingly, the Company’s cash flows and earnings will be exposed to the market risk of interest rate changes resulting from variable rate borrowings under our 2014 Credit Facility. The effect of a hypothetical one percentage point increase in interest rates would increase the annual interest costs under our 2014 Credit Facility by approximately \$38.7 million based on the amount of outstanding borrowings at September 30, 2014. The weighted average interest rate on the \$3.87 billion of borrowings under our 2013 Credit Facility on September 30, 2014 was 3.8%.

At September 30, 2014, three forward-starting interest rate swap agreements were in place to swap variable rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million. These interest rate swap agreement converted the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

On July 16, 2013, the Company entered into three forward-starting interest rate swap agreements beginning September 30, 2014 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$1.0 billion through June 30, 2019. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.

On July 24, 2014, the Company entered into five forward-starting interest rate swap agreements beginning March 31, 2016 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$750 million through June 30, 2020. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.

The fair value of the \$3.87 billion aggregate principal amount of borrowings under our 2014 Credit Facility is exposed to the market risk of interest rates. The estimated fair value of such term loan approximated \$3.82 billion at September 30, 2014 based upon information provided to the Company from its agent under the 2014 Credit Facility. The fair value of our \$0.55 billion 2020 Notes, our \$0.50 billion 2021 Notes, our \$1.15 billion 2022 Notes and our \$1.2 billion 2024 Notes are exposed to the market risk of interest rate changes. The estimated fair value of the 2020 Notes approximated \$0.53 billion, the estimated fair value of the 2021 Notes approximated \$0.53 billion, the estimated fair value of the 2022 Notes approximated \$1.12 billion and the estimated fair value of the 2024 Notes approximated \$1.18 billion at September 30, 2014 based upon quoted market rates.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The information required by this Item is contained on pages F-1 through F-39 of this Report.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

As of September 30, 2014, TD Group carried out an evaluation, under the supervision and with the participation of TD Group's management, including its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), of the effectiveness of the design and operation of TD Group's disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that TD Group's disclosure controls and procedures are effective to ensure that information required to be disclosed by TD Group in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to TD Group's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, TD Group's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures.

## **Management's Report on Internal Control Over Financial Reporting**

The management of TD Group is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Using criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (COSO) in Internal Control-Integrated Framework, TransDigm's management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2014. Based on our assessment, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2014.

During fiscal 2014, we completed the acquisitions of Airborne and EME. The results of operations are included in our consolidated financial statements from the date of acquisition. As permitted by the Securities and Exchange Commission, we have elected to exclude Airborne and EME from our assessment of the effectiveness of our internal control over financial reporting as of September 30, 2014. Total assets and net sales of Airborne and EME represented approximately 6% of each of our total assets and net sales as reported in our consolidated financial statements for fiscal 2014.

The Company's independent auditors, Ernst & Young LLP, have issued an audit report on the effectiveness of internal control over financial reporting of the Company as of September 30, 2014. This report is included herein.

## **Changes in Internal Control Over Financial Reporting**

During 2014 we acquired Airborne and EME which operated under their own set of systems and internal controls. We are currently maintaining those systems and much of the control environment until we are able to incorporate their processes into our own systems and control environment. We currently expect to complete the incorporation of their operations into our systems and control environment in fiscal 2015. There were no other changes to our internal controls over financial reporting that could have a material effect on our financial reporting during fiscal 2014.

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of  
TransDigm Group Incorporated

We have audited TransDigm Group Incorporated's internal control over financial reporting as of September 30, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). TransDigm Group Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Airborne Global Inc. and Elektro-Metall Export GmbH, which are included in the 2014 consolidated financial statements of TransDigm Group Incorporated and constituted 6% of total assets as of September 30, 2014 and 6% and 0.5% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of TransDigm Group Incorporated also did not include an evaluation of the internal control over financial reporting of Airborne Global Inc. and Elektro-Metall Export GmbH.

In our opinion, TransDigm Group Incorporated maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of TransDigm Group Incorporated as of September 30, 2014 and

2013, and the related consolidated statements of income, comprehensive income, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended September 30, 2014 of TransDigm Group Incorporated and our report dated November 14, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio  
November 14, 2014



## ITEM 9B. OTHER INFORMATION

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

#### Directors and Executive Officers

Information regarding TD Group's directors is set forth under the caption "Proposal One: Election of Directors" in our Proxy Statement, which is incorporated herein by reference. The following table sets forth certain information concerning TD Group's executive officers:

| <u>Name</u>           | <u>Age</u> | <u>Position</u>   |
|-----------------------|------------|---|
| W. Nicholas Howley    | 62         | Chief Executive Officer, President and Chairman of the Board of Directors |
| Kevin Frailey         | 48         | Executive Vice President  |
| Robert S. Henderson   | 58         | Chief Operating Officer—Airframe  |
| Bernt G. Iversen II   | 57         | Executive Vice President—Mergers and Acquisitions                         |
| Raymond F. Laubenthal | 53         | Retiring Chief Operating Officer  |
| John Leary            | 67         | Executive Vice President  |
| Peter Palmer          | 50         | Executive Vice President  |
| Gregory Rufus         | 58         | Executive Vice President, Chief Financial Officer and Secretary           |
| James Skulina         | 55         | Executive Vice President  |
| Kevin Stein           | 48         | Chief Operating Officer—Power   |
| Jorge Valladares III  | 40         | Executive Vice President  |

Mr. Howley was named Chairman of the Board of Directors of TD Group in July 2003. He has served as Chief Executive Officer of TD Group since December 2005 and of TransDigm Inc. since December 2001. Mr. Howley served as President of TD Group from July 2003 through December 2005, as Chief Operating Officer of TransDigm Inc. from December 1998 through December 2001 and as President of TransDigm Inc. from December 1998 through September 2005. Mr. Howley was a director of Polypore International Inc., a NYSE-listed manufacturer of polymer-based membranes used in separation and filtration processes through October 2012. Mr. Howley was a director of Satair A/S, a Danish public company that is an aerospace distributor, including a distributor of the Company's products through October 2011.

Mr. Frailey was appointed Executive Vice President in November 2014. Prior to that, Mr. Frailey served as President of the Construction, Agricultural and Military division of Commercial Vehicle Group, Inc. from October 2013 to October 2014 and President of the Electrical Systems division from November 2008 to October 2013.

Mr. Henderson was appointed Chief Operating Officer—Airframe in October 2014. Prior to that Mr. Henderson served as Executive Vice President from December 2005 to October 2014, and as President of the AdelWiggins Group, a division of TransDigm Inc., from August 1999 to April 2008.

Mr. Iversen was appointed Executive Vice President—Mergers & Acquisitions and Business Development in May 2012. Prior to that, he served as Executive Vice President of TD Group from December 6, 2010 through May 2012 and as President of Champion Aerospace LLC, a wholly-owned subsidiary of TransDigm Inc., from June 2006 to December 2010.

Mr. Laubenthal is currently serving in a transition capacity pending his retirement expected to be effected around December 31, 2014. Mr. Laubenthal served as President and Chief Operating Officer of TD Group from December 2005 to October 2014 and as President of AeroControlex Group, then operated as a division of TransDigm Inc., from November 1998 through September 2005.

Mr. Leary was appointed Executive Vice President May 2012. Prior to that, he served as President of Hartwell Corporation, a wholly-owned subsidiary of TransDigm Inc., from October 2011 to May 2012, and as President of Adams Rite Aerospace, Inc., a wholly-owned subsidiary of TransDigm Inc., from June 1999 to September 2011.

Mr. Palmer was appointed Executive Vice President in February 2012. Prior to that, Mr. Palmer served as President of AdelWiggins Group, a division of TransDigm Inc., from April 2010 to February 2012, and as President of CEF Industries, LLC, a wholly-owned subsidiary of TransDigm Inc., from June 2008 to March 2010.

Mr. Rufus was named Executive Vice President, Chief Financial Officer and Secretary in December 2005. He served as Vice President and Chief Financial Officer from July 2003 through December 2005 and as Vice President and Chief Financial Officer of TransDigm Inc. from August 2000 through October 2005.

Mr. Skulina was appointed Executive Vice President in January 2012. Prior to that, Mr. Skulina served as President of the Aero Fluid Products division of AeroControlex Group, Inc., a wholly-owned subsidiary of TransDigm Inc., from September 2009 to December 2011, and as Controller of TransDigm Inc., from August 2007 to August 2009.

Mr. Stein was appointed Chief Operating Officer—Power in October 2014. Prior to that, Mr. Stein served as Executive Vice President and President of the Structural division of Precision Castparts Corp. from November 2011 to October 2014 and Executive Vice President and President of the Fasteners division of Precision Castparts Corp. from January 2009 through November 2011.

Mr. Valladares was appointed Executive Vice President in October 2013. Prior to that, Mr. Valladares served as President of AvtechTyee, Inc. (formerly Avtech Corporation), a wholly-owned subsidiary of TransDigm Inc., from August 2009 to September 2013, and as President of AdelWiggins Group, a division of TransDigm Inc., from April 2008 to July 2009.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

The information regarding compliance with Section 16 of the Securities Exchange Act of 1934 is set forth under the caption entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in our Proxy Statement, which is incorporated herein by reference.

### **Code of Ethics**

We have adopted a Code of Business Conduct and Ethics, which applies to all of our directors, officers, and employees and a Code of Ethics for Senior Financial Officers which includes additional ethical obligations for our senior financial management (which includes our chief executive officer, chief financial officer, president, division presidents, controllers, treasurer, and chief internal auditor). Please refer to the information set forth under the caption “Corporate Governance—Codes of Ethics & Whistleblower Policy” in our Proxy Statement, which is incorporated herein by reference. Our Code of Business Conduct and Ethics and our Code of Ethics for Senior Financial Officers is available on our website at [www.transdigm.com](http://www.transdigm.com). Any person may receive a copy without charge by writing to us at TransDigm Group Incorporated, 1301 East 9<sup>th</sup> Street, Suite 3000, Cleveland, Ohio 44114. We intend to disclose on our website any amendment to, or waiver from, a provision of our Code of Business Conduct and Ethics that applies to directors and executive officers and that is required to be disclosed pursuant to the rules of the Securities and Exchange Commission.

### **Nominations of Directors**

The procedure by which stockholders may recommend nominees to our Board of Directors is set forth under the caption “Corporate Governance—Board Committees—Nominating and Corporate Governance Committee” in our Proxy Statement, which is incorporated herein by reference.

## **Audit Committee**

The information regarding the audit committee of our Board of Directors and audit committee financial experts is set forth under the caption “Corporate Governance-Board Committees—Audit Committee” in our Proxy Statement, which is incorporated herein by reference.

## **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is set forth under the captions “Executive Compensation”, “Compensation of Directors”, “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” in our Proxy Statement, which is incorporated herein by reference.

## **ITEM 12. SECURITY OWNERSHIP OF BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information regarding security ownership of certain beneficial owners and management is set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in our Proxy Statement, which is incorporated herein by reference.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is set forth under the captions entitled “Certain Relationships and Related Transactions,” “Compensation of Directors,” and “Independence of Directors” in our Proxy Statement, which is incorporated herein by reference.

## **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is set forth under the caption “Principal Accounting Fees and Services” in our Proxy Statement, which is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) Documents Filed with Report**

**(a) (1) Financial Statements**

|   | <u>Page</u>       |
|---|-------------------|
| Report of Independent Registered Public Accounting Firm . . . . .   | F-1               |
| Consolidated Balance Sheets as of September 30, 2014 and 2013 . . . . .   | F-2               |
| Consolidated Statements of Income for Fiscal Years Ended September 30, 2014, 2013 and 2012 . . . . .                                    | F-3               |
| Consolidated Statements of Comprehensive Income for Fiscal Years Ended September 30, 2014, 2013 and 2012 . . . . .                      | F-4               |
| Consolidated Statements of Changes in Stockholders' (Deficit)/Equity for Fiscal Years Ended September 30, 2014, 2013 and 2012 . . . . . | F-5               |
| Consolidated Statements of Cash Flows for Fiscal Years Ended September 30, 2014, 2013 and 2012 . . . . .                                | F-6               |
| Notes to Consolidated Financial Statements . . . . .  | pages F-7 to F-38 |

**(a) (2) Financial Statement Schedules**

|  |      |
|--|------|
| Valuation and Qualifying Accounts for the Fiscal Years Ended September 30, 2014, 2013 and 2012 . . . . . | F-39 |
|--|------|

**a) (3) Exhibits**

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|---|--|
| 3.1                | Second Amended and Restated Certificate of Incorporation, filed April 28, 2014, of TransDigm Group Incorporated   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 28, 2014 (File No. 001-32833)                   |
| 3.2                | Second Amended and Restated Bylaws of TransDigm Group Incorporated  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 28, 2014 (File No. 001-32833)                   |
| 3.3                | Certificate of Incorporation, filed July 2, 1993, of NovaDigm Acquisition, Inc. (now known as TransDigm Inc.)   | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.4                | Certificate of Amendment, filed July 22, 1993, of the Certificate of Incorporation of NovaDigm Acquisition, Inc. (now known as TransDigm Inc.)                      | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.5                | Bylaws of NovaDigm Acquisition, Inc. (now known as TransDigm Inc.)  | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.6                | Certificate of Incorporation, filed July 10, 2009, of Acme Aerospace Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 25, 2009 (File No. 001-32833)                 |
| 3.7                | Bylaws of Acme Aerospace Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 25, 2009 (File No. 001-32833)                 |
| 3.8                | Articles of Incorporation, filed July 30, 1986, of ARP Acquisition Corporation (now known as Adams Rite Aerospace, Inc.)  | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.9                | Certificate of Amendment, filed September 12, 1986, of the Articles of Incorporation of ARP Acquisition Corporation (now known as Adams Rite Aerospace, Inc.)       | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.10               | Certificate of Amendment, filed January 27, 1992, of the Articles of Incorporation of Adams Rite Products, Inc. (now known as Adams Rite Aerospace, Inc.)           | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.11               | Certificate of Amendment, filed December 31, 1992, of the Articles of Incorporation of Adams Rite Products, Inc. (now known as Adams Rite Aerospace, Inc.)          | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.12               | Certificate of Amendment, filed August 11, 1997, of the Articles of Incorporation of Adams Rite Sabre International, Inc. (now known as Adams Rite Aerospace, Inc.) | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.13               | Amended and Restated Bylaws of Adams Rite Aerospace, Inc.   | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|---|--|
| 3.14               | Certificate of Incorporation, filed June 18, 2007, of AeroControlex Group, Inc.   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366) |
| 3.15               | Bylaws of AeroControlex Group, Inc.   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366) |
| 3.16               | Certificate of Formation, filed September 25, 2013, of Aerosonic LLC  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.17               | Limited Liability Company Agreement of Aerosonic LLC  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.18               | Certificate of Incorporation, filed November 13, 2009, of Airborne Acquisition, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.19               | Bylaws of Airborne Acquisition, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.20               | Amended and Restated Certificate of Incorporation, filed January 25, 2010, of HDT International Holdings, Inc. (now known as Airborne Global, Inc.)         | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.21               | Certificate of Amendment to Certificate of Incorporation, filed February 24, 2010, of HDT International Holdings, Inc. (now known as Airborne Global, Inc.) | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.22               | Certificate of Amendment to Certificate of Incorporation, filed December 10, 2013, of HDT International Holdings, Inc. (now known as Airborne Global, Inc.) | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.23               | Bylaws of HDT International Holdings, Inc. (now known as Airborne Global, Inc.)   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.24               | Certificate of Incorporation, filed November 13, 2009, of Airborne Holdings, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.25               | Bylaws of Airborne Holdings, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |
| 3.26               | Certificate of Incorporation, filed September 1, 1995, of Wardle Storeys Inc. (now known as Airborne Systems NA Inc.)                                       | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>   |
|--------------------|---|---|
| 3.27               | Certificate of Amendment to Certificate of Incorporation, filed May 28, 2002, of Wardle Storeys Inc. (now known as Airborne Systems NA Inc.)                              | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.28               | Bylaws of Airborne Systems NA Inc., as amended  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.29               | Certificate of Incorporation, filed April 23, 2007, of Airborne Systems North America Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.30               | Bylaws of Airborne Systems North America Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.31               | Certificate of Incorporation, filed April 25, 1989, of Irvin Industries (Del), Inc. (now known as Airborne Systems North America of CA Inc.)                              | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.32               | Certificate of Amendment to Certificate of Incorporation, filed June 2, 1989, of Irvin Industries (Del), Inc. (now known as Airborne Systems North America of CA Inc.)    | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.33               | Certificate of Amendment to Certificate of Incorporation, filed April 30, 1996, of Irvin Industries, Inc. (now known as Airborne Systems North America of CA Inc.)        | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.34               | Certificate of Amendment to Certificate of Incorporation, filed April 23, 1997, of Irvin Aerospace Inc. (now known as Airborne Systems North America of CA Inc.)          | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.35               | Bylaws of Airborne Systems North America of CA Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.36               | Certificate of Incorporation, Profit, filed October 28, 1994, of Wardle Storeys (Parachutes) Inc. (now known as Airborne Systems North America of NJ Inc.)                | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.37               | Certificate of Merger, filed February 9, 1995, of Para-Flite Inc. with and into Wardle Storeys (Parachutes) Inc. (now known as Airborne Systems North America of NJ Inc.) | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.38               | Certificate of Amendment to Certificate of Incorporation, filed April 23, 1997, of Para-Flite Inc. (now known as Airborne Systems North America of NJ Inc.)               | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |

| <b>Exhibit No.</b> | <b>Description</b>  | <b>Filed Herewith or Incorporated by Reference From</b>   |
|--------------------|---|---|
| 3.39               | Certificate of Correction to Certificate of Incorporation, filed June 27, 2007, of Airborne Systems North America of NJ Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.40               | Bylaws of Airborne Systems North America of NJ Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 3.41               | Certificate of Incorporation, filed May 8, 1985, of Am-Safe, Inc. (now known as AmSafe, Inc.)                                 | Incorporated by reference to Form TransDigm Group Incorporated's 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.42               | Certificate of Amendment of Certificate of Incorporation, filed May 19, 2005, of Am-Safe, Inc. (now known as AmSafe, Inc.)    | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.43               | By-Laws of Am-Safe, Inc. (now known as AmSafe, Inc.)  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.44               | Amended and Restated Certificate of Incorporation, filed July 23, 2001, of Londavia Inc. (now known as AmSafe Bridport, Inc.) | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.45               | Certificate of Amendment of Certificate of Incorporation, filed February 12, 2007, of AmSafe Bridport, Inc.                   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.46               | By-Laws of Londavia Inc. (now known as AmSafe Bridport, Inc.)   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.47               | Certificate of Incorporation, filed September 2, 2008, of AmSafe—C Safe, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.48               | By-Laws of AmSafe—C Safe, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.49               | Certificate of Incorporation, filed October 16, 2007, of AmSafe Global Holdings, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.50               | Amended and Restated By-Laws of AmSafe Global Holdings, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.51               | Amended and Restated Certificate of Incorporation, filed January 20, 2012, of AmSafe Industries, Inc.                         | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.52               | Second Amended and Restated By-Laws of AmSafe Industries, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |
| 3.53               | Certificate of Incorporation, filed September 10, 2007, of AP Global Acquisition Corp.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)      |



| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|---|--|
| 3.54               | Amended and Restated By-Laws of AP Global Acquisition Corp.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)   |
| 3.55               | Certificate of Incorporation, filed September 10, 2007, of AP Global Holdings, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)   |
| 3.56               | Amended and Restated By-Laws of AP Global Holdings, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)   |
| 3.57               | Restated Certificate of Incorporation, filed July 10, 1967, of Arkwin Industries, Inc.  | Incorporated by reference to Amendment No. 3 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494) |
| 3.58               | Certificate of Amendment, filed November 4, 1981, of Arkwin Industries, Inc.  | Incorporated by reference to Amendment No. 3 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494) |
| 3.59               | Certificate of Amendment, filed June 11, 1999, of Arkwin Industries, Inc.   | Incorporated by reference to Amendment No. 3 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494) |
| 3.60               | Bylaws of Arkwin Industries, Inc.   | Incorporated by reference to Amendment No. 3 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494) |
| 3.61               | Certificate of Incorporation, filed March 7, 2003, of Wings Holdings, Inc. (now known as Aviation Technologies, Inc.)                             | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)                     |
| 3.62               | Certificate of Amendment of Certificate of Incorporation, filed May 12, 2003, of Wings Holdings, Inc. (now known as Aviation Technologies, Inc.)  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)                     |
| 3.63               | Certificate of Amendment of Certificate of Incorporation, filed July 17, 2003, of Wings Holdings, Inc. (now known as Aviation Technologies, Inc.) | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)                     |
| 3.64               | Bylaws of Wings Holdings, Inc. (now known as Aviation Technologies, Inc.)   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)                     |
| 3.65               | Certificate of Formation, effective June 29, 2007, of Avionic Instruments LLC   | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)                                   |
| 3.66               | Limited Liability Company Agreement of Avionic Instruments LLC  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)                     |

| <u>Exhibit No.</u> | <u>Description</u>   | <u>Filed Herewith or Incorporated by Reference From</u>   |
|--------------------|--|---|
| 3.67               | Certificate of Incorporation, filed December 29, 1992, of Avionic Specialties, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                 |
| 3.68               | Bylaws of Avionic Specialties, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)                 |
| 3.69               | Articles of Incorporation, filed October 3, 1963, of Avtech Corporation (now known as AvtechTye, Inc.)                         | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)  |
| 3.70               | Articles of Amendment of Articles of Incorporation, filed March 30, 1984, of Avtech Corporation (now known as AvtechTye, Inc.) | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)  |
| 3.71               | Articles of Amendment of Articles of Incorporation, filed April 17, 1989, of Avtech Corporation (now known as AvtechTye, Inc.) | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)  |
| 3.72               | Articles of Amendment of Articles of Incorporation, filed July 17, 1998, of Avtech Corporation (now known as AvtechTye, Inc.)  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)  |
| 3.73               | Articles of Amendment of Articles of Incorporation, filed May 20, 2003, of Avtech Corporation (now known as Avtech Tye, Inc.)  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4, filed July 6, 2007 (File No. 333-144366) |
| 3.74               | Articles of Amendment of Articles of Incorporation, filed May 2, 2012, of AvtechTye, Inc.                                      | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 16, 2012 (File No. 001-32833)                |
| 3.75               | Bylaws of Avtech Corporation (now known as AvtechTye, Inc.)  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)  |
| 3.76               | Articles of Incorporation, filed February 6, 1998, of Air Carrier Acquisition Corp. (now known as Bridport-Air Carrier, Inc.)  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                      |
| 3.77               | Articles of Amendment, filed February 23, 1998, of Air Carrier Acquisition Corp. (now known as Bridport-Air Carrier, Inc.)     | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                      |
| 3.78               | Articles of Amendment, filed December 14, 1999, of Bridport-Air Carrier, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                      |
| 3.79               | Amended and Restated By-Laws of Bridport-Air Carrier, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                      |
| 3.80               | Certificate of Incorporation, filed May 9, 2000, of Erie Acquisition Corp. (now known as Bridport Erie Aviation, Inc.)         | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                      |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|---|--|
| 3.81               | Certificate of Amendment of Certificate of Incorporation, filed May 30, 2000, of Erie Acquisition Corp. (now known as Bridport Erie Aviation, Inc.) | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                     |
| 3.82               | Certificate of Amendment of Certificate of Incorporation, filed June 19, 2000, of Bridport Erie Aviation, Inc.                                      | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                     |
| 3.83               | Amended and Restated By-Laws of Erie Acquisition Corp. (now known as Bridport Erie Aviation, Inc.)  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                     |
| 3.84               | Certificate of Incorporation, filed July 2, 2004, of Bridport Holdings, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                     |
| 3.85               | Amended and Restated By-Laws of Bridport Holdings, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)                     |
| 3.86               | Certificate of Incorporation filed August 6, 2007, of Bruce Aerospace, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)               |
| 3.87               | Bylaws of Bruce Aerospace, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)               |
| 3.88               | Articles of Incorporation, filed February 6, 2006 of Bruce Industries, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)               |
| 3.89               | Bylaws of Bruce Industries, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)               |
| 3.90               | Certificate of Conversion, effective June 30, 2007, converting CDA InterCorp into CDA InterCorp LLC   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366) |
| 3.91               | Operating Agreement of CDA InterCorp LLC  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366) |
| 3.92               | Certificate of Formation, filed September 30, 2010, of CEF Industries, LLC  | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2010 (File No. 001-32833)               |
| 3.93               | Limited Liability Company Agreement of CEF Industries, LLC  | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2010 (File No. 001-32833)               |
| 3.94               | Certificate of Formation, effective June 30, 2007, of Champion Aerospace LLC  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366) |

| <u>Exhibit No.</u> | <u>Description</u>   | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|--|--|
| 3.95               | Limited Liability Company Agreement of Champion Aerospace LLC  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)   |
| 3.96               | Certificate of Incorporation, filed November 20, 2009, of Dukes Aerospace, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed December 3, 2009 (File No. 001-32833)                   |
| 3.97               | Bylaws of Dukes Aerospace, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed December 3, 2009 (File No. 001-32833)                   |
| 3.98               | Certificate of Formation, filed February 29, 2000, of Western Sky Industries, LLC (now known as Electromech Technologies LLC)                      | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                  |
| 3.99               | Certificate of Amendment, filed December 18, 2013, of Western Sky Industries, LLC (now known as Electromech Technologies LLC)                      | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014                                       |
| 3.100              | Second Amended and Restated Limited Liability Agreement of Western Sky Industries, LLC (now known as Electromech Technologies LLC)                 | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                  |
| 3.101              | Certificate of Conversion, effective March 31, 2014, of Harco LLC  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed August 7, 2014 (File No. 333-197935) |
| 3.102              | Limited Liability Company Agreement of Harco LLC   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed August 7, 2014 (File No. 333-197935) |
| 3.103              | Articles of Incorporation, filed May 10, 1957, of Hartwell Aviation Supply Company (now known as Hartwell Corporation)                             | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                  |
| 3.104              | Certificate of Amendment, filed June 9, 1960, of Articles of Incorporation of Hartwell Aviation Supply Company (now known as Hartwell Corporation) | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                  |
| 3.105              | Certification of Amendment, filed October 23, 1987, of Articles of Incorporation of Hartwell Corporation   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                  |
| 3.106              | Certificate of Amendment, filed April 9, 1997, of Articles of Incorporation of Hartwell Corporation  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                  |
| 3.107              | Bylaws of Hartwell Corporation   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                  |
| 3.108              | Certificate of Incorporation, filed May 17, 2006, of Bruce Industries Acquisition Corp. (now known as Malaysian Aerospace Services, Inc.)          | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)   |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|---|--|
| 3.109              | Certificate of Amendment of Certificate of Incorporation, filed January 19, 2007, of Bruce Industries Acquisition Corp. (now known as Malaysian Aerospace Services, Inc.) | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366) |
| 3.110              | Bylaws of Bruce Industries Acquisition Corp. (now known as Malaysian Aerospace Services, Inc.)  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366) |
| 3.111              | Certificate of Incorporation, filed April 13, 2007, of McKechnie Aerospace DE, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.112              | Bylaws of McKechnie Aerospace DE, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.113              | Certificate of Incorporation, filed April 25, 2007, of McKechnie Aerospace Holdings, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.114              | Bylaws of McKechnie Aerospace Holdings, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.115              | Certificate of Incorporation, filed December 11, 1998, of McKechnie US Holdings Inc. (now known as McKechnie Aerospace Investments, Inc.)                                 | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.116              | Certificate of Amendment, filed May 11, 2007, to the Certificate of Incorporation of McKechnie Investments, Inc. (now known as McKechnie Aerospace Investments, Inc.)     | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.117              | Amended and Restated Bylaws of McKechnie Aerospace Investments, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.118              | Certificate of Formation, filed May 11, 2005, of Melrose US 3 LLC (now known as McKechnie Aerospace US LLC)   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.119              | Certificate of Amendment, filed May 11, 2007, to Certificate of Formation of Melrose US 3 LLC (now known as McKechnie Aerospace US LLC)                                   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.120              | Limited Liability Company Agreement of McKechnie Aerospace US LLC   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                |
| 3.121              | Certificate of Incorporation, filed March 28, 1994, of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)   | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |

| <u>Exhibit No.</u> | <u>Description</u>   | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|--|--|
| 3.122              | Certificate of Amendment, filed May 18, 1994, of the Certificate of Incorporation of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)                | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.123              | Certificate of Amendment, filed May 24, 1994, of the Certificate of Incorporation of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)                | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.124              | Certificate of Amendment, filed August 28, 2003, of the Certificate of Incorporation of Marathon Power Technology Company (now known as MarathonNorco Aerospace, Inc.) | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 28, 2006 (File No. 001-32833)               |
| 3.125              | Bylaws of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)   | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.126              | Bylaws of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)   | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397) |
| 3.127              | Limited Liability Company Certificate of Formation, filed May 30, 2007, of Schneller LLC   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)                |
| 3.128              | Amended and Restated Limited Liability Company Agreement, dated August 31, 2011, of Schneller LLC  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)                |
| 3.129              | Limited Liability Company Certificate of Formation of Schneller Holdings LLC, filed May 30, 2007   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)                |
| 3.130              | Amended and Restated Limited Liability Company Agreement, dated August 31, 2011, of Schneller Holdings LLC   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)                |
| 3.131              | Articles of Incorporation, filed December 22, 2004, of Schneller International Sales Corp.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)                |
| 3.132              | Code of Regulations of Schneller International Sales Corp.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)                |
| 3.133              | Certificate of Incorporation of Semco Instruments, Inc.  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed September 7, 2010 (File No. 001-32833)                |
| 3.134              | Certificate of Amendment to Certificate of Incorporation, filed October 17, 2012, of Semco Instruments, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 16, 2012 (File No. 001-32833)               |
| 3.135              | Amended and Restated Bylaws of Semco Instruments, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed September 7, 2010 (File No. 001-32833)                |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|---|--|
| 3.136              | Certificate of Incorporation, filed September 16, 1994, of Am-Safe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.)                        | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)   |
| 3.137              | Certificate of Amendment of Certificate of Incorporation, filed May 19, 2005, of AmSafe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.)   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)   |
| 3.138              | Certificate of Amendment of Certificate of Incorporation, filed August 27, 2014 of AmSafe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.) | Filed herewith   |
| 3.139              | By Laws of Am-Safe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.)  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)   |
| 3.140              | Certificate of Incorporation, filed December 22, 2004, of Skurka Aerospace Inc.   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed October 11, 2006 (File No. 333-137937)                 |
| 3.141              | Bylaws of Skurka Aerospace Inc.   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed October 11, 2006 (File No. 333-137937)                 |
| 3.142              | Articles of Incorporation, filed August 6, 1999, of Texas Rotronics, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                                    |
| 3.143              | Bylaws of Texas Rotronics, Inc.   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)                                    |
| 3.144              | Certificate of Formation, effective June 30, 2007, of Transicoil LLC  | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)                     |
| 3.145              | Limited Liability Company Agreement of Transicoil LLC   | Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)                     |
| 3.146              | Certificate of Formation, filed June 13, 2013, of Whippany Actuation Systems, LLC   | Incorporated by reference to Amendment No. 3 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494) |
| 3.147              | Limited Liability Agreement of Whippany Actuation Systems, LLC  | Incorporated by reference to Amendment No. 3 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494) |
| 4.1                | Form of Stock Certificate   | Incorporated by reference to Amendment No. 3 to TransDigm Group Incorporated's Form S-1 filed March 13, 2006 (File No. 333-130483)                   |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>   |
|--------------------|---|---|
| 4.2                | Indenture, dated as of October 15, 2012, among TransDigm Inc., as issuer, TransDigm Group Incorporated, as a guarantor, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to TransDigm Inc.'s 5.5% Senior Subordinated Notes due 2020 | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 15, 2012 (File No. 001-32833)  |
| 4.3                | First Supplemental Indenture, dated as of June 5, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 11, 2013 (File No. 001-32833)     |
| 4.4                | Second Supplemental Indenture, dated as of June 26, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 1, 2013 (File No. 001-32833)      |
| 4.5                | Third Supplemental Indenture, dated as of December 19, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 4.6                | Indenture, dated as of July 1, 2013, among TransDigm Inc., as issuer, TransDigm Group Incorporated, as a guarantor, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to TransDigm Inc.'s 7.50% Senior Subordinated Notes due 2021    | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 3, 2013 (File No. 001-32833)      |
| 4.7                | First Supplemental Indenture, dated as of December 19, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee   | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 4.8                | Indenture, dated as of June 4, 2014, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to TransDigm Inc.'s 6.00 Senior Subordinated Notes due 2022                   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)      |



| <u>Exhibit No.</u> | <u>Description</u>   | <u>Filed Herewith or Incorporated by Reference From</u>  |
|--------------------|--|--|
| 4.9                | Indenture, dated as of June 4, 2014, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to TransDigm Inc.'s 6.50% Senior Subordinated Notes due 2024 | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)       |
| 4.10               | Form of 5.50% Senior Subordinated Notes due 2020   | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 16, 2012 (File No. 001-32833) |
| 4.11               | Form of 7.50% Senior Subordinated Notes due 2021   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 3, 2013 (File No. 001-32833)       |
| 4.12               | Form of 6.00% Senior Subordinated Notes due 2022   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)       |
| 4.13               | Form of 6.50% Senior Subordinated Notes due 2024   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)       |
| 4.14               | Form of Notation of Guarantee of 5.50% Senior Subordinated Notes due 2020  | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 16, 2012 (File No. 001-32833) |
| 4.15               | Form of Notation of Guarantee of 7.50% Senior Subordinated Notes due 2021  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 3, 2013 (File No. 001-32833)       |
| 4.16               | Form of Notation of Guarantee of 6.00% Senior Subordinated Notes due 2022  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)       |
| 4.17               | Form of Notation of Guarantee of 6.50% Senior Subordinated Notes due 2024  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)       |
| 10.1               | Third Amended and Restated Employment Agreement, dated August 28, 2014, between TransDigm Group Incorporated and W. Nicholas Howley*   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed September 4, 2014 (File No. 001-32833)  |
| 10.2               | Second Amended and Restated Employment Agreement, dated February 24, 2011, between TransDigm Group Incorporated and Raymond Laubenthal*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed February 25, 2011 (File No. 001-32833)  |
| 10.3               | Second Amended and Restated Employment Agreement, dated February 24, 2011, between TransDigm Group Incorporated and Gregory Rufus*   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed February 25, 2011 (File No. 001-32833)  |
| 10.4               | Employment Agreement, dated February 24, 2011, between TransDigm Group Incorporated and Robert Henderson*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed February 25, 2011 (File No. 001-32833)  |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>   |
|--------------------|---|---|
| 10.5               | First Amendment to Employment Agreement, dated April 20, 2012, between Robert Henderson and TransDigm Group Incorporated*   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 24, 2012 (File No. 001-32833)  |
| 10.6               | Employment Agreement, Dated February 24, 2011, between TransDigm Group Incorporated and Bernt Iversen*  | Incorporated by reference to Form 8-K filed February 25, 2011 (File No. 001-32833)  |
| 10.7               | First Amendment to Employment Agreement, dated April 20, 2012, between Bernt Iversen and TransDigm Group Incorporated*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 24, 2012 (File No. 001-32833)  |
| 10.8               | Employment Agreement, dated April 20, 2012, between James Skulina and TransDigm Group Incorporated*   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 24, 2012 (File No. 001-32833)  |
| 10.9               | Employment Agreement, dated April 20, 2012, between Peter Palmer and TransDigm Group Incorporated*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 24, 2012 (File No. 001-32833)  |
| 10.10              | Form of Amendment to Employment Agreement between each of Raymond Laubenthal, Gregory Rufus, Robert Henderson, Bernt Iverson, Peter Palmer and James Skulina, and TransDigm Group Incorporated* | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 25, 2012 (File No. 001-32833)  |
| 10.11              | Employment Agreement, dated July 30, 2012, between John Leary and TransDigm Group Incorporated*   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 31, 2012 (File No. 001-32833)   |
| 10.12              | Employment Agreement, dated October 23, 2013, between Jorge Valladares and TransDigm Group Incorporated*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 29, 2013 (File No. 001-32833)  |
| 10.13              | Employment Agreement, dated October 29, 2014, between Kevin Stein and TransDigm Group Incorporated*   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October XX, 2014 (File No. 001-32833)  |
| 10.14              | TransDigm Group Incorporated Fourth Amended and Restated 2003 Stock Option Plan*  | Incorporated by reference to Amendment No. 1 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed November 7, 2006 (File No. 333-137937) |
| 10.15              | Amendment No. 1 to TransDigm Group Incorporated Fourth Amended and Restated 2003 Stock Option Plan*   | Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)                                      |
| 10.16              | Amendment No. 2 to TransDigm Group Incorporated Fourth Amended and Restated Stock Option Plan*  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 7, 2008 (File No. 001-32833)   |
| 10.17              | Amendment No. 3 to TransDigm Group Incorporated Fourth Amended and Restated Stock Option Plan*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 28, 2009 (File No. 001-32833)  |
| 10.18              | TransDigm Group Incorporated 2006 Stock Incentive Plan*   | Incorporated by reference to Amendment No. 3 to TransDigm Group Incorporated's Form S-1 filed March 13, 2006 (File No. 333-130483)                      |

| <u>Exhibit No.</u> | <u>Description</u>   | <u>Filed Herewith or Incorporated by Reference From</u>   |
|--------------------|--|---|
| 10.19              | Amendment No. 1, dated October 20, 2006, to the TransDigm Group Incorporated 2006 Stock Incentive Plan*  | Incorporated by reference to Amendment No. 1 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed November 7, 2006 (File No. 333-137937) |
| 10.20              | Second Amendment to TransDigm Group Incorporated 2006 Stock Incentive Plan, dated April 25, 2008*  | Incorporated by reference to TransDigm Group Incorporated's Schedule 14A filed June 6, 2008 (File No. 001-32833)  |
| 10.21              | Form of Option Agreements for options granted in fiscal 2013*  | Filed herewith  |
| 10.22              | Form of Option Agreements for options granted in fiscal 2014*  | Filed herewith  |
| 10.23              | TransDigm Group Incorporated 2014 Stock Option Plan*   | Incorporated by reference to TransDigm Group Incorporated's Schedule 14A, filed August 29, 2014 (File No. 001-32833)                                    |
| 10.24              | Fourth Amended and Restated TransDigm Group Incorporated 2003 Stock Option Plan Dividend Equivalent Plan*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed August 2, 2013   |
| 10.25              | Third Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed August 2, 2013   |
| 10.26              | TransDigm Group Incorporated 2014 Stock Option Plan Dividend Equivalent Plan*  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 28, 2014   |
| 10.27              | Amended and Restated TransDigm Inc. Executive Retirement Savings Plan*   | Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form 8-K filed December 22, 2005 (File No. 333-10834006)                    |
| 10.28              | Amendment and Restatement Agreement, dated as of June 4, 2014, among TransDigm Inc., TransDigm Group Incorporated, the subsidiaries of TransDigm Inc. from time to time party thereto, the lenders party thereto, as lenders, and Credit Suisse AG, as administrative agent  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)  |
| 10.29              | Guarantee and Collateral Agreement, dated as of June 23, 2006, as amended and restated as of December 6, 2010, as further amended and restated as of February 14, 2011 and February 28, 2013, among TransDigm Inc., TransDigm Group Incorporated, the subsidiaries of TransDigm Inc. named therein and Credit Suisse AG as administrative agent and collateral agent | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed March 6, 2013 (File No. 001-32833)   |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u>   |
|--------------------|---|---|
| 10.30              | Supplement No. 1, dated as of June 5, 2013, between Arkwin Industries, Inc. and Credit Suisse AG, as agent, to the Guarantee and Collateral Agreement, dated as of June 23, 2006, as amended and restated   | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 11, 2013 (File No. 001-32833)     |
| 10.31              | Supplement No. 2, dated as of June 26, 2013, between Whippany Actuation Systems, LLC and Credit Suisse AG, as agent, to the Guarantee and Collateral Agreement, dated as of June 23, 2006, as amended and restated  | Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 1, 2013 (File No. 001-32833)      |
| 10.32              | Supplement No. 3, dated as of December 13, 2013, between Aerosonic LLC, Avionics Specialties, Inc., Airborne Global, Inc., Airborne Holdings, Inc., Airborne Acquisition, Inc., Airborne Systems NA Inc., Airborne Systems North America Inc., Airborne Systems North America of CA Inc., Airborne Systems North America of NJ Inc. and Credit Suisse AG, as agent, to the Guarantee and Collateral Agreement, dated as of June 23, 2006, as amended and restated | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 10.33              | Receivables Purchase Agreement, dated October 21, 2013, among TransDigm Receivables LLC, TransDigm Inc., PNC Bank, National Association as a Purchaser and a Purchaser Agent, the various other Purchasers and Purchaser Agents from time to time party thereto, and PNC National Association as Administrator  | Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833) |
| 10.34              | Stock Purchase Agreement, dated January 28, 2011, among TransDigm Inc., McKechnie Aerospace (Europe) Ltd., McKechnie Aerospace Investments, Inc., and Alcoa Global Fasteners, Inc.  | Incorporated by reference to Form 8-K filed February 1, 2011 (File No. 001-32833)                                 |
| 12.1               | Statement of Computation of Ratio of Earnings to Fixed Charges  | Filed herewith  |
| 21.1               | Subsidiaries of TransDigm Group Incorporated  | Filed herewith  |
| 23.1               | Consent of Independent Registered Public Accounting Firm  | Filed herewith  |
| 31.1               | Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   | Filed herewith  |

| <u>Exhibit No.</u> | <u>Description</u>  | <u>Filed Herewith or Incorporated by Reference From</u> |
|--------------------|---|---|
| 31.2               | Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | Filed herewith  |
| 32.1               | Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   | Filed herewith  |
| 32.2               | Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002   | Filed herewith  |
| 101                | Financial Statements and Notes to Consolidated Financial Statements formatted in XBRL.  | Filed herewith  |

\* Indicates management contract or compensatory plan contract or arrangement.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on November 14, 2014.

### TRANSDIGM GROUP INCORPORATED

By:                                 /s/ Gregory Rufus                                  
Name: **Gregory Rufus**  
Title: **Executive Vice President, Chief Financial Officer and Secretary**

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and as of the dates indicated.

| <u>Signature</u>   | <u>Title</u>   | <u>Date</u>       |
|--|--|-------------------|
| <u>                                /s/ W. Nicholas Howley                                </u><br><b>W. Nicholas Howley</b> | Chairman of Board of Directors and Chief Executive Officer (Principal Executive Officer)                     | November 14, 2014 |
| <u>                                /s/ Gregory Rufus                                </u><br><b>Gregory Rufus</b>           | Executive Vice President, Chief Financial Officer and Secretary (Principal Financial and Accounting Officer) | November 14, 2014 |
| <u>                                /s/ William Dries                                </u><br><b>William Dries</b>           | Director   | November 14, 2014 |
| <u>                                /s/ Mervin Dunn                                </u><br><b>Mervin Dunn</b>               | Director   | November 14, 2014 |
| <u>                                /s/ Michael Graff                                </u><br><b>Michael Graff</b>           | Director   | November 14, 2014 |
| <u>                                /s/ Sean P. Hennessy                                </u><br><b>Sean P. Hennessy</b>     | Director   | November 14, 2014 |
| <u>                                /s/ Douglas Peacock                                </u><br><b>Douglas Peacock</b>       | Director   | November 14, 2014 |
| <u>                                /s/ Robert J. Small                                </u><br><b>Robert J. Small</b>       | Director   | November 14, 2014 |
| <u>                                /s/ John Staer                                </u><br><b>John Staer</b>                 | Director   | November 14, 2014 |

**TRANSDIGM GROUP INCORPORATED AND SUBSIDIARIES**  
**ANNUAL REPORT ON FORM 10-K:**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2014**  
**ITEM 8 AND ITEM 15(a) (1)**  
**FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**  
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## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Shareholders of  
TransDigm Group Incorporated

We have audited the accompanying consolidated balance sheets of TransDigm Group Incorporated as of September 30, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' (deficit) equity, and cash flows for each of the three years in the period ended September 30, 2014. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of TransDigm Group Incorporated at September, 30, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2014, 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.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TransDigm Group Incorporated's internal control over financial reporting as of September 30, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated November 14, 2014, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Cleveland, Ohio  
November 14, 2014

**TRANSDIGM GROUP INCORPORATED**  
**CONSOLIDATED BALANCE SHEETS**  
**AS OF SEPTEMBER 30, 2014 AND 2013**  
(Amounts in thousands, except share amounts)

|  | <b>2014</b>         | <b>2013</b>         |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>CURRENT ASSETS:</b>   |                     |                     |
| Cash and cash equivalents .....  | \$ 819,548          | \$ 564,740          |
| Trade accounts receivable—Net .....  | 351,307             | 290,449             |
| Inventories—Net .....  | 459,074             | 413,581             |
| Deferred income taxes .....  | 37,669              | 30,182              |
| Prepaid expenses and other .....   | 21,978              | 21,543              |
| Total current assets .....   | 1,689,576           | 1,320,495           |
| PROPERTY, PLANT AND EQUIPMENT—Net .....  | 212,108             | 208,964             |
| GOODWILL .....   | 3,525,077           | 3,343,907           |
| TRADEMARKS AND TRADE NAMES .....   | 514,520             | 485,690             |
| OTHER INTANGIBLE ASSETS—Net .....  | 702,633             | 703,800             |
| DEBT ISSUE COSTS—Net .....   | 92,393              | 72,668              |
| OTHER .....  | 20,541              | 13,355              |
| <b>TOTAL ASSETS</b> .....  | <b>\$ 6,756,848</b> | <b>\$ 6,148,879</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                     |                     |
| <b>CURRENT LIABILITIES:</b>  |                     |                     |
| Current portion of long-term debt .....  | \$ 39,295           | \$ 31,045           |
| Short-term borrowings—trade receivable securitization facility .....   | 200,000             | —                   |
| Accounts payable .....   | 115,741             | 106,768             |
| Accrued liabilities .....  | 230,871             | 184,687             |
| Total current liabilities .....  | 585,907             | 322,500             |
| LONG-TERM DEBT .....   | 7,233,836           | 5,700,193           |
| DEFERRED INCOME TAXES .....  | 402,247             | 384,301             |
| OTHER NON-CURRENT LIABILITIES .....  | 90,957              | 78,266              |
| Total liabilities .....  | 8,312,947           | 6,485,260           |
| <b>STOCKHOLDERS' DEFICIT:</b>  |                     |                     |
| Common stock—\$.01 par value; authorized 224,400,000 shares; issued<br>53,832,246 and 53,172,551 at September 30, 2014 and 2013, respectively .. | 538                 | 532                 |
| Additional paid-in capital .....   | 794,767             | 689,935             |
| Accumulated deficit .....  | (2,150,293)         | (1,004,244)         |
| Accumulated other comprehensive loss .....   | (25,171)            | (6,516)             |
| Treasury stock, at cost; 1,415,100 and 505,400 shares at September 30, 2014<br>and 2013, respectively .....                                      | (175,940)           | (16,088)            |
| Total stockholders' deficit .....  | (1,556,099)         | (336,381)           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b> .....   | <b>\$ 6,756,848</b> | <b>\$ 6,148,879</b> |

See Notes to Consolidated Financial Statements

**TRANSDIGM GROUP INCORPORATED**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in thousands, except per share amounts)

|   | <b>Fiscal Years Ended September 30,</b> |                   |                   |
|---|---|-------------------|-------------------|
|   | <b>2014</b>                             | <b>2013</b>       | <b>2012</b>       |
| NET SALES .....                             | \$2,372,906                             | \$1,924,400       | \$1,700,208       |
| COST OF SALES .....                         | 1,105,032                               | 874,838           | 754,491           |
| GROSS PROFIT .....                          | 1,267,874                               | 1,049,562         | 945,717           |
| SELLING AND ADMINISTRATIVE EXPENSES .....   | 276,446                                 | 254,468           | 201,709           |
| AMORTIZATION OF INTANGIBLE ASSETS .....     | 63,608                                  | 45,639            | 44,233            |
| INCOME FROM OPERATIONS .....                | 927,820                                 | 749,455           | 699,775           |
| INTEREST EXPENSE—Net .....                  | 347,688                                 | 270,685           | 211,906           |
| REFINANCING COSTS .....                     | 131,622                                 | 30,281            | —                 |
| INCOME BEFORE INCOME TAXES .....            | 448,510                                 | 448,489           | 487,869           |
| INCOME TAX PROVISION .....                  | 141,600                                 | 145,700           | 162,900           |
| NET INCOME .....                            | <u>\$ 306,910</u>                       | <u>\$ 302,789</u> | <u>\$ 324,969</u> |
| NET INCOME APPLICABLE TO COMMON STOCK ..... | <u>\$ 180,284</u>                       | <u>\$ 131,546</u> | <u>\$ 321,670</u> |
| Net earnings per share—see Note 5:          |   |                   |                   |
| Basic and diluted .....                     | \$ 3.16                                 | \$ 2.39           | \$ 5.97           |
| Cash dividends paid per common share .....  | \$ 25.00                                | \$ 34.85          | \$ —              |
| Weighted-average shares outstanding:        |   |                   |                   |
| Basic and diluted .....                     | 56,993                                  | 55,080            | 53,882            |

See Notes to Consolidated Financial Statements.

**TRANSDIGM GROUP INCORPORATED**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in thousands)

|   | <u>Fiscal Years Ended September 30,</u> |                         |                         |
|---|---|-------------------------|-------------------------|
|   | <u>2014</u>                             | <u>2013</u>             | <u>2012</u>             |
| Net income .....                                    | \$306,910                               | \$302,789               | \$324,969               |
| Other comprehensive income (loss), net of tax:      |   |                         |                         |
| Foreign currency translation adjustments .....      | (7,653)                                 | 4,117                   | (1,315)                 |
| Interest rate swap agreements, net of tax .....     | (6,166)                                 | (3,587)                 | (2,635)                 |
| Pension liability adjustments, net of tax .....     | (4,836)                                 | 1,005                   | (824)                   |
| Other comprehensive (loss) income, net of tax ..... | (18,655)                                | 1,535                   | (4,774)                 |
| <b>TOTAL COMPREHENSIVE INCOME .....</b>             | <u><u>\$288,255</u></u>                 | <u><u>\$304,324</u></u> | <u><u>\$320,195</u></u> |

See Notes to Consolidated Financial Statements.

**TRANSDIGM GROUP INCORPORATED**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' (DEFICIT) EQUITY**

(Amounts in thousands, except share and per share amounts)

|   | Common Stock           |                 | Additional<br>Paid-In<br>Capital | Retained<br>Earnings /<br>(Accumulated<br>Deficit) | Accumulated<br>Other<br>Comprehensive<br>Loss | Treasury Stock         |             | Total         |
|---|------------------------|-----------------|----------------------------------|--|---|------------------------|-------------|---------------|
|   | Number<br>of<br>Shares | Common<br>Stock |                                  |  |   | Number<br>of<br>Shares | Value       |               |
| BALANCE—September 30,<br>2011   | 50,829,276             | \$508           | \$464,700                        | \$ 364,260   | \$ (3,277)                                    | (494,100)              | \$ (15,242) | \$ 810,949    |
| Compensation expense recognized<br>for employee stock options         | —                      | —               | 22,151                           | —  | —   | —                      | —           | 22,151        |
| Excess tax benefits related to<br>share-based payment<br>arrangements | —                      | —               | 50,555                           | —  | —   | —                      | —           | 50,555        |
| Exercise of employee stock<br>options                                 | 1,327,029              | 13              | 15,697                           | —  | —   | —                      | —           | 15,710        |
| Treasury stock purchased  | —                      | —               | —                                | —  | —   | (11,300)               | (846)       | (846)         |
| Common stock issued   | 920                    | —               | 120                              | —  | —   | —                      | —           | 120           |
| Net income  | —                      | —               | —                                | 324,969  | —   | —                      | —           | 324,969       |
| Interest rate swaps, net of tax                                       | —                      | —               | —                                | —  | (2,635)                                       | —                      | —           | (2,635)       |
| Foreign currency translation<br>adjustments                           | —                      | —               | —                                | —  | (1,315)                                       | —                      | —           | (1,315)       |
| Pension liability adjustments, net<br>of tax                          | —                      | —               | —                                | —  | (824)   | —                      | —           | (824)         |
| BALANCE—September 30,<br>2012   | 52,157,225             | 521             | 553,223                          | 689,229  | (8,051)                                       | (505,400)              | (16,088)    | 1,218,834     |
| Dividends paid  | —                      | —               | —                                | (1,950,683)  | —   | —                      | —           | (1,950,683)   |
| Unvested dividend equivalent<br>payments                              | —                      | —               | —                                | (45,579)   | —   | —                      | —           | (45,579)      |
| Compensation expense recognized<br>for employee stock options         | —                      | —               | 48,884                           | —  | —   | —                      | —           | 48,884        |
| Excess tax benefits related to<br>share-based payment<br>arrangements | —                      | —               | 66,201                           | —  | —   | —                      | —           | 66,201        |
| Exercise of employee stock<br>options                                 | 1,014,613              | 11              | 21,523                           | —  | —   | —                      | —           | 21,534        |
| Common stock issued   | 713                    | —               | 104                              | —  | —   | —                      | —           | 104           |
| Net income  | —                      | —               | —                                | 302,789  | —   | —                      | —           | 302,789       |
| Interest rate swaps, net of tax                                       | —                      | —               | —                                | —  | (3,587)                                       | —                      | —           | (3,587)       |
| Foreign currency translation<br>adjustments                           | —                      | —               | —                                | —  | 4,117   | —                      | —           | 4,117         |
| Pension liability adjustments, net<br>of tax                          | —                      | —               | —                                | —  | 1,005   | —                      | —           | 1,005         |
| BALANCE—September 30,<br>2013   | 53,172,551             | 532             | 689,935                          | (1,004,244)  | (6,516)                                       | (505,400)              | (16,088)    | (336,381)     |
| Dividends paid  | —                      | —               | —                                | (1,435,154)  | —   | —                      | —           | (1,435,154)   |
| Unvested dividend equivalent<br>payments                              | —                      | —               | —                                | (17,805)   | —   | —                      | —           | (17,805)      |
| Compensation expense recognized<br>for employee stock options         | —                      | —               | 26,332                           | —  | —   | —                      | —           | 26,332        |
| Excess tax benefits related to<br>share-based payment<br>arrangements | —                      | —               | 51,709                           | —  | —   | —                      | —           | 51,709        |
| Exercise of employee stock<br>options                                 | 659,363                | 6               | 26,732                           | —  | —   | —                      | —           | 26,738        |
| Treasury stock purchased  | —                      | —               | —                                | —  | —   | (909,700)              | (159,852)   | (159,852)     |
| Common stock issued   | 332                    | —               | 59                               | —  | —   | —                      | —           | 59            |
| Net income  | —                      | —               | —                                | 306,910  | —   | —                      | —           | 306,910       |
| Interest rate swaps, net of tax                                       | —                      | —               | —                                | —  | (6,166)                                       | —                      | —           | (6,166)       |
| Foreign currency translation<br>adjustments                           | —                      | —               | —                                | —  | (7,653)                                       | —                      | —           | (7,653)       |
| Pension liability adjustments, net<br>of tax                          | —                      | —               | —                                | —  | (4,836)                                       | —                      | —           | (4,836)       |
| BALANCE—September 30,<br>2014   | 53,832,246             | \$538           | \$794,767                        | \$(2,150,293)                                      | \$(25,171)                                    | (1,415,100)            | \$(175,940) | \$(1,556,099) |

See Notes to Consolidated Financial Statements.

**TRANSDIGM GROUP INCORPORATED**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

|   | Fiscal Years Ended September 30, |                   |                   |
|---|----------------------------------|-------------------|-------------------|
|   | 2014                             | 2013              | 2012              |
| <b>OPERATING ACTIVITIES:</b>  |                                  |                   |                   |
| Net income  | \$ 306,910                       | \$ 302,789        | \$ 324,969        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                  |                   |                   |
| Depreciation  | 32,543                           | 27,307            | 23,692            |
| Amortization of intangible assets   | 63,842                           | 46,208            | 44,535            |
| Amortization of debt issue costs  | 13,935                           | 11,933            | 12,544            |
| Refinancing costs   | 131,622                          | 30,281            | —                 |
| Net gain on sale of real estate   | (804)                            | —                 | —                 |
| Non-cash equity compensation  | 26,332                           | 48,884            | 22,151            |
| Excess tax benefits related to share-based payment arrangements                   | (51,709)                         | (66,201)          | (50,555)          |
| Deferred income taxes   | (9,416)                          | (2,614)           | 24,800            |
| Changes in assets/liabilities, net of effects from acquisitions of businesses:    |                                  |                   |                   |
| Trade accounts receivable   | (24,309)                         | (25,006)          | (1,957)           |
| Inventories   | (8,392)                          | (15,289)          | (416)             |
| Income taxes receivable/payable   | 56,595                           | 65,510            | 34,097            |
| Other assets  | (5,703)                          | 1,155             | (10,564)          |
| Accounts payable  | (2,415)                          | 23,510            | (3,620)           |
| Accrued and other liabilities   | 12,191                           | 21,738            | (5,791)           |
| Net cash provided by operating activities   | <u>541,222</u>                   | <u>470,205</u>    | <u>413,885</u>    |
| <b>INVESTING ACTIVITIES:</b>  |                                  |                   |                   |
| Capital expenditures  | (34,146)                         | (35,535)          | (25,246)          |
| Acquisition of businesses, net of cash acquired                                   | (311,872)                        | (483,257)         | (868,696)         |
| Cash proceeds from sale of real estate  | 16,380                           | —                 | —                 |
| Cash proceeds from sale of investment   | —                                | 16,350            | —                 |
| Cash proceeds from sale of business   | —                                | —                 | 17,650            |
| Net cash used in investing activities   | <u>(329,638)</u>                 | <u>(502,442)</u>  | <u>(876,292)</u>  |
| <b>FINANCING ACTIVITIES:</b>  |                                  |                   |                   |
| Excess tax benefits related to share-based payment arrangements                   | 51,709                           | 66,201            | 50,555            |
| Proceeds from exercise of stock options   | 26,738                           | 21,534            | 15,710            |
| Dividends paid  | (1,451,391)                      | (1,991,350)       | (3,299)           |
| Treasury stock purchased  | (159,852)                        | —                 | (846)             |
| Proceeds from credit facility—net   | 805,360                          | 3,211,374         | 484,316           |
| Repayment on credit facility  | (33,107)                         | (2,187,885)       | (19,250)          |
| Proceeds from senior subordinated notes—net                                       | 2,326,366                        | 1,036,321         | —                 |
| Repurchase of senior subordinated notes due 2018                                  | (1,721,014)                      | —                 | —                 |
| Proceeds from trade receivable securitization facility—net                        | 199,164                          | —                 | —                 |
| Net cash provided by financing activities   | <u>43,973</u>                    | <u>156,195</u>    | <u>527,186</u>    |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>               |                                  |                   |                   |
|   | (749)                            | 258               | (438)             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                  | 254,808                          | 124,216           | 64,341            |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                             | 564,740                          | 440,524           | 376,183           |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>                                   | <u>\$ 819,548</u>                | <u>\$ 564,740</u> | <u>\$ 440,524</u> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                          |                                  |                   |                   |
| Cash paid during the period for interest  | <u>\$ 319,577</u>                | <u>\$ 236,769</u> | <u>\$ 197,787</u> |
| Cash paid during the period for income taxes                                      | <u>\$ 97,798</u>                 | <u>\$ 82,292</u>  | <u>\$ 103,938</u> |

See Notes to Consolidated Financial Statements.

**TRANSDIGM GROUP INCORPORATED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. DESCRIPTION OF THE BUSINESS**

*Description of the Business*—TransDigm Group Incorporated (“TD Group”), through its wholly-owned subsidiary, TransDigm Inc., is a leading global designer, producer and supplier of highly engineered aircraft components for use on nearly all commercial and military aircraft in service today. TransDigm Inc. along with TransDigm Inc.’s direct and indirect wholly-owned operating subsidiaries (collectively, with TD Group, the “Company” or “TransDigm”), offers a broad range of proprietary aerospace components. TD Group has no significant assets or operations other than its 100% ownership of TransDigm Inc. TD Group’s common stock is listed on The New York Stock Exchange, or the NYSE, under the trading symbol “TDG.”

Major product offerings, substantially all of which are ultimately provided to end-users in the aerospace industry, include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, NiCad batteries and chargers, engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, specialized cockpit displays, aircraft audio systems, specialized lavatory components, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology and military personnel parachutes and cargo delivery systems.

*Separate Financial Statements*—Separate financial statements of TransDigm Inc. are not presented because TransDigm Inc.’s, 5½% Senior Subordinated Notes due 2020, 7½% Senior Subordinated Notes due 2021, 6% Senior Subordinated Notes due 2022 and 6½% Senior Subordinated Notes due 2024 are fully and unconditionally guaranteed on a senior subordinated basis by TD Group and all existing 100% owned domestic subsidiaries of TransDigm Inc. and because TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

**2. ACQUISITIONS**

*Elektro-Metall Export GmbH*—On March 6, 2014, TransDigm Germany GmbH, a newly formed subsidiary of TransDigm Inc., acquired Elektro-Metall Export GmbH (“EME”) for approximately \$49.6 million, which comprises \$40.4 million in cash plus the assumption of approximately \$9.2 million of net indebtedness. EME manufactures proprietary, highly engineered aerospace electromechanical actuators, electrical and electromechanical components and assemblies for commercial aircraft, helicopters and other specialty applications. These products fit well with TransDigm’s overall business direction. EME is included in TransDigm’s Power & Control segment. The Company expects that the approximately \$20.3 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

*Airborne Global Inc.*—On December 19, 2013, TransDigm Inc. acquired all of the outstanding stock of Airborne Global Inc. (“Airborne”) for approximately \$264.2 million in cash, which includes a purchase price adjustment of \$0.3 million paid in the second quarter of fiscal 2014. Airborne is the industry leading designer and manufacturer of personnel parachutes, cargo aerial delivery systems, emergency escape systems, naval decoys and other related products. These products fit well with TransDigm’s overall business direction. Airborne is included in TransDigm’s Airframe segment. The Company expects that the approximately \$158.2 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

The total purchase price was allocated to the underlying assets acquired and liabilities assumed based upon management’s estimated fair values at the date of acquisition. To the extent the purchase price exceeded the estimated fair value of the net identifiable tangible and intangible assets acquired, such excess was allocated to goodwill.

**Whippany Actuation Systems, LLC**—On June 28, 2013, Whippany Actuation Systems, LLC, a newly formed subsidiary of TransDigm Inc., acquired assets from GE Aviation’s Electromechanical Actuation Division (“Whippany Actuation”) for approximately \$151.5 million in cash, which includes a purchase price adjustment of \$2.7 million paid in the first quarter of fiscal 2014. Whippany Actuation manufactures proprietary, highly engineered aerospace electromechanical motion control subsystems for civil and military applications, with product offerings including control electronics, motors, high power mechanical transmissions and actuators. These products fit well with TransDigm’s overall business direction. Whippany is included in TransDigm’s Power & Control segment. The Company expects that the approximately \$105.1 million of goodwill recognized for the acquisition will be deductible for tax purposes.

**Arkwin Industries, Inc.**—On June 5, 2013, TransDigm Inc. acquired all of the outstanding stock of Arkwin Industries, Inc. (“Arkwin”), for approximately \$285.7 million in cash, which includes a purchase price adjustment of \$0.2 million received in the fourth quarter of fiscal 2013. Arkwin manufactures proprietary, highly engineered aerospace hydraulic and fuel system components for commercial and military aircraft, helicopters and other specialty applications. These products fit well with TransDigm’s overall business direction. Arkwin is included in TransDigm’s Power & Control segment. The Company expects that the approximately \$184.9 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

**Aerosonic, LLC**—On June 5, 2013, Buccaneer Acquisition Sub Inc., a newly formed subsidiary of TransDigm Inc., completed the tender offer of a majority of the outstanding stock of Aerosonic Corporation (“Aerosonic”). Buccaneer Acquisition Sub Inc. was subsequently merged into Aerosonic on June 10, 2013; in connection therewith, all outstanding shares of Aerosonic were cancelled and Aerosonic became a wholly owned subsidiary of TransDigm Inc. The aggregate price paid in the tender offer and merger was approximately \$39.8 million in cash. Aerosonic designs and manufactures proprietary, highly engineered mechanical and digital altimeters, airspeed indicators, rate of climb indicators, microprocessor controlled air data test sets, angle of attack stall warning systems, integrated air data sensors and other aircraft sensors, monitoring systems and flight instrumentation for use on commercial and military aircraft. These products fit well with TransDigm’s overall business direction. Aerosonic is included in TransDigm’s Airframe segment. The Company expects that the approximately \$14.8 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

**Aero-Instruments Co., LLC**—On September 17, 2012, TransDigm Inc. acquired all of the outstanding equity interests in Aero-Instruments Co., LLC (“Aero-Instruments”), for approximately \$34.6 million in cash, which includes a purchase price adjustment of \$0.1 million received in the first quarter of fiscal 2013. Aero-Instruments designs and manufactures highly engineered air data sensors including pitot probes, pitot-static probes, static pressure ports, angle of attack, temperature sensors and flight test equipment for use primarily in the business jet and helicopter markets. These products fit well with TransDigm’s overall business direction. Aero-Instruments has since been merged into AeroControlex Group and is included in TransDigm’s Power & Control segment. The Company expects that the approximately \$22 million of goodwill recognized for the acquisition will be deductible for tax purposes.

**AmSafe Global Holdings, Inc.**—On February 15, 2012, TransDigm Inc. acquired all of the outstanding stock of AmSafe Global Holdings, Inc. (“AmSafe”), for approximately \$749.7 million in cash, which includes a purchase price adjustment of \$0.5 million paid in the third quarter of fiscal 2012. AmSafe is a leading supplier of innovative, highly engineered and proprietary safety and restraint equipment used primarily in the global aerospace industry. These products fit well with TransDigm’s overall business direction. The majority of AmSafe product lines are included in TransDigm’s Airframe segment, and the remaining product lines are included in the Non-aviation segment. The distribution business acquired as part of AmSafe was sold on August 16, 2012 for approximately \$17.8 million in cash, which includes a working capital adjustment of \$0.1 million received in the first quarter of fiscal 2013. The equity investment in C-Safe LLC acquired as part of AmSafe was sold in October 2012 for approximately \$16.4 million, which consisted of \$5.0 million in cash at closing and an \$11.4 million short-term note receivable, which was subsequently received in installments during fiscal 2013. The Company expects that of the \$397 million of goodwill recognized for the acquisition approximately \$77 million will be deductible for tax purposes.



**Harco, LLC**—On December 9, 2011, TransDigm Inc. acquired all of the outstanding stock of Harco Laboratories, Incorporated (“Harco”), for approximately \$83.3 million in cash, which includes a purchase price adjustment of \$0.4 million paid in the second quarter of fiscal 2012. Harco designs and manufactures highly engineered thermocouples, sensors, engine cable assemblies and related products for commercial aircraft. These products fit well with TransDigm’s overall business direction. Harco is included in TransDigm’s Power & Control segment. The Company expects that the approximately \$56 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

The Company accounted for the acquisitions using the acquisition method and included the results of operations of the acquisitions in its consolidated financial statements from the effective date of each acquisition. The Company is in the process of obtaining a third-party valuation of certain tangible and intangible assets of EME and Airborne; therefore, the values attributed to those acquired assets in the consolidated financial statements are subject to adjustment. Pro forma net sales and results of operations for the acquisitions, had they occurred at the beginning of the applicable fiscal year ended September 30, 2014 or 2013, are not significant and, accordingly, are not provided.

The acquisitions strengthen and expand the Company’s position to design, produce and supply highly-engineered proprietary aerospace components in niche markets with significant aftermarket content and provide opportunities to create value through the application of our three core value-driven operating strategies (obtaining profitable new business, improving our cost structure, and providing highly engineered value-added products to customers). The purchase price paid for each acquisition reflects the current earnings before interest, taxes, depreciation and amortization (EBITDA) and cash flows, as well as, the future EBITDA and cash flows expected to be generated by the business, which are driven in most cases by the recurring aftermarket consumption over the life of a particular aircraft, estimated to be approximately 25-30 years.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation and Consolidation**—The accompanying consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“GAAP”) and include the accounts of TD Group and subsidiaries. All significant intercompany balances and transactions have been eliminated.

**Revenue Recognition and Related Allowances**—Revenue is recognized from the sale of products when title and risk of loss passes to the customer, which is generally at the time of shipment. Substantially all product sales are made pursuant to firm, fixed-price purchase orders received from customers. Provisions for estimated returns, uncollectible accounts and the cost of repairs under contract warranty provisions are provided for in the same period as the related revenues are recorded and are principally based on historical results modified, as appropriate, by the most current information available. Due to uncertainties in the estimation process, it is possible that actual results may vary from the estimates.

**Shipping and Handling Costs**—Shipping and handling costs are included in cost of sales in the Consolidated Statements of Income.

**Research and Development Costs**—The Company expenses research and development costs as incurred and classifies such amounts in selling and administrative expenses. The expense recognized for research and development costs for the years ended September 30, 2014, 2013 and 2012 was approximately \$42.3 million, \$32.1 million, and \$27.9 million, respectively.

**Cash Equivalents**—The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Allowance for Uncollectible Accounts**—The Company reserves for amounts determined to be uncollectible based on specific identification of losses and estimated losses based on historical experience. The allowance also

incorporates a provision for the estimated impact of disputes with customers. The determination of the amount of the allowance for doubtful accounts is subject to significant levels of judgment and estimation by management. If circumstances change or economic conditions deteriorate or improve, the allowance for doubtful accounts could increase or decrease.

**Inventories**—Inventories are stated at the lower of cost or market. Cost of inventories is determined by the average cost and the first-in, first-out (FIFO) methods for all locations except CEF Industries, LLC, which determines the cost of inventories using the last-in, first-out (LIFO) method. Less than 4% of the inventory was valued under the LIFO method at September 30, 2014. Provision for potentially obsolete or slow-moving inventory is made based on management's analysis of inventory levels and future sales forecasts. In accordance with industry practice, all inventories are classified as current assets even though a portion of the inventories may not be sold within one year.

**Property, Plant and Equipment**—Property, plant and equipment are stated at cost. Depreciation is computed using the straight-line method over the following estimated useful lives: land improvements from 10 to 20 years, buildings and improvements from 5 to 30 years, machinery and equipment from 2 to 10 years and furniture and fixtures from 3 to 10 years.

Property, plant and equipment is assessed for potential impairment whenever indicators of impairment are present by determining whether the carrying value of the property can be recovered through projected, undiscounted cash flows from future operations over the property's remaining estimated useful life. Any impairment recognized is the amount by which the carrying amount exceeds the fair value of the asset.

**Debt Issue Costs, Premiums and Discounts**—The cost of obtaining financing as well as premiums and discounts are amortized using the effective interest method over the terms of the respective obligations/securities.

**Intangible Assets**—Intangible assets consist of identifiable intangibles acquired or recognized in accounting for the acquisitions (trademarks, trade names, technology, order backlog and other intangible assets) and goodwill. Goodwill and intangible assets that have indefinite useful lives (trademarks and trade names) are subject to annual impairment testing. Management determines fair value using a discounted future cash flow analysis or other accepted valuation techniques. The Company performs an annual impairment test for goodwill and other intangible assets as of the first day of the fourth fiscal quarter of each year, or more frequently, if an event occurs or circumstances change that would more likely than not reduce fair value below current value.

A two-step impairment test is used to identify potential goodwill impairment. The first step of the goodwill impairment test, used to identify potential impairment, compares the fair value of a reporting unit (as defined) with its carrying amount, including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not considered impaired, and the second step of the goodwill impairment test is unnecessary. The second step measures the amount of impairment, if any, by comparing the carrying value of the goodwill associated with a reporting unit to the implied fair value of the goodwill derived from the estimated overall fair value of the reporting unit and the individual fair values of the other assets and liabilities of the reporting unit.

GAAP requires that the annual, and any interim, impairment assessment be performed at the reporting unit level. The reporting unit level is one level below an operating segment. Substantially all goodwill was determined and recognized for each reporting unit pursuant to the accounting for the merger or acquisition as of the date of each transaction. With respect to acquisitions integrated into an existing reporting unit, any acquired goodwill is combined with the goodwill of the reporting unit.

The impairment test for indefinite lived intangible assets consists of a comparison between their fair values and carrying values. If the carrying amounts of intangible assets that have indefinite useful lives exceed their fair values, an impairment loss will be recognized in an amount equal to the sum of any such excesses.

The Company assesses the recoverability of its amortizable intangible assets only when indicators of impairment are present by determining whether the amortization over their remaining lives can be recovered through projected, undiscounted cash flows from future operations. Amortization of amortizable intangible assets is computed using the straight-line method over the following estimated useful lives: technology from 20 to 22 years, order backlog over one year, and other intangible assets over 20 years.

**Stock Option Plans**—The Company records stock-based compensation measured using the fair value method of accounting. Compensation expense is recorded over the vesting periods of the options. For options subject to accelerated vesting under the “market sweep” provision, additional stock compensation expense is recorded representing costs that would have been recognized over the remaining requisite service period of the award when the market condition is met.

**Income Taxes**—The Company accounts for income taxes using an asset and liability approach. Deferred taxes are recorded for the difference between the book and tax basis of various assets and liabilities. A valuation allowance is provided when it is more likely than not that some or all of a deferred tax asset will not be realized.

**Contingencies**—During the ordinary course of business, the Company is from time to time threatened with, or may become a party to, legal actions and other proceedings. While the Company is currently involved in certain legal proceedings, it believes the results of these proceedings will not have a material adverse effect on its financial condition, results of operations, or cash flows.

**Estimates**—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Comprehensive Income (Loss)**—The term “comprehensive income (loss)” represents the change in stockholders’ equity from transactions and other events and circumstances resulting from non-stockholder sources. The Company’s accumulated other comprehensive income or loss, consisting principally of fair value adjustments to its interest rate swap agreements (net of tax), cumulative foreign currency translation adjustments and pension liability adjustments (net of tax), is reported separately in the accompanying consolidated statements of comprehensive income.

**Foreign Currency Translation and Transactions**—The assets and liabilities of subsidiaries located outside the United States are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Revenue and expense items are translated at the average exchange rates prevailing during the period. Gains and losses resulting from foreign currency transactions are recognized currently in income, and those resulting from translation of financial statements are accumulated as a separate component of other comprehensive income (loss) for the period. Foreign currency gains or losses recognized currently in income from changes in exchange rates were not material to our results of operations.

**Earnings per Share**—Earnings per share information is determined using the two-class method, which includes the weighted-average number of common shares outstanding during the period and other securities that participate in dividends (“participating securities”). Our vested stock options are considered “participating securities” because they include non-forfeitable rights to dividends. In applying the two-class method, earnings are allocated to both common stock shares and participating securities based on their respective weighted-average shares outstanding for the period. Diluted earnings per share information may include the additional effect of other securities, if dilutive, in which case the dilutive effect of such securities is calculated using the treasury stock method.

#### 4. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09 which creates a new topic in the Accounting Standards Codification (“ASC”) Topic 606, “*Revenue From Contracts With Customers*.” In addition to superseding and replacing nearly all existing U.S. GAAP revenue recognition guidance, including industry-specific guidance, ASC 606 establishes a new control-based revenue recognition model; changes the basis for deciding when revenue is recognized over time or at a point in time; provides new and more detailed guidance on specific topics; and expands and improves disclosures about revenue. In addition, ASU 2014-09 adds a new Subtopic to the Codification, ASC 340-40, “*Other Assets and Deferred Costs: Contracts with Customers*,” to provide guidance on costs related to obtaining a contract with a customer and costs incurred in fulfilling a contract with a customer that are not in the scope of another ASC Topic. The guidance is effective for the Company for annual reporting periods, including interim periods therein, for the year ending September 30, 2018. Early application is not permitted. The Company is currently evaluating the impact that the update will have on its financial position, results of operations, cash flows and financial statement disclosures.

#### 5. EARNINGS PER SHARE (TWO-CLASS METHOD)

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share data):

|   | Fiscal Years Ended September 30, |                   |                  |
|---|----------------------------------|-------------------|------------------|
|   | 2014                             | 2013              | 2012             |
| <b>Numerator for earnings per share:</b>  |                                  |                   |                  |
| Net income . . . . .  | \$ 306,910                       | \$ 302,789        | \$324,969        |
| Less dividends paid on participating securities . . . . .                               | (126,626)                        | (171,243)         | (3,299)          |
| Net income applicable to common stock—basic and diluted . . . . .                       | <u>\$ 180,284</u>                | <u>\$ 131,546</u> | <u>\$321,670</u> |
| <b>Denominator for basic and diluted earnings per share under the two-class method:</b> |                                  |                   |                  |
| Weighted average common shares outstanding . . . . .                                    | 52,748                           | 52,258            | 50,996           |
| Vested options deemed participating securities . . . . .                                | 4,245                            | 2,822             | 2,886            |
| Total shares for basic and diluted earnings per share . . . . .                         | <u>56,993</u>                    | <u>55,080</u>     | <u>53,882</u>    |
| <b>Net earnings per share—basic and diluted . . . . .</b>                               | <u>\$ 3.16</u>                   | <u>\$ 2.39</u>    | <u>\$ 5.97</u>   |

#### 6. SALES AND TRADE ACCOUNTS RECEIVABLE

**Sales**—The Company’s sales and receivables are concentrated in the aerospace industry. TransDigm’s customers include: distributors of aerospace components; commercial airlines, large commercial transport and regional and business aircraft OEMs; various armed forces of the United States and friendly foreign governments; defense OEMs; system suppliers; and various other industrial customers.

One customer accounted for approximately 13%, 12% and 13% of the Company’s net sales for the years ended September 30, 2014, 2013 and 2012, respectively. These sales were split approximately evenly between the Power & Control and Airframe segments. Sales to foreign customers, primarily in Western Europe, Canada and Asia, were \$735.9 million during fiscal 2014, \$572.0 million during fiscal 2013 and \$508.8 million during fiscal 2012.

**Trade Accounts Receivable**—Trade accounts receivable consist of the following at September 30 (in thousands):

|                                      | <u>2014</u>      | <u>2013</u>      |
|--------------------------------------|------------------|------------------|
| Trade accounts receivable—gross      | \$355,398        | \$295,934        |
| Allowance for uncollectible accounts | (4,091)          | (5,485)          |
| Trade accounts receivable—net        | <u>\$351,307</u> | <u>\$290,449</u> |

At September 30, 2014, approximately 11% of the Company's trade accounts receivable was due from one customer. In addition, approximately 35% of the Company's trade accounts receivable was due from entities that principally operate outside of the United States. Credit is extended based on an evaluation of each customer's financial condition and collateral is generally not required.

## 7. INVENTORIES

Inventories consist of the following at September 30 (in thousands):

|   | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|
| Raw materials and purchased component parts         | \$298,318        | \$274,510        |
| Work-in-progress                                    | 146,980          | 124,765          |
| Finished Goods                                      | 69,658           | 58,052           |
| Total   | 514,956          | 457,327          |
| Reserves for excess and obsolete inventory and LIFO | (55,882)         | (43,746)         |
| Inventories—net                                     | <u>\$459,074</u> | <u>\$413,581</u> |

## 8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at September 30 (in thousands):

|                                   | <u>2014</u>       | <u>2013</u>       |
|-----------------------------------|-------------------|-------------------|
| Land and improvements             | \$ 33,722         | \$ 44,103         |
| Buildings and improvements        | 114,030           | 99,115            |
| Machinery, equipment and other    | 235,642           | 208,037           |
| Construction in progress          | 12,174            | 10,895            |
| Total                             | 395,568           | 362,150           |
| Accumulated depreciation          | (183,460)         | (153,186)         |
| Property, plant and equipment—net | <u>\$ 212,108</u> | <u>\$ 208,964</u> |

## 9. INTANGIBLE ASSETS

Intangible assets subject to amortization consist of the following at September 30 (in thousands):

|               | <u>2014</u>                  |                                 |                  | <u>2013</u>                  |                                 |                  |
|---------------|------------------------------|---------------------------------|------------------|------------------------------|---------------------------------|------------------|
|               | <u>Gross Carrying Amount</u> | <u>Accumulated Amortization</u> | <u>Net</u>       | <u>Gross Carrying Amount</u> | <u>Accumulated Amortization</u> | <u>Net</u>       |
| Technology    | \$854,918                    | \$186,278                       | \$668,640        | \$801,010                    | \$143,196                       | \$657,814        |
| Order backlog | 8,006                        | 6,006                           | 2,000            | 19,255                       | 7,936                           | 11,319           |
| Other         | 43,252                       | 11,259                          | 31,993           | 43,427                       | 8,760                           | 34,667           |
| Total         | <u>\$906,176</u>             | <u>\$203,543</u>                | <u>\$702,633</u> | <u>\$863,692</u>             | <u>\$159,892</u>                | <u>\$703,800</u> |

Information regarding the amortization expense of amortizable intangible assets is detailed below (in thousands):

**Aggregate Amortization Expense:**

| <u>Years ended September 30,</u> |          |
|----------------------------------|----------|
| 2014 .....                       | \$63,842 |
| 2013 .....                       | 46,208   |
| 2012 .....                       | 44,535   |

**Estimated Amortization Expense:**

| <u>Years ending September 30,</u> |          |
|-----------------------------------|----------|
| 2015 .....                        | \$46,615 |
| 2016 .....                        | 44,610   |
| 2017 .....                        | 44,610   |
| 2018 .....                        | 44,610   |
| 2019 .....                        | 44,610   |

Intangible assets acquired during the year ended September 30, 2014 were as follows (in thousands):

|  | <u>Cost</u>      | <u>Amortization<br/>Period</u> |
|--|------------------|--------------------------------|
| Intangible assets not subject to amortization: |                  |                                |
| Goodwill .....                                 | \$178,514        |                                |
| Trademarks and trade names .....               | 31,278           |                                |
|  | <u>209,792</u>   |                                |
| Intangible assets subject to amortization:     |                  |                                |
| Technology .....                               | 53,380           | 20 years                       |
| Order backlog .....                            | 8,020            | 1 year                         |
|  | <u>61,400</u>    | 17.5 years                     |
| Total .....                                    | <u>\$271,192</u> |                                |

The changes in the carrying amount of goodwill by segment for the fiscal years ended September 30, 2013 and 2014 were as follows (in thousands):

|   | <u>Power &amp;<br/>Control</u> | <u>Airframe</u>    | <u>Non-<br/>aviation</u> | <u>Total</u>       |
|---|--------------------------------|--------------------|--------------------------|--------------------|
| Balance at September 30, 2012 .....       | \$1,274,703                    | \$1,711,214        | \$49,585                 | \$3,035,502        |
| Goodwill acquired during the year         |                                |                    |                          |                    |
| (Note 2) .....                            | 284,889                        | 13,969             | 5,485                    | 304,343            |
| Purchase price allocation adjustments ... | 7,333                          | (6,457)            | —                        | 876                |
| Other .....                               | 1                              | 3,175              | 10                       | 3,186              |
|   | <u>1,566,926</u>               | <u>1,721,901</u>   | <u>55,080</u>            | <u>3,343,907</u>   |
| Balance at September 30, 2013 .....       | 1,566,926                      | 1,721,901          | 55,080                   | 3,343,907          |
| Goodwill acquired during the year         |                                |                    |                          |                    |
| (Note 2) .....                            | 20,323                         | 158,191            | —                        | 178,514            |
| Purchase price allocation adjustments ... | 5,138                          | 861                | 289                      | 6,288              |
| Other .....                               | (4,707)                        | 1,075              | —                        | (3,632)            |
|   | <u>\$1,587,680</u>             | <u>\$1,882,028</u> | <u>\$55,369</u>          | <u>\$3,525,077</u> |
| Balance at September 30, 2014 .....       | \$1,587,680                    | \$1,882,028        | \$55,369                 | \$3,525,077        |

## 10. ACCRUED LIABILITIES

Accrued liabilities consist of the following at September 30 (in thousands):

|   | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|
| Interest .....                          | \$ 69,523        | \$ 59,869        |
| Compensation and related benefits ..... | 63,057           | 55,230           |
| Interest rate swap agreements .....     | 20,070           | 6,950            |
| Product warranties .....                | 14,243           | 14,999           |
| Other .....                             | 63,978           | 47,639           |
| Total .....                             | <u>\$230,871</u> | <u>\$184,687</u> |

## 11. DEBT

The Company's debt consists of the following at September 30 (in thousands):

|  | <u>2014</u>        | <u>2013</u>        |
|--|--------------------|--------------------|
| Short-term borrowings—trade receivable securitization facility ..... | \$ 200,000         | \$ —               |
| Term loans .....   | \$3,873,131        | \$3,081,238        |
| Senior Subordinated Notes due 2024 .....                             | 1,200,000          | —                  |
| Senior Subordinated Notes due 2022 .....                             | 1,150,000          | —                  |
| Senior Subordinated Notes due 2021 .....                             | 500,000            | 500,000            |
| Senior Subordinated Notes due 2020 .....                             | 550,000            | 550,000            |
| Senior Subordinated Notes due 2018 .....                             | —                  | 1,600,000          |
|  | <u>7,273,131</u>   | <u>5,731,238</u>   |
| Less current portion .....   | 39,295             | 31,045             |
| Long-term debt .....   | <u>\$7,233,836</u> | <u>\$5,700,193</u> |

**Trade Receivable Securitization Facility**—During the quarter ended December 28, 2013, the Company established a trade receivable securitization facility (the “Securitization Facility”). The Securitization Facility effectively increases the Company's borrowing capacity by up to \$225 million depending on the amount of trade accounts receivable, and matures on August 7, 2015. The Securitization Facility includes the right for the Company to exercise annual one year extensions as long as there have been no termination events as defined by the agreement. As of September 30, 2014, the Company has borrowed \$200 million under the Securitization Facility. The Securitization Facility is collateralized by substantially all of the company's trade accounts receivable.

**Repurchase of Senior Subordinated Notes due 2018**—On May 9, 2014, the Company announced a cash tender offer for any and all of its outstanding 7.75% Senior Subordinated Notes due 2018 (the “2018 Notes”). In June 2014, the Company repurchased or discharged all the 2018 Notes for an aggregate price of \$1.7 billion.

The Company recorded refinancing costs of \$131.6 million during the year ended September 30, 2014 representing debt issue costs expensed in conjunction with the repurchase of the 2018 Notes. The charge consisted of the premium of \$121.1 million paid to redeem the 2018 Notes and the write-off of debt issue costs of \$10.5 million.

***Second Amended and Restated Credit Facility***—On June 4, 2014, TransDigm Inc. amended and restated its existing credit agreement dated February 28, 2013, by entering into a Second Amended and Restated Credit Agreement (the “2014 Credit Facility”). The 2014 Credit Facility permits, among other things, (i) the payment of a special dividend of up to \$1.7 billion to the holders of TD Group’s common stock, par value \$.01 per share, (ii) the issuance of the 2022 Notes and the 2024 Notes (each as defined below), (iii) the incurrence of certain new tranche D term loans (the “Tranche D Term Loans”) in an aggregate principal amount equal to \$825 million, which Tranche D Term Loans were fully drawn on June 4, 2014 and mature on June 4, 2021, (iv) the increase of the total revolving commitments thereunder to \$420 million, which includes a sublimit of up to \$100 million of multicurrency revolving commitments, and (v) certain changes to certain affirmative and negative covenants and the financial covenant thereunder. The terms and conditions that apply to the Tranche D Term Loans, including pricing, are substantially the same as the terms and conditions that apply to the other term loans under the 2014 Credit Facility. In addition, the Revolving A Credit Commitments previously available under the credit facility were terminated.

The term loan facilities under the 2014 Credit Facility (the “Term Loan Facility”) now consist of three tranches of term loans—Tranche B Term Loans, Tranche C Term Loans and Tranche D Term Loans. The Revolving Credit Facility now consists of one tranche—Revolving B Commitments, which include up to \$100 million of multicurrency revolving commitments. The Tranche B Term Loans consist of \$500 million in the aggregate maturing on February 14, 2017, the Tranche C Term Loans consist of \$2,600 million in the aggregate maturing on February 28, 2020 and the Tranche D Term Loans consist of \$825 million in the aggregate maturing on June 4, 2021. The Term Loan Facility requires quarterly principal payments of \$7.8 million, which began on March 28, 2013, and an additional quarterly principal payment of \$2.1 million beginning September 30, 2014. The Revolving B Commitments consist of \$420 million in the aggregate and mature on February 28, 2018. At September 30, 2014, the Company had \$6.8 million letters of credit outstanding and \$413.2 million of borrowings available under the 2014 Credit Facility.

Under the terms of the 2014 Credit Facility, TransDigm is entitled on one or more occasions, subject to the satisfaction of certain conditions, to request additional commitments under the Revolving Credit Facility or additional term loans in the aggregate principal amount of up to \$1.0 billion to the extent that existing or new lenders agree to provide such additional term loans. All of the indebtedness outstanding under the 2014 Credit Facility is guaranteed by TD Group and all of TransDigm’s current and future domestic restricted subsidiaries (other than immaterial subsidiaries). In addition, the obligations of TransDigm and the guarantors under the 2014 Credit Facility are secured ratably in accordance with each lender’s respective revolving and term loan commitments by a first priority security interest in substantially all of the existing and future property and assets, including inventory, equipment, general intangibles, intellectual property, investment property and other personal property (but excluding leasehold interests and certain other assets) of TransDigm and its existing and future domestic restricted subsidiaries (other than immaterial subsidiaries), and a first priority pledge of the capital stock of TransDigm and its subsidiaries (other than foreign subsidiaries and certain domestic subsidiaries, of which 65% of the voting capital stock is pledged).

The interest rates per annum applicable to the loans under the 2014 Credit Facility will be, at TransDigm’s option, equal to either an alternate base rate or an adjusted LIBO rate for one, two, three or six-month (or to the extent agreed to by each relevant lender, nine or twelve-month) interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted LIBO rate is subject to a floor of .75%. At September 30, 2014 the applicable interest rate was 3.50% on the Tranche B Term Loan and 3.75% on the Tranche C and Tranche D Term Loans.

The Term Loan Facility requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as defined in the 2014 Credit Facility), commencing 90 days after the end of each fiscal year, commencing with the fiscal year ending September 30, 2014, subject to certain exceptions. In addition, subject to certain exceptions (including, with respect to asset sales, the reinvestment in productive assets), TransDigm will be required to prepay the loans outstanding under the Term Loan facility at 100% of the principal amount



thereof, plus accrued and unpaid interest, with the net cash proceeds of certain asset sales and issuance or incurrence of certain indebtedness. In addition, if, prior to December 4, 2014 with respect to Tranche B and Tranche C Term Loans and June 4, 2015 with respect to Tranche D Term Loans, the principal amount of the term loans are (i) prepaid substantially concurrently with the incurrence by TD Group, TransDigm or any its subsidiaries of new bank loans that have an effective yield lower than the yield in effect on the term loans so prepaid or (ii) received by a lender due to a mandatory assignment following the failure of such lender to consent to an amendment of the 2014 Credit Facility that has the effect of reducing the effective interest rate with respect to the term loans, such prepayment or receipt shall be accompanied by a premium of 1.0%.

The 2014 Credit Facility contains certain covenants that limit the ability of TD Group, TransDigm and TransDigm's restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness or issue preferred stock; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to TransDigm; (vi) incur or suffer to exist liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of their assets; and (viii) engage in transactions with affiliates.

The Company recorded refinancing costs of \$30.3 million during fiscal 2013 representing debt issue costs expensed in conjunction with the refinancing of our previous credit facilities.

At September 30, 2014, three forward-starting interest rate swap agreements were in place to swap variable rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

On July 16, 2013, the Company entered into three forward-starting interest rate swap agreements beginning September 30, 2014 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$1.0 billion through June 30, 2019. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.

On July 24, 2014, the Company entered into five forward-starting interest rate swap agreements beginning March 31, 2016 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$750 million through June 30, 2020. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.

**Senior Subordinated Notes**—On June 4, 2014, TransDigm Inc. issued \$2.350 billion in aggregate principal amount of senior subordinated notes, consisting of \$1.150 billion aggregate principal amount of 6.00% Senior Subordinated Notes due 2022 (the “2022 Notes”) and \$1.200 billion aggregate principal amount of 6.50% Senior Subordinated Notes due 2024 (the “2024 Notes,” and, together with the 2022 Notes, the “New Notes”) at an issue price of 100% of the principal amount for each series of the New Notes.

The 2022 Notes bear interest at the rate of 6.0% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on January 15 and July 15 of each year, commencing on January 15, 2015. The 2022 Notes mature on July 15, 2022, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the indenture governing the 2022 Notes (the “2022 Indenture”).

The 2024 Notes bear interest at the rate of 6.5% per annum, which accrues from June 4, 2014 and is payable semiannually in arrears on January 15 and July 15 of each year, commencing on January 15, 2015. The 2024

Notes mature on July 15, 2024, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the indenture governing the 2024 Notes (the “2024 Indenture”).

On October 15, 2012 TransDigm Inc. issued \$550 million in aggregate principal amount of its 5½% Senior Subordinated Notes due 2020 (the “2020 Notes”) at an issue price of 100% of the principal amount. The 2020 Notes bear interest at the rate of 5½% per annum, which accrues from October 15, 2012 and is payable semiannually on April 15 and October 15 of each year. The 2020 Notes mature on October 15, 2020, unless earlier redeemed or repurchased, and are subject to the terms and conditions as defined in the indenture governing the 2020 notes.

On July 1, 2013, TransDigm issued \$500 million in aggregate principal amount of its 7½% Senior Subordinated Notes due 2021 (the “2021 Notes” and, together with the 2020 Notes, the 2022 Notes, and the 2024 Notes, the “Notes”) at an issue price of 100% of the principal amount. The 2021 Notes bear interest at the rate of 7½% per annum, which accrues from July 1, 2013 and is payable semiannually on January 15 and July 15 of each year, commencing on January 15, 2014. The 2021 Notes mature on July 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions as defined in the indenture governing the 2021 Notes.

The Notes are subordinated to all of TransDigm’s existing and future senior debt, rank equally with all of its existing and future senior subordinated debt and rank senior to all of its future debt that is expressly subordinated to the Notes. The Notes are guaranteed on a senior subordinated unsecured basis by TD Group and its wholly-owned domestic subsidiaries named in the Indenture. The guarantees of the Notes are subordinated to all of the guarantors’ existing and future senior debt, rank equally with all of their existing and future senior subordinated debt and rank senior to all of their future debt that is expressly subordinated to the guarantees of the Notes. The Notes are structurally subordinated to all of the liabilities of TD Group’s non-guarantor subsidiaries. The Notes contain many of the restrictive covenants included in the 2014 Credit Facility. TransDigm is in compliance with all the covenants contained in the Notes.

At September 30, 2014, future maturities of long-term debt are as follows (in thousands):

| <u>Years ended September 30,</u> |                    |
|----------------------------------|--------------------|
| 2015 .....                       | \$ 39,295          |
| 2016 .....                       | 39,295             |
| 2017 .....                       | 515,545            |
| 2018 .....                       | 34,295             |
| 2019 .....                       | 34,295             |
| Thereafter .....                 | <u>6,610,406</u>   |
|                                  | <u>\$7,273,131</u> |

## 12. RETIREMENT PLANS

**Defined Contribution Plans**—The Company sponsors certain defined contribution employee savings plans that cover substantially all of the Company’s non-union employees. Under certain plans, the Company contributes a percentage of employee compensation and matches a portion of employee contributions. The cost recognized for such contributions for the years ended September 30, 2014, 2013 and 2012 was approximately \$8.7 million, \$6.6 million and \$4.9 million, respectively.

**Defined Benefit Pension Plans**—The Company maintains certain non-contributory defined benefit pension plans. The Company’s funding policy is to contribute actuarially determined amounts allowable under Internal Revenue Service regulations for the qualified plans. The Company uses a September 30th measurement date for its defined benefit pension plans

The Company maintains certain qualified, non-contributory defined benefit pension plans, which together cover certain union employees. The plans provide benefits of stated amounts for each year of service. The plan

assets as of September 30, 2014 and 2013 were approximately \$69.5 million and \$62.7 million, respectively. The Company's projected benefit obligation for these defined benefit pension plans at September 30, 2014 and 2013 was \$77.6 million and \$66.6 million, respectively. The total liability recognized at September 30, 2014 and 2013 was \$8.1 million and \$3.9 million, respectively. The net periodic pension cost recognized in the Consolidated Statements of Income for the years ended September 30, 2014, 2013, and 2012 was \$0.5 million, \$0.8 million, and \$0.6 million, respectively.

The Company has a non-qualified, non-contributory defined benefit pension plan, which covers certain retired employees. The plan is unfunded and provides defined benefits based on the final average salary of the employees as defined in the plan. The projected benefit obligation for this defined benefit pension plan and the total liability recognized in the Consolidated Balance Sheet at September 30, 2014 and 2013 was approximately \$9.0 million and \$8.5 million, respectively. The net periodic pension cost recognized in the Consolidated Statements of Income for each of the years ended September 30, 2014, 2013 and 2012 was \$0.4 million.

### 13. INCOME TAXES

The Company's income tax provision on income before income taxes consists of the following for the periods shown below (in thousands):

|                | <u>Fiscal Years Ended September 30,</u> |                  |                  |
|----------------|---|------------------|------------------|
|                | <u>2014</u>                             | <u>2013</u>      | <u>2012</u>      |
| Current        |   |                  |                  |
| Federal .....  | \$138,596                               | \$133,438        | \$122,884        |
| State .....    | 7,807                                   | 8,933            | 12,855           |
| Foreign .....  | 4,613                                   | 5,943            | 2,361            |
|                | <u>151,016</u>                          | <u>148,314</u>   | <u>138,100</u>   |
| Deferred ..... | (9,416)                                 | (2,614)          | 24,800           |
|                | <u>\$141,600</u>                        | <u>\$145,700</u> | <u>\$162,900</u> |

The differences between the income tax provision on income before income taxes at the federal statutory income tax rate and the tax provision shown in the accompanying consolidated statements of income for the periods shown below are as follows (in thousands):

|  | <u>Fiscal Years Ended September 30,</u> |                  |                  |
|--|---|------------------|------------------|
|  | <u>2014</u>                             | <u>2013</u>      | <u>2012</u>      |
| Tax at statutory rate of 35% .....                         | \$156,979                               | \$156,970        | \$170,754        |
| State and local income taxes, net of federal benefit ..... | 5,658                                   | 4,858            | 5,221            |
| Domestic manufacturing deduction .....                     | (13,980)                                | (14,388)         | (9,126)          |
| Other—net .....  | (7,057)                                 | (1,740)          | (3,949)          |
| Income tax provision .....                                 | <u>\$141,600</u>                        | <u>\$145,700</u> | <u>\$162,900</u> |

The components of the deferred taxes consist of the following at September 30 (in thousands):

|   | <u>2014</u>      | <u>2013</u>      |
|---|------------------|------------------|
| Deferred tax assets:  |                  |                  |
| Employee benefits, compensation and other accrued obligations . . . | \$ 60,457        | \$ 48,932        |
| Inventory . . . . .   | 19,610           | 18,912           |
| Net operating losses . . . . .                                      | 16,345           | 14,916           |
| Tax credits . . . . .   | 11,343           | 13,687           |
| Interest rate swaps . . . . .                                       | 9,258            | 5,384            |
| Environmental . . . . .   | 8,380            | 9,582            |
| Product warranties . . . . .  | 5,046            | 3,826            |
| Other . . . . .   | 2,364            | —                |
| Total . . . . .   | <u>132,803</u>   | <u>115,239</u>   |
| Less: Valuation allowance . . . . .                                 | <u>(24,267)</u>  | <u>(26,125)</u>  |
| Total deferred tax assets . . . . .                                 | <u>108,536</u>   | <u>89,114</u>    |
| Deferred tax liabilities:   |                  |                  |
| Intangible assets . . . . .   | 444,059          | 408,755          |
| Property, plant and equipment . . . . .                             | 19,348           | 23,373           |
| Unremitted foreign earnings . . . . .                               | 4,918            | 5,069            |
| Other . . . . .   | 4,789            | 6,036            |
| Total deferred tax liabilities . . . . .                            | <u>473,114</u>   | <u>443,233</u>   |
| Total net deferred tax liabilities . . . . .                        | <u>\$364,578</u> | <u>\$354,119</u> |

At September 30, 2014, the Company has United Kingdom net operating loss carryforwards of approximately \$25.5 million and state net operating loss carryforwards of approximately \$254 million that expire in various years from 2015 to 2032. A valuation allowance has been established equal to the amount of the net operating losses that the Company believes will not be utilized. The Company had foreign tax credit carryforwards which generate a tax benefit of approximately \$9.3 million that expire from 2018 to 2022. The Company had state tax credit carryforwards of \$3.1 million that expire from 2023 to 2029. A valuation allowance has been established equal to the amount of the foreign tax credits that the Company believes will not be utilized.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, various state and local jurisdictions as well as foreign jurisdictions located in Belgium, Canada, China, France, Germany, Hungary, Malaysia, Mexico, Singapore, Sri Lanka and the United Kingdom. The Company is no longer subject to U.S. federal examinations for years before fiscal 2011. The Company is currently under U.S. federal examination for its fiscal 2012 and 2013 years and expects the examinations to be completed during fiscal 2015. AmSafe is subject to U.S. federal examinations for the 2008, 2009, 2010 and 2011 years. In addition, the Company is subject to state income tax examinations for fiscal years 2009 and later.

The cumulative amount of the Company's foreign undistributed net earnings for which no deferred taxes have been provided is approximately \$38.1 million at September 30, 2014. The Company has no plans to repatriate such earnings in the foreseeable future.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

|  | <u>2014</u>     | <u>2013</u>     |
|--|-----------------|-----------------|
| Balance at beginning of period .....                               | \$ 6,129        | \$ 6,932        |
| Additions based on tax positions related to the prior year .....   | 990             | 151             |
| Additions based on tax positions related to the current year ..... | 886             | —               |
| Lapse in statute of limitations .....                              | (1,139)         | (1,171)         |
| Acquisitions .....   | <u>7,085</u>    | <u>217</u>      |
| Balance at end of period .....                                     | <u>\$13,951</u> | <u>\$ 6,129</u> |

Unrecognized tax benefits at September 30, 2014 and 2013, the recognition of which would have an effect on the effective tax rate for each fiscal year, amounted to \$13.5 million and \$5.7 million, respectively. The Company classifies all income tax related interest and penalties as income tax expense, which were not significant for the years ended September 30, 2013, 2012 and 2011. As of September 30, 2014 and 2013, the Company accrued \$2.9 million and \$0.9 million, respectively, for the potential payment of interest and penalties. The Company anticipates no significant changes to its total unrecognized tax benefits through fiscal 2015.

#### 14. ENVIRONMENTAL LIABILITIES

Our operations and facilities are subject to a number of federal, state, local and foreign environmental laws and regulations that govern, among other things, discharges of pollutants into the air and water, the generation, handling, storage and disposal of hazardous materials and wastes, the remediation of contamination and the health and safety of our employees. Environmental laws and regulations may require that the Company investigate and remediate the effects of the release or disposal of materials at sites associated with past and present operations. Certain facilities and third-party sites utilized by subsidiaries of the Company have been identified as potentially responsible parties under the federal Superfund laws and comparable state laws. The Company is currently involved in the investigation and remediation of a number of sites under applicable laws.

Estimates of the Company's environmental liabilities are based on current facts, laws, regulations and technology. These estimates take into consideration the Company's prior experience and professional judgment of the Company's environmental advisors. Estimates of the Company's environmental liabilities are further subject to uncertainties regarding the nature and extent of site contamination, the range of remediation alternatives available, evolving remediation standards, imprecise engineering evaluations and cost estimates, the extent of corrective actions that may be required and the number and financial condition of other potentially responsible parties, as well as the extent of their responsibility for the remediation.

Accordingly, as investigation and remediation proceed, it is likely that adjustments in the Company's accruals will be necessary to reflect new information. The amounts of any such adjustments could have a material adverse effect on the Company's results of operations or cash flows in a given period. Based on currently available information, however, the Company does not believe that future environmental costs in excess of those accrued with respect to sites for which the Company has been identified as a potentially responsible party are likely to have a material adverse effect on the Company's financial condition.

Environmental liabilities are recorded when the liability is probable and the costs are reasonably estimable, which generally is not later than at completion of a feasibility study or when the Company has recommended a remedy or has committed to an appropriate plan of action. The liabilities are reviewed periodically and, as investigation and remediation proceed, adjustments are made as necessary. Liabilities for losses from environmental remediation obligations do not consider the effects of inflation and anticipated expenditures are not discounted to their present value. The liabilities are not reduced by possible recoveries from insurance carriers or other third parties, but do reflect anticipated allocations among potentially responsible parties at

federal Superfund sites or similar state-managed sites, third party indemnity obligations, and an assessment of the likelihood that such parties will fulfill their obligations at such sites.

The Company's consolidated balance sheet includes environmental remediation obligations at September 30, 2014 and 2013 of \$23.3 million and \$27.2 million, respectively.

## 15. CAPITAL STOCK

**Capital Stock**—Authorized capital stock of TD Group consists of 224,400,000 shares of \$.01 par value common stock and 149,600,000 shares of \$.01 par value preferred stock. The total number of shares of common stock issued at September 30, 2014 and 2013 was 53,832,246 and 53,172,551, respectively. There were no shares of preferred stock outstanding at September 30, 2014 and 2013. The terms of the preferred stock have not been established.

On October 29, 2013, we announced a program replacing a previous program permitting us to repurchase a portion of our outstanding shares not to exceed \$200 million in the aggregate. During the year ended September 30, 2014, the Company repurchased 909,700 shares of its common stock at a gross cost of approximately \$159.9 million at a weighted-average price of \$175.68 per share. No repurchases were made under the program during the year ended September 30, 2013.

## 16. SEGMENTS

The Company's businesses are organized and managed in three reporting segments: Power & Control, Airframe and Non-aviation.

The Power & Control segment includes operations that primarily develop, produce and market systems and components that predominately provide power to or control power of the aircraft utilizing electronic, fluid, power and mechanical motion control technologies. Major product offerings include mechanical/electro-mechanical actuators and controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices and specialized AC/DC electric motors and generators. Primary customers of this segment are engine and power system and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Airframe segment includes operations that primarily develop, produce and market systems and components that are used in non-power airframe applications utilizing airframe and cabin structure technologies. Major product offerings include engineered latching and locking devices, rods and locking devices, engineered connectors and elastomers, cockpit security components and systems, aircraft audio systems, specialized lavatory components, seatbelts and safety restraints, engineered interior surfaces, lighting and control technology, military personnel parachutes and cargo aerial delivery systems. Primary customers of this segment are airframe manufacturers and cabin system suppliers and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Non-aviation segment includes operations that primarily develop, produce and market products for non-aviation markets. Major product offerings include seatbelts and safety restraints for ground transportation applications, mechanical/electro-mechanical actuators and controls for space applications, and refueling systems for heavy equipment used in mining, construction and other industries. Primary customers of this segment are off road vehicle suppliers and subsystem suppliers, child restraint system suppliers, satellite and space system suppliers and manufacturers of heavy equipment used in mining, construction and other industries.

The primary measurement used by management to review and assess the operating performance of each segment is EBITDA As Defined. The Company defines EBITDA As Defined as earnings before interest, taxes, depreciation and amortization plus certain non-operating items including refinancing costs, acquisition-related

costs, transaction-related costs and non-cash compensation charges incurred in connection with the Company's stock option plans. Acquisition-related costs represent accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into the Company's operations, facility relocation costs and other acquisition-related costs; transaction related costs comprising deal fees; legal, financial and tax diligence expenses and valuation costs that are required to be expensed as incurred and other acquisition accounting adjustments.

EBITDA As Defined is not a measurement of financial performance under GAAP. Although the Company uses EBITDA As Defined to assess the performance of its business and for various other purposes, the use of this non-GAAP financial measure as an analytical tool has limitations, and it should not be considered in isolation or as a substitute for analysis of the Company's results of operations as reported in accordance with GAAP.

The Company's segments are reported on the same basis used internally for evaluating performance and for allocating resources. The accounting policies for each segment are the same as those described in the summary of significant accounting policies in the Company's consolidated financial statements. Intersegment sales and transfers are recorded at values based on market prices, which creates intercompany profit on intersegment sales or transfers that is eliminated in consolidation. Intersegment sales were insignificant for the periods presented below.

The following table presents net sales by reportable segment (in thousands):

|  | <b>Fiscal Years Ended September 30,</b> |                    |                    |
|--|---|--------------------|--------------------|
|  | <b>2014</b>                             | <b>2013</b>        | <b>2012</b>        |
| <b>Net sales to external customers</b> |   |                    |                    |
| Power & Control .....                  | \$1,077,214                             | \$ 872,325         | \$ 776,342         |
| Airframe .....                         | 1,200,188                               | 951,436            | 843,643            |
| Non-aviation .....                     | 95,504                                  | 100,639            | 80,223             |
|  | <u>\$2,372,906</u>                      | <u>\$1,924,400</u> | <u>\$1,700,208</u> |

The following table reconciles EBITDA As Defined by segment to consolidated income before taxes operations before income taxes (in thousands):

|  | <b>Fiscal Years Ended September 30,</b> |                  |                  |
|--|---|------------------|------------------|
|  | <b>2014</b>                             | <b>2013</b>      | <b>2012</b>      |
| <b>EBITDA As Defined</b>                     |   |                  |                  |
| Power & Control .....                        | \$ 550,735                              | \$455,950        | \$410,259        |
| Airframe .....                               | 529,012                                 | 444,066          | 402,048          |
| Non-aviation .....                           | 18,479                                  | 23,647           | 24,133           |
| <b>Total segment EBITDA As Defined</b> ..... | 1,098,226                               | 923,663          | 836,440          |
| Unallocated corporate expenses .....         | 25,019                                  | 23,385           | 27,421           |
| <b>Total Company EBITDA As Defined</b> ..... | <u>1,073,207</u>                        | <u>900,278</u>   | <u>809,019</u>   |
| Depreciation and amortization .....          | 96,385                                  | 73,515           | 68,227           |
| Interest expense—net .....                   | 347,688                                 | 270,685          | 211,906          |
| Acquisition-related costs .....              | 20,541                                  | 26,433           | 18,866           |
| Stock compensation expense .....             | 26,332                                  | 48,884           | 22,151           |
| Other nonrecurring charges .....             | 2,129                                   | 1,991            | —                |
| Refinancing costs .....                      | 131,622                                 | 30,281           | —                |
| <b>Income before income taxes</b> .....      | <u>\$ 448,510</u>                       | <u>\$448,489</u> | <u>\$487,869</u> |

The following table presents capital expenditures and depreciation and amortization by segment (in thousands):

|                                      | <b>Fiscal Years Ended September 30,</b> |                 |                 |
|--------------------------------------|---|-----------------|-----------------|
|                                      | <b>2014</b>                             | <b>2013</b>     | <b>2012</b>     |
| <b>Capital expenditures</b>          |   |                 |                 |
| Power & Control .....                | \$11,645                                | \$13,149        | \$ 9,436        |
| Airframe .....                       | 19,333                                  | 19,121          | 13,730          |
| Non-aviation .....                   | 3,097                                   | 2,773           | 1,920           |
| Corporate .....                      | 71                                      | 492             | 160             |
|                                      | <u>\$34,146</u>                         | <u>\$35,535</u> | <u>\$25,246</u> |
| <b>Depreciation and amortization</b> |   |                 |                 |
| Power & Control .....                | \$38,251                                | \$27,586        | \$21,565        |
| Airframe .....                       | 52,461                                  | 42,960          | 44,128          |
| Non-aviation .....                   | 4,579                                   | 2,614           | 2,393           |
| Corporate .....                      | 1,094                                   | 355             | 141             |
|                                      | <u>\$96,385</u>                         | <u>\$73,515</u> | <u>\$68,227</u> |

The following table presents total assets by segment (in thousands):

|                       | <b>September 30, 2014</b> | <b>September 30, 2013</b> |
|-----------------------|---------------------------|---------------------------|
| <b>Total assets</b>   |                           |                           |
| Power & Control ..... | \$2,432,898               | \$2,398,469               |
| Airframe .....        | 3,263,926                 | 2,958,974                 |
| Non-aviation .....    | 132,988                   | 132,672                   |
| Corporate .....       | 927,036                   | 658,764                   |
|                       | <u>\$6,756,848</u>        | <u>\$6,148,879</u>        |

The Company's sales principally originate from the United States, and the Company's long-lived assets are principally located in the United States.

## 17. STOCK-BASED COMPENSATION

The Company's stock compensation plans are designed to assist the Company in attracting, retaining, motivating and rewarding key employees, directors or consultants, and promoting the creation of long-term value for stockholders by closely aligning the interests of these individuals with those of the Company's stockholders. The Company's stock compensation plans provide for the granting of stock options, restricted stock and other stock-based incentives.

Non-cash stock compensation expense recognized by the Company during the years ended September 30, 2014, 2013 and 2012 was \$26.3 million, \$48.9 million and \$22.2 million, respectively.

During the year ended September 30, 2014, the Company recorded additional stock compensation expense of \$6.4 million representing costs that would have been recognized over the remaining requisite service period of the award for options granted in fiscal 2012 that became fully vested under the market sweep provision, as discussed further below. During June 2013, a total of 2,409,420 unvested options granted prior to October 1, 2011 with a weighted-average exercise price per option of \$58.35 became fully vested under the market sweep provision. Due to the accelerated vesting, the Company recorded additional stock compensation expense of \$24.5 million representing costs that would have been recognized over the remaining requisite service period of the award.



The weighted-average grant date fair value of options granted during the fiscal years ended September 30, 2014, 2013 and 2012 was \$57.53, \$45.53 and \$43.23, respectively.

Compensation expense is recognized based upon probability assessments of awards that are expected to vest in future periods. Such probability assessments are subject to revision and, therefore, unrecognized compensation expense is subject to future changes in estimate. As of September 30, 2014, there was approximately \$33.1 million of total unrecognized compensation expense related to non-vested awards expected to vest, which is expected to be recognized over a weighted-average period of two years.

The fair value of the Company's employee stock options was estimated at the date of grant using a Black-Scholes-Merton option-pricing model with the following weighted average assumptions for all options granted during the fiscal years ended:

|  | Fiscal Years Ended September 30, |                |                |
|--|----------------------------------|----------------|----------------|
|  | 2014                             | 2013           | 2012           |
| Risk-free interest rate . . . . .          | 1.71% to 2.03%                   | 0.84% to 1.00% | 1.10% to 1.50% |
| Expected life of options . . . . .         | 6 years                          | 6 years        | 6 years        |
| Expected dividend yield of stock . . . . . | —                                | —              | —              |
| Expected volatility of stock . . . . .     | 35%                              | 35%            | 40%            |

The risk-free interest rate is based upon the Treasury bond rates as of the grant date. The average expected life of stock-based awards is based on the Company's actual historical exercise experience. Expected volatility of stock was calculated using a rate based upon the historical volatility of both TransDigm's common stock and the stock of publicly traded companies in the Company's peer group in the aerospace industry. Notwithstanding the special cash dividends paid in October 2012, July 2013 and June 2014, the Company historically has not paid regular cash dividends and does not anticipate paying regular cash dividends in future periods; thus, no dividend rate assumption is used.

The total fair value of options vested during fiscal years ended September 30, 2014, 2013, and 2012 was \$23.6 million, \$63.9 million and \$11.4 million, respectively.

***2014 Stock Option Plan***

In July 2014, the board of directors of TD Group adopted a new stock option plan, which was subsequently approved by stockholders on October 2, 2014. The 2014 stock option plan permits TD Group to award our key employees, directors or consultants stock options. The total number of shares of TD Group common stock reserved for issuance or delivery under the 2014 stock option plan is 5,000,000, subject to adjustment in the event of any stock dividend or split, reorganization, recapitalization, merger, share exchange or any other similar corporate transaction or event.

***2006 Stock Incentive Plan***

In conjunction with the consummation of the initial public offering, a 2006 stock incentive plan was adopted by TD Group. In July 2008 and March 2011, the plan was amended to increase the number of shares available for issuance thereunder. TD Group has reserved 8,119,668 shares of its common stock for issuance to key employees, directors or consultants under the plan. Awards under the plan may be in the form of options, restricted stock or other stock-based awards. Options granted under the plan will expire no later than the tenth anniversary of the applicable date of grant of the options, and will have an exercise price of not less than the fair market value of our common stock on the date of grant. Restricted stock granted under the plan vests over three years.

In connection with the \$12.85 per share special cash dividend paid in November 2012, in order to take into account the earlier return of capital, the TD Group compensation committee adjusted the market-based vesting features in outstanding options pursuant to the authority granted to the committee under the TD Group stock

incentive plan. Under this “market sweep” provision, unvested options granted prior to October 1, 2011 would accelerate and become fully vested if the closing price of the Company’s common stock exceeded \$147.15 per share (originally \$160 per share) on any 60 trading days during any consecutive 12-month period commencing March 1, 2013.

In addition, in connection with the \$12.85 per share special cash dividend paid in November 2012 and the \$22.00 per share special cash dividend paid in July 2013, in order to take into account the earlier return of capital, the TD Group compensation committee adjusted the market-based vesting features in outstanding options pursuant to the authority granted to the committee under the TD Group stock incentive plan. Under this “market sweep” provision, unvested options granted in fiscal 2012 would accelerate and become fully vested if the closing price of the Company’s common stock exceeded \$135.15 per share (originally \$170 per share) on any 60 trading days during any consecutive 12-month period commencing two years from the date of grant. Options granted in fiscal 2013 and 2014 do not contain such accelerated vesting provision.

In addition to shares issued pursuant to options exercised, during the fiscal year ended September 30, 2014, 332 shares of common stock were issued with a weighted-average grant date fair value of \$179.53 as payment to directors in lieu of cash.

**Performance Vested Stock Options**—All of the options granted through September 30, 2014 under the 2006 stock incentive plan have been pursuant to an equity incentive program adopted by the Company in 2008. Under the 2008 equity incentive program, all of the options granted will vest based on the Company’s achievement of established operating performance goals. The following table summarizes the activity, pricing and other information for the Company’s performance vested stock-based award activity during the fiscal year ended September 30, 2014:

|                                   | Number of<br>Options | Weighted-Average<br>Exercise Price Per<br>Option | Weighted-Average<br>Remaining<br>Contractual Term | Aggregate<br>Intrinsic Value |
|-----------------------------------|----------------------|--|---|------------------------------|
| Outstanding at September 30, 2013 | 5,147,806            | \$ 70.66   |   |                              |
| Granted                           | 702,171              | 156.22   |   |                              |
| Exercised                         | (433,398)            | 52.71  |   |                              |
| Forfeited                         | (88,475)             | 144.12   |   |                              |
| Expired                           | —                    | —  |   |                              |
| Outstanding at September 30, 2014 | <u>5,328,104</u>     | <u>\$ 82.18</u>                                  | <u>6.3 years</u>                                  | <u>\$544,265,824</u>         |
| Expected to vest                  | <u>862,591</u>       | <u>\$119.40</u>                                  | <u>8.5 years</u>                                  | <u>\$ 56,003,788</u>         |
| Exercisable at September 30, 2014 | <u>3,929,084</u>     | <u>\$ 61.38</u>                                  | <u>5.4 years</u>                                  | <u>\$483,080,878</u>         |

At September 30, 2014, there were 1,687,222 remaining shares available for award under TD Group’s 2006 stock incentive plan.

### **2003 Stock Option Plan**

Certain executives and key employees of the Company were granted stock options under TD Group’s 2003 stock option plan. Upon the closing of the acquisition of the Company by Warburg Pincus in 2003, certain employees rolled over certain then-existing options to purchase shares of common stock of TransDigm Holdings. These employees were granted rollover options to purchase an aggregate of 3,870,152 shares of common stock of TD Group (after giving effect to the 149.60 for 1.00 stock split effected on March 14, 2006). All rollover options granted were fully vested on the date of grant. In addition to shares of common stock reserved for issuance upon the exercise of rollover options, an aggregate of 5,469,301 shares of TD Group’s common stock were reserved for issuance upon the exercise of new management options. In general, approximately 20% of all new management options vested based on employment service or a change in control. These time vested options had a

graded vesting schedule of up to four years. Approximately 80% of all new management options vested (i) based upon the satisfaction of specified performance criteria, which is annual and cumulative EBITDA As Defined targets through 2008, or (ii) upon the occurrence of a change in control if the Investor Group (defined as Warburg Pincus and the other initial investors in TD Group) received a minimum specified rate of return. Unless terminated earlier, the options expire ten years from the date of grant.

TD Group has reserved a total of 9,339,453 shares of its common stock for issuance to the Company's employees under the plan, which had all been issued as of September 30, 2013.

**Time Vested Stock Options**—The following table summarizes activity, pricing and other information for the Company's time vested stock-based award activity during the fiscal year ended September 30, 2014:

|   | <u>Number of<br/>Options</u> | <u>Weighted-Average<br/>Exercise Price Per<br/>Option</u> | <u>Weighted-Average<br/>Remaining<br/>Contractual Term</u> | <u>Aggregate<br/>Intrinsic Value</u> |
|---|------------------------------|---|--|--------------------------------------|
| Outstanding at September 30, 2013 . . . . . | 113,467                      | \$20.62   |  |                                      |
| Granted . . . . .                           | —                            | —   |  |                                      |
| Exercised . . . . .                         | (73,224)                     | 16.44   |  |                                      |
| Forfeited . . . . .                         | —                            | —   |  |                                      |
| Outstanding at September 30, 2014 . . . . . | <u>40,243</u>                | <u>\$28.24</u>  | <u>2.1 years</u>   | <u>\$6,281,530</u>                   |
| Exercisable at September 30, 2014 . . . . . | <u>40,243</u>                | <u>\$28.24</u>  | <u>2.1 years</u>   | <u>\$6,281,530</u>                   |

**Performance Vested Stock Options**—The following table summarizes the activity, pricing and other information for the Company's performance vested stock-based award activity during the fiscal year ended September 30, 2014:

|   | <u>Number of<br/>Options</u> | <u>Weighted-Average<br/>Exercise Price Per<br/>Option</u> | <u>Weighted-Average<br/>Remaining<br/>Contractual Term</u> | <u>Aggregate<br/>Intrinsic Value</u> |
|---|------------------------------|---|--|--------------------------------------|
| Outstanding at September 30, 2013 . . . . . | 437,009                      | \$37.69   |  |                                      |
| Granted . . . . .                           | —                            | —   |  |                                      |
| Exercised . . . . .                         | (152,741)                    | 17.60   |  |                                      |
| Outstanding at September 30, 2014 . . . . . | <u>284,268</u>               | <u>\$48.48</u>  | <u>3.2 years</u>   | <u>\$38,617,808</u>                  |
| Exercisable at September 30, 2014 . . . . . | <u>206,439</u>               | <u>\$17.71</u>  | <u>1.3 years</u>   | <u>\$34,396,866</u>                  |

The total intrinsic value of time, performance and rollover options exercised during the fiscal years ended September 30, 2014, 2013 and 2012 was \$88.7 million, \$120.8 million and \$137.5 million, respectively.

**Dividend Equivalent Plans**

Pursuant to the Third Amended and Restated TransDigm Group Incorporated 2003 Stock Option Plan Dividend Equivalent Plan and the Second Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan, all of the options granted under the 2003 stock option plan and the 2006 stock incentive plan are entitled to certain dividend equivalent payments in the event of the declaration of a dividend by the Company.

Dividend equivalent payments on vested options including those options that became fully vested under market sweep provisions thereof were \$126.6 million, \$171.2 million and \$3.3 million during the years ended September 30, 2014, 2013 and 2012, respectively.

## 18. LEASES

TransDigm leases certain manufacturing facilities, equipment and vehicles with rental payments required through January 2051. Rental expense during the years ended September 30, 2014, 2013 and 2012 was \$12.1 million, \$9.2 million and \$7.9 million, respectively.

Future minimum rental commitments at September 30, 2014 under operating leases having initial or remaining non-cancelable lease terms exceeding one year are \$11.5 million in fiscal 2015, \$10.4 million in fiscal 2016, \$8.3 million in fiscal 2017, \$6.7 million in fiscal 2018, \$5.2 million in fiscal 2019, and \$19.5 million thereafter.

## 19. FAIR VALUE MEASUREMENTS

The following tables present our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The following summarizes the carrying amounts and fair values of financial instruments as of September 30 (in thousands):

|  | Level | September 30, 2014 |            | September 30, 2013 |            |
|--|-------|--------------------|------------|--------------------|------------|
|  |       | Carrying Amount    | Fair Value | Carrying Amount    | Fair Value |
| Assets:  |       |                    |            |                    |            |
| Cash and cash equivalents . . . . .                                      | 1     | \$ 819,548         | \$ 819,548 | \$ 564,740         | \$ 564,740 |
| Liabilities:   |       |                    |            |                    |            |
| Interest rate swap agreements <sup>(1)</sup> . . . . .                   | 2     | 20,070             | 20,070     | 6,950              | 6,950      |
| Interest rate swap agreements <sup>(2)</sup> . . . . .                   | 2     | 4,650              | 4,650      | 7,550              | 7,550      |
| Short-term borrowings—trade receivable securitization facility . . . . . | 1     | 200,000            | 200,000    | —                  | —          |
| <i>Long-term debt:</i>   |       |                    |            |                    |            |
| Term loans . . . . .   | 2     | 3,873,131          | 3,821,000  | 3,081,238          | 3,065,000  |
| 7¾% Senior Subordinated Notes due 2018 . .                               | 1     | —                  | —          | 1,600,000          | 1,708,000  |
| 5½% Senior Subordinated Notes due 2020 . .                               | 1     | 550,000            | 529,000    | 550,000            | 540,000    |
| 7½% Senior Subordinated Notes due 2021 . .                               | 1     | 500,000            | 531,000    | 500,000            | 536,000    |
| 6% Senior Subordinated Notes due 2022 . . . .                            | 1     | 1,150,000          | 1,121,000  | —                  | —          |
| 6½% Senior Subordinated Notes due 2024 . .                               | 1     | 1,200,000          | 1,182,000  | —                  | —          |

(1) Included in Accrued liabilities on the Condensed Consolidated Balance Sheet.

(2) Included in Other non-current liabilities on the Condensed Consolidated Balance Sheet.

Interest rate swaps were measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract. The estimated fair value of the Company's term loans was based on information provided by the agent under the Company's senior secured credit facility. The estimated fair values of the Company's 2018 Notes, 2020 Notes, 2021 Notes, 2022 Notes and 2024 Notes were based upon quoted market prices.

## 20. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to, among other things, the impact of changes in interest rates in the normal course of business. The Company's risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks and does not enter into such transactions for trading purposes. The Company generally does not require collateral or other security with counterparties to these financial instruments and is therefore subject to credit risk in the event of nonperformance; however, the Company monitors credit risk and currently does not anticipate nonperformance by other parties. The Company has agreements with each of its Swap counterparties that contain a provision whereby if the Company defaults on the 2014 Credit Facility the Company could also be declared in default on its Swaps, resulting in an acceleration of payment under the Swaps.

Interest rate swap agreements are used to manage interest rate risk associated with floating-rate borrowings under our 2014 Credit Facility. The interest rate swap agreements utilized by the Company effectively modify the Company's exposure to interest rate risk by converting a portion of the Company's floating-rate debt to a fixed rate basis through the expiration date of the interest rate swap agreements, thereby reducing the impact of interest rate changes on future interest expense. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the term of the agreements without an exchange of the underlying principal amount. These derivative instruments that qualify as effective cash flow hedges under GAAP. For these cash flow hedges, the effective portion of the gain or loss from the financial instruments was initially reported as a component of accumulated other comprehensive income (loss) in stockholders' equity and subsequently reclassified into earnings in the same line as the hedged item in the same period or periods during which the hedged item affected earnings.

On July 24, 2014, the Company entered into five forward-starting interest rate swap agreements beginning March 31, 2016 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$750 million through June 30, 2020. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.

On July 16, 2013, the Company entered into three forward-starting interest rate swap agreements beginning September 30, 2014 to hedge the variable interest rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$1.0 billion through June 30, 2019. These forward-starting interest rate swap agreements will effectively convert the variable interest rate on the aggregate notional amount of the 2014 Credit Facility to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.

At September 30, 2014, three forward-starting interest rate swap agreements were in place to swap variable rates on the 2014 Credit Facility for a fixed rate based on an aggregate notional amount of \$353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount of the 2013 Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

In conjunction with the refinancing of the 2011 Credit Facility, the Company no longer designated the interest rate swap agreements relating to the \$353 million aggregate notional amount as cash flow hedges for accounting purposes. Accordingly, amounts previously recorded as a component of accumulated other comprehensive loss in stockholder's equity will be amortized into earnings over the remaining period of the swap agreements.

The net after-tax loss included in accumulated other comprehensive loss to be reclassified into interest expense over the remaining term of the swap agreements was \$20.1 million at September 30, 2014.

## 21. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) consists of the following at September 30 (in thousands):

|   | <u>2014</u>              | <u>2013</u>             |
|---|--------------------------|-------------------------|
| Interest rate swap agreements,<br>net of taxes of \$8.9 million for 2014 and \$5.2 million for 2013 ..... | \$(15,888)               | \$(9,722)               |
| Cumulative foreign currency translation adjustments .....   | (3,056)                  | 4,597                   |
| Pension liability adjustments,<br>net of taxes of \$3.7 million for 2014 and \$0.9 million for 2013 ..... | <u>(6,227)</u>           | <u>(1,391)</u>          |
| Total .....   | <u><u>\$(25,171)</u></u> | <u><u>\$(6,516)</u></u> |

## 22. QUARTERLY FINANCIAL DATA (UNAUDITED)

|   | <u>First Quarter<br/>Ended<br/>December 28, 2013</u> | <u>Second Quarter<br/>Ended<br/>March 29, 2014</u> | <u>Third Quarter<br/>Ended<br/>June 28, 2014</u> | <u>Fourth Quarter<br/>Ended<br/>September 30, 2014</u> |
|---|--|--|--|--|
| (in thousands, except per share amounts)                                |  |  |  |  |
| <b>Year Ended September 30, 2014</b>                                    |  |  |  |  |
| Net sales .....   | \$529,322  | \$590,761  | \$610,582  | \$642,241  |
| Gross profit .....  | 284,136  | 307,582  | 327,528  | 348,628  |
| Net income .....  | 86,123   | 90,355   | 16,177   | 114,255  |
| Net earnings (loss) per share—basic<br>and diluted <sup>(1)</sup> ..... | \$ 1.44  | \$ 1.49  | \$ (1.66)  | \$ 1.91  |
|   | <u>First Quarter<br/>Ended<br/>December 29, 2012</u> | <u>Second Quarter<br/>Ended<br/>March 30, 2013</u> | <u>Third Quarter<br/>Ended<br/>June 29, 2013</u> | <u>Fourth Quarter<br/>Ended<br/>September 30, 2013</u> |
| (in thousands, except per share amounts)                                |  |  |  |  |
| <b>Year Ended September 30, 2013</b>                                    |  |  |  |  |
| Net sales .....   | \$430,418  | \$465,609  | \$488,636  | \$539,737  |
| Gross profit .....  | 238,547  | 259,310  | 268,986  | 282,719  |
| Net income .....  | 74,170   | 67,937   | 76,655   | 84,027   |
| Net earnings (loss) per share—basic<br>and diluted <sup>(1)</sup> ..... | \$ 0.66  | \$ 1.25  | \$ 0.71  | \$ (0.20)  |

- (1) The sum of the earnings per share for the four quarters in a year does not necessarily equal the total year earnings per share.
- (2) The Company's operating results include the results of operations of acquisitions from the effective date of each acquisition. See Note 2 to the Consolidated Financial Statements.

## 23. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm's 2018 Notes, 2020 Notes, 2021 Notes, 2022 Notes and 2024 Notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group and TransDigm Inc.'s 100% Domestic Restricted Subsidiaries, as defined in the Indentures. The following supplemental condensed consolidating financial information presents, in separate columns, the balance sheets of the Company as of September 30, 2014 and September 30, 2013 and its statements of income and cash flows for the fiscal years ended September 30, 2014, 2013 and 2012 for (i) TransDigm Group on a parent only basis with its investment in subsidiaries recorded under the equity method, (ii) TransDigm Inc. including its directly owned operations and non-operating entities, (iii) the Subsidiary Guarantors on a combined basis, (iv) Non-Guarantor Subsidiaries and (v) the Company on a consolidated basis.

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2014**  
**(Amounts in Thousands)**

|  | <u>TransDigm<br/>Group</u>  | <u>TransDigm<br/>Inc.</u>  | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u>         | <u>Total<br/>Consolidated</u> |
|--|-----------------------------|----------------------------|----------------------------------|---------------------------------------|-----------------------------|-------------------------------|
| <b>ASSETS</b>  |                             |                            |                                  |                                       |                             |                               |
| <b>CURRENT ASSETS:</b>   |                             |                            |                                  |                                       |                             |                               |
| Cash and cash equivalents ..                                       | \$ 2,088                    | \$ 782,648                 | \$ 3,793                         | \$ 31,019                             | \$ —                        | \$ 819,548                    |
| Trade accounts receivable—Net .....                                | —                           | (305)                      | 1,711                            | 351,881                               | (1,980)                     | 351,307                       |
| Inventories—Net .....  | —                           | 32,287                     | 382,016                          | 45,471                                | (700)                       | 459,074                       |
| Deferred income taxes .....  | —                           | 37,669                     | —                                | —                                     | —                           | 37,669                        |
| Prepaid expenses and other .....                                   | —                           | 2,040                      | 14,789                           | 5,149                                 | —                           | 21,978                        |
| Total current assets ...   | <u>2,088</u>                | <u>854,339</u>             | <u>402,309</u>                   | <u>433,520</u>                        | <u>(2,680)</u>              | <u>1,689,576</u>              |
| <b>INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES .....</b>  |                             |                            |                                  |                                       |                             |                               |
|  | (1,558,187)                 | 5,327,465                  | 3,758,085                        | (59,788)                              | (7,467,575)                 | —                             |
| <b>PROPERTY, PLANT AND EQUIPMENT—Net .....</b>                     |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 15,884                     | 167,257                          | 28,967                                | —                           | 212,108                       |
| <b>GOODWILL .....</b>  |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 64,461                     | 3,289,295                        | 171,321                               | —                           | 3,525,077                     |
| <b>TRADEMARKS AND TRADE NAMES .....</b>                            |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 19,377                     | 449,706                          | 45,437                                | —                           | 514,520                       |
| <b>OTHER INTANGIBLE ASSETS—Net .....</b>                           |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 20,689                     | 642,305                          | 41,099                                | (1,460)                     | 702,633                       |
| <b>DEBT ISSUE COSTS—Net .....</b>                                  |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 92,155                     | —                                | 238                                   | —                           | 92,393                        |
| <b>OTHER .....</b>   |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 7,845                      | 11,754                           | 942                                   | —                           | 20,541                        |
| <b>TOTAL ASSETS .....</b>  | <u><u>\$(1,556,099)</u></u> | <u><u>\$ 6,402,215</u></u> | <u><u>\$8,720,711</u></u>        | <u><u>\$661,736</u></u>               | <u><u>\$(7,471,715)</u></u> | <u><u>\$ 6,756,848</u></u>    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>              |                             |                            |                                  |                                       |                             |                               |
| <b>CURRENT LIABILITIES:</b>  |                             |                            |                                  |                                       |                             |                               |
| Current portion of long-term debt .....                            | \$ —                        | \$ 39,295                  | \$ —                             | \$ —                                  | \$ —                        | \$ 39,295                     |
| Short-term borrowings—trade receivable securitization facility ... | —                           | —                          | —                                | 200,000                               | —                           | 200,000                       |
| Accounts payable .....   | —                           | 17,629                     | 85,328                           | 14,768                                | (1,984)                     | 115,741                       |
| Accrued liabilities .....  | —                           | 106,631                    | 98,308                           | 25,932                                | —                           | 230,871                       |
| Total current liabilities .....                                    | —                           | 163,555                    | 183,636                          | 240,700                               | (1,984)                     | 585,907                       |
| <b>LONG-TERM DEBT .....</b>  | —                           | 7,233,836                  | —                                | —                                     | —                           | 7,233,836                     |
| <b>DEFERRED INCOME TAXES .....</b>                                 |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 402,538                    | —                                | (291)                                 | —                           | 402,247                       |
| <b>OTHER NON-CURRENT LIABILITIES .....</b>                         |                             |                            |                                  |                                       |                             |                               |
|  | —                           | 42,470                     | 42,445                           | 6,042                                 | —                           | 90,957                        |
| Total liabilities .....  | <u>—</u>                    | <u>7,842,399</u>           | <u>226,081</u>                   | <u>246,451</u>                        | <u>(1,984)</u>              | <u>8,312,947</u>              |
| <b>STOCKHOLDERS' EQUITY (DEFICIT) .....</b>                        |                             |                            |                                  |                                       |                             |                               |
|  | <u>(1,556,099)</u>          | <u>(1,440,184)</u>         | <u>8,494,630</u>                 | <u>415,285</u>                        | <u>(7,469,731)</u>          | <u>(1,556,099)</u>            |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) .....</b>  | <u><u>\$(1,556,099)</u></u> | <u><u>\$ 6,402,215</u></u> | <u><u>\$8,720,711</u></u>        | <u><u>\$661,736</u></u>               | <u><u>\$(7,471,715)</u></u> | <u><u>\$ 6,756,848</u></u>    |

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING BALANCE SHEET**  
**AS OF SEPTEMBER 30, 2013**  
**(Amounts in Thousands)**

|  | <u>TransDigm<br/>Group</u> | <u>TransDigm<br/>Inc.</u> | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u>  | <u>Total<br/>Consolidated</u> |
|--|----------------------------|---------------------------|----------------------------------|---------------------------------------|----------------------|-------------------------------|
| <b>ASSETS</b>  |                            |                           |                                  |                                       |                      |                               |
| <b>CURRENT ASSETS:</b>                                 |                            |                           |                                  |                                       |                      |                               |
| Cash and cash equivalents . . . .                      | \$ 1,313                   | \$ 536,863                | \$ 7,900                         | \$ 18,664                             | \$ —                 | \$ 564,740                    |
| Trade accounts receivable—                             |                            |                           |                                  |                                       |                      |                               |
| Net . . . . .  | —                          | 16,332                    | 251,272                          | 24,567                                | (1,722)              | 290,449                       |
| Inventories—Net . . . . .                              | —                          | 26,353                    | 359,518                          | 28,633                                | (923)                | 413,581                       |
| Deferred income taxes . . . . .                        | —                          | 30,182                    | —                                | —                                     | —                    | 30,182                        |
| Prepaid expenses and other . . .                       | —                          | 7,533                     | 10,693                           | 3,317                                 | —                    | 21,543                        |
| Total current assets . . . . .                         | <u>1,313</u>               | <u>617,263</u>            | <u>629,383</u>                   | <u>75,181</u>                         | <u>(2,645)</u>       | <u>1,320,495</u>              |
| <b>INVESTMENT IN SUBSIDIARIES<br/>AND INTERCOMPANY</b> |                            |                           |                                  |                                       |                      |                               |
| BALANCES . . . . .                                     | (337,694)                  | 5,206,201                 | 2,527,374                        | 77,853                                | (7,473,734)          | —                             |
| <b>PROPERTY, PLANT AND</b>                             |                            |                           |                                  |                                       |                      |                               |
| EQUIPMENT—Net . . . . .                                | —                          | 15,471                    | 178,193                          | 15,300                                | —                    | 208,964                       |
| GOODWILL . . . . .                                     | —                          | 67,245                    | 3,192,519                        | 84,143                                | —                    | 3,343,907                     |
| <b>TRADEMARKS AND TRADE</b>                            |                            |                           |                                  |                                       |                      |                               |
| NAMES . . . . .  | —                          | 19,377                    | 434,066                          | 32,247                                | —                    | 485,690                       |
| <b>OTHER INTANGIBLE ASSETS—</b>                        |                            |                           |                                  |                                       |                      |                               |
| Net . . . . .  | —                          | 22,130                    | 663,881                          | 19,249                                | (1,460)              | 703,800                       |
| DEBT ISSUE COSTS—Net . . . . .                         | —                          | 72,668                    | —                                | —                                     | —                    | 72,668                        |
| OTHER . . . . .  | —                          | 2,633                     | 10,520                           | 201                                   | 1                    | 13,355                        |
| TOTAL ASSETS . . . . .                                 | <u>\$(336,381)</u>         | <u>\$6,022,988</u>        | <u>\$7,635,936</u>               | <u>\$304,174</u>                      | <u>\$(7,477,838)</u> | <u>\$6,148,879</u>            |
| <b>LIABILITIES AND</b>                                 |                            |                           |                                  |                                       |                      |                               |
| <b>STOCKHOLDERS' EQUITY</b>                            |                            |                           |                                  |                                       |                      |                               |
| <b>(DEFICIT)</b>                                       |                            |                           |                                  |                                       |                      |                               |
| <b>CURRENT LIABILITIES:</b>                            |                            |                           |                                  |                                       |                      |                               |
| Current portion of long-term                           |                            |                           |                                  |                                       |                      |                               |
| debt . . . . .   | \$ —                       | \$ 31,045                 | \$ —                             | \$ —                                  | \$ —                 | \$ 31,045                     |
| Accounts payable . . . . .                             | —                          | 14,353                    | 82,661                           | 11,481                                | (1,727)              | 106,768                       |
| Accrued liabilities . . . . .                          | —                          | 80,313                    | 88,204                           | 16,170                                | —                    | 184,687                       |
| Total current liabilities . . .                        | <u>—</u>                   | <u>125,711</u>            | <u>170,865</u>                   | <u>27,651</u>                         | <u>(1,727)</u>       | <u>322,500</u>                |
| LONG-TERM DEBT . . . . .                               | —                          | 5,700,193                 | —                                | —                                     | —                    | 5,700,193                     |
| DEFERRED INCOME TAXES . . .                            | —                          | 384,301                   | —                                | —                                     | —                    | 384,301                       |
| <b>OTHER NON-CURRENT</b>                               |                            |                           |                                  |                                       |                      |                               |
| LIABILITIES . . . . .                                  | —                          | 32,474                    | 45,748                           | 44                                    | —                    | 78,266                        |
| Total liabilities . . . . .                            | <u>—</u>                   | <u>6,242,679</u>          | <u>216,613</u>                   | <u>27,695</u>                         | <u>(1,727)</u>       | <u>6,485,260</u>              |
| <b>STOCKHOLDERS' EQUITY</b>                            |                            |                           |                                  |                                       |                      |                               |
| (DEFICIT) . . . . .                                    | <u>(336,381)</u>           | <u>(219,691)</u>          | <u>7,419,323</u>                 | <u>276,479</u>                        | <u>(7,476,111)</u>   | <u>(336,381)</u>              |
| <b>TOTAL LIABILITIES AND</b>                           |                            |                           |                                  |                                       |                      |                               |
| <b>STOCKHOLDERS' EQUITY</b>                            |                            |                           |                                  |                                       |                      |                               |
| (DEFICIT) . . . . .                                    | <u>\$(336,381)</u>         | <u>\$6,022,988</u>        | <u>\$7,635,936</u>               | <u>\$304,174</u>                      | <u>\$(7,477,838)</u> | <u>\$6,148,879</u>            |



**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
(Amounts in thousands)

|  | <u>TransDigm<br/>Group</u> | <u>TransDigm<br/>Inc.</u> | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u> | <u>Total<br/>Consolidated</u> |
|--|----------------------------|---------------------------|----------------------------------|---------------------------------------|---------------------|-------------------------------|
| NET SALES .....  | \$ —                       | \$ 125,389                | \$2,051,541                      | \$206,952                             | \$ (10,976)         | \$2,372,906                   |
| COST OF SALES .....                                    | —                          | 74,312                    | 895,041                          | 146,878                               | (11,199)            | 1,105,032                     |
| GROSS PROFIT .....                                     | —                          | 51,077                    | 1,156,500                        | 60,074                                | 223                 | 1,267,874                     |
| SELLING AND ADMINISTRATIVE<br>EXPENSES .....           | —                          | 65,272                    | 176,516                          | 34,658                                | —                   | 276,446                       |
| AMORTIZATION OF INTANGIBLE<br>ASSETS .....             | —                          | 1,388                     | 55,730                           | 6,490                                 | —                   | 63,608                        |
| INCOME (LOSS) FROM<br>OPERATIONS .....                 | —                          | (15,583)                  | 924,254                          | 18,926                                | 223                 | 927,820                       |
| INTEREST EXPENSE—Net .....                             | —                          | 349,289                   | (36)                             | (1,565)                               | —                   | 347,688                       |
| REFINANCING COSTS .....                                | —                          | 131,622                   | —                                | —                                     | —                   | 131,622                       |
| EQUITY IN INCOME OF<br>SUBSIDIARIES .....              | (306,910)                  | (639,539)                 | —                                | —                                     | 946,449             | —                             |
| INCOME BEFORE INCOME<br>TAXES .....                    | 306,910                    | 143,045                   | 924,290                          | 20,491                                | (946,226)           | 448,510                       |
| INCOME TAX PROVISION<br>(BENEFIT) .....                | —                          | (163,865)                 | 293,961                          | 11,504                                | —                   | 141,600                       |
| NET INCOME .....                                       | <u>\$ 306,910</u>          | <u>\$ 306,910</u>         | <u>\$ 630,329</u>                | <u>\$ 8,987</u>                       | <u>\$(946,226)</u>  | <u>\$ 306,910</u>             |
| OTHER COMPREHENSIVE (LOSS)<br>INCOME, NET OF TAX ..... | (18,655)                   | (3,951)                   | (1,520)                          | (13,184)                              | 18,655              | (18,655)                      |
| TOTAL COMPREHENSIVE<br>INCOME .....                    | <u>\$ 288,255</u>          | <u>\$ 302,959</u>         | <u>\$ 628,809</u>                | <u>\$ (4,197)</u>                     | <u>\$(927,571)</u>  | <u>\$ 288,255</u>             |

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**  
**(Amounts in Thousands)**

|  | <u>TransDigm<br/>Group</u> | <u>TransDigm<br/>Inc.</u> | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u> | <u>Total<br/>Consolidated</u> |
|--|----------------------------|---------------------------|----------------------------------|---------------------------------------|---------------------|-------------------------------|
| NET SALES .....  | \$ —                       | \$ 110,608                | \$1,699,742                      | \$120,706                             | \$ (6,656)          | \$1,924,400                   |
| COST OF SALES .....                                    | —                          | 66,524                    | 732,812                          | 81,583                                | (6,081)             | 874,838                       |
| GROSS PROFIT .....                                     | —                          | 44,084                    | 966,930                          | 39,123                                | (575)               | 1,049,562                     |
| SELLING AND ADMINISTRATIVE<br>EXPENSES .....           | —                          | 88,286                    | 147,620                          | 17,180                                | 1,382               | 254,468                       |
| AMORTIZATION OF INTANGIBLE<br>ASSETS .....             | —                          | 624                       | 43,265                           | 1,750                                 | —                   | 45,639                        |
| INCOME (LOSS) FROM<br>OPERATIONS .....                 | —                          | (44,826)                  | 776,045                          | 20,193                                | (1,957)             | 749,455                       |
| INTEREST EXPENSE—Net .....                             | —                          | 267,385                   | 2,028                            | 1,272                                 | —                   | 270,685                       |
| REFINANCING COSTS .....                                | —                          | 30,281                    | —                                | —                                     | —                   | 30,281                        |
| EQUITY IN INCOME OF<br>SUBSIDIARIES .....              | (302,789)                  | (505,199)                 | —                                | —                                     | 807,988             | —                             |
| INCOME BEFORE INCOME<br>TAXES .....                    | 302,789                    | 162,707                   | 774,017                          | 18,921                                | (809,945)           | 448,489                       |
| INCOME TAX PROVISION<br>(BENEFIT) .....                | —                          | (140,082)                 | 272,829                          | 12,953                                | —                   | 145,700                       |
| NET INCOME .....                                       | <u>\$ 302,789</u>          | <u>\$ 302,789</u>         | <u>\$ 501,188</u>                | <u>\$ 5,968</u>                       | <u>\$(809,945)</u>  | <u>\$ 302,789</u>             |
| OTHER COMPREHENSIVE INCOME<br>(LOSS), NET OF TAX ..... | 1,535                      | (4,515)                   | 950                              | 5,100                                 | (1,535)             | 1,535                         |
| TOTAL COMPREHENSIVE<br>INCOME .....                    | <u>\$ 304,324</u>          | <u>\$ 298,274</u>         | <u>\$ 502,138</u>                | <u>\$ 11,068</u>                      | <u>\$(811,480)</u>  | <u>\$ 304,324</u>             |

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**(Amounts in Thousands)**

|  | <u>TransDigm<br/>Group</u> | <u>TransDigm<br/>Inc.</u> | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u> | <u>Total<br/>Consolidated</u> |
|--|----------------------------|---------------------------|----------------------------------|---------------------------------------|---------------------|-------------------------------|
| NET SALES .....  | \$ —                       | \$ 103,694                | \$1,508,067                      | \$102,299                             | \$ (13,852)         | \$1,700,208                   |
| COST OF SALES .....                                    | —                          | 64,394                    | 622,056                          | 81,390                                | (13,349)            | 754,491                       |
| GROSS PROFIT .....                                     | —                          | 39,300                    | 886,011                          | 20,909                                | (503)               | 945,717                       |
| SELLING AND ADMINISTRATIVE<br>EXPENSES .....           | —                          | 61,214                    | 125,261                          | 15,234                                | —                   | 201,709                       |
| AMORTIZATION OF INTANGIBLE<br>ASSETS .....             | —                          | 624                       | 41,937                           | 1,672                                 | —                   | 44,233                        |
| INCOME (LOSS) FROM<br>OPERATIONS .....                 | —                          | (22,538)                  | 718,813                          | 4,003                                 | (503)               | 699,775                       |
| INTEREST EXPENSE—Net .....                             | —                          | 208,384                   | 2,268                            | 1,254                                 | —                   | 211,906                       |
| EQUITY IN INCOME OF<br>SUBSIDIARIES .....              | (324,969)                  | (465,683)                 | —                                | —                                     | 790,652             | —                             |
| INCOME BEFORE INCOME<br>TAXES .....                    | 324,969                    | 234,761                   | 716,545                          | 2,749                                 | (791,155)           | 487,869                       |
| INCOME TAX PROVISION<br>(BENEFIT) .....                | —                          | (90,208)                  | 251,514                          | 1,594                                 | —                   | 162,900                       |
| NET INCOME .....                                       | <u>\$ 324,969</u>          | <u>\$ 324,969</u>         | <u>\$ 465,031</u>                | <u>\$ 1,155</u>                       | <u>\$(791,155)</u>  | <u>\$ 324,969</u>             |
| OTHER COMPREHENSIVE INCOME<br>(LOSS), NET OF TAX ..... | (4,774)                    | (3,067)                   | 204                              | (1,911)                               | 4,774               | (4,774)                       |
| TOTAL COMPREHENSIVE INCOME<br>(LOSS) .....             | <u>\$ 320,195</u>          | <u>\$ 321,902</u>         | <u>\$ 465,235</u>                | <u>\$ (756)</u>                       | <u>\$(786,381)</u>  | <u>\$ 320,195</u>             |

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
(Amounts in thousands)

|   | <u>TransDigm<br/>Group</u> | <u>TransDigm<br/>Inc.</u> | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u> | <u>Total<br/>Consolidated</u> |
|---|----------------------------|---------------------------|----------------------------------|---------------------------------------|---------------------|-------------------------------|
| NET CASH PROVIDED BY<br>(USED IN) OPERATING<br>ACTIVITIES .....             | \$ —                       | \$ (123,074)              | \$ 952,855                       | \$(303,763)                           | \$ 15,204           | \$ 541,222                    |
| INVESTING ACTIVITIES:   |                            |                           |                                  |                                       |                     |                               |
| Capital expenditures .....  | —                          | (2,666)                   | (28,927)                         | (2,553)                               | —                   | (34,146)                      |
| Acquisition of business, net of<br>cash acquired .....                      |                            | (311,872)                 | —                                | —                                     |                     | (311,872)                     |
| Cash proceeds from sale of real<br>estate .....                             | —                          | —                         | 16,380                           | —                                     | —                   | 16,380                        |
| Net cash used in investing<br>activities .....                              | —                          | (314,538)                 | (12,547)                         | (2,553)                               | —                   | (329,638)                     |
| FINANCING ACTIVITIES:   |                            |                           |                                  |                                       |                     |                               |
| Intercompany activities .....   | 1,533,571                  | (694,208)                 | (944,415)                        | 120,256                               | (15,204)            | —                             |
| Excess tax benefits related to<br>share-based payment<br>arrangements ..... | 51,709                     | —                         | —                                | —                                     | —                   | 51,709                        |
| Proceeds from exercise of<br>stock options .....                            | 26,738                     | —                         | —                                | —                                     | —                   | 26,738                        |
| Dividends paid .....  | (1,451,391)                | —                         | —                                | —                                     | —                   | (1,451,391)                   |
| Treasury stock purchased .....  | (159,852)                  | —                         | —                                | —                                     | —                   | (159,852)                     |
| Proceeds from credit facility—<br>net .....                                 | —                          | 805,360                   | —                                | —                                     | —                   | 805,360                       |
| Repayment on credit facility ..   | —                          | (33,107)                  | —                                | —                                     | —                   | (33,107)                      |
| Proceeds from senior<br>subordinated notes—net .....                        | —                          | 2,326,366                 | —                                | —                                     | —                   | 2,326,366                     |
| Repurchase of senior<br>subordinated notes due<br>2018 .....                | —                          | (1,721,014)               | —                                | —                                     | —                   | (1,721,014)                   |
| Proceeds from trade receivable<br>securitization<br>facility—net .....      | —                          | —                         | —                                | 199,164                               | —                   | 199,164                       |
| Net cash provided by<br>(used in) financing<br>activities .....             | 775                        | 683,397                   | (944,415)                        | 319,420                               | (15,204)            | 43,973                        |
| EFFECT OF EXCHANGE RATE<br>CHANGES ON CASH AND<br>CASH EQUIVALENTS .....    | —                          | —                         | —                                | (749)                                 | —                   | (749)                         |
| INCREASE (DECREASE) IN<br>CASH AND CASH<br>EQUIVALENTS .....                | 775                        | 245,785                   | (4,107)                          | 12,355                                | —                   | 254,808                       |
| CASH AND CASH<br>EQUIVALENTS, BEGINNING<br>OF PERIOD .....                  | 1,313                      | 536,863                   | 7,900                            | 18,664                                | —                   | 564,740                       |
| CASH AND CASH<br>EQUIVALENTS, END OF<br>PERIOD .....                        | \$ 2,088                   | \$ 782,648                | \$ 3,793                         | \$ 31,019                             | \$ —                | \$ 819,548                    |

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**  
**(Amounts in Thousands)**

|   | <u>TransDigm<br/>Group</u> | <u>TransDigm<br/>Inc.</u> | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u> | <u>Total<br/>Consolidated</u> |
|---|----------------------------|---------------------------|----------------------------------|---------------------------------------|---------------------|-------------------------------|
| NET CASH PROVIDED BY<br>(USED IN) OPERATING<br>ACTIVITIES .....             | \$ —                       | \$ (95,862)               | \$ 565,957                       | \$ 8,703                              | \$(8,593)           | \$ 470,205                    |
| INVESTING ACTIVITIES:   |                            |                           |                                  |                                       |                     |                               |
| Capital expenditures .....  | —                          | (2,047)                   | (29,727)                         | (3,761)                               | —                   | (35,535)                      |
| Acquisition of business, net of<br>cash acquired .....                      |                            | (483,257)                 | —                                | —                                     | —                   | (483,257)                     |
| Cash proceeds from sale of<br>investment .....                              | —                          | 16,350                    | —                                | —                                     | —                   | 16,350                        |
| Net cash used in investing<br>activities .....                              | —                          | (468,954)                 | (29,727)                         | (3,761)                               | —                   | (502,442)                     |
| FINANCING ACTIVITIES:   |                            |                           |                                  |                                       |                     |                               |
| Intercompany activities .....   | 1,884,828                  | (1,365,022)               | (532,824)                        | 4,425                                 | 8,593               | —                             |
| Excess tax benefits related to<br>share-based payment<br>arrangements ..... | 66,201                     | —                         | —                                | —                                     | —                   | 66,201                        |
| Proceeds from exercise of stock<br>options .....                            | 21,534                     | —                         | —                                | —                                     | —                   | 21,534                        |
| Dividends paid .....  | (1,991,350)                | —                         | —                                | —                                     | —                   | (1,991,350)                   |
| Proceeds from credit facility—<br>net .....                                 | —                          | 3,211,374                 | —                                | —                                     | —                   | 3,211,374                     |
| Repayment on credit facility ..   | —                          | (2,187,885)               | —                                | —                                     | —                   | (2,187,885)                   |
| Proceeds from senior<br>subordinated notes—net .....                        | —                          | 1,036,321                 | —                                | —                                     | —                   | 1,036,321                     |
| Net cash provided by<br>(used in) financing<br>activities .....             | (18,787)                   | 694,788                   | (532,824)                        | 4,425                                 | 8,593               | 156,195                       |
| EFFECT OF EXCHANGE RATE<br>CHANGES ON CASH AND<br>CASH EQUIVALENTS .....    | —                          | —                         | —                                | 258                                   | —                   | 258                           |
| INCREASE (DECREASE) IN<br>CASH AND CASH<br>EQUIVALENTS .....                | (18,787)                   | 129,972                   | 3,406                            | 9,625                                 | —                   | 124,216                       |
| CASH AND CASH<br>EQUIVALENTS, BEGINNING<br>OF PERIOD .....                  | 20,100                     | 406,891                   | 4,494                            | 9,039                                 | —                   | 440,524                       |
| CASH AND CASH<br>EQUIVALENTS, END OF<br>PERIOD .....                        | <u>\$ 1,313</u>            | <u>\$ 536,863</u>         | <u>\$ 7,900</u>                  | <u>\$18,664</u>                       | <u>\$ —</u>         | <u>\$ 564,740</u>             |

**TRANSDIGM GROUP INCORPORATED**  
**CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**  
**(Amounts in Thousands)**

|  | <u>TransDigm<br/>Group</u> | <u>TransDigm<br/>Inc.</u> | <u>Subsidiary<br/>Guarantors</u> | <u>Non-Guarantor<br/>Subsidiaries</u> | <u>Eliminations</u> | <u>Total<br/>Consolidated</u> |
|--|----------------------------|---------------------------|----------------------------------|---------------------------------------|---------------------|-------------------------------|
| NET CASH PROVIDED BY (USED<br>IN) OPERATING ACTIVITIES . . . .               | \$ —                       | \$ (119,491)              | \$ 523,759                       | \$ 9,466                              | \$ 151              | \$ 413,885                    |
| INVESTING ACTIVITIES:  |                            |                           |                                  |                                       |                     |                               |
| Capital expenditures . . . . .   | —                          | (1,865)                   | (22,259)                         | (1,122)                               | —                   | (25,246)                      |
| Acquisition of businesses, net of<br>cash acquired . . . . .                 | —                          | (868,696)                 | —                                | —                                     | —                   | (868,696)                     |
| Cash proceeds from sale of<br>business . . . . .                             | —                          | 17,650                    | —                                | —                                     | —                   | 17,650                        |
| Net cash used in investing<br>activities . . . . .                           | —                          | (852,911)                 | (22,259)                         | (1,122)                               | —                   | (876,292)                     |
| FINANCING ACTIVITIES:  |                            |                           |                                  |                                       |                     |                               |
| Intercompany activities . . . . .  | (47,715)                   | 554,153                   | (499,121)                        | (7,166)                               | (151)               | —                             |
| Excess tax benefits related to share-<br>based payment arrangements . . .    | 50,555                     | —                         | —                                | —                                     | —                   | 50,555                        |
| Proceeds from exercise of stock<br>options . . . . .                         | 15,710                     | —                         | —                                | —                                     | —                   | 15,710                        |
| Dividends paid . . . . .   | (3,299)                    | —                         | —                                | —                                     | —                   | (3,299)                       |
| Treasury stock purchased . . . . .   | (846)                      | —                         | —                                | —                                     | —                   | (846)                         |
| Proceeds from credit<br>facility—net . . . . .                               | —                          | 484,316                   | —                                | —                                     | —                   | 484,316                       |
| Repayment on credit facility . . . . .                                       | —                          | (19,250)                  | —                                | —                                     | —                   | (19,250)                      |
| Net cash provided by (used in)<br>financing activities . . . . .             | 14,405                     | 1,019,219                 | (499,121)                        | (7,166)                               | (151)               | 527,186                       |
| EFFECT OF EXCHANGE RATE<br>CHANGES ON CASH AND CASH<br>EQUIVALENTS . . . . . | —                          | —                         | —                                | (438)                                 | —                   | (438)                         |
| INCREASE IN CASH AND CASH<br>EQUIVALENTS . . . . .                           | 14,405                     | 46,817                    | 2,379                            | 740                                   | —                   | 64,341                        |
| CASH AND CASH EQUIVALENTS,<br>BEGINNING OF PERIOD . . . . .                  | 5,695                      | 360,074                   | 2,115                            | 8,299                                 | —                   | 376,183                       |
| CASH AND CASH EQUIVALENTS,<br>END OF PERIOD . . . . .                        | <u>\$ 20,100</u>           | <u>\$ 406,891</u>         | <u>\$ 4,494</u>                  | <u>\$ 9,039</u>                       | <u>\$ —</u>         | <u>\$ 440,524</u>             |

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**TRANSDIGM GROUP INCORPORATED**  
**VALUATION AND QUALIFYING ACCOUNTS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2014, 2013, AND 2012**  
**(Amounts in Thousands)**

| Column A<br><u>Description</u>                           | Column B<br><u>Balance at<br/>Beginning of<br/>Period</u> | Column C<br><u>Additions</u>             |                     | Column D<br><u>Deductions from<br/>Reserve<sup>(1)</sup></u> | Column E<br><u>Balance at<br/>End of<br/>Period</u> |
|--|---|--|---------------------|--|---|
|  |   | <u>Charged to Costs<br/>and Expenses</u> | <u>Acquisitions</u> |  |   |
| Year Ended September 30, 2014                            |   |  |                     |  |   |
| Allowance for doubtful accounts . . . . .                | \$ 5,485  | \$ 682                                   | \$ 81               | \$(2,157)  | \$ 4,091  |
| Reserve for excess and obsolete<br>inventory . . . . .   | 45,369  | 16,027                                   | —                   | (5,810)  | 55,586  |
| Valuation allowance for deferred tax<br>assets . . . . . | 26,125  | (4,494)                                  | 2,636               | —  | 24,267  |
| Year Ended September 30, 2013                            |   |  |                     |  |   |
| Allowance for doubtful accounts . . . . .                | \$ 4,960  | \$ 1,566                                 | \$1,137             | \$(2,178)  | \$ 5,485  |
| Reserve for excess and obsolete<br>inventory . . . . .   | 36,081  | 14,159                                   | 148                 | (5,019)  | 45,369  |
| Valuation allowance for deferred tax<br>assets . . . . . | 16,150  | 10,217                                   | (242)               | —  | 26,125  |
| Year Ended September 30, 2012                            |   |  |                     |  |   |
| Allowance for doubtful accounts . . . . .                | 2,873   | 1,555                                    | 1,066               | (534)  | 4,960   |
| Reserve for excess and obsolete<br>inventory . . . . .   | 25,623  | 11,839                                   | 4,933               | (6,314)  | 36,081  |
| Valuation allowance for deferred tax<br>assets . . . . . | 15,874  | 453                                      | 7,050               | (7,227)  | 16,150  |

(1) The amounts in this column represent charge-offs net of recoveries and the impact of foreign currency translation adjustments.

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**EXHIBIT INDEX**  
**TO FORM 10-K FOR THE YEAR ENDED SEPTEMBER 30, 2014**

| <u>EXHIBIT NO.</u> | <u>DESCRIPTION</u>   |
|--------------------|--|
| 3.138              | Certificate of Amendment of Certificate of Incorporation, filed August 27, 2014 of AmSafe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.)  |
| 10.21              | Form of Option Agreements for options granted in fiscal 2013*  |
| 10.22              | Form of Option Agreements for options granted in fiscal 2014*  |
| 12.1               | Statement of Computation of Ratio of Earnings to Fixed Charges   |
| 21.1               | Subsidiaries of TransDigm Group Incorporated   |
| 23.1               | Consent of Independent Registered Public Accounting Firm   |
| 31.1               | Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2               | Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1               | Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |
| 32.2               | Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.   |
| 101                | Financial Statements and Notes to Consolidated Financial Statements formatted in XBRL.   |

\* Indicates management contract or compensatory plan contract or arrangement.

**RECONCILIATION OF NET INCOME TO EBITDA AS DEFINED**

|   | <u>1995</u>   | <u>1996</u>  | <u>1997</u>  | <u>1998</u>  | <u>1999</u>  | <u>2000</u>  | <u>2001</u>  | <u>2002</u>  | <u>2003</u>  | <u>2004</u>  | <u>2005</u>  | <u>2006</u>  | <u>2007</u>  | <u>2008</u>  | <u>2009</u>  | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>    |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|----------------|
|   | (in millions) |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |                |
| Net income (loss) .....                                     | \$—           | \$ 1         | \$ 3         | \$ 14        | \$(17)       | \$ 11        | \$ 14        | \$ 31        | \$(76)       | \$ 14        | \$ 35        | \$ 25        | \$ 89        | \$133        | \$163        | \$163        | \$172        | \$325        | \$303        | \$ 307         |
| Less income from discontinued operations .....              | —             | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | (20)         | —            | —            | —              |
| Depreciation and amortization expense .....                 | 7             | 7            | 6            | 7            | 6            | 7            | 9            | 13           | 10           | 18           | 17           | 16           | 24           | 25           | 28           | 30           | 61           | 68           | 73           | 96             |
| Interest expense, net .....                                 | 5             | 5            | 3            | 3            | 23           | 28           | 32           | 37           | 43           | 75           | 80           | 77           | 92           | 93           | 84           | 112          | 185          | 212          | 271          | 348            |
| Income tax provision (benefit) ..                           | —             | 2            | 5            | 13           | (2)          | 8            | 9            | 17           | (45)         | 6            | 23           | 16           | 53           | 74           | 88           | 88           | 77           | 163          | 146          | 142            |
| Warrant put value adjustment ...                            | 1             | 2            | 5            | 7            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —              |
| Extraordinary item .....                                    | —             | —            | 2            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —              |
| <b>EBITDA .....</b>   | <b>13</b>     | <b>17</b>    | <b>24</b>    | <b>44</b>    | <b>10</b>    | <b>54</b>    | <b>64</b>    | <b>98</b>    | <b>(68)</b>  | <b>113</b>   | <b>155</b>   | <b>134</b>   | <b>258</b>   | <b>325</b>   | <b>363</b>   | <b>393</b>   | <b>475</b>   | <b>768</b>   | <b>793</b>   | <b>893</b>     |
| Merger expense .....  | —             | —            | —            | —            | 40           | —            | —            | —            | 176          | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —              |
| Refinancing costs .....                                     | —             | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | 49           | —            | —            | —            | —            | 72           | —            | 30           | 132            |
| Acquisition related costs .....                             | —             | —            | 1            | —            | 1            | —            | 8            | —            | 15           | 20           | 2            | 1            | 9            | 2            | 6            | 12           | 30           | 19           | 26           | 21             |
| Non-cash compensation and deferred compensation costs ..... | —             | —            | —            | —            | —            | —            | —            | —            | 1            | 6            | 7            | 1            | 6            | 6            | 6            | 7            | 13           | 22           | 49           | 26             |
| One-time special bonus .....                                | —             | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | 6            | —            | —            | —            | —            | —            | —            | —            | —              |
| Other nonrecurring items, net ...                           | —             | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | 2            | 1              |
| Public offering costs .....                                 | —             | —            | —            | —            | —            | —            | —            | —            | —            | —            | —            | 3            | 2            | —            | —            | —            | —            | —            | —            | —              |
| <b>EBITDA As Defined .....</b>                              | <b>\$ 13</b>  | <b>\$ 17</b> | <b>\$ 25</b> | <b>\$ 44</b> | <b>\$ 51</b> | <b>\$ 54</b> | <b>\$ 72</b> | <b>\$ 98</b> | <b>\$124</b> | <b>\$139</b> | <b>\$164</b> | <b>\$194</b> | <b>\$275</b> | <b>\$333</b> | <b>\$375</b> | <b>\$412</b> | <b>\$590</b> | <b>\$809</b> | <b>\$900</b> | <b>\$1,073</b> |

**RECONCILIATION OF NET INCOME FROM CONTINUING OPERATIONS TO ADJUSTED NET INCOME**

|  | <u>2009</u>   | <u>2010</u>  | <u>2011</u>  | <u>2012</u>  | <u>2013</u>  | <u>2014</u>   |
|--|---------------|--------------|--------------|--------------|--------------|---------------|
|  | (in millions) |              |              |              |              |               |
| Net income from continuing operations .....              | \$163         | \$163        | \$152        | \$325        | \$303        | \$ 307        |
| Gross adjustments from EBITDA to EBITDA as Defined ..... | 12            | 19           | 115          | 41           | 107          | 181           |
| Purchase accounting backlog amortization .....           | 3             | 3            | 16           | 11           | 7            | 17            |
| Tax adjustment .....                                     | (5)           | (8)          | (44)         | (17)         | (37)         | (63)          |
| <b>Adjusted net income .....</b>                         | <b>\$173</b>  | <b>\$177</b> | <b>\$239</b> | <b>\$360</b> | <b>\$380</b> | <b>\$ 442</b> |

# SHAREHOLDER INFORMATION

## COMMON STOCK DATA

New York Stock Exchange Symbol: TDG



Our common stock is traded on the New York Stock Exchange under the ticker symbol TDG. The following chart sets forth, for the periods indicated, the high and low sales prices of our common stock on the NYSE.

### FISCAL YEAR 2014

|             | High     | Low      |
|-------------|----------|----------|
| 1st Quarter | \$162.95 | \$136.86 |
| 2nd Quarter | 187.64   | 158.87   |
| 3rd Quarter | 198.29   | 162.20   |
| 4th Quarter | 191.15   | 164.74   |

### FISCAL YEAR 2013

|             | High     | Low      |
|-------------|----------|----------|
| 1st Quarter | \$152.62 | \$116.61 |
| 2nd Quarter | 153.12   | 132.41   |
| 3rd Quarter | 164.62   | 142.92   |
| 4th Quarter | 164.40   | 134.48   |

## REGISTRAR & TRANSFER AGENT

### Computershare

P.O. Box 43078  
Providence, RI 02940  
800.622.6757  
[computershare.com/investor](http://computershare.com/investor)

## FORM 10-K

The TransDigm Group Incorporated Annual Report on Form 10-K for the fiscal year ended September 30, 2014 is available at our website, [transdigm.com](http://transdigm.com). Copies are also available without charge upon request to the Investor Relations Department at the address listed for the corporate headquarters.

## CORPORATE HEADQUARTERS

TransDigm Group Incorporated  
The Tower at Erieview  
1301 East 9th Street, Suite 3000  
Cleveland, OH 44114  
216.706.2960

## ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders will be held at The Tower at Erieview, 1301 East 9th Street, 4th Floor, Cleveland, OH 44114, on March 5, 2015, at 9 a.m. Eastern Time.

## NUMBER OF STOCKHOLDERS

The number of beneficial holders of the Company's common shares as of October 31, 2014, was approximately 44,227.

## WEBSITE

[transdigm.com](http://transdigm.com)

## INVESTOR RELATIONS CONTACT

### Liza Sabol

Investor Relations  
216.706.2945  
[ir@transdigm.com](mailto:ir@transdigm.com)

## INDEPENDENT AUDITORS

Ernst & Young LLP

## EXECUTIVE OFFICER CERTIFICATIONS

In 2014, the Company's chief executive officer submitted to the New York Stock Exchange the Annual CEO Certification regarding the Company's compliance with the New York Stock Exchange's corporate governance listing standards. In addition, the Company's chief executive officer and chief financial officer filed with the Securities and Exchange Commission the certifications required by Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 regarding the quality of the Company's public disclosure in its 2014 Annual Report on Form 10-K, a copy of which is included in this report.

## ANALYST COVERAGE

BB&T Capital Markets  
Bank of America Merrill Lynch  
Barclays Capital  
Cannacord Genuity  
Cowen & Company  
CRT Capital Group LLC  
Credit Suisse  
D.A. Davidson & Co.  
Deutsche Bank  
Goldman, Sachs & Co.  
J.P. Morgan  
Key Banc Capital Markets  
Oppenheimer & Co.  
RBC Capital Markets  
UBS  
Wellington Shields & Co. –  
Great Lakes Review

TransDigm Group Incorporated is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding TransDigm Group Incorporated's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of TransDigm Group Incorporated or its management. TransDigm Group Incorporated does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

CONSISTENT PERFORMANCE **EXCEPTIONAL RETURNS**



**TRANSDIGM**  
GROUP INC.

THE TOWER AT ERIEVIEW, 1301 EAST 9TH STREET, SUITE 3000, CLEVELAND, OH 44114  
216.706.2960 [TRANSDIGM.COM](http://TRANSDIGM.COM)