TransDigm Group INC
Form 10-Q
February 10, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended January 2, 2016.
¨ 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 9th Street, Suite 3000, Cleveland, Ohio 44114
(Address of principal executive offices) (Zip Code)
(216) 706-2960
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report.)
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 ý 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 ý NO ¨
Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, 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 ý	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 ý
The number of shares outstanding of TransDigm Group Incorporated's common stock, par value $.01 per share, was 53,466,525 as of January 26, 2016.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share amounts)
(Unaudited)

	January 2, 2016	September 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$805,291	$714,033
Trade accounts receivable - Net	427,265	444,072
Inventories - Net	599,311	591,401
Prepaid expenses and other	28,908	37,081
Total current assets	1,860,775	1,786,587
PROPERTY, PLANT AND EQUIPMENT - Net	268,028	260,684
GOODWILL	4,683,630	4,686,220
OTHER INTANGIBLE ASSETS - Net	1,487,316	1,539,851
OTHER	30,229	30,593
TOTAL ASSETS	$8,329,978	$8,303,935
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Current portion of long-term debt	$43,445	$43,427
Short-term borrowings - trade receivable securitization facility	199,817	199,792
Accounts payable	113,607	142,822
Accrued liabilities	299,573	271,553
Total current liabilities	656,442	657,594
LONG-TERM DEBT	8,099,159	8,106,383
DEFERRED INCOME TAXES	410,110	404,997
OTHER NON-CURRENT LIABILITIES	128,537	173,267
Total liabilities	9,294,248	9,342,241
STOCKHOLDERS' DEFICIT:		
Common stock - $.01 par value; authorized 224,400,000 shares; issued 55,323,774 and 55,100,094 at January 2, 2016 and September 30, 2015, respectively	553	551
Paid-in capital	984,436	950,324
Accumulated deficit	(1,606,443)	(1,717,232)
Accumulated other comprehensive loss	(96,101)	(96,009)
Treasury stock, at cost; 1,738,968 and 1,415,100 shares at January 2, 2016 and September 30, 2015, respectively	(246,715)	(175,940)
Total stockholders' deficit	(964,270)	(1,038,306)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$8,329,978	$8,303,935

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THIRTEEN WEEK PERIODS ENDED
JANUARY 2, 2016 AND DECEMBER 27, 2014
(Amounts in thousands, except per share amounts)
(Unaudited)

	Thirteen Week Periods Ended	
	January 2, 2016	December 27, 2014
NET SALES	$701,695	$586,898
COST OF SALES	327,128	265,725
GROSS PROFIT	374,567	321,173
SELLING AND ADMINISTRATIVE EXPENSES	82,203	67,479
AMORTIZATION OF INTANGIBLE ASSETS	16,323	13,026
INCOME FROM OPERATIONS	276,041	240,668
INTEREST EXPENSE - Net	111,983	98,935
INCOME BEFORE INCOME TAXES	164,058	141,733
INCOME TAX PROVISION	49,157	46,200
NET INCOME	$114,901	$95,533
NET INCOME APPLICABLE TO COMMON STOCK	$111,901	$92,168
Net earnings per share - see Note 5:		
Basic and diluted	$1.97	$1.63
Weighted-average shares outstanding:		
Basic and diluted	56,805	56,591

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THIRTEEN WEEK PERIODS ENDED
JANUARY 2, 2016 AND DECEMBER 27, 2014
(Amounts in thousands)
(Unaudited)

	Thirteen Week Periods Ended	
	January 2, 2016	December 27, 2014
Net income	$114,901	$95,533
Other comprehensive loss, net of tax:		
Foreign currency translation adjustments	(8,950)	(10,748)
Interest rate swap and cap agreements, net of taxes of $(5,092) and $5,892 for the thirteen week periods ended January 2, 2016 and December 27, 2014, respectively	8,858	(10,538)
Other comprehensive loss, net of tax	(92)	(21,286)
TOTAL COMPREHENSIVE INCOME	$114,809	$74,247

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE THIRTEEN WEEK PERIOD ENDED JANUARY 2, 2016
(Amounts in thousands, except share amounts)
(Unaudited)

	Common Stock		Additional		Accumulated	Treasury Stock		
	Number of Shares	Par Value	Paid-In Capital	Accumulated Deficit	Other Comprehensive Loss	Number of Shares	Value	Total
BALANCE, OCTOBER 1, 2015	55,100,094	$551	$950,324	$(1,717,232)	$(96,009)	(1,415,100)	$(175,940)	$(1,038,306)
Unvested dividend equivalents	—	—	—	(4,112)	—	—	—	(4,112)
Compensation expense recognized for employee stock options	—	—	10,681	—	—	—	—	10,681
Excess tax benefits related to share-based payment arrangements	—	—	14,539	—	—	—	—	14,539
Exercise of employee stock options	223,680	2	8,892	—	—	—	—	8,894
Treasury stock purchased	—	—	—	—	—	(323,868)	(70,775)	(70,775)
Net income	—	—	—	114,901	—	—	—	114,901
Foreign currency translation adjustments	—	—	—	—	(8,950)	—	—	(8,950)
Interest rate swaps and caps, net of tax	—	—	—	—	8,858	—	—	8,858
BALANCE, JANUARY 2, 2016	55,323,774	$553	$984,436	$(1,606,443)	$(96,101)	(1,738,968)	$(246,715)	$(964,270)

See notes to condensed consolidated financial statements.

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

	Thirteen Week Periods Ended	
	January 2, 2016	December 27, 2014
OPERATING ACTIVITIES:		
Net income	$114,901	$95,533
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	9,700	8,425
Amortization of intangible assets	16,501	13,357
Amortization of debt issuance costs	3,832	3,999
Non-cash equity compensation	10,681	5,764
Excess tax benefits related to share-based payment arrangements	(14,539)	(8,264)
Deferred income taxes	601	923
Changes in assets/liabilities, net of effects from acquisitions of businesses:		
Trade accounts receivable	14,368	17,096
Inventories	(14,108)	(12,646)
Income taxes receivable/payable	30,343	40,589
Other assets	917	(3,156)
Accounts payable	(28,160)	(22,773)
Accrued interest	29,939	74,471
Accrued and other liabilities	(10,846)	(24,359)
Net cash provided by operating activities	164,130	188,959
INVESTING ACTIVITIES:		
Capital expenditures, net of disposals	(10,172)	(8,138)
Net cash used in investing activities	(10,172)	(8,138)
FINANCING ACTIVITIES:		
Excess tax benefits related to share-based payment arrangements	14,539	8,264
Proceeds from exercise of stock options	8,892	7,391
Dividends paid	(3,000)	(3,365)
Treasury stock purchased	(70,775)	—
Repayment on term loans	(10,960)	—
Other	(87)	(41)
Net cash (used in) provided by financing activities	(61,391)	12,249
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(1,309)	(989)
NET INCREASE IN CASH AND CASH EQUIVALENTS	91,258	192,081
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	714,033	819,548
CASH AND CASH EQUIVALENTS, END OF PERIOD	$805,291	$1,011,629
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$78,733	$15,307
Cash paid during the period for income taxes	$884	$944

See notes to condensed consolidated financial statements.

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TRANSDIGM GROUP INCORPORATED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
THIRTEEN WEEK PERIODS ENDED JANUARY 2, 2016 AND DECEMBER 27, 2014
(UNAUDITED)

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, seat belts and safety restraints, engineered interior surfaces and related components, lighting and control technology, military personnel parachutes, and cargo loading, handling and delivery systems.

2. UNAUDITED INTERIM FINANCIAL INFORMATION

The financial information included herein is unaudited; however, the information reflects all adjustments (consisting solely of normal recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of the Company’s financial position and results of operations and cash flows for the interim periods presented. These financial statements and notes should be read in conjunction with the financial statements and related notes for the year ended September 30, 2015 included in TD Group’s Form 10-K filed on November 13, 2015. As disclosed therein, the Company’s annual consolidated financial statements were prepared in conformity with generally accepted accounting principles in the United States (“GAAP”). The September 30, 2015 condensed consolidated balance sheet was derived from TD Group’s audited financial statements. The results of operations for the thirteen week period ended January 2, 2016 are not necessarily indicative of the results to be expected for the full year.

Certain reclassifications have been made to the prior year financial statements to conform to current year classifications related to the adoption of new accounting pronouncements during the thirteen week period ended January 2, 2016 impacting the classification of both debt issuance costs and deferred income taxes in the Condensed Consolidated Balance Sheets. The accounting pronouncements and impact of the adoption of the pronouncements are summarized in Note 4, "Recent Accounting Pronouncements."

3. ACQUISITIONS

During the fiscal year ended September 30, 2015, the Company completed the acquisitions of PneuDraulics, Inc. ("PneuDraulics"), the assets of the aerospace business of Pexco LLC (“Pexco Aerospace”), the aerospace business of Franke Aquarotter GmbH (now named Adams Rite Aerospace GmbH), and the Telair Cargo Group (“Telair”). 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. As of January 2, 2016, the purchase price allocations for each of the acquisitions referenced above remain preliminary as the Company completes its assessments of deferred taxes and certain reserves. Pro forma net sales and results of operations for the acquisitions had they occurred at the beginning of the applicable thirteen week periods ended January 2, 2016 or December 27, 2014 are not material 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 to 30 years.

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PneuDraulics – On August 19, 2015, TransDigm Inc. acquired all of the outstanding stock of PneuDraulics for approximately $323.5 million in cash. PneuDraulics manufactures proprietary, highly engineered aerospace pneumatic and hydraulic components and subsystems for commercial transport, regional, business jet and military applications. These products fit well with TransDigm’s overall business direction. PneuDraulics is included in TransDigm’s Power & Control segment. The purchase price includes approximately $104.5 million of tax benefits to be realized by the Company over a 15 year period beginning in 2015, and the Company expects that approximately $220.9 million of goodwill recognized for the acquisition will be deductible for tax purposes.

Pexco Aerospace – On May 14, 2015, Pexco Aerospace, Inc., a newly formed subsidiary of TransDigm Inc., acquired the assets of the aerospace business of Pexco LLC (“Pexco Aerospace”) for a total purchase price of approximately $496.4 million in cash, less a purchase price adjustment of $0.4 million received in the fourth quarter of fiscal 2015. Pexco Aerospace manufactures extruded plastic interior parts for use in the commercial aerospace industry. These products fit well with TransDigm’s overall business direction. Pexco Aerospace is included in TransDigm’s Airframe segment. The purchase price includes approximately $166.4 million of tax benefits to be realized by TransDigm over a 15 year period beginning in 2015, and the Company expects that approximately $407.4 million of goodwill recognized for the acquisition will be deductible for tax purposes.

Adams Rite Aerospace GmbH – On March 31, 2015, the Company’s Adams Rite subsidiary acquired the aerospace business of Franke Aquarotter GmbH (now known as Adams Rite Aerospace GmbH) for approximately $75.3 million in cash. Adams Rite Aerospace GmbH manufactures proprietary faucets and related products for use on commercial transports and regional jets. These products fit well with TransDigm’s overall business direction. Adams Rite Aerospace GmbH is included in TransDigm’s Airframe segment. The Company expects that approximately $63.9 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

Telair Cargo Group – On March 26, 2015, TransDigm Germany GmbH, a subsidiary of TransDigm Inc., acquired all of the outstanding stock of Telair International GmbH ("Telair International"), TransDigm Inc. acquired all of the outstanding stock of Nordisk Aviation Products ("Nordisk"), and Telair US LLC, a newly formed subsidiary of TransDigm Inc. ("Telair US"), acquired the assets of the AAR Cargo business (collectively, "Telair Cargo Group"). The total purchase price was approximately $730.9 million in cash, which included a net $7.7 million purchase price adjustment paid in the fourth quarter of fiscal 2015. Telair Cargo Group manufactures aerospace on-board cargo loading and handling, restraint systems and unit load devices for a variety of commercial and military platforms with positions on a wide range of new and existing aircraft. These products fit well with TransDigm’s overall business direction. The business consists of three major operating units: Telair International, Nordisk and Telair US. Telair International and Telair US are included in TransDigm’s Power & Control segment and Nordisk is included in TransDigm’s Airframe segment.

The total purchase price of Telair Cargo Group 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. The following table summarizes the purchase price allocation of the estimated fair values of the assets acquired and liabilities assumed at the transaction date (in thousands).

Assets acquired:	
Current assets, excluding cash acquired	$143,417
Property, plant, and equipment	16,011
Intangible assets	203,860
Goodwill	489,790
Other	1,445
Total assets acquired	$854,523
Liabilities assumed:	
Current liabilities	$59,661
Other noncurrent liabilities	64,001
Total liabilities assumed	$123,662
Net assets acquired	$730,861

The Company expects that approximately $35.8 million of goodwill recognized for the acquisition will be deductible for tax purposes and approximately $454.0 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

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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. The guidance is effective for the Company for annual reporting periods, including interim periods therein, beginning October 1, 2018. 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.

In April 2015, the FASB issued ASU 2015-03, “Simplifying the Presentation of Debt Issuance Costs,” which expands upon the guidance on the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts. The guidance does not change the current requirements surrounding the recognition and measurement of debt issuance costs, and the amortization of debt issuance costs will continue to be reported as interest expense. The guidance is effective for the Company beginning October 1, 2016. However, as early adoption is permissible, the Company adopted the pronouncement effective October 1, 2015. The adoption of this pronouncement did not have a significant impact on our consolidated financial position and results of operations, although it did change the financial statement classification of debt issuance costs. In connection with adopting the pronouncement beginning October 1, 2015, the Company reclassified $74.2 million and $77.7 million in debt issuance costs as of January 2, 2016 and September 30, 2015, to Current portion of long-term debt and Long-term debt in the liabilities section of the Condensed Consolidated Balance Sheets, respectively.

In September 2015, the FASB issued ASU 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," a new standard intended to simplify the accounting for measurement period adjustments in a business combination. Measurement period adjustments are changes to provisional amounts recorded when the accounting for a business combination is incomplete as of the end of a reporting period. The measurement period can extend for up to a year following the transaction date. During the measurement period, companies may make adjustments to provisional amounts when information necessary to complete the measurement is received. The new guidance requires companies to recognize these adjustments, including any related impacts to net income, in the reporting period in which the adjustments are determined. Companies are no longer required to retroactively apply measurement period adjustments to all periods presented. The guidance is effective for the Company on October 1, 2016. However, as early adoption is permissible, the Company adopted the pronouncement beginning October 1, 2015. The adoption of this pronouncement did not have a significant impact on the Company's financial statements and financial statement disclosures.

In November 2015, the FASB issued ASU 2015-17, “Balance Sheet Classification of Deferred Taxes,” which will require entities to present deferred tax assets and liabilities as noncurrent in a classified balance sheet. This guidance simplifies the current guidance, which requires entities to separately present deferred tax assets and liabilities as current and noncurrent in a classified balance sheet. ASU 2015-17 is effective for fiscal years beginning after December 15, 2016, and interim periods within those years, and may be applied either prospectively to all deferred tax assets and liabilities or retrospectively to all periods presented. As early adoption is permissible, the Company adopted this pronouncement beginning October 1, 2015 and applied this pronouncement retrospectively. The adoption of this pronouncement resulted in the reclassification of $45.6 million from Current deferred income tax assets and $0.4 million from Other long-term assets in the Condensed Consolidated Balance Sheet as of January 2, 2016 to Noncurrent deferred income tax liabilities. Additionally, $45.4 million was reclassified from Current deferred income tax assets in the Condensed Consolidated Balance Sheet as of September 30, 2015 to Noncurrent deferred income tax liabilities.

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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):

	Thirteen Week Periods Ended	
	January 2, 2016	December 27, 2014
Numerator for earnings per share:		
Net income	$114,901	$95,533
Less dividends paid on participating securities	(3,000)	(3,365)
Net income applicable to common stock - basic and diluted	$111,901	$92,168
Denominator for basic and diluted earnings per share under the two-class method:		
Weighted average common shares outstanding	53,706	52,511
Vested options deemed participating securities	3,099	4,080
Total shares for basic and diluted earnings per share	56,805	56,591
Basic and diluted earnings per share	$1.97	$1.63

6. INVENTORIES

Inventories are stated at the lower of cost or market. Cost of inventories is generally determined by the average cost and the first-in, first-out (FIFO) methods and includes material, labor and overhead related to the manufacturing process.

Inventories consist of the following (in thousands):

	January 2, 2016	September 30, 2015
Raw materials and purchased component parts	$403,127	$371,073
Work-in-progress	147,039	164,793
Finished Goods	119,716	122,956
Total	669,882	658,822
Reserves for excess and obsolete inventory and LIFO	(70,571)	(67,421)
Inventories - net	$599,311	$591,401

7. INTANGIBLE ASSETS

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

	January 2, 2016			September 30, 2015		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Technology	$1,077,848	$246,643	$831,205	$1,100,317	$233,434	$866,883
Order backlog	17,835	13,059	4,776	19,501	10,709	8,792
Other	43,215	14,132	29,083	43,229	13,557	29,672
Total	$1,138,898	$273,834	$865,064	$1,163,047	$257,700	$905,347

The aggregate amortization expense on identifiable intangible assets for the thirteen week periods ended January 2, 2016 and December 27, 2014 was approximately $16.3 million and $13.0 million, respectively. The estimated amortization expense is $64.7 million for fiscal year 2016 and $57.5 million for each of the five succeeding fiscal years 2017 through 2021.

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The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2015 through January 2, 2016 (in thousands):

	Power & Control	Airframe	Non-aviation	Total
Balance, September 30, 2015	$2,238,443	$2,392,408	$55,369	$4,686,220
Purchase price allocation adjustments	4,165	35	—	4,200
Other	2	(6,792)	—	(6,790)
Balance, January 2, 2016	$2,242,610	$2,385,651	$55,369	$4,683,630

8. DEBT

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

	January 2, 2016			
	Gross Amount	Debt Issuance Costs	Original Issue Discount	Net Amount
Short-term borrowings—trade receivable securitization facility	$200,000	$(183)	$—	$199,817
Term loans	$4,371,854	$(41,309)	$(5,266)	$4,325,279
5 1/2% senior subordinated notes due 2020 (2020 Notes)	550,000	(5,091)	—	544,909
7 1/2% senior subordinated notes due 2021 (2021 Notes)	500,000	(3,627)	—	496,373
6% senior subordinated notes due 2022 (2022 Notes)	1,150,000	(9,461)	—	1,140,539
6 1/2% senior subordinated notes due 2024 (2024 Notes)	1,200,000	(10,100)	—	1,189,900
6 1/2% senior subordinated notes due 2025 (2025 Notes)	450,000	(4,396)	—	445,604
	8,221,854	(73,984)	(5,266)	8,142,604
Less current portion	43,840	(395)	—	43,445
Long-term debt	$8,178,014	$(73,589)	$(5,266)	$8,099,159

	September 30, 2015			
	Gross Amount	Debt Issuance Costs	Original Issue Discount	Net Amount
Short-term borrowings—trade receivable securitization facility	$200,000	$(208)	$—	$199,792
Term loans	$4,382,813	$(43,660)	$(5,471)	$4,333,682
2020 Notes	550,000	(5,355)	—	544,645
2021 Notes	500,000	(3,789)	—	496,211
2022 Notes	1,150,000	(9,821)	—	1,140,179
2024 Notes	1,200,000	(10,394)	—	1,189,606
2025 Notes	450,000	(4,513)	—	445,487
	8,232,813	(77,532)	(5,471)	8,149,810
Less current portion	43,840	(413)	—	43,427
Long-term debt	$8,188,973	$(77,119)	$(5,471)	$8,106,383

9. INCOME TAXES

At the end of each reporting period, TD Group makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods. During the thirteen week periods ended January 2, 2016 and December 27, 2014, the effective income tax rate was 30.0% and 32.6%, respectively. The Company's lower effective tax rate for the thirteen week period was primarily due to foreign earnings taxed at rates lower than the U.S. statutory rate and a discrete adjustment related to the permanent reinstatement of the US research and development tax credit. The Company's effective tax rate for these periods was less than the Federal statutory tax rate primarily due to the domestic manufacturing deduction and foreign earnings taxed at rates lower than the U.S. statutory rate.

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, Hong Kong,

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Hungary, Malaysia, Mexico, Norway, Singapore, Sri Lanka, Sweden and the United Kingdom. The Company is no longer subject to U.S. federal examinations for years before fiscal 2014. The Company is currently under examination in Belgium for its fiscal years of 2013 and 2014. In addition, the Company is subject to state income tax examinations for fiscal years 2009 and later.

At January 2, 2016 and September 30, 2015, TD Group had $6.6 million and $6.9 million in unrecognized tax benefits, the recognition of which would have an effect of approximately $6.3 million and $6.5 million on the effective tax rate at January 2, 2016 and September 30, 2015, respectively. The Company believes that the tax positions that comprise the unrecognized tax benefit will be reduced by approximately $1.6 million over the next 12 months. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense.

10. 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 (in thousands):

		January 2, 2016		September 30, 2015	
	Level	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:					
Cash and cash equivalents	1	$805,291	$805,291	$714,033	$714,033
Interest rate cap agreements (1)	2	7,980	7,980	8,180	8,180
Liabilities:					
Interest rate swap agreements (2)	2	25,500	25,500	24,770	24,770
Interest rate swap agreements (3)	2	34,850	34,850	49,730	49,730
Short-term borrowings - trade receivable securitization facility (4)	1	199,817	199,817	199,792	199,792
Long-term debt, including current portion:					
Term loans (4)	2	4,325,279	4,223,000	4,333,682	4,344,000
2020 Notes (4)	1	544,909	534,000	544,645	520,000
2021 Notes (4)	1	496,373	513,000	496,211	524,000
2022 Notes (4)	1	1,140,539	1,121,000	1,140,179	1,081,000
2024 Notes (4)	1	1,189,900	1,167,000	1,189,606	1,119,000
2025 Notes (4)	1	445,604	435,000	445,487	417,000

(1) Included in Other non-current assets on the Condensed Consolidated Balance Sheet.
(2) Included in Accrued liabilities on the Condensed Consolidated Balance Sheet.
(3) Included in Other non-current liabilities on the Condensed Consolidated Balance Sheet.
(4) The carrying amount of the debt instrument is presented net of the debt issuance costs in connection with the Company's adoption of ASU 2015-03. Refer to Note 8, "Debt," for gross carrying amounts.

The Company values its financial instruments using an industry standard market approach, in which prices and other relevant information is generated by market transactions involving identical or comparable assets or liabilities. No financial instruments were recognized using unobservable inputs.

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 interest rate caps were measured at fair value using implied volatility rates of each individual caplet and the yield curve for the related periods. The estimated fair value of the Company’s term loans was based on information provided by the agent under the

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Company's senior secured credit facility. The estimated fair values of the Company's 2020 Notes, 2021 Notes, 2022 Notes, 2024 Notes and 2025 Notes were based upon quoted market prices.
The fair value of Cash and cash equivalents, Trade accounts receivable-net and Accounts payable approximated book value due to the short-term nature of these instruments at January 2, 2016 and September 30, 2015.

11. 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 and cap counterparties that contain a provision whereby if the Company defaults on the credit facility the Company could also be declared in default on its swaps and caps, resulting in an acceleration of payment under the swaps and caps.
Interest rate swap and cap agreements are used to manage interest rate risk associated with floating-rate borrowings under our credit facility. The interest rate swap and cap 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 and cap 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 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 loss in stockholders' deficit 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.
At January 2, 2016, five forward-starting interest rate swap agreements beginning March 31, 2016 were in place to hedge the variable interest rates on the 2014 Term Loans 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 Term Loans to a fixed rate of 5.8% (2.8% plus the 3% margin percentage) over the term of the interest rate swap agreements.
At January 2, 2016, six interest rate cap agreements beginning September 30, 2015 were in place to offset the variable interest rates on the 2015 Term Loans based on an aggregate notional amount of $750 million. These interest rate cap agreements offset the variability in expected future cash flows on the Company's variable rate debt attributable to fluctuations above the three month LIBOR of 2.5% through June 30, 2020.
At January 2, 2016, three interest rate swap agreements beginning September 30, 2014 were in place to hedge the variable interest rates on the 2014 Term Loans for a fixed rate based on an aggregate notional amount of $1.0 billion through June 30, 2019. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount of the 2014 Term Loans to a fixed rate of 5.4% (2.4% plus the 3% margin percentage) over the term of the interest rate swap agreements.
In connection with the refinancing of the 2011 Term Loans, 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 deficit amortized into earnings totaled $1.1 million for the thirteen week period ended December 27, 2014. There is no remaining amortization for these dedesignated swap agreements as of September 30, 2015.
Based on the fair value amounts of the interest rate swap agreements determined as of January 2, 2016, the estimated net amount of existing gains and losses expected to be reclassified into interest expense within the next twelve months is approximately $25.5 million.

12. 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

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controls, ignition systems and engine technology, specialized pumps and valves, power conditioning devices, specialized AC/DC electric motors and generators, and cargo loading and handling systems. 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, cockpit security components and systems, aircraft audio systems, specialized lavatory components, seat belts and safety restraints, engineered interior surfaces and related components, lighting and control technology, military personnel parachutes, and cargo 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 seat belts 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 incentive 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):

	Thirteen Week Periods Ended	
	January 2, 2016	December 27, 2014
Net sales to external customers		
Power & Control	$347,209	$283,379
Airframe	331,138	281,614
Non-aviation	23,348	21,905
	$701,695	$586,898

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

	Thirteen Week Periods Ended	
	January 2, 2016	December 27, 2014
EBITDA As Defined		
Power & Control	$161,776	$146,128
Airframe	155,088	125,821
Non-aviation	6,386	4,738
Total segment EBITDA As Defined	323,250	276,687
Unallocated corporate expenses	3,837	6,959
Total Company EBITDA As Defined	319,413	269,728
Depreciation and amortization expense	26,201	21,785
Interest expense - net	111,983	98,935
Acquisition-related costs	7,225	1,700
Stock compensation expense	10,681	5,764
Other, net	(735)	(189)
Income before income taxes	$164,058	$141,733

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

	January 2, 2016	September 30, 2015
Total assets		
Power & Control	$3,558,152	$3,550,866
Airframe	3,883,245	3,922,439
Non-aviation	130,349	129,935
Corporate	758,232	700,695
	$8,329,978	$8,303,935

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

13. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table presents the components of accumulated other comprehensive loss, net of taxes, for the thirteen week period ended January 2, 2016 (in thousands):

	Unrealized (loss) gain on derivatives designated and qualifying as cash flow hedges	Defined benefit pension plan activity	Currency translation adjustment	Total
Balance at September 30, 2015	$(51,492)	$(12,013)	$(32,504)	$(96,009)
Current-period other comprehensive income (loss)	8,858	—	(8,950)	(92)
Balance at January 2, 2016	$(42,634)	$(12,013)	$(41,454)	$(96,101)

14. SUBSEQUENT EVENTS

On January 4, 2016, Hook Acquisition Sub Inc., a subsidiary of TransDigm Inc., completed the tender offer of all the outstanding stock of Breeze-Eastern Corporation ("Breeze-Eastern") for $19.61 per share in cash. Following consummation of the tender offer, Hook Acquisition Sub Inc. was merged into Breeze-Eastern on January 4, 2016; in connection therewith, all outstanding stock of Breeze-Eastern was canceled and Breeze-Eastern became a wholly owned subsidiary of TransDigm Inc. The purchase price for the tender offer, net of cash acquired of approximately $27 million, was approximately $178 million in cash. Breeze-Eastern manufactures high performance lifting and pulling devices for military and civilian aircraft, including rescue hoists, winches and cargo hooks, and weapons-lifting

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systems. These products fit well with TransDigm’s overall business direction and Breeze-Eastern will be included in TransDigm's Power & Control segment.

Subsequent to the end of the thirteen week period ended January 2, 2016 and prior to the new program described in the next paragraph becoming effective, the Company repurchased 128,319 shares of its common stock at a gross cost of approximately $27.9 million at the weighted-average price per share of $217.47 under the stock repurchase program authorized on October 22, 2014.

On January 21, 2016, our Board of Directors authorized a stock repurchase program replacing our previous repurchase program permitting us to repurchase a portion of our outstanding shares not to exceed $450 million. The Company repurchased 324,200 shares of its common stock at a gross cost of approximately $63.7 million at the weighted-average price per share of $196.47 under the stock repurchase program authorized on January 21, 2016.

15. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm’s 2020 Notes, 2021 Notes, 2022 Notes, 2024 Notes and 2025 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 January 2, 2016 and September 30, 2015 and its statements of income and comprehensive income and cash flows for the thirteen week periods ended January 2, 2016 and December 27, 2014 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.

Separate financial statements of TransDigm Inc. are not presented because TransDigm Inc.’s 2020 Notes, 2021 Notes, 2022 Notes, 2024 Notes and 2025 Notes 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.

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JANUARY 2, 2016
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$20,286	$730,494	$4,349	$50,162	$—	$805,291
Trade accounts receivable - Net	—	—	40,775	405,540	(19,050)	427,265
Inventories - Net	—	41,270	456,600	102,141	(700)	599,311
Prepaid expenses and other	—	4,425	16,802	7,681	—	28,908
Total current assets	20,286	776,189	518,526	565,524	(19,750)	1,860,775
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	(984,556)	6,972,463	4,664,857	(29,095)	(10,623,669)	—
PROPERTY, PLANT AND EQUIPMENT -Net	—	16,447	209,947	41,634	—	268,028
GOODWILL	—	39,333	4,012,751	631,546	—	4,683,630
OTHER INTANGIBLE ASSETS - Net	—	38,245	1,188,955	261,577	(1,461)	1,487,316
OTHER	—	13,941	14,620	1,668	—	30,229
TOTAL ASSETS	$(964,270)	$7,856,618	$10,609,656	$1,472,854	$(10,644,880)	$8,329,978
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
CURRENT LIABILITIES:						
Current portion of long-term debt	$—	$43,445	$—	$—	$—	$43,445
Short-term borrowings - trade receivable securitization facility	—	—	—	199,817	—	199,817
Accounts payable	—	14,828	80,246	34,222	(15,689)	113,607
Accrued liabilities	—	159,158	99,800	40,615	—	299,573
Total current liabilities	—	217,431	180,046	274,654	(15,689)	656,442
LONG-TERM DEBT	—	8,099,159	—	—	—	8,099,159
DEFERRED INCOME TAXES	—	319,247	2,330	88,533	—	410,110
OTHER NON-CURRENT LIABILITIES	—	69,359	39,788	19,390	—	128,537
Total liabilities	—	8,705,196	222,164	382,577	(15,689)	9,294,248
STOCKHOLDERS' (DEFICIT) EQUITY	(964,270)	(848,578)	10,387,492	1,090,277	(10,629,191)	(964,270)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$(964,270)	$7,856,618	$10,609,656	$1,472,854	$(10,644,880)	$8,329,978

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF SEPTEMBER 30, 2015
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$1,500	$659,365	$7,911	$45,257	$—	$714,033
Trade accounts receivable - Net	—	—	48,369	413,380	(17,677)	444,072
Inventories - Net	—	34,457	461,103	96,541	(700)	591,401
Prepaid expenses and other	—	2,804	15,096	19,181	—	37,081
Total current assets	1,500	696,626	532,479	574,359	(18,377)	1,786,587
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	(1,039,806)	6,963,034	4,501,501	(33,208)	(10,391,521)	—
PROPERTY, PLANT AND EQUIPMENT - Net	—	16,565	201,499	42,620	—	260,684
GOODWILL	—	65,886	3,984,199	636,135	—	4,686,220
OTHER INTANGIBLE ASSETS - Net	—	38,621	1,236,376	266,315	(1,461)	1,539,851
OTHER	—	13,712	14,528	2,353	—	30,593
TOTAL ASSETS	$(1,038,306)	$7,794,444	$10,470,582	$1,488,574	$(10,411,359)	$8,303,935
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
CURRENT LIABILITIES:						
Current portion of long-term debt	$—	$43,427	$—	$—	$—	$43,427
Short-term borrowings - trade receivable securitization facility	—	—	—	199,792	—	199,792
Accounts payable	—	16,826	102,968	37,556	(14,528)	142,822
Accrued liabilities	—	97,045	117,243	57,265	—	271,553
Total current liabilities	—	157,298	220,211	294,613	(14,528)	657,594
LONG-TERM DEBT	—	8,106,383	—	—	—	8,106,383
DEFERRED INCOME TAXES	—	334,848	2,410	67,739	—	404,997
OTHER NON-CURRENT LIABILITIES	—	99,743	35,222	38,302	—	173,267
Total liabilities	—	8,698,272	257,843	400,654	(14,528)	9,342,241
STOCKHOLDERS' (DEFICIT) EQUITY	(1,038,306)	(903,828)	10,212,739	1,087,920	(10,396,831)	(1,038,306)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY	$(1,038,306)	$7,794,444	$10,470,582	$1,488,574	$(10,411,359)	$8,303,935

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE THIRTEEN WEEK PERIOD ENDED JANUARY 2, 2016
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET SALES	$—	$26,689	$576,421	$104,280	$(5,695)	$701,695
COST OF SALES	—	15,265	252,748	64,810	(5,695)	327,128
GROSS PROFIT	—	11,424	323,673	39,470	—	374,567
SELLING AND ADMINISTRATIVE EXPENSES	—	12,816	53,940	15,447	—	82,203
AMORTIZATION OF INTANGIBLE ASSETS	—	363	13,463	2,497	—	16,323
(LOSS) INCOME FROM OPERATIONS	—	(1,755)	256,270	21,526	—	276,041
INTEREST EXPENSE (INCOME) - Net	—	115,391	(555)	(2,853)	—	111,983
EQUITY IN INCOME OF SUBSIDIARIES	(114,901)	(205,972)	—	—	320,873	—
INCOME BEFORE INCOME TAXES	114,901	88,826	256,825	24,379	(320,873)	164,058
INCOME TAX (BENEFIT) PROVISION	—	(26,075)	78,533	(3,301)	—	49,157
NET INCOME	$114,901	$114,901	$178,292	$27,680	$(320,873)	$114,901
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF TAX	(92)	6,241	(3,564)	(11,758)	9,081	(92)
TOTAL COMPREHENSIVE INCOME	$114,809	$121,142	$174,728	$15,922	$(311,792)	$114,809

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME
FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2014
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET SALES	$—	$31,568	$511,507	$46,886	$(3,063)	$586,898
COST OF SALES	—	18,484	217,985	32,319	(3,063)	265,725
GROSS PROFIT	—	13,084	293,522	14,567	—	321,173
SELLING AND ADMINISTRATIVE EXPENSES	—	15,758	43,899	7,822	—	67,479
AMORTIZATION OF INTANGIBLE ASSETS	—	347	10,701	1,978	—	13,026
(LOSS) INCOME FROM OPERATIONS	—	(3,021)	238,922	4,767	—	240,668
INTEREST EXPENSE (INCOME) - Net	—	101,418	48	(2,531)	—	98,935
EQUITY IN INCOME OF SUBSIDIARIES	(95,533)	(165,836)	—	—	261,369	—
INCOME BEFORE INCOME TAXES	95,533	61,397	238,874	7,298	(261,369)	141,733
INCOME TAX (BENEFIT) PROVISION	—	(34,136)	78,514	1,822	—	46,200
NET INCOME	$95,533	$95,533	$160,360	$5,476	$(261,369)	$95,533
OTHER COMPREHENSIVE LOSS, NET OF TAX	(21,286)	(6,709)	(287)	(14,290)	21,286	(21,286)
TOTAL COMPREHENSIVE INCOME (LOSS)	$74,247	$88,824	$160,073	$(8,814)	$(240,083)	$74,247

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTEEN WEEK PERIOD ENDED JANUARY 2, 2016
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$—	$(45,640)	$187,569	$21,989	$212	$164,130
INVESTING ACTIVITIES:						
Capital expenditures, net of disposals	—	(455)	(8,043)	(1,674)	—	(10,172)
Net cash used in investing activities	—	(455)	(8,043)	(1,674)	—	(10,172)
FINANCING ACTIVITIES:						
Intercompany activities	69,130	128,271	(183,088)	(14,101)	(212)	—
Excess tax benefits related to share-based payment arrangements	14,539	—	—	—	—	14,539
Proceeds from exercise of stock options	8,892	—	—	—	—	8,892
Dividends paid	(3,000)	—	—	—	—	(3,000)
Treasury stock purchased	(70,775)	—	—	—	—	(70,775)
Repayment on term loans	—	(10,960)	—	—	—	(10,960)
Other	—	(87)	—	—	—	(87)
Net cash provided by (used in) financing activities	18,786	117,224	(183,088)	(14,101)	(212)	(61,391)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	—	(1,309)	—	(1,309)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,786	71,129	(3,562)	4,905	—	91,258
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,500	659,365	7,911	45,257	—	714,033
CASH AND CASH EQUIVALENTS, END OF PERIOD	$20,286	$730,494	$4,349	$50,162	$—	$805,291

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TRANSDIGM GROUP INCORPORATED
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THIRTEEN WEEK PERIOD ENDED DECEMBER 27, 2014
(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$—	$59,985	$142,334	$(2,765)	$(10,595)	$188,959
INVESTING ACTIVITIES:						
Capital expenditures, net of disposals	—	(467)	(6,576)	(1,095)	—	(8,138)
Net cash used in investing activities	—	(467)	(6,576)	(1,095)	—	(8,138)
FINANCING ACTIVITIES:						
Intercompany activities	(13,663)	146,927	(139,352)	(4,507)	10,595	—
Excess tax benefits related to share-based payment arrangements	8,264	—	—	—	—	8,264
Proceeds from exercise of stock options	7,391	—	—	—	—	7,391
Dividends paid	(3,365)	—	—	—	—	(3,365)
Other	—	(41)	—	—	—	(41)
Net cash (used in) provided by financing activities	(1,373)	146,886	(139,352)	(4,507)	10,595	12,249
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	—	—	—	(989)	—	(989)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,373)	206,404	(3,594)	(9,356)	—	192,081
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,088	782,648	3,793	31,019	—	819,548
CASH AND CASH EQUIVALENTS, END OF PERIOD	$715	$989,052	$199	$21,663	$—	$