

TransDigm Group INC  
Form 10-K  
November 09, 2018  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K  
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 2018  
..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 44114  
(Address of principal executive offices) (Zip Code)  
(216) 706-2960  
(Registrants' telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:  
Common Stock New York Stock Exchange  
(Title) (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 every Interactive Data File required to be submitted 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 such files). Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

LARGE ACCELERATED FILER  ACCELERATED FILER   
NON-ACCELERATED FILER  SMALLER REPORTING COMPANY   
EMERGING GROWTH COMPANY

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 31, 2018, based upon the last sale price of such voting and non-voting common stock on that date, was \$14,986,503,095.

The number of shares outstanding of TransDigm Group Incorporated's common stock, par value \$.01 per share, was 52,748,435 as of November 2, 2018.

Documents incorporated by reference: The registrant incorporates by reference in Part III hereof portions of its definitive Proxy Statement for its 2019 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, 7 and 7A hereof and elsewhere within this Report generally. In addition, when used in this Report, the words “believe,” “may,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate” or “continue” and other words and terms of similar meaning 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.

Important factors that could cause actual results to differ materially from the forward-looking statements made in this Annual Report on Form 10-K include but are not limited to: the sensitivity of our business to the number of flight hours that our customers’ planes spend aloft and our customers’ profitability, both of which are affected by general economic conditions; future geopolitical or other worldwide events; cyber-security threats and natural disasters; our reliance on certain customers; the U.S. defense budget and risks associated with being a government supplier; failure to maintain government or industry approvals; failure to complete or successfully integrate acquisitions; our indebtedness; potential environmental liabilities; liabilities arising in connection with litigation; increases in raw material costs, taxes and labor costs that cannot be recovered in product pricing; risks and costs associated with our international sales and operations; and other factors.

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, unless the context otherwise requires, refer to TD Group, together with TransDigm Inc. and its wholly-owned and majority-owned subsidiaries for which it has a controlling interest. References to “fiscal year” mean the year ending or ended September 30. For example, “fiscal year 2018” or “fiscal 2018” means the period from October 1, 2017 to September 30, 2018.

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, or NYSE, 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 2018 were generated by proprietary products. In addition, for fiscal year 2018, we estimate that we generated about 80% 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 to 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 60% of our net sales in fiscal year 2018 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

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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, databus and power controls, 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, high performance hoists, winches and lifting devices, and cargo loading, handling and 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, specialized AC/DC electric motors and generators, databus and power controls, high performance hoists, winches and lifting devices 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 OEM 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, 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 OEM 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.

For financial information about our segments, see Note 16, "Segments," to the consolidated financial statements included herein, which is incorporated by reference.

### Pending Acquisition of Esterline Technologies Corporation

On October 9, 2018, the Company entered into a merger agreement with Esterline Technologies Corporation ("Esterline"), under which the Company agreed to acquire Esterline. Under the terms of the merger agreement, the Company will purchase each share of Esterline common stock outstanding for \$122.50 per share in cash. TransDigm anticipates that the total transaction value will be approximately \$4 billion, representing the \$122.50 price paid per share for common stock outstanding plus existing debt. The Company expects the acquisition to be financed primarily through existing cash on hand and the incurrence of new term loans. In connection with the merger agreement, the Company entered into a commitment letter for a senior secured term facility up to \$3.7 billion. The actual amount and timing of the new senior secured term facility is subject to the closing of the Esterline acquisition and the cash on hand at that time. The Company currently expects that the merger will be completed in 2019, subject to approval of Esterline's shareholders, as well as other customary closing conditions, including the receipt of required regulatory

approvals.

For further details on the acquisitions and divestiture that occurred during fiscal 2018, refer to Note 2, “Acquisitions and Divestitures,” to the consolidated financial statements included herein, which is incorporated by reference.

#### 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.

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We have structured our sales efforts along our major product offerings, assigning a business unit manager to certain products. Each business unit 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 business unit 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 business unit 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 serve as a 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 approximately 80 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 accounting and reporting, 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 and research and development costs are recorded in selling and administrative expenses in our consolidated statements of income. The aggregate of engineering expense and research and development expense represents approximately 8% of our operating units' aggregate costs, or approximately 4% of our consolidated net sales for fiscal year 2018. 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 as required by our customers, such as testing under different temperature, humidity and altitude levels, flammability testing, 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. Refer to Note 3, "Summary of Significant Accounting Policies," to the consolidated financial statements included herein with respect to total costs of research and development, which is incorporated by reference.

**Customers**

We predominantly serve customers in the commercial, regional, business jet and general aviation aftermarket, which accounts for approximately 36% of total sales; the commercial aerospace OEM market, comprising large commercial transport manufacturers and regional and business jet manufacturers, which accounts for approximately 24% of total sales; and the defense market, which accounts for approximately 35% of total sales. Non-aerospace sales comprise approximately 5% of our total sales.

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, 2018, Airbus S.A.S. (which includes Satair A/S, a distributor of commercial aftermarket parts to airlines throughout the world) accounted for approximately 11%



of our net sales and The Boeing Company (which includes Aviall, Inc., also a distributor of commercial aftermarket parts to airlines throughout the world) accounted for approximately 10% of our net sales. Our top ten customers for fiscal year 2018 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 (including the 737MAX), 747, 767, 777 and 787, the Airbus A220 (previously known as the Bombardier CSeries), A320 family (including neo), A330, A350 and A380, the Bombardier CRJs, Q400/Dash-8 aircraft, Challenger and Learjets, the Embraer regional and business jets, the Cessna Citation family, the Gulfstream aircraft family, the Dassault aircraft family, the HondaJet and the ATR42/72 turboprop. Military platforms include aircraft such as the Boeing AH-64 Apache, CH-47, C-17, F-15, F-18, KC46 Tanker, P-8 and V-22, the Airbus A400M, the Lockheed Martin C-130J, F-16 and F-35 Joint Strike Fighter, UH-60 Blackhawk helicopter, the Northrop Grumman E-2C Hawkeye, the General

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Atomics Predator Drone and the Raytheon Patriot Missile. We have been awarded numerous contracts for the development of engineered products for production on the Airbus A330neo, the Boeing 777x, the Bombardier Global 7500/8000, the Embraer E2, the Mitsubishi Regional Jet and the Sikorsky S-97 and JMR helicopter.

The markets in which we sell our products are, to varying degrees, cyclical and have experienced upswings and downturns. The demand for our commercial 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, the percentage of the worldwide fleet that is in warranty, and airline profitability. The demand for defense products is specifically dependent on government budget trends, military campaigns and political pressures.

### 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 may create disincentives for potential new competitors for certain products. If 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; (2) terminate existing contracts; (3) reduce the value of existing contracts; (4) audit our contract-related costs and fees, including allocated indirect costs; (5) control and potentially prohibit the export of our products; and (6) seek repayment of contract related payments under certain circumstances. Violations of government procurement laws could result in civil or criminal penalties.

### 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, our businesses are subject to many other laws and requirements typically applicable to manufacturers and exporters. Without limiting the foregoing, sales of many of our products that will be used on aircraft owned by foreign entities are subject to compliance with export control laws and the manufacture of our products and the operations of our businesses, including the disposal of hazardous wastes, are subject to compliance with applicable environmental laws.

### Market Channels

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 has shown strength with increases in revenue passenger miles, or RPMs, since 2010, and positive growth continued through 2018 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 2019 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.

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The defense aerospace market is dependent on government budget constraints, the timing of orders, political pressures 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 channel. 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 and the percentage of the fleet that is in warranty.

### Commercial OEM Market

The commercial transport market sector, the largest sector in the commercial OEM market, grew modestly during 2018. 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 2019 shipments will be a function of, among other things, the estimated 2019 and 2020 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 2019 and 2020, though the growth may continue to moderate and begin to flatten.

### 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. 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 in future years over the recent high levels.

### 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, 2018, the Company estimated its sales order backlog at \$2,026 million compared to an estimated sales order backlog of \$1,669 million as of September 30, 2017. The increase in estimated sales order backlog is primarily due to organic growth in the commercial and defense markets and growth from acquisitions. The majority of the purchase orders outstanding as of September 30, 2018 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, 2018 may not necessarily represent the actual amount of shipments or sales for any future period.

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### Foreign Operations

Although we manufacture a significant portion of our products in the United States, we manufacture some products in Belgium, China, Germany, Hungary, Japan, Malaysia, Mexico, Norway, Sri Lanka, Sweden 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.

### 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 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. For information regarding environmental accruals, see Note 14, “Environmental Liabilities,” to the consolidated financial statements included herein, which is incorporated by reference.

### Employees

As of September 30, 2018, we had approximately 10,100 full-time, part-time and temporary employees. Approximately 10% 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 December 2018 to May 2022. We consider our relationship with our employees generally to be satisfactory.

### 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. In addition, the Company’s website allows investors and other interested persons to sign up to automatically receive e-mail alerts when news releases and financial information is posted on the website. The SEC also maintains a website, [www.sec.gov](http://www.sec.gov), that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Annual Report on Form 10-K is not incorporated by reference into this Annual Report unless expressly noted.

### 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 commercial 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 commercial business is directly affected by, among other factors, changes in revenue passenger miles (RPMs), the size and age of the worldwide aircraft fleet, the percentage of the fleet that is out-of-warranty and 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 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 (SARS) epidemic, and the conflicts abroad, and could be impacted by future geopolitical or other worldwide events, such as war, terrorist acts, or a worldwide infectious disease outbreak. In addition, global market and economic conditions have been challenging with 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, and delay refurbishments and discretionary spending. If demand for spare parts decreases, there would be a decrease in demand for certain of our products. An adverse change in demand could impact our results of operations, collection of accounts receivable and our

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expected cash flow generation from current and acquired businesses which may adversely impact our financial condition and access to capital markets.

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 collectively accounted for approximately 24% of our net sales in fiscal year 2018) 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, interest rates, downturns in the global economy and national and international events. 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 two largest customers for fiscal year 2018 were Airbus S.A.S. (which includes Satair A/S) and The Boeing Company (which includes Aviall, Inc.). Airbus S.A.S. accounted for approximately 11% of our net sales and The Boeing Company accounted for approximately 10% of our net sales in fiscal year 2018. Our top ten customers for fiscal year 2018 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 internationally 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 or may be unable



to receive necessary regulatory approvals or support. 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

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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 many of the foregoing risks in connection with our recently announced agreement to acquire Esterline, and these risks may be exacerbated due to the scale and complexity of that acquisition as compared to our recent acquisitions. The acquisition is not expected to close until 2019, subject to approval of Esterline's shareholders, as well as other customary closing conditions, including the receipt of required regulatory approvals, so there can be no assurance that we will not encounter unforeseen expenses, complications and delays in the process or that we will be able to consummate the acquisition as contemplated or at all. If the acquisition is completed, it will require extensive integration efforts. These efforts could result in significant unforeseen costs and will require substantial attention from our senior management. If we are unable to successfully integrate Esterline or the acquisition otherwise does not perform to our expectations, our results of operations and financial condition may be adversely affected. It is also possible that the substantial management attention required by, and the indebtedness to be incurred in connection with, the transaction could cause us to forgo other acquisition opportunities, particularly if we encounter delays or unexpected costs or the acquisition otherwise does not perform to our expectations.

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 based on 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.

Furthermore, 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." Our subsidiaries are periodically subject to a pricing review and in fact, government buying agencies that purchase some of our subsidiaries' products are currently the subject of a DOD Office of Inspector General audit with respect to prices paid for such products. Pricing reviews and government audits, including the one underway, 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.

Moreover, U.S. Government purchasing regulations contain a number of additional operational requirements, which do not apply to entities not engaged in government contracting. Failure to comply with such government contracting

requirements could result in civil and criminal penalties that could have a material adverse effect on the Company's results of operations.

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

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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 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, 2018, our total indebtedness, excluding approximately \$17.5 million of letters of credit outstanding, was approximately \$12.9 billion, which was 116.3% of our total book capitalization as a result of our prior year special dividends being funded, in part, with indebtedness and the addition of approximately \$1.1 billion in net new incremental borrowings during fiscal 2018.

Also, in connection with the merger agreement to acquire Esterline for approximately \$4 billion, the Company entered into a commitment letter for a senior secured term facility up to \$3.7 billion. The actual amount and timing of the new senior secured term facility is subject to the closing of the Esterline acquisition and the cash on hand at that time.

In addition, we may be able to incur substantial additional indebtedness in the future. For example, as of September 30, 2018, we had approximately \$582.5 million of unused commitments under our revolving loan facility. Although our senior secured credit facility and the indentures governing the various senior subordinated notes outstanding (the "Indentures") 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. For example, if the usage of the revolving loan facility exceeds 25% of the total revolving commitments, the Company will be required to maintain a maximum consolidated net leverage ratio of net debt, as defined, to trailing four-quarter EBITDA As Defined. A breach of any of the covenants or an inability to comply with the required leverage ratio could result in a default under the senior secured credit facility or the Indentures.

An increase in our substantial indebtedness 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 requirements, capital expenditures, acquisitions, research and development efforts and other general corporate requirements;
- 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 \$7.6 billion in term loans and a revolving loan facility of \$600 million, bears interest at variable rates. Accordingly, if interest rates increase, our debt service expense will also increase. Interest rate swap and cap agreements are used to manage interest rate risk associated with variable rate borrowings under our credit facilities. For information about our interest rate swap and cap agreements, see Note 20, "Derivatives and Hedging Instruments," in the notes to the consolidated financial statements included herein.

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 Indentures. We cannot assure 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 Indentures, amounts borrowed under the senior secured credit facility, amounts due under our Securitization Facility, and to fund our operations, will depend on our ability

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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 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 Indentures, 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 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 Securitization Facility, 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 Indentures.

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 senior subordinated 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 senior subordinated notes. If the debt under the senior secured credit facility or the senior subordinated notes were to be accelerated, we cannot assure 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.

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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.

We are dependent on our senior management team and 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.

Although we believe that our relations with our employees are satisfactory, we cannot assure that we will be able to negotiate a satisfactory renewal of 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.

In addition, our success depends in part on our ability to attract and motivate our senior management and key employees. Achieving this objective may be difficult due to a variety of factors, including fluctuations in economic and industry conditions, competitors' hiring practices, and the effectiveness of our compensation programs.

Competition for qualified personnel can be intense. A loss of senior management and key personnel, or failure to attract qualified new talent could prevent us from capitalizing on business opportunities, and our operating results and/or market value could be adversely affected. The Board continually monitors this risk and we believe that the Board's succession plan, together with our straightforward strategy, clear value drivers, decentralized nature and the quality of managers running our operating units helps to mitigate this risk.

We may be subject to periodic litigation and regulatory proceedings, including Fair Labor Standards Act and state wage and hour class action lawsuits, which may adversely affect our business and financial performance.

From time to time, we are involved in lawsuits and regulatory actions brought or threatened against us in the ordinary course of business. These actions and proceedings may involve claims for, among other things, compensation for alleged personal injury, workers' compensation, employment discrimination, or breach of contract. In addition, we may be subject to class action lawsuits, including those involving allegations of violations of consumer product statutes or the Fair Labor Standards Act and state wage and hour laws. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such actions or proceedings. The outcome of litigation, particularly class action lawsuits and regulatory actions, is difficult to assess or quantify, as plaintiffs may seek recovery of very large or indeterminate amounts in these types of lawsuits, and the magnitude of the potential loss may remain unknown for substantial periods of time. In addition, plaintiffs in many types of actions may seek punitive damages, civil penalties, consequential damages or other losses, or injunctive or declaratory relief. These proceedings could result in substantial cost and may require us to devote substantial resources to defend ourselves. The ultimate resolution of these matters through settlement, mediation, or court judgment could have a material impact on our financial condition, results of operations, and cash flows.

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.

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Our operations depend on our manufacturing facilities, which are subject to physical and other risks that could disrupt production.

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. Disruptions could also occur due to cyber-attacks, computer or equipment malfunction (accidental or intentional), operator error or process failures. Any disruption of our ability to operate our business could result in a material decrease in our revenues or significant additional costs to replace, repair or insure our assets, which could have a material adverse impact on our financial condition and results of operations.

Operations and sales outside of the 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, UK Bribery Act and similar local anti-bribery laws, which generally prohibit companies and their employees, agents and contractors from making improper payments 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 product 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 could incur substantial costs as a result of data protection concerns.

The interpretation and application of data protection laws in the U.S., Europe, including but not limited to the General Data Protection Regulation (the "GDPR"), and elsewhere are uncertain and evolving. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. Complying with these various laws is difficult and could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business. Further, although we are implementing internal controls and procedures designed to ensure compliance with the GDPR and other privacy-related laws, rules and regulations (collectively, the "Data Protection Laws"), there can be no assurance that our controls and procedures will enable us to be fully compliant with all Data Protection Laws.

Despite our efforts to protect sensitive information and confidential and personal data, comply with applicable laws, rules and regulations and implement data security measures, our facilities, and systems may be vulnerable to security breaches and other data loss, including cyber-attacks and, in fact, we have experienced data security incidents that have not had a material impact on our financial results. In addition, it is not possible to predict the impact on our business of the future loss, alteration or misappropriation of information in our possession related to us, our employees, former employees, customers, suppliers or others. This could lead to negative publicity, legal claims, theft, modification or destruction of proprietary information or key information, damage to or inaccessibility of critical systems, manufacture of defective products, production downtimes, operational disruptions and other significant costs, which could adversely affect our reputation, financial condition and results of operations.

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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 \$1.8 billion at September 30, 2018, representing approximately 15% of our total assets. Goodwill recognized in accounting for the mergers and acquisitions was approximately \$6.2 billion at September 30, 2018, representing approximately 51% 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.

The Company may be subject to risks relating to changes in its tax rates or exposure to additional income tax liabilities.

The Company is subject to income taxes in the United States and various non-U.S. jurisdictions. The Company's domestic and international tax liabilities are dependent upon the location of earnings among these different jurisdictions. The Company's future results of operations could be adversely affected by changes in the Company's effective tax rate as a result of changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets, challenges by tax authorities or changes in tax laws or regulations. In addition, the amount of income taxes paid by the Company is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in assessments different from amounts reserved, future financial results may include unfavorable adjustments to the Company's tax liabilities, which could have a material adverse effect on the Company's results of operations.

Our stock price may be volatile, and an 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 operating performance of the companies issuing the securities. These market fluctuations may negatively affect the market price of our common stock. Shareholders may not be able to sell their shares at or above the purchase price due to fluctuations in the market price of our common stock. Such changes could be 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 such changes could be unrelated to our operating performance, such as changes in market conditions affecting the stock market generally or the stocks of aerospace companies or changes in the outlook for our common stock, such as changes to or the confidence in our business strategy, changes to or confidence in our management, or expectations for future growth of the Company.

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.

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We do not regularly declare and pay quarterly or annual cash dividends on our stock.

On July 3, 2013, June 4, 2014, October 14, 2016 and August 23, 2017, the Company's Board of Directors authorized and declared special cash dividends of \$22.00, \$25.00, \$24.00 and \$22.00, 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, we do not anticipate declaring 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, shareholders should not rely on regular quarterly or annual dividend income from shares of our common stock and should not rely on special dividends with any regularity or at all.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

TransDigm's principal owned properties (defined as greater than 10,000 square feet or related to a principal operation) as of September 30, 2018 are as follows:

| Location                   | Reporting Segment | Square Footage |
|----------------------------|-------------------|----------------|
| Brea, CA                   | Airframe          | 315,000        |
| Meisbach, Germany          | Power & Control   | 242,000        |
| Liberty, SC                | Power & Control   | 219,000        |
| Waco, TX                   | Power & Control   | 218,800        |
| Ingolstadt, Germany        | Airframe          | 191,900        |
| Kent, OH                   | Airframe          | 185,000        |
| Liverpool, NY              | Power & Control   | 176,800        |
| Bridport, United Kingdom   | Airframe          | 174,700        |
| Union Gap, WA              | Airframe          | 142,000        |
| Phoenix, AZ                | Airframe          | 138,700        |
| Paks, Hungary              | Airframe          | 137,800        |
| Los Angeles, CA            | Power & Control   | 131,000        |
| Bohemia, NY                | Power & Control   | 124,000        |
| Westbury, NY               | Power & Control   | 112,300        |
| Llangeinor, United Kingdom | Airframe          | 110,000        |
| Letchworth, United Kingdom | Airframe          | 88,200         |
| Placentia, CA              | Airframe          | 86,600         |
| Addison, IL                | Power & Control   | 83,300         |
| Herstal, Belgium           | Airframe          | 73,700         |
| Painesville, OH            | Power & Control   | 63,900         |
| Clearwater, FL             | Power & Control   | 61,000         |
| South Euclid, OH           | Power & Control   | 60,000         |
| Wichita, KS                | Power & Control   | 57,000         |
| Branford, CT               | Airframe          | 52,000         |
| Avenel, NJ                 | Power & Control   | 48,500         |
| Rancho Cucamonga, CA       | Power & Control   | 47,000         |
| Valencia, CA               | Airframe          | 38,000         |
| Pennsauken, NJ             | Airframe          | 38,000         |
| Ryde, United Kingdom       | Power & Control   | 33,200         |
| Rancho Cucamonga, CA       | Airframe          | 32,700         |

|                     |                 |        |
|---------------------|-----------------|--------|
| Melaka, Malaysia    | Power & Control | 24,800 |
| Deerfield Beach, FL | Non-aviation    | 20,000 |

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The Brea, Liberty, Kent, Union Gap, Bohemia, Addison, and 47,000 square feet Rancho Cucamonga properties are subject to mortgage liens under our senior secured credit facility.

TransDigm's principal leased properties (defined as greater than 10,000 square feet or related to a principal operation) as of September 30, 2018 are as follows:

| Location                 | Reporting Segment | Square Footage |
|--------------------------|-------------------|----------------|
| Nittambuwa, Sri Lanka    | Airframe          | 168,000        |
| Santa Ana, CA            | Airframe          | 159,200        |
| Holmestrand, Norway      | Airframe          | 149,300        |
| Dayton, NV               | Airframe          | 144,000        |
| Everett, WA              | Airframe          | 121,000        |
| Whippany, NJ             | Power & Control   | 115,300        |
| Whippany, NJ             | Power & Control   | 114,300        |
| Goldsboro, NC            | Power & Control   | 101,000        |
| Kunshan, China           | Airframe          | 100,600        |
| Fullerton, CA            | Airframe          | 100,000        |
| Anaheim, CA              | Airframe          | 99,900         |
| Elkhart, IN              | Non-aviation      | 91,500         |
| Davis Junction, IL       | Airframe          | 84,500         |
| Miesbach, Germany        | Power & Control   | 80,800         |
| Kunshan, China           | Non-aviation      | 75,300         |
| Camarillo, CA            | Power & Control   | 70,000         |
| Matamoros, Mexico        | Power & Control   | 60,500         |
| Melbourne, FL            | Power & Control   | 52,100         |
| Tempe, AZ                | Power & Control   | 40,200         |
| Chongqing, China         | Airframe          | 37,700         |
| Collegeville, PA         | Airframe          | 37,000         |
| Northridge, CA           | Power & Control   | 35,000         |
| Erie, PA                 | Airframe          | 30,500         |
| Ashford, United Kingdom  | Power & Control   | 28,000         |
| London, United Kingdom   | Airframe          | 27,400         |
| Nogales, Mexico          | Airframe          | 27,000         |
| Bridgend, United Kingdom | Airframe          | 24,800         |
| Ravenna, OH              | Airframe          | 22,500         |
| Pennsauken, NJ           | Airframe          | 20,500         |
| Lund, Sweden             | Power & Control   | 19,800         |
| Matamoros, Mexico        | Power & Control   | 15,000         |
| Cleveland, OH            | Power & Control   | 13,100         |
| Poway, CA                | Power & Control   | 12,800         |
| Corona, CA               | Airframe          | 12,500         |
| Long Beach, CA           | Airframe          | 12,200         |

Our Cleveland, OH and Pasadena, CA corporate facilities house our principal executive offices, and we currently lease approximately 20,100 square feet and 5,300 square feet, respectively, for those purposes. 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**

We and certain of our current or former officers and directors are defendants in a consolidated securities class action captioned *In re TransDigm Group, Inc. Securities Litigation*, Case No. 1:17-cv-01677-DCN (N.D. Ohio). The cases



were originally filed on August 10, 2017, and September 18, 2017 and were consolidated on December 5, 2017. A consolidated amended complaint was filed on February 16, 2018. The plaintiffs allege that the defendants made false or misleading statements with respect to, or failed to disclose, the impact of certain alleged business practices in connection with sales to the U.S. government on the Company's growth and profitability. The plaintiffs assert claims under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated

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thereunder and Section 20(a) of the Exchange Act, and seek unspecified monetary damages and other relief. In addition, we, as nominal defendant, and certain of our current or former officers and directors are defendants in a shareholder derivative action captioned *Sciabacucchi v. Howley et al.*, No. 1:17-cv-1971-DCN (N.D. Ohio). The case was filed on September 19, 2017. The plaintiffs allege breach of fiduciary duty and other claims arising out of substantially the same actions or inactions alleged in the securities class actions described above. This action has been stayed pending the outcome of a motion to dismiss on the securities class action. Although we are only a nominal defendant in the derivative action, we could have indemnification obligations and/or be required to advance the costs and expenses of the officer and director defendants in the action.

We intend to vigorously defend these matters and believe they are without merit. We also believe we have sufficient insurance coverage available for these matters. Therefore, we do not expect these matters to have a material adverse impact on our financial condition or results of operations. However, given the preliminary status of the litigation, it is difficult to predict the likelihood of an adverse outcome or estimate a range of any potential loss.

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."

Holders

On November 2, 2018, there were 35 stockholders of record of our common stock. We estimate that there were approximately 70,000 beneficial stockholders, which includes an estimated amount of stockholders who have their shares held in their accounts by banks and brokers.

Dividends

During fiscal 2017, TD Group's Board of Directors authorized and declared special cash dividends of \$24.00 (in October 2016) and \$22.00 (in August 2017) on each outstanding share of common stock and cash dividend equivalent payments under options granted under its stock incentive plans. No dividends were declared during fiscal 2018.

We do not anticipate declaring regular quarterly or annual cash dividends on our common stock in the near future.

Any declaration 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 the senior secured credit facility and Indentures, 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 senior secured credit facility and Indentures and may be limited by future debt or other agreements that we may enter into.

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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 500 Index and the S&P MidCap 400 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, 2013.

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 500 Index and S&P MidCap 400 Aerospace & Defense Index

\*\$100 invested on 9/30/13 in stock or index, including reinvestment of dividends.

Fiscal year ending September 30.

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|  | 9/30/13 | 9/30/14 | 9/30/15 | 9/30/16 | 9/30/17 | 9/30/18 |
|--|---------|---------|---------|---------|---------|---------|
| TransDigm Group Inc.                     | 100.00  | 152.71  | 175.97  | 239.52  | 250.86  | 365.32  |
| S&P 500 Index                            | 100.00  | 119.73  | 119.00  | 137.36  | 162.92  | 192.10  |
| S&P MidCap 400 Aerospace & Defense Index | 100.00  | 128.40  | 109.15  | 136.91  | 175.37  | 237.67  |

Purchases of Equity Securities by the Issuer or Affiliated Purchaser

On November 8, 2017, our Board of Directors, authorized a new stock repurchase program replacing the \$600 million program and permitting repurchases of our outstanding shares not to exceed \$650 million in the aggregate, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes as described within the Liquidity and Capital Resources section of Item 7. - “Management’s Discussion and Analysis of Financial Conditions and Results of Operations.” No

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repurchases were made under the program during the fiscal year ended September 30, 2018. As of September 30, 2018, the entire \$650 million of repurchases allowable under the program remained, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes.

During the fiscal years ended September 30, 2018 and 2017, the Company received 2,119 shares and 2,548 shares, respectively as forfeitures in lieu of payment for withholding taxes on the vesting of restricted stock. The deemed gross cost of the shares was approximately \$0.6 million in both periods at a weighted-average price per share of \$274.62 and \$247.33, respectively.

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## 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, 2014 to 2018, which have been derived from TD Group's audited consolidated financial statements.

Separate historical financial information of TransDigm Inc. is not presented since the 5.50% Senior Subordinated Notes issued in October 2012 (the "2020 Notes"), the 6.00% Senior Subordinated Notes issued in June 2014 (the "2022 Notes"), the 6.50% Senior Subordinated Notes issued June 2014 (the "2024 Notes"), the 6.50% Senior Subordinated Notes issued May 2015 (the "2025 Notes") and the 6.375% Senior Subordinated Notes issued June 2016 (the "6.375% 2026 Notes") (also together with the 2020 Notes, the 2022 Notes, the 2024 Notes, the 2025 Notes, and the 2026 Notes, the "Notes") are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm UK and all of TransDigm Inc.'s Domestic Restricted Subsidiaries and because TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

Separate financial information of TransDigm UK Holdings plc ("TransDigm UK") is not presented because TransDigm UK's 6.875% Senior Subordinated Notes issued in May 2018 (the "6.875% 2026 Notes") are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm Inc., and all of TransDigm Inc.'s Domestic Restricted Subsidiaries.

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

| Date                                       | Acquisition  |
|--|--|
| December 19, 2013                          | Airborne Global Inc. ("Airborne")  |
| March 6, 2014                              | Elektro-Metall Export GmbH ("EME")   |
| March 26, 2015                             | Telair Cargo Group (comprised of Telair International GmbH ("Telair Int'l"), Telair US LLC and Nordisk Aviation Products)                    |
| March 31, 2015                             | Franke Aquarotter GmbH ("Adams Rite Aerospace GmbH")   |
| May 14, 2015                               | Pexco LLC ("Pexco Aerospace")  |
| August 19, 2015                            | PneuDrualics, Inc. ("PneuDrualics")  |
| January 4, 2016                            | Breeze-Eastern Corporation ("Breeze-Eastern")  |
| June 23, 2016                              | Data Device Corporation ("DDC")  |
| September 23, 2016                         | Young & Franklin Inc. / Tactair Fluid Controls Inc. ("Y&F/Tactair")  |
| February 22, 2017                          | Schroth Safety Products Group ("Schroth")  |
| May 5, 2017, May 31, 2017 and June 1, 2017 | North Hills Signal Processing Corp, Cablecraft Motion Controls LLC and Preece Incorporated (together, the "Third Quarter 2017 Acquisitions") |
| March 15, 2018                             | Kirkhill Elastomers ("Kirkhill")   |
| April 24, 2018                             | Extant Components Group Holdings, Inc. (together with the product line acquisition on August 17, 2018 listed below, "Extant")                |
| July 13, 2018                              | Skandia Inc. ("Skandia")   |
| August 17, 2018                            | Certain assets and liabilities of Rockwell Collins (Extant product line acquisition)   |

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 effective date of each acquisition.

In connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition, during the fourth quarter of 2017, the Company committed to dispose of the Schroth business. Therefore, Schroth was classified as held-for-sale beginning in the fourth quarter of fiscal 2017. The results of operations of Schroth are reflected as discontinued operations in the accompanying consolidated financial statements. On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately \$61.4 million, which includes a working capital adjustment of \$0.3 million that was settled in July 2018. Further disclosure related to Schroth's discontinued operations is included within Note 22, "Discontinued Operations," to the consolidated financial statements.

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.

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|  | Fiscal Years Ended                        |             |             |             |             |
|--|---|-------------|-------------|-------------|-------------|
|  | September 30,                             |             |             |             |             |
|  | 2018                                      | 2017        | 2016        | 2015        | 2014        |
|  | (in thousands, except per share amounts ) |             |             |             |             |
| <b>Statement of Income Data:</b>   |   |             |             |             |             |
| Net sales  | \$3,811,126                               | \$3,504,286 | \$3,171,411 | \$2,707,115 | \$2,372,906 |
| Gross profit <sup>(1)</sup>  | 2,177,510                                 | 1,984,627   | 1,728,063   | 1,449,845   | 1,267,874   |
| Selling and administrative expenses  | 450,095                                   | 415,575     | 382,858     | 321,624     | 276,446     |
| Amortization of intangible assets  | 72,454                                    | 89,226      | 77,445      | 54,219      | 63,608      |
| Income from operations <sup>(1)</sup>  | 1,654,961                                 | 1,479,826   | 1,267,760   | 1,074,002   | 927,820     |
| Interest expense—net   | 663,008                                   | 602,589     | 483,850     | 418,785     | 347,688     |
| Refinancing costs  | 6,396                                     | 39,807      | 15,794      | 18,393      | 131,622     |
| Income from continuing operations before income taxes                            | 985,557                                   | 837,430     | 768,116     | 636,824     | 448,510     |
| Income tax provision   | 24,021                                    | 208,889     | 181,702     | 189,612     | 141,600     |
| Income from continuing operations  | 961,536                                   | 628,541     | 586,414     | 447,212     | 306,910     |
| Loss from discontinued operations, net of tax <sup>(5)</sup>                     | (4,474 )                                  | (31,654 )   | —           | —           | —           |
| Net income   | \$957,062                                 | \$596,887   | \$586,414   | \$447,212   | \$306,910   |
| Net income applicable to common stock  | \$900,914                                 | \$437,630   | \$583,414   | \$443,847   | \$180,284   |
| Denominator for basic and diluted earnings per share under the two-class method: |   |             |             |             |             |
| Weighted-average common shares outstanding                                       | 52,345                                    | 52,517      | 53,326      | 53,112      | 52,748      |
| Vested options deemed participating securities                                   | 3,252                                     | 3,013       | 2,831       | 3,494       | 4,245       |
| Total shares for basic and diluted earnings per share                            | 55,597                                    | 55,530      | 56,157      | 56,606      | 56,993      |
| Net earnings per share:  |   |             |             |             |             |
| Net earnings per share from continuing operations—basic and diluted              | \$16.28                                   | \$8.45      | \$10.39     | \$7.84      | \$3.16      |
| Net loss per share from discontinued operations—basic and diluted                | (0.08 )                                   | (0.57 )     | —           | —           | —           |
| Net earnings per share <sup>(2)</sup>  | \$16.20                                   | \$7.88      | \$10.39     | \$7.84      | \$3.16      |
| Cash dividends paid per common share   | \$—                                       | \$46.00     | \$—         | \$—         | \$25.00     |

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|  | As of September 30, |              |              |              |              |
|--|---------------------|--------------|--------------|--------------|--------------|
|  | 2018                | 2017         | 2016         | 2015         | 2014         |
|  | (in thousands)      |              |              |              |              |
| Balance Sheet Data:                                      |                     |              |              |              |              |
| Cash and cash equivalents                                | \$2,073,017         | \$ 650,561   | \$ 1,586,994 | \$ 714,033   | \$ 819,548   |
| Working capital <sup>(3,4)</sup>                         | 2,756,905           | 1,262,558    | 2,178,094    | 1,128,993    | 1,066,735    |
| Total assets <sup>(3,4)</sup>                            | 12,197,467          | 9,975,661    | 10,726,277   | 8,303,935    | 6,626,786    |
| Long-term debt, including current portion <sup>(4)</sup> | 12,877,282          | 11,762,661   | 10,195,607   | 8,349,602    | 7,380,738    |
| Stockholders' deficit                                    | (1,808,471 )        | (2,951,204 ) | (651,490 )   | (1,038,306 ) | (1,556,099 ) |

Gross profit and income from operations include the effect of charges relating to purchase accounting adjustments (1) to inventory associated with the acquisition of various businesses and product lines for the fiscal years ended September 30, 2018, 2017, 2016, 2015 and 2014 of \$7,080, \$20,621, \$23,449, \$11,362, and \$10,441, 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) In connection with adopting ASU 2015-17, "Balance Sheet Classification of Deferred Taxes," for reporting periods ended after October 1, 2015, the Company reclassified \$45,375 and \$37,669 from current deferred income tax assets in our consolidated balance sheets as of September 2015 and 2014, respectively, to non-current deferred income tax liabilities.

(4) In connection with adopting ASU 2015-03, "Simplifying the Presentation of Debt Issuance Costs," for reporting periods ended after October 1, 2015, the Company reclassified \$77,740 and \$92,393 from debt issuance costs in our consolidated balance sheets as of September 2015 and 2014, respectively, to the current portion of long-term and long-term-term debt.

(5) During the fourth quarter of fiscal 2017, the Company committed to disposing of Schroth in connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition. Therefore, Schroth was classified as held-for-sale beginning September 30, 2017. The loss from discontinued operations in the consolidated statements of income for the year ended September 30, 2017 includes a \$32.0 million impairment charge to write down the assets to fair value. On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately \$61.4 million, which includes a working capital adjustment of \$0.3 million that was settled in July 2018. Refer to Note 22, "Discontinued Operations," to the consolidated financial statements for further information.

#### 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 commitments 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.





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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.

|   | Fiscal Years Ended September 30, |              |              |              |             |
|---|----------------------------------|--------------|--------------|--------------|-------------|
|   | 2018                             | 2017         | 2016         | 2015         | 2014        |
|   | (in thousands)                   |              |              |              |             |
| <b>Other Financial Data:</b>                      |                                  |              |              |              |             |
| Cash flows provided by (used in):                 |                                  |              |              |              |             |
| Operating activities                              | \$1,022,173                      | \$788,733    | \$683,298    | \$520,938    | \$541,222   |
| Investing activities                              | (683,577 )                       | (287,003 )   | (1,443,046 ) | (1,679,149 ) | (329,638 )  |
| Financing activities                              | 1,085,600                        | (1,443,682 ) | 1,632,467    | 1,054,947    | 43,973      |
| Depreciation and amortization                     | 129,844                          | 141,025      | 121,670      | 93,663       | 96,385      |
| Capital expenditures                              | 73,341                           | 71,013       | 43,982       | 54,871       | 34,146      |
| Ratio of earnings to fixed charges <sup>(1)</sup> | 2.5x                             | 2.4x         | 2.6x         | 2.5x         | 2.3x        |
| <b>Other Data:</b>                                |                                  |              |              |              |             |
| EBITDA <sup>(2)</sup>                             | \$1,778,409                      | \$1,581,044  | \$1,373,636  | \$1,149,272  | \$892,583   |
| EBITDA As Defined <sup>(2)</sup>                  | \$1,876,558                      | \$1,710,563  | \$1,495,196  | \$1,233,654  | \$1,073,207 |

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 <sup>(1)</sup>issuance costs, original issue discount and premium and the portion (approximately 33%) of rental expense that management believes is representative of the interest component of rental expense.

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 <sup>(2)</sup>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.



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

|   | Fiscal Years Ended September 30, |             |             |             |             |
|---|----------------------------------|-------------|-------------|-------------|-------------|
|   | 2018                             | 2017        | 2016        | 2015        | 2014        |
|   | (in thousands)                   |             |             |             |             |
| Net income  | \$957,062                        | \$596,887   | \$586,414   | \$447,212   | \$306,910   |
| Loss from discontinued operations, net of tax <sup>(1)</sup>    | (4,474                           | ) (31,654   | ) —         | —           | —           |
| Income from continuing operations                               | 961,536                          | 628,541     | 586,414     | 447,212     | 306,910     |
| Adjustments:  |                                  |             |             |             |             |
| Depreciation and amortization expense                           | 129,844                          | 141,025     | 121,670     | 93,663      | 96,385      |
| Interest expense, net   | 663,008                          | 602,589     | 483,850     | 418,785     | 347,688     |
| Income tax provision  | 24,021                           | 208,889     | 181,702     | 189,612     | 141,600     |
| EBITDA  | 1,778,409                        | 1,581,044   | 1,373,636   | 1,149,272   | 892,583     |
| Adjustments:  |                                  |             |             |             |             |
| Inventory purchase accounting adjustments <sup>(2)</sup>        | 7,080                            | 20,621      | 23,449      | 11,362      | 10,441      |
| Acquisition integration costs <sup>(3)</sup>                    | 17,484                           | 6,341       | 18,539      | 12,554      | 7,239       |
| Acquisition transaction-related expenses <sup>(4)</sup>         | 3,886                            | 4,229       | 15,711      | 12,289      | 3,480       |
| Non-cash stock and deferred compensation expense <sup>(5)</sup> | 58,481                           | 45,524      | 48,306      | 31,500      | 26,332      |
| Refinancing costs <sup>(6)</sup>                                | 6,396                            | 39,807      | 15,794      | 18,393      | 131,622     |
| Other, net <sup>(7)</sup>                                       | 4,822                            | 12,997      | (239        | ) (1,716    | ) 1,510     |
| EBITDA As Defined   | \$1,876,558                      | \$1,710,563 | \$1,495,196 | \$1,233,654 | \$1,073,207 |

- During the fourth quarter of fiscal 2017, the Company committed to disposing of Schroth in connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition. Therefore, Schroth was classified as held-for-sale beginning September 30, 2017. On January 26, 2018, the Company
- (1) completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately \$61.4 million, which includes a working capital adjustment of \$0.3 million that was settled in July 2018. Refer to Note 22, "Discontinued Operations," to the consolidated financial statements for further information.
  - (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 incentive plans.
  - (6) Represents costs expensed related to debt financing activities, including new issuances, extinguishments, refinancings and amendments to existing agreements.
  - (7) Primarily represents foreign currency transaction gain or loss, payroll withholding taxes on dividend equivalent payments and stock option exercises, and gain or loss on sale of fixed assets.

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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, |             |             |             |             |
|---|----------------------------------|-------------|-------------|-------------|-------------|
|   | 2018                             | 2017        | 2016        | 2015        | 2014        |
|   | (in thousands)                   |             |             |             |             |
| Net cash provided by operating activities   | \$1,022,173                      | \$788,733   | \$683,298   | \$520,938   | \$541,222   |
| Adjustments:  |                                  |             |             |             |             |
| Changes in assets and liabilities, net of effects from acquisitions of businesses | 4,936                            | 83,753      | 110,905     | 24,322      | (27,967 )   |
| Net gain on sale of real estate   | —                                | —           | —           | —           | 804         |
| Interest expense, net <sup>(1)</sup>  | 640,880                          | 581,483     | 467,639     | 402,988     | 333,753     |
| Income tax provision—current  | 175,661                          | 215,385     | 175,894     | 188,952     | 151,016     |
| Non-cash stock and deferred compensation expense <sup>(3)</sup>                   | (58,481 )                        | (45,524 )   | (48,306 )   | (31,500 )   | (26,332 )   |
| Excess tax benefit from exercise of stock options <sup>(2)</sup>                  | —                                | —           | —           | 61,965      | 51,709      |
| Refinancing costs <sup>(4)</sup>  | (6,396 )                         | (39,807 )   | (15,794 )   | (18,393 )   | (131,622 )  |
| EBITDA from discontinued operations <sup>(9)</sup>                                | (364 )                           | (2,979 )    | —           | —           | —           |
| EBITDA  | 1,778,409                        | 1,581,044   | 1,373,636   | 1,149,272   | 892,583     |
| Adjustments:  |                                  |             |             |             |             |
| Inventory purchase accounting adjustments <sup>(5)</sup>                          | 7,080                            | 20,621      | 23,449      | 11,362      | 10,441      |
| Acquisition integration costs <sup>(6)</sup>                                      | 17,484                           | 6,341       | 18,539      | 12,554      | 7,239       |
| Acquisition transaction-related expenses <sup>(7)</sup>                           | 3,886                            | 4,229       | 15,711      | 12,289      | 3,480       |
| Non-cash stock and deferred compensation expense <sup>(3)</sup>                   | 58,481                           | 45,524      | 48,306      | 31,500      | 26,332      |
| Refinancing costs <sup>(4)</sup>  | 6,396                            | 39,807      | 15,794      | 18,393      | 131,622     |
| Other, net <sup>(8)</sup>   | 4,822                            | 12,997      | (239 )      | (1,716 )    | 1,510       |
| EBITDA As Defined   | \$1,876,558                      | \$1,710,563 | \$1,495,196 | \$1,233,654 | \$1,073,207 |

(1) Represents interest expense excluding the amortization of debt issuance costs, original issue discount and premium.

For the period ended September 30, 2016, the income tax provision and excess tax benefit from exercise of stock

(2) options were impacted by the adoption of ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting."

(3) Represents the compensation expense recognized by TD Group under our stock incentive plans.

(4) Represents costs expensed related to debt financing activities, including new issuances, extinguishments, refinancings and amendments to existing agreements.

(5) 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.

(6) Represents costs incurred to integrate acquired businesses and product lines into TD Group's operations, facility relocation costs and other acquisition-related costs.

(7) 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.

(8) Primarily represents foreign currency transaction gain or loss, payroll withholding taxes on dividend equivalent payments and stock option exercises, and gain or loss on sale of fixed assets.

(9) During the fourth quarter of fiscal 2017, the Company committed to disposing of Schroth in connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition. Therefore, Schroth was classified as held-for-sale beginning September 30, 2017. On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately \$61.4 million, which includes a working capital adjustment of \$0.3 million that was settled in July 2018. Refer to Note 22, "Discontinued Operations," to the consolidated financial statements for

further information.

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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

For fiscal year 2018, we generated net sales of \$3,811.1 million, gross profit of \$2,177.5 million or 57.1% of sales, and net income of \$957.1 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.

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 95,000 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.

**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 potential disincentives to competition for certain products.

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 approximately 70 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.



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

**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. Collectibility 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.

**Allowance for Uncollectible Accounts:** Management estimates the allowance for uncollectible 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 uncollectible 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 uncollectible accounts have not been significant.

**Inventories:** Inventories are stated at the lower of cost or net realizable value. 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. 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 net realizable 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.

**Goodwill and Other Intangible Assets:** In accordance with ASC 805, “Business Combinations,” the Company uses the acquisition method of accounting to allocate costs of acquired businesses to the assets acquired and liabilities assumed based on their estimated fair values at the dates of acquisition. The excess costs of acquired businesses over the fair values of the assets acquired and liabilities assumed were recognized as goodwill. The valuations of the acquired assets and liabilities will impact the determination of future operating results. In addition to using management estimates and negotiated amounts, the Company used a variety of information sources to determine the estimated fair values of acquired assets and liabilities including third-party appraisals for the estimated value and lives of identifiable

intangible assets. 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.

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

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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, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, and whether it is necessary to perform the quantitative goodwill impairment test. The quantitative test is required only if the Company concludes that it is more likely than not that a reporting unit's fair value is less than its carrying amount, or if the Company elects not to perform a qualitative assessment of a reporting unit. For the quantitative test, 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 35 reporting units with goodwill as of the first day of the fourth quarter of fiscal 2018, 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, 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, nearly all of the reporting units would continue to have fair values substantially 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.

**Stock-Based Compensation:** The cost of the Company's stock-based compensation is recorded in accordance with ASC 718, "Stock Compensation." The Company uses a Black-Scholes-Merton option pricing model to estimate the grant-date fair value of the stock options awarded. The Black-Scholes-Merton model requires assumptions regarding the expected volatility of the Company's common shares, the risk-free interest rate, the expected life of the stock options award and the Company's dividend yield. The Company utilizes historical data in determining these assumptions. An increase or decrease in the assumptions or economic events outside of management's control could have an impact on the Black-Scholes-Merton model.

**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.

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## 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, |                 |             |                 |             |                 |
|---|----------------------------------|-----------------|-------------|-----------------|-------------|-----------------|
|   | 2018                             | 2018 % of Sales | 2017        | 2017 % of Sales | 2016        | 2016 % of Sales |
| Net sales                                     | \$3,811,126                      | 100.0 %         | \$3,504,286 | 100.0 %         | \$3,171,411 | 100.0 %         |
| Cost of sales                                 | 1,633,616                        | 42.9            | 1,519,659   | 43.4            | 1,443,348   | 45.5            |
| Selling and administrative expenses           | 450,095                          | 11.8            | 415,575     | 11.9            | 382,858     | 12.1            |
| Amortization of intangible assets             | 72,454                           | 1.9             | 89,226      | 2.5             | 77,445      | 2.4             |
| Income from operations                        | 1,654,961                        | 43.4            | 1,479,826   | 42.2            | 1,267,760   | 40.0            |
| Interest expense, net                         | 663,008                          | 17.4            | 602,589     | 17.2            | 483,850     | 15.3            |
| Refinancing costs                             | 6,396                            | 0.2             | 39,807      | 1.1             | 15,794      | 0.5             |
| Income tax provision                          | 24,021                           | 0.6             | 208,889     | 6.0             | 181,702     | 5.7             |
| Income from continuing operations             | 961,536                          | 25.2            | 628,541     | 17.9            | 586,414     | 18.5            |
| Loss from discontinued operations, net of tax | (4,474 )                         | (0.1 )          | (31,654 )   | (0.9 )          | —           | —               |
| Net income                                    | \$957,062                        | 25.1 %          | \$596,887   | 17.0 %          | \$586,414   | 18.5 %          |

Fiscal year ended September 30, 2018 compared with fiscal year ended September 30, 2017

## Total Company

Net Sales. Net organic sales and acquisition sales and the related dollar and percentage changes for the fiscal years ended September 30, 2018 and 2017 were as follows (amounts in millions):

|                   | Fiscal Years Ended |                    | % Change | % Change    |             |
|-------------------|--------------------|--------------------|----------|-------------|-------------|
|                   | September 30, 2018 | September 30, 2017 |          | Total Sales | Total Sales |
| Organic sales     | \$3,695.9          | \$3,504.3          | \$191.6  | 5.5         | %           |
| Acquisition sales | 115.2              | —                  | 115.2    | 3.3         | %           |
|                   | \$3,811.1          | \$3,504.3          | \$306.8  | 8.8         | %           |

Acquisition sales represent sales of acquired businesses for the period up to one year subsequent to their acquisition date. The amount of acquisition sales shown in the table above was attributable to the acquisitions of Kirkhill, Extant and Skandia in fiscal year 2018, and the Third Quarter 2017 Acquisitions described in Note 2, "Acquisitions and Divestitures".

The increase in organic sales was primarily driven by commercial aftermarket sales increasing by \$109.6 million, or 9.0%, defense sales increasing by \$62.3 million, or 5.3%, and commercial OEM sales increasing by \$7.5 million, or 0.8%.

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Cost of Sales and Gross Profit. Cost of sales increased by \$113.9 million, or 7.5%, to \$1,633.6 million for the fiscal year ended September 30, 2018 compared to \$1,519.7 million for the fiscal year ended September 30, 2017. Cost of sales and the related percentage of total sales for the fiscal years ended September 30, 2018 and 2017 were as follows (amounts in millions):

|   | Fiscal Years Ended    |                       |         |           |
|---|-----------------------|-----------------------|---------|-----------|
|   | September<br>30, 2018 | September<br>30, 2017 | Change  | % Change  |
| Cost of sales—excluding costs below       | \$1,607.2             | \$1,482.9             | \$124.3 | 8.4 %     |
| % of total sales                          | 42.2                  | % 42.3                | %       |           |
| Inventory purchase accounting adjustments | 7.1                   | 20.6                  | (13.5 ) | (65.5 )%  |
| % of total sales                          | 0.2                   | % 0.6                 | %       |           |
| Foreign currency (gain) loss              | (0.4 )                | 7.6                   | (8.0 )  | (105.3 )% |
| % of total sales                          | —                     | % 0.2                 | %       |           |
| Acquisition integration costs             | 13.8                  | 4.0                   | 9.8     | 245.0 %   |
| % of total sales                          | 0.4                   | % 0.1                 | %       |           |
| Stock compensation expense                | 5.9                   | 4.6                   | 1.3     | 28.3 %    |
| % of total sales                          | 0.2                   | % 0.1                 | %       |           |
| Total cost of sales                       | 1,633.6               | 1,519.7               | \$113.9 | 7.5 %     |
| % of total sales                          | 42.9                  | % 43.4                | %       |           |
| Gross profit                              | \$2,177.5             | \$1,984.6             | \$192.9 | 9.7 %     |
| Gross profit percentage                   | 57.1                  | % 56.6                | % 0.5   | %         |

The net increase in the dollar amount of cost of sales during the fiscal year ended September 30, 2018 was primarily due to increased volume associated with the sales from acquisitions and organic sales growth offset by a reduction in purchase accounting adjustments on inventory and a benefit from foreign exchange rate fluctuations.

Gross profit as a percentage of sales increased by 0.5 percentage points to 57.1% for the fiscal year ended September 30, 2018 from 56.6% for the fiscal year ended September 30, 2017. The dollar amount of gross profit increased by \$192.9 million, or 9.7%, for the fiscal year ended September 30, 2018 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 \$49.3 million for the fiscal year ended September 30, 2018, which represented gross profit of approximately 42.8% of the acquisition sales. The lower gross profit margin on the acquisition sales decreased gross profit as a percentage of consolidated sales by approximately 0.5 percentage points.

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 \$133.2 million for the fiscal year ended September 30, 2018. Also contributing to the increase in gross profit were lower inventory purchase accounting adjustments of \$13.5 million and \$8.0 million in favorable foreign currency movement, particularly related to the U.S. dollar against the Euro over the course of fiscal 2018 compared to fiscal 2017. Partially offsetting these increases in gross profit is an increase in acquisition integration costs of \$9.8 million and an increase in stock compensation expense of \$1.3 million for the fiscal year ended September 30, 2018.

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Selling and Administrative Expenses. Selling and administrative expenses increased by \$34.5 million to \$450.1 million, or 11.8% of sales, for the fiscal year ended September 30, 2018 from \$415.6 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, 2018 and 2017 were as follows (amounts in millions):

|   | Fiscal Years Ended |                    |        |          |   |
|---|--------------------|--------------------|--------|----------|---|
|   | September 30, 2018 | September 30, 2017 | Change | % Change |   |
| Selling and administrative expenses—excluding costs below | \$389.9            | \$368.1            | \$21.8 | 5.9      | % |
| % of total sales  | 10.2               | 10.5               |        |          | % |
| Stock compensation expense                                | 52.6               | 41.0               | 11.6   | 28.3     | % |
| % of total sales  | 1.4                | 1.2                |        |          | % |
| Acquisition-related expenses                              | 7.6                | 6.5                | 1.1    | 16.9     | % |
| % of total sales  | 0.2                | 0.2                |        |          | % |
| Total selling and administrative expenses                 | \$450.1            | \$415.6            | \$34.5 | 8.3      | % |
| % of total sales  | 11.8               | 11.9               |        |          | % |

The increase in the dollar amount of selling and administrative expenses during the fiscal year ended September 30, 2018 is primarily due to an increase in stock compensation expense of \$11.6 million, higher selling and administrative expenses from organic sales growth of \$11.4 million and recent acquisitions of approximately \$10.4 million, which was approximately 9% of acquisition sales, and an increase in acquisition-related expenses of \$1.1 million.

Amortization of Intangible Assets. Amortization of intangible assets decreased \$16.8 million to \$72.4 million for the fiscal year ended September 30, 2018 from \$89.2 million for the comparable period last year. The net decrease was primarily due to the order backlog recorded in connection with the Young & Franklin/Tactair and Data Device Corporation acquisitions becoming fully amortized prior to fiscal 2018. This is slightly offset by amortization expense on the definite-lived intangible assets (i.e., technology and order backlog) recorded in connection with the Skandia, Extant, Kirkhill and the Third Quarter 2017 acquisitions.

Refinancing Costs. Refinancing costs of \$6.4 million were recorded during the year ended September 30, 2018 representing debt issuance costs expensed in connection with the debt financing activity as disclosed in Note 11, "Debt," to the consolidated financial statements. Refinancing costs of \$39.8 million recorded during the fiscal year ended September 30, 2017 primarily consisted of \$28.8 million in premium paid on the redemption of the 2021 Notes and the write-off of \$3.1 million in unamortized debt issuance costs and debt issuance costs expensed in connection with new debt issuance that occurred in fiscal 2017.

Interest Expense-net. Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium, and revolving credit facility fees offset by interest income. Interest expense-net increased \$60.4 million, or 10.0%, to \$663.0 million for the fiscal year ended September 30, 2018 from \$602.6 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 \$12,603 million for the fiscal year ended September 30, 2018 compared to approximately \$10,993 million for the fiscal year ended September 30, 2017. The weighted average cash interest rate was at 5.1% during the fiscal year ended September 30, 2018 compared to 5.3% in the prior year. The increase in weighted average level of borrowings was primarily due to the activity in the third fiscal quarter of 2018 consisting of the incurrence of additional term loans of \$700 million (gross), \$500 million in 6.875% 2026 senior subordinated notes, an additional \$100 million drawn on the trade receivable securitization facility in the fourth quarter of fiscal 2017 and additional net debt financing of \$575 million in the fourth quarter of fiscal 2017. The increases in new debt described above was partially offset by principal payments on the term loans over the comparable period. The weighted average interest rate for cash interest payments on total borrowings outstanding at September 30, 2018 was 5.2%.

Income Taxes. Income tax expense as a percentage of income before income taxes was approximately 2.4% for the fiscal year ended September 30, 2018 compared to 24.9% for the fiscal year ended September 30, 2017. The Company's lower effective tax rate for year ended September 30, 2018 was primarily due to a reduction in the U.S. federal corporate tax rate that was enacted in the Tax Cuts and Jobs Act ("the Act") which reduced the tax rate from

35% to 21% as well the one-time impact related to the remeasurement of U.S. deferred tax liabilities under the Act. As a result, the blended statutory tax rate for the fiscal year is 24.5%. The Company's effective tax rate for the fiscal year ended September 30, 2017 was less than the Federal statutory tax rate due primarily to excess tax benefits on equity compensation, foreign earnings taxed at rates lower than the U.S. statutory rates, and the domestic manufacturing deduction. The decrease in the effective tax rate for the fiscal year ended September 30, 2018 compared to the fiscal year ended September 30, 2017 was primarily due to the reduction in the U.S. federal corporate tax rate and the one-time impact under the Act.

Loss from Discontinued Operations. On January 26, 2018, the Company completed the sale of Schroth in a management buy out to a private equity fund and certain members of Schroth management for approximately \$61.4 million which includes a



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working capital adjustment of \$0.3 million that was settled in July 2018. The loss from discontinued operations was \$4.5 million for the fiscal year ended September 30, 2018. Loss from discontinued operations is comprised of the operating loss from the Schroth operations that were classified as held-for-sale as of September 30, 2017. The loss includes a \$32 million impairment charge to write-down Schroth's assets to fair value. More detailed information can be found in Note 22, "Discontinued Operations."

**Net Income.** Net income increased \$360.2 million, or 60.3%, to \$957.1 million for the fiscal year ended September 30, 2018 compared to net income of \$596.9 million for the fiscal year ended September 30, 2017, primarily as a result of the factors referred to above.

**Earnings per Share.** The basic and diluted earnings per share were \$16.20 for the fiscal year ended September 30, 2018 and \$7.88 per share for the fiscal year ended September 30, 2017. For the fiscal year ended September 30, 2018, basic and diluted earnings per share from continuing operations were \$16.28 and basic and diluted loss per share from discontinued operations were (\$0.08). For the fiscal year ended September 30, 2017, basic and diluted earnings per share from continuing operations were \$8.45 and basic and diluted loss per share from discontinued operations were (\$0.57). Net income for the fiscal year ended September 30, 2018 of \$957.1 million was decreased by dividend equivalent payments of \$56.1 million resulting in net income available to common shareholders of \$900.9 million. Net income for the fiscal year ended September 30, 2017 of \$596.9 million was decreased by dividend equivalent payments of \$159.3 million resulting in net income available to common shareholders of \$437.6 million. The increase in earnings per share of \$8.32 per share to \$16.20 per share is a result of the factors referred to above.

**Business Segments**

Effective October 1, 2017, the Company made an organizational realignment of certain businesses comprising the Power & Control, Airframe, and the Non-Aviation segments. Operating results for the year ended September 30, 2017 were reclassified to conform to the presentation for the fiscal year ended September 30, 2018.

**Segment Net Sales.** Net sales by segment for the fiscal years ended September 30, 2018 and 2017 were as follows (amounts in millions):

|                 | Fiscal Years Ended September 30, |            |           |            | Change  | % Change |  |
|-----------------|----------------------------------|------------|-----------|------------|---------|----------|--|
|                 | 2018                             | % of Sales | 2017      | % of Sales |         |          |  |
| Power & Control | \$2,139.1                        | 56.1 %     | \$1,927.2 | 55.0 %     | \$211.9 | 11.0 %   |  |
| Airframe        | 1,531.0                          | 40.2 %     | 1,442.1   | 41.2 %     | 88.9    | 6.2 %    |  |
| Non-aviation    | 141.0                            | 3.7 %      | 135.0     | 3.8 %      | 6.0     | 4.4 %    |  |
|                 | \$3,811.1                        | 100.0 %    | \$3,504.3 | 100.0 %    | \$306.8 | 8.8 %    |  |

Organic sales for the Power & Control segment increased \$153.7 million, or an increase of 8.0%, when compared to the fiscal year ended September 30, 2017. The organic sales increase resulted primarily from increases in commercial aftermarket sales (\$45.7 million, an increase of 7.7%), defense sales (\$74.5 million, an increase of 8.7%), and commercial OEM sales (\$26.9 million, an increase of 6.3%). Acquisition sales for the Power & Control segment totaled \$58.2 million, or an increase of 3.0%, resulting from the acquisition of Extant and the Third Quarter 2017 Acquisitions.

Organic sales for the Airframe segment increased \$31.9 million, or an increase of 2.2%, when compared to the fiscal year ended September 30, 2017. The organic sales increase resulted primarily from increases in commercial aftermarket sales (\$63.9 million, an increase of 10.2%) slightly offset by decreases in commercial OEM sales (\$17.9 million, a decrease of 3.7%) and defense sales (\$14.0 million, a decrease of 4.4%). Acquisition sales for the Airframe segment totaled \$57.0 million, or an increase of 4.0%, resulting from the acquisitions of Kirkhill and Skandia.

**EBITDA As Defined.** EBITDA As Defined by segment for the fiscal years ended September 30, 2018 and 2017 were as follows (amounts in millions):

|                 | Fiscal Years Ended September 30, |                    |         |                    | Change  | % Change |  |
|-----------------|----------------------------------|--------------------|---------|--------------------|---------|----------|--|
|                 | 2018                             | % of Segment Sales | 2017    | % of Segment Sales |         |          |  |
| Power & Control | \$1,114.4                        | 52.1 %             | \$980.0 | 50.9 %             | \$134.4 | 13.7 %   |  |
| Airframe        | 759.3                            | 49.6 %             | 726.6   | 50.4 %             | 32.7    | 4.5 %    |  |
| Non-aviation    | 44.3                             | 31.4 %             | 42.5    | 31.5 %             | 1.8     | 4.2 %    |  |

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\$1,918.0 50.3 % \$1,749.1 49.9 % \$168.9 9.7 %

Organic EBITDA As Defined for the Power & Control segment increased approximately \$107.3 million for the fiscal year ended September 30, 2018 compared to the fiscal year ended September 30, 2017. EBITDA As Defined from the acquisition of Extant and the Third Quarter 2017 Acquisitions was approximately \$27.1 million for the fiscal year ended September 30, 2018.

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Organic EBITDA As Defined for the Airframe segment increased approximately \$18.3 million for the fiscal year ended September 30, 2018 compared to the fiscal year ended September 30, 2017. EBITDA As Defined from the acquisitions of Kirkhill and Skandia was approximately \$14.4 million for the fiscal year ended September 30, 2018. Fiscal year ended September 30, 2017 compared with fiscal year ended September 30, 2016

## Total Company

Net Sales. Net organic sales and acquisition sales and the related dollar and percentage changes for the fiscal years ended September 30, 2017 and 2016 were as follows (amounts in millions):

|                   | Fiscal Years Ended |                    | % Change |             |
|-------------------|--------------------|--------------------|----------|-------------|
|                   | September 30, 2017 | September 30, 2016 | Change   | Total Sales |
| Organic sales     | \$3,248.6          | \$3,171.4          | \$77.2   | 2.4 %       |
| Acquisition sales | 255.7              | —                  | 255.7    | 8.1 %       |
|                   | \$3,504.3          | \$3,171.4          | \$332.9  | 10.5 %      |

Acquisition sales represent sales of acquired businesses for the period up to one year subsequent to their acquisition date. The amount of acquisition sales shown in the table above was attributable to the Third Quarter 2017 Acquisitions in fiscal year 2017 and the acquisitions of Y&F/Tactair, DDC and Breeze-Eastern in fiscal year 2016.

The increase in organic sales was primarily driven by commercial aftermarket organic sales increasing by \$34.8 million, or 3.0% and defense organic sales increasing by \$41.5 million, or 4.4%. Slightly offsetting the increases was commercial OEM organic sales decreasing by \$2.8 million, or 0.3%.

Cost of Sales and Gross Profit. Cost of sales increased by \$76.4 million, or 5.3%, to \$1,519.7 million for the fiscal year ended September 30, 2017 compared to \$1,443.3 million for the fiscal year ended September 30, 2016. Cost of sales and the related percentage of total sales for the fiscal years ended September 30, 2017 and 2016 were as follows (amounts in millions):

|   | Fiscal Years Ended |                    | Change  |         | % Change |  |
|---|--------------------|--------------------|---------|---------|----------|--|
|   | September 30, 2017 | September 30, 2016 |         |         |          |  |
| Cost of sales—excluding acquisition-related costs below | \$1,482.9          | \$1,409.8          | \$73.1  | 5.2     | %        |  |
| % of total sales  | 42.3               | % 44.5             |         |         |          |  |
| Inventory purchase accounting adjustments               | 20.6               | 23.4               | (2.8)   | (12.0)  | %        |  |
| % of total sales  | 0.6                | % 0.7              |         |         |          |  |
| Foreign currency loss (gain)                            | 7.6                | (4.2)              | 11.8    | (281.0) | %        |  |
| % of total sales  | 0.2                | % (0.1)            |         |         |          |  |
| Acquisition integration costs                           | 4.0                | 8.3                | (4.3)   | (51.8)  | %        |  |
| % of total sales  | 0.1                | % 0.3              |         |         |          |  |
| Stock compensation expense                              | 4.6                | 6.0                | (1.4)   | (23.3)  | %        |  |
| % of total sales  | 0.1                | % 0.2              |         |         |          |  |
| Total cost of sales                                     | \$1,519.7          | \$1,443.3          | \$76.4  | 5.3     | %        |  |
| % of total sales  | 43.4               | % 45.5             |         |         |          |  |
| Gross profit  | \$1,984.6          | \$1,728.1          | \$256.5 | 14.8    | %        |  |
| Gross profit percentage                                 | 56.6               | % 54.5             | % 2.1   |         |          |  |

The increase in the dollar amount of cost of sales during the fiscal year ended September 30, 2017 was primarily due to increased volume associated with the sales from acquisitions and organic sales growth.

Gross profit as a percentage of sales increased by 2.1 percentage points to 56.6% for the fiscal year ended September 30, 2017 from 54.5% for the fiscal year ended September 30, 2016. The dollar amount of gross profit increased by \$256.5 million, or 14.8%, for the fiscal year ended September 30, 2017 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 \$153.6 million for the fiscal year ended September 30, 2017, which represented gross profit of approximately 60% of the acquisition sales. The higher gross profit margin on the acquisition sales increase gross

profit as a percentage of consolidated sales by approximately 1 percentage point.

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

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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 \$106.2 million for the fiscal year ended September 30, 2017.

Gross profit decreased \$11.8 million as foreign currency losses increased due to the unfavorable effect of changes in foreign currency exchange rates. This was partially offset by the reduction of the impact of inventory purchase accounting adjustments, acquisition integration costs and stock compensation expense charged to cost of sales of approximately \$8.5 million.

**Selling and Administrative Expenses.** Selling and administrative expenses increased by \$32.7 million to \$415.6 million, or 11.9% of sales, for the fiscal year ended September 30, 2017 from \$382.9 million, or 12.1% 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, 2017 and 2016 were as follows (amounts in millions):

|   | Fiscal Years Ended |                    |         |          |
|---|--------------------|--------------------|---------|----------|
|   | September 30, 2017 | September 30, 2016 | Change  | % Change |
| Selling and administrative expenses—excluding costs below | \$368.1            | \$314.5            | \$53.6  | 17.0 %   |
| % of total sales  | 10.5 %             | 9.9 %              |         |          |
| Stock compensation expense                                | 41.0               | 42.4               | (1.4 )  | (3.3 )%  |
| % of total sales  | 1.2 %              | 1.3 %              |         |          |
| Acquisition-related expenses                              | 6.5                | 26.0               | (19.5 ) | (75.0 )% |
| % of total sales  | 0.2 %              | 0.8 %              |         |          |
| Total selling and administrative expenses                 | \$415.6            | \$382.9            | \$32.7  | 8.5 %    |
| % of total sales  | 11.9 %             | 12.1 %             |         |          |

The increase in the dollar amount of selling and administrative expenses during the fiscal year ended September 30, 2017 is primarily due to higher selling and administrative expenses relating to recent acquisitions of approximately \$47.7 million, which was approximately 19% of acquisition sales. The increase is partially offset by lower acquisition-related and stock compensation expense of \$19.5 million and \$1.4 million, respectively.

**Amortization of Intangible Assets.** Amortization of intangible assets increased to \$89.2 million for the fiscal year ended September 30, 2017 from \$77.4 million for the comparable period last year. The net increase of \$11.8 million was primarily due to the Third Quarter 2017 Acquisitions and full year amortization recorded from the fiscal 2016 acquisitions of Breeze-Eastern, DDC and Y&F/Tactair.

**Refinancing Costs.** Refinancing costs of \$39.8 million were recorded during the year ended September 30, 2017 representing debt issuance costs expensed in connection with the debt financing activity as disclosed in Note 11, "Debt," to the consolidated financial statements. Included within the \$39.8 million was approximately \$31.9 million in debt issuance costs and premium related to the repurchase of the 2021 Notes. Refinancing costs of \$15.8 million were recorded during the fiscal year ended September 30, 2016 representing debt issuance costs expensed in connection with the debt financing activity in June 2016.

**Interest Expense-net.** Interest expense-net includes interest on borrowings outstanding, amortization of debt issuance costs, original issue discount and premium, and revolving credit facility fees offset by interest income. Interest expense-net increased \$118.7 million, or 24.5%, to \$602.6 million for the fiscal year ended September 30, 2017 from \$483.9 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 \$10,993 million for the fiscal year ended September 30, 2017 and approximately \$8,834 million for the fiscal year ended September 30, 2016. The weighted average cash interest rate was consistent at 5.3% during the fiscal years ended September 30, 2017 and 2016. The increase in weighted average level of borrowings was due to the issuance of the 2026 Notes for \$950 million in June 2016, the incremental term loans of \$950 million in June 2016, the additional net debt financing of \$641 million in the first fiscal quarter of 2017, the additional 2025 Notes offering of \$300 million in the second fiscal quarter of 2017, the additional \$100 million drawn on the trade receivable securitization facility in the fourth quarter of fiscal 2017 and the additional net debt financing of \$575 million in the fourth quarter of fiscal 2017. The weighted average interest rate for cash interest payments on total borrowings outstanding at September 30, 2017 was 5.2%.

Income Taxes. Income tax expense as a percentage of income before income taxes was approximately 24.9% for the fiscal year ended September 30, 2017 compared to 23.7% for the fiscal year ended September 30, 2016. The Company's effective tax rate for these periods was less than the Federal statutory tax rate due primarily to excess tax benefits on equity compensation, foreign earnings taxed at rates lower than the U.S. statutory rates, and the domestic manufacturing deduction. The increase in the effective tax rate for the fiscal year ended September 30, 2017 compared to the fiscal year ended September 30, 2016 was primarily due to foreign earnings taxed at higher rates versus the prior year foreign earnings.

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**Loss from Discontinued Operations.** Loss from discontinued operations is comprised of the operating loss from the Schroth operations that were classified as held-for-sale as of September 30, 2017. The loss includes a \$32 million impairment charge to write-down Schroth's assets to fair value. More detailed information can be found in Note 22, "Discontinued Operations."

**Net Income.** Net income increased \$10.5 million, or 1.8%, to \$596.9 million for the fiscal year ended September 30, 2017 compared to net income of \$586.4 million for the fiscal year ended September 30, 2016, primarily as a result of the factors referred to above.

**Earnings per Share.** The basic and diluted earnings per share were \$7.88 for the fiscal year ended September 30, 2017 and \$10.39 per share for the fiscal year ended September 30, 2016. For the fiscal year ended September 30, 2017, basic and diluted earnings per share from continuing operations were \$8.45 and basic and diluted loss per share from discontinued operations were (\$0.57). Net income for the fiscal year ended September 30, 2017 of \$596.9 million was decreased by dividend equivalent payments of \$159.3 million resulting in net income available to common shareholders of \$437.6 million. Net income for the fiscal year ended September 30, 2016 of \$586.4 million was decreased by dividend equivalent payments of \$3.0 million resulting in net income available to common shareholders of \$583.4 million. The decrease in earnings per share of \$2.51 per share to \$7.88 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, 2017 and 2016 were as follows (amounts in millions):

|                 | Fiscal Years Ended September 30 |            |           |            |         |        | Change | % Change |
|-----------------|---------------------------------|------------|-----------|------------|---------|--------|--------|----------|
|                 | 2017                            | % of Sales | 2016      | % of Sales |         |        |        |          |
| Power & Control | \$1,927.2                       | 55.0 %     | \$1,621.7 | 51.1 %     | \$305.5 | 18.8 % |        |          |
| Airframe        | 1,442.1                         | 41.2 %     | 1,447.9   | 45.7 %     | (5.8)   | (0.4)% |        |          |
| Non-aviation    | 135.0                           | 3.8 %      | 101.8     | 3.2 %      | 33.2    | 32.6 % |        |          |
|                 | \$3,504.3                       | 100.0 %    | \$3,171.4 | 100.0 %    | \$332.9 | 10.5 % |        |          |

Organic sales for the Power & Control segment increased \$70.8 million, or an increase of 4.4%, when compared to the fiscal year ended September 30, 2016. The organic sales increase resulted primarily from increases in commercial aftermarket sales (\$40.9 million, an increase of 7.5%), defense sales (\$28.2 million, an increase of 4.4%), and commercial OEM sales (\$1.0 million, an increase of 0.3%). Acquisition sales for the Power & Control segment totaled \$234.7 million, or an increase of 14.4%, resulting from the Third Quarter 2017 Acquisitions and the acquisitions of Tactair, DDC and Breeze-Eastern in fiscal year 2016.

Organic sales for the Airframe segment decreased \$5.8 million, or a decrease of 0.4%, when compared to the fiscal year ended September 30, 2016. The organic sales decrease resulted primarily from decreases in commercial aftermarket sales (\$6.1 million, a decrease of 1.0%), commercial OEM sales (\$5.3 million, a decrease of 1.1%) and non-aerospace sales (\$6.9 million, a decrease of 39.4%) offset by an increase in defense sales (\$12.5 million, an increase of 4.2%). There was no impact from acquisitions in the results of the Airframe segment.

Organic sales for the Non-aviation segment increased \$12.3 million, or an increase of 12.0%, when compared to the fiscal year ended September 30, 2016. The sales increase was primarily due to an increase in non-aerospace sales of \$9.9 million, an increase of 11.5%. Acquisition sales for the Non-aviation segment totaled \$20.9 million, or an increase of 20.6%, resulting from the acquisition of Y&F completed in fiscal year 2016.

**EBITDA As Defined.** EBITDA As Defined by segment for the fiscal years ended September 30, 2017 and 2016 were as follows (amounts in millions):

|                 | Fiscal Years Ended September 30 |                    |           |                    |         |        | Change | % Change |
|-----------------|---------------------------------|--------------------|-----------|--------------------|---------|--------|--------|----------|
|                 | 2017                            | % of Segment Sales | 2016      | % of Segment Sales |         |        |        |          |
| Power & Control | \$980.0                         | 50.9 %             | \$787.4   | 48.6 %             | \$192.6 | 24.5 % |        |          |
| Airframe        | 726.6                           | 50.4 %             | 709.9     | 49.0 %             | 16.7    | 2.4 %  |        |          |
| Non-aviation    | 42.5                            | 31.5 %             | 28.2      | 27.7 %             | 14.3    | 50.7 % |        |          |
|                 | \$1,749.1                       | 49.9 %             | \$1,525.5 | 48.1 %             | \$223.6 | 14.7 % |        |          |

Organic EBITDA As Defined for the Power & Control segment increased approximately \$88.7 million for the fiscal year ended September 30, 2017 compared to the fiscal year ended September 30, 2016. EBITDA As Defined from the Third Quarter 2017 Acquisitions and the acquisitions of Tactair, DDC and Breeze-Eastern in fiscal year 2016 was approximately \$103.9 million for the fiscal year ended September 30, 2017.



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Organic EBITDA As Defined for the Airframe segment increased approximately \$16.7 million for the fiscal year ended September 30, 2017 compared to the fiscal year ended September 30, 2016. There was no impact from acquisitions in the results of the Airframe segment.

Organic EBITDA As Defined for the Non-aviation segment increased approximately \$7.4 million for the fiscal year ended September 30, 2017 compared to the fiscal year ended September 30, 2016. EBITDA As Defined from the acquisition of Y&F completed in fiscal year 2016 was approximately \$6.9 million.

**Backlog**

For information about our backlog, see Item 1. - “Business.”

**Foreign Operations**

Our direct sales to foreign customers were approximately \$1,355.1 million, \$1,318.9 million, and \$1,169.5 million for the fiscal years 2018, 2017 and 2016, respectively. Sales to foreign customers are subject to numerous additional risks, including foreign currency fluctuations, 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.

**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. Furthermore, recently implemented changes to U.S. and other countries’ tariff and import/export regulations may have an unfavorable impact on raw materials pricing. The effects of inflation on the Company’s businesses during the fiscal years 2018, 2017 and 2016 were immaterial.

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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 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 7.2. Our debt leverage ratio at September 30, 2018 was approximately 6.9.

If the Company has excess cash, it generally prioritizes allocating the excess cash in the following manner: (1) capital spending at existing businesses, (2) acquisitions of businesses, (3) payment of a special dividend and/or repurchases of our common stock and (4) prepayment of indebtedness or repurchase of debt. Whether the Company undertakes additional common 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.

As a result of the additional debt financing during the fiscal year ended September 30, 2018, interest payments will increase going forward in accordance with the terms of the related debt agreements. However, in connection with the continued 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), we expect our efforts will continue to generate strong margins and provide more than sufficient cash from operating activities to meet our interest obligations and liquidity needs. We believe our cash from operations and available borrowing capacity will enable us to make opportunistic investments in our own stock, make strategic business combinations and/or pay dividends to our shareholders.

In connection with the merger agreement to acquire Esterline for approximately \$4 billion, the Company entered into a commitment letter for a senior secured term facility up to \$3.7 billion. The actual amount and timing of the new senior secured term facility is subject to the closing of the Esterline acquisition and the cash on hand at that time. The merger is anticipated to close in 2019, subject to approval of Esterline's shareholders, as well as other customary closing conditions, including the receipt of required regulatory approvals.

In the future, the Company may increase its borrowings in connection with acquisitions, if cash flow from operating activities 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 \$1,022.2 million of net cash from operating activities during fiscal 2018 compared to \$788.7 million during fiscal 2017. The net increase of \$233.5 million is primarily attributable to an increase in income from continuing operations of \$156.6 million (excludes the non-cash effects of the adjustments resulting from the Tax Cuts and Jobs Act of \$176.4 million). Changes in inventories, accounts payable and trade accounts receivable improved by approximately \$23.4 million compared to the prior year. The changes in inventories, accounts payable and trade accounts receivable are more fully described below.

The change in trade accounts receivable during fiscal 2018 was a use of \$43.8 million in cash compared to a use of cash of \$54.7 million in fiscal 2017, which is a reduction to the use of cash of \$10.9 million year over year. The reduction in the use of cash in fiscal 2018 compared to fiscal 2017 is attributable to the timing of sales and a higher rate of collections on trade accounts receivable.

The change in inventories was a use of cash of \$10.8 million in fiscal 2018 compared to a source of cash of \$5.1 million in fiscal 2017. The increase in inventories compared to prior year relates to the building up of inventories at

certain reporting units during the fourth fiscal quarter of 2018 based on existing backlog for the first quarter of fiscal 2019.

The change in accounts payable during fiscal 2018 was a source of cash of \$18.1 million compared to a use of cash of \$10.4 million in fiscal 2017. The decrease in the use of cash was primarily attributable to the timing of payments to vendors.

The Company generated \$788.7 million of net cash from operating activities during fiscal 2017 compared to \$683.3 million during fiscal 2016. The net increase is primarily attributable to an increase in income from continuing operations and items adjusting

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net income for non-cash expenses and income of \$38.8 million, and favorable changes in trade accounts receivable, inventories, and accounts payable of \$28.9 million, net.

Investing Activities. Net cash used in investing activities was \$683.6 million during fiscal 2018, primarily consisting of cash paid in connection with the acquisitions of Kirkhill, Extant, and Skandia of \$667.6 million and capital expenditures of \$73.3 million slightly offset by the cash proceeds received from the sale of Schroth of \$57.4 million. The Company expects its capital expenditures in fiscal year 2019 to be between \$85 million and \$100 million. The Company's capital expenditures incurred from year to year are primarily for projects that are consistent with our three core value-driven operating strategies (obtaining profitable new business, continually improve our cost structure and providing highly engineered value-added products to customers).

Net cash used in investing activities was \$287.0 million during fiscal 2017, primarily consisting of cash paid for the Third Quarter 2017 Acquisitions of \$106.3 million, the cash settlement of the Breeze-Eastern dissenting shares litigation of \$28.7 million, the acquisition of Schroth of \$79.7 million and capital expenditures of \$71.0 million.

Net cash used in investing activities was \$1,443.0 million during fiscal 2016, primarily consisting of the acquisitions of Breeze-Eastern, DDC, and Y&F/Tactair for a total of \$1,401.5 million and capital expenditures of \$44.0 million.

Financing Activities. Net cash used in financing activities during the fiscal year ended September 30, 2018 was \$1,085.6 million. The source of cash was primarily due to the net proceeds of \$678.6 million from the fiscal 2018 term loans activity and net proceeds of \$489.6 million from the issuance of the 6.875% 2026 Notes in the third quarter of fiscal 2018, along with \$57.8 million in proceeds from stock option exercises. Partially offsetting these sources of cash was \$56.1 million in dividend equivalent payments made in the first quarter of fiscal 2018.

Net cash used in financing activities during the fiscal year ended September 30, 2017 was \$1,443.7 million. The use of cash was primarily related to the aggregate payment of \$2,581.6 million for a \$24.00 per share special dividend declared and paid during the first quarter of fiscal 2017 and a \$22.00 per share special dividend declared and paid in the fourth quarter of fiscal 2017 and dividend equivalent payments. Also contributing to the use of cash was \$1,284.7 million in debt service payments on the existing term loans and the remaining principal on the tranche C term loans, redemption and related premium paid on the 2021 Notes aggregating to \$528.8 million and \$389.8 million related to treasury stock purchases under the Company's share repurchase program. Slightly offsetting the uses of cash were net proceeds from the 2017 term loans (tranche F and tranche G term loans) of \$2,937.7 million and the additional 2025 Notes offering of \$300.4 million, \$99.5 million in net proceeds from an additional A/R Securitization draw in the fourth quarter of fiscal 2017 and \$21.2 million in proceeds from stock option exercises.

Net cash provided by financing activities during the fiscal year ended September 30, 2016 was \$1,632.5 million, which primarily comprised of net proceeds from the fiscal 2016 term loans of \$1,711.5 million, net proceeds from our 2026 Notes of \$939.6 million, and \$30.1 million of cash proceeds from the exercise of stock options. These increases were partially offset by \$834.4 million of repayments on our existing term loans, \$207.8 million in treasury stock purchases under the Company's share repurchase programs, \$3.0 million in dividend equivalent payments and the impact from the adoption of ASU 2016-09 which resulted in the excess tax benefits related to share-based payment arrangements being classified within operating activities beginning in fiscal 2016.

#### Description of Senior Secured Term Loans and Indentures

##### Senior Secured Credit Facilities

TransDigm has \$7,599.9 million in fully drawn term loans (the "Term Loans Facility") and a \$600 million revolving credit facility. The Term Loans Facility consists of three tranches of term loans as follows (aggregate principal amount disclosed is as of September 30, 2018):

| Term Loans Facility | Aggregate Principal | Maturity Date   | Interest Rate     |
|---------------------|---------------------|-----------------|-------------------|
| Tranche E           | \$2,244 million     | May 30, 2025    | LIBO rate + 2.50% |
| Tranche F           | \$3,560 million     | June 9, 2023    | LIBO rate + 2.50% |
| Tranche G           | \$1,796 million     | August 22, 2024 | LIBO rate + 2.50% |

The Term Loans Facility requires quarterly aggregate principal payments of \$19.1 million. The revolving commitments consist of two tranches which include up to \$99.4 million of multicurrency revolving commitments. At September 30, 2018, the Company had \$17.5 million in letters of credit outstanding and \$582.5 million in borrowings available under the revolving commitments. The interest rates per annum applicable to the loans under the Credit

Agreement are, 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 not subject to a floor. For the fiscal year ended September 30, 2018, the applicable interest rates ranged from approximately 4.1% to 5.1% on the existing term loans. Interest rate swaps and caps used to hedge and offset, respectively, the

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variable interest rates on the credit facility are described in Note 11, “Derivatives and Hedging Activities,” to the consolidated financial statements included herein.

## Recent Amendments to the Credit Agreement

On November 30, 2017, the Company entered into Amendment No. 4 to the Second Amended and Restated Credit Agreement (“Amendment No. 4”). Pursuant to Amendment No. 4, TransDigm, among other things, converted approximately \$798.2 million of existing tranche D term loans into additional tranche F term loans and decreased the margin applicable to the existing tranche E term loans and tranche F term loans to LIBO rate plus 2.75% per annum and also removed the LIBO rate floor of 0.75%. The terms and conditions (other than maturity date and pricing) that apply to the tranche F term loans are substantially the same as the terms and conditions that apply to the tranche D term loans immediately prior to Amendment No. 4.

On February 22, 2018, the Company entered into a refinancing facility agreement to the Second Amended and Restated Credit Agreement. TransDigm, among other things, incurred new tranche G term loans in an aggregate principal amount equal to \$1,810 million and repaid in full all of the existing tranche G term loans outstanding under the Second and Amended Restated Credit Agreement immediately prior to the refinancing facility agreement. The refinancing facility agreement also decreased the margin applicable to the tranche G term loans to LIBO rate plus 2.5% per annum. The terms and conditions that apply to the tranche G term loans, excluding pricing, are substantially the same as the terms and conditions that apply to the tranche G term loans immediately prior to the refinancing facility agreement.

On May 30, 2018, the Company entered into Amendment No. 5 to the Second Amended and Restated Credit Agreement (“Amendment No. 5”). Pursuant to Amendment No. 5, TransDigm, among other things, incurred new tranche E term loans in an aggregate principal amount equal to \$1,322 million, and repaid in full all of the existing tranche E term loans outstanding under the Second Amended and Restated Credit Agreement immediately prior to Amendment No. 5. The Company also incurred incremental tranche E term loans in an aggregate principal amount equal to \$933 million. The new tranche E term loans and incremental tranche E term loans mature on May 30, 2025. Amendment No. 5 also decreased the margin applicable to the new tranche E term loans to LIBO rate plus 2.5% per annum. The terms and conditions that apply to the tranche E term loans, other than the maturity date and margin, are substantially the same as the terms and conditions that apply to the tranche E term loans immediately prior to Amendment No. 5.

Additionally, pursuant to Amendment No. 5, the Company incurred new tranche F term loans in an aggregate principal amount equal to \$3,578 million, and repaid in full all of the existing tranche F term loans outstanding under the Second and Amended Restated Credit Agreement immediately prior to Amendment No. 5. Amendment No. 5 also decreased the margin applicable to the tranche F term loans to LIBO rate plus 2.5% per annum.

Under the terms of Amendment No. 5, the maturity date of our \$600 million revolving credit facility was extended to December 28, 2022. The revolving commitments consist of two tranches which includes up to \$99.4 million of multicurrency revolving commitments. The terms and conditions that apply to the revolving credit facility, other than the maturity date, are substantially the same as the terms and conditions that applied to the revolving credit facility immediately prior to Amendment No. 5.

Amendment No. 5 extended our ability to make certain additional restricted payments (including the ability of the Company to declare or pay dividends or repurchase stock) in an aggregate amount not to exceed \$1,500 million, so long as, among other conditions, the consolidated secured net debt ratio is no greater than 4.00 to 1.00 (in the case of share repurchases) or the consolidated net leverage ratio is no greater than 6.75 to 1.00 (in the case of dividends or other distributions), in each case, after giving pro forma effect to such transactions. If any portion of the \$1,500 million is not used for dividends or share repurchases prior to December 31, 2018, such amount (not to exceed \$500 million) may be used to repurchase stock at any time thereafter.

## Indentures

| Senior Subordinated Notes | Aggregate Principal | Maturity Date    | Interest Rate |
|---------------------------|---------------------|------------------|---------------|
| 2020 Notes                | \$550 million       | October 15, 2020 | 5.50%         |
| 2022 Notes                | \$1,150 million     | July 15, 2022    | 6.00%         |
| 2024 Notes                | \$1,200 million     | July 15, 2024    | 6.50%         |

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|                   |               |               |        |
|-------------------|---------------|---------------|--------|
| 2025 Notes        | \$750 million | May 15, 2025  | 6.50%  |
| 6.875% 2026 Notes | \$500 million | May 15, 2026  | 6.875% |
| 6.375% 2026 Notes | \$950 million | June 15, 2026 | 6.375% |

The 2020 Notes, the 2022 Notes, the 2024 Notes, and the 6.375% 2026 Notes (the “TransDigm Inc. Notes”) were issued at a price of 100% of the principal amount. The initial \$450 million offering of the 2025 Notes (also considered to be part of the “TransDigm Inc. Notes”) were issued at a price of 100% of the principal amount and the subsequent \$300 million offering in the

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second quarter ended of fiscal 2017 of 2025 Notes were issued at a price of 101.5% of the principal amount, resulting in gross proceeds of \$304.5 million. The 6.875% 2026 Notes (the "TransDigm UK Notes," and together with the TransDigm Inc. Notes, the "Notes," are further described below) offered in May 2018 were issued at a price of 99.24% of the principal amount, resulting in gross proceeds of \$496.2 million.

The Notes do not require principal payments prior to their maturity. Interest under the Notes is payable semi-annually. The Notes represent our unsecured obligations ranking subordinate to our senior debt, as defined in the applicable indentures.

The Notes are subordinated to all of our existing and future senior debt, rank equally with all of our existing and future senior subordinated debt and rank senior to all of our future debt that is expressly subordinated to the Notes. The TransDigm Inc. Notes are guaranteed on a senior subordinated unsecured basis by TD Group and TransDigm Inc.'s domestic restricted subsidiaries. The TransDigm UK Notes are guaranteed on a senior subordinated basis by TransDigm Inc., TD Group and TransDigm Inc.'s domestic restricted subsidiaries. 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 Credit Agreement. TransDigm is in compliance with all of the covenants contained in the Notes.

The TransDigm UK Notes were issued during the third quarter of fiscal 2018 by TransDigm UK, a wholly-owned, indirect subsidiary of TD Group, at a discount of 0.76%.

**Certain Restrictive Covenants in Our Debt Documents**

The Credit Agreement and the Indentures governing the Notes contain restrictive covenants that, among other things, limit the incurrence of additional indebtedness, the payment of special dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of certain other indebtedness.

The restrictive covenants included in the Credit Agreement are subject to amendments executed periodically. The most recent amendment that impacted the restrictive covenants contained in the Credit Agreement is Amendment No. 5. The restrictive covenants are described above in the Recent Amendments to the Credit Agreement section. Under the terms of the Credit Agreement, TransDigm is entitled, on one or more occasions, to request additional term loans or additional revolving commitments to the extent that the existing or new lenders agree to provide such incremental term loans or additional revolving commitments provided that, among other conditions, our consolidated net leverage ratio would be no greater than 7.25 to 1.00 and the consolidated secured net debt ratio would be no greater than 5.00 to 1.00, in each case, after giving effect to such incremental term loans or additional revolving commitments.

The Credit Agreement requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as defined in the Credit Agreement), commencing 90 days after the end of each fiscal year, 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 Credit Agreement 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. No matters mandating prepayments occurred during the quarter ended September 30, 2018.

In addition, under the Credit Agreement, if the usage of the revolving credit facility exceeds 25% of the total revolving commitments, the Company will be required to maintain a maximum consolidated net leverage ratio of net debt, as defined, to trailing four-quarter EBITDA As Defined. 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 Agreement or the Indentures. If any such default occurs, the lenders under the Credit Agreement 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 Agreement 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 Agreement, 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.

As of September 30, 2018, the Company was in compliance with all of its debt covenants.

#### Trade Receivables Securitization

During fiscal 2014, the Company established a trade receivable securitization facility (the “Securitization Facility”). The Securitization Facility effectively increases the Company’s borrowing capacity depending on the amount of the domestic operations’ trade accounts receivable. 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. The Company uses the proceeds from the Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs. On July 31, 2018, the Company amended

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the Securitization Facility to increase the borrowing capacity to \$350 million and extend the maturity date to July 31, 2019. As of September 30, 2018, the Company has borrowed \$300 million under the Securitization Facility. The Securitization Facility is collateralized by substantially all of the Company's domestic operations' trade accounts receivable.

**Stock Repurchase Program**

On November 8, 2017, our Board of Directors, authorized a new stock repurchase program replacing the previous \$600 million program and permitting repurchases of our outstanding shares not to exceed \$650 million in the aggregate, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes. No repurchases were made under the program during the fiscal year ended September 30, 2018.

**Contractual Obligations**

The following is a summary of contractual cash obligations as of September 30, 2018 (in millions):

|  | 2019      | 2020    | 2021      | 2022      | 2023      | 2024 and thereafter | Total      |
|--|-----------|---------|-----------|-----------|-----------|---------------------|------------|
| Senior Secured Term Loans <sup>(1)</sup>   | \$76.4    | \$76.4  | \$76.4    | \$76.4    | \$3,457.4 | \$3,836.9           | \$7,599.9  |
| 2020 Notes                                 | —         | —       | 550.0     | —         | —         | —                   | 550.0      |
| 2022 Notes                                 | —         | —       | —         | 1,150.0   | —         | —                   | 1,150.0    |
| 2024 Notes                                 | —         | —       | —         | —         | —         | 1,200.0             | 1,200.0    |
| 2025 Notes                                 | —         | —       | —         | —         | —         | 750.0               | 750.0      |
| 6.875% 2026 Notes                          | —         | —       | —         | —         | —         | 500.0               | 500.0      |
| 6.375% 2026 Notes                          | —         | —       | —         | —         | —         | 950.0               | 950.0      |
| Securitization Facility                    | 300.0     | —       | —         | —         | —         | —                   | 300.0      |
| Scheduled Interest Payments <sup>(2)</sup> | 715.5     | 727.8   | 696.8     | 685.0     | 586.8     | 680.1               | 4,092.0    |
| Operating Leases                           | 19.3      | 16.3    | 13.9      | 12.2      | 9.7       | 27.1                | 98.5       |
| Purchase Obligations                       | 371.8     | 43.1    | 30.4      | 17.4      | 21.2      | —                   | 483.9      |
| Total Contractual Cash Obligations         | \$1,483.0 | \$863.6 | \$1,367.5 | \$1,941.0 | \$4,075.1 | \$7,944.1           | \$17,674.3 |

- (1) The tranche E term loans mature in May 2025, the tranche F term loans mature in June 2023, and the tranche G term loans mature in August 2024. The term loans require quarterly principal payments totaling \$19.1 million. Assumes that the variable interest rate on our tranche E, tranche F and tranche G borrowings under our Senior Secured Term Loans range from approximately 4.74% to 5.66% based on anticipated movements in the LIBO rate.
- (2) In addition, interest payments include the impact of the existing interest rate swap and cap agreements described in Note 20, "Derivatives and Hedging Activities" to the consolidated financial statements herein.

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 \$73.3 million, \$71.0 million, and \$44.0 million during fiscal years 2018, 2017, and fiscal 2016, respectively. The Company expects its capital expenditures in fiscal year 2019 to be between \$85 million and \$100 million.

**Off-Balance Sheet Arrangements**

The Company utilizes letters of credit to back certain payment and performance obligations. Letters of credit are subject to limits based on amounts outstanding under the Company's revolving credit facility.

**New Accounting Standards**

For information about new accounting standards, see Note 4, "Recent Accounting Pronouncements," to our consolidated financial statements included herein.

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Additional Disclosure Required by Indentures

Separate financial statements of TransDigm Inc. are not presented because TransDigm Inc.'s 2020 Notes, 2022 Notes, 2024 Notes, 2025 Notes and 6.375% 2026 Notes are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm UK and all of TransDigm Inc.'s Domestic Restricted Subsidiaries and because TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

Separate financial statements of TransDigm UK are not presented because TransDigm UK's 6.875% 2026 Notes, issued in May 2018, are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm Inc. and all of TransDigm Inc.'s Domestic Restricted Subsidiaries.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate 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, 2018, we had borrowings under our term loans of approximately \$7,600 million that were subject to interest rate risk. Borrowings under our term loans bear interest, at our option, at a rate equal to either an alternate base rate or an adjusted LIBOR 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 term loans. The Company's objective is to maintain an allocation of approximately 75% fixed rate and 25% variable rate debt thereby limiting its exposure to changes in near-term interest rates. The effect of a hypothetical one percentage point increase in interest rates would increase the annual interest costs under our term loans by approximately \$76 million based on the amount of outstanding borrowings at September 30, 2018. The weighted average interest rate on the \$7,600 million of borrowings under our term loans on September 30, 2018 was 4.5%.

Interest rate swaps and caps used to hedge and offset, respectively, the variable interest rates on the credit facility are described in Note 20, "Derivatives and Hedging Activities," to our consolidated financial statements included herein. We do not hold or issue derivative instruments for speculative purposes.

For information about the fair value of the aggregate principal amount of borrowings under our term loans and the fair value of the Notes, see Note 19, "Fair Value Measurements," to our consolidated financial statements included herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is contained on pages F-1 through F-44 of this Report.

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

None.

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ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of September 30, 2018, TD Group carried out an evaluation, under the supervision and with the participation of TD Group's management, including its President, Chief Executive Officer and Director (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 President, Chief Executive Officer and Director 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 President, Chief Executive Officer and Director 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 (2013 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, 2018. Based on our assessment, management concluded that the Company's internal control over financial reporting was effective as of September 30, 2018.

During fiscal 2018, we completed the acquisitions of Kirkhill, Extant and Skandia. The results of operations are included in our consolidated financial statements from the date of acquisition. As permitted by the Securities and Exchange Commission rules and regulations, we have excluded these acquisitions from our assessment of the effectiveness of our internal control over financial reporting as of September 30, 2018. Total assets as of September 30, 2018, net sales and income from continuing operations before income taxes for the fiscal year ended September 30, 2018 for these fiscal 2018 acquisitions constituted approximately 6%, 2% and 2%, respectively, of each of these key measures as reported in our consolidated financial statements.

The effectiveness of the Company's internal control over financial reporting as of September 30, 2018 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report, which is included elsewhere in this Annual Report on Form 10-K and is incorporated herein by reference.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting that occurred during the fourth quarter of fiscal 2018 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm  
The Board of Directors and Shareholders of  
TransDigm Group Incorporated

Opinion on Internal Control over Financial Reporting

We have audited TransDigm Group Incorporated's ("the Company") internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2018, based on the COSO criteria.

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 Kirkhill, Extant and Skandia, which are included in the 2018 consolidated financial statements of TransDigm Group Incorporated and constituted 6% of total assets as of September 30, 2018, 2% of revenues and 2% of pre-tax income 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 Kirkhill, Extant and Skandia.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, cash flows and changes in stockholders' deficit for each of the three years in the period ended September 30, 2018 and the related notes and financial statement schedule listed in the Index at Item 15(a) of the Company and our report dated November 9, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company'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 in Item 9A of the Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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 the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Cleveland, Ohio  
November 9, 2018

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ITEM 9B. OTHER INFORMATION

Appointment of Officer

The Company has, effective November 10, 2018, appointed Sarah Wynne, age 44, as Chief Accounting Officer of the Company. Ms. Wynne was most recently a Group Controller of the Company (since 2015). Prior to that, Ms. Wynne was Controller at Aero Fluid Products, a TransDigm operating company (2009 -2015) and held accounting positions with increasing responsibility.

Employment Agreement with Named Executive Officer

On November 6, 2018, the Company entered into a Third Amended and Restated Employment Agreement with Robert Henderson whereby Mr. Henderson will continue to serve as Vice Chairman of the Company. Mr. Henderson's prior employment agreement was scheduled to terminate on December 31, 2018. It is intended that Mr. Henderson will be responsible for planning for the integration of the Esterline acquisition and, upon closing, integrating the Esterline business. The Employment Agreement replaced Mr. Henderson's Second Amended and Restated Employment Agreement dated January 25, 2018. The term of the Employment Agreement will expire on December 31, 2021, unless earlier terminated by the Company or Mr. Henderson; provided, however, that if the Esterline acquisition has not been completed by December 31, 2019, the Employment Agreement will terminate. The Employment Agreement contemplates that Mr. Henderson will spend full time working for the Company. This is a change from the prior agreement, which contemplated that Mr. Henderson would work approximately three-quarters time.

Mr. Henderson will receive equity compensation in lieu of cash compensation for salary and bonus on similar terms to those contained in the employment agreement of Mr. Howley, the Company's Executive Chairman. Under the terms of the Employment Agreement, Mr. Henderson will receive \$10,000 in cash to cover his employee co-premiums for health benefits and related taxes and, for 2019 salary, a grant of options calculated on a Black Scholes basis with a 37.5% risk premium equal to \$750,000. In addition, Mr. Henderson is entitled to participate in the Company's annual cash incentive plan with a target bonus of 80%, which will be paid in options calculated in the same manner as his salary. Mr. Henderson may give notice one time during the term of the Employment Agreement if he wishes to discontinue his receipt of equity compensation effective with his bonus or as of the following year. Other than the manner in calculating the option grant, which was a fixed number in Mr. Henderson's prior employment agreement, these provisions did not change materially from the prior employment agreement.

The options granted in lieu of salary and bonus will vest 40% immediately and, to the extent the performance criteria is met, 40% at completion of the first fiscal year after the grant and 20% after the second fiscal year after the date of grant. These options will include provisions with regard to post-employment vesting upon termination of employment by reason of death, disability, good reason, without cause or retirement (each as defined in the Employment Agreement). More specifically, if Mr. Henderson's employment terminates for the aforementioned reasons after the first fiscal year following the date of grant but on or after the second fiscal year end following the date of grant, 40% of the remaining unvested options may continue to vest in accordance with their terms; if Mr. Henderson's employment terminates for the aforementioned reasons after the second fiscal year end following the date of grant but on or prior to the third fiscal year end following the date of grant, 80% of the remaining unvested options may continue to vest in accordance with their terms; and if Mr. Henderson's employment terminates for any of the aforementioned reasons after the third fiscal year end following the date of grant, 100% of the remaining unvested options may continue to vest in accordance with their terms. Mr. Henderson is entitled to participate in the Company's stock option plan and the other employee benefit plans, programs and arrangements that the Company may maintain from time to time for its senior officers. These provisions did not change from the prior employment agreement.

The Employment Agreement provides that if Mr. Henderson is terminated for any reason, he will be entitled to payment of any accrued but unpaid base salary through the termination date, any unreimbursed expenses, an amount for accrued but unused sick and vacation days, and benefits owing to him under the benefit plans and programs sponsored by the Company. In addition, if Mr. Henderson's employment is terminated without cause, if he terminates his employment for customary good reasons, or if his employment terminates due to his death or disability, the Company will pay him, in substantially equal installments over a 12-month period, an amount equal to one times his

salary plus one times the greater of the all of the bonuses paid or payable to him for the prior fiscal year (excluding any extraordinary bonus) or the target bonuses for the year in which his employment terminates, determined in accordance with the Company's bonus program(s) if any, plus 18 times the difference of the monthly COBRA continuation coverage rate and the monthly cost of coverage to Mr. Henderson as of the date of termination. These provisions did not change from the prior employment agreement.

The Employment Agreement also includes non-competition, non-solicitation provisions, confidentiality and indemnity consistent with Mr. Henderson's prior agreement. These provisions did not change from the prior employment agreement.

The foregoing description of the terms of the Employment Agreement is qualified in its entirety by the full text of the Third Amended and Restated Employment Agreement, a copy of which is filed herewith.

PART III



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

## Directors and Executive Officers

Information regarding TD Group’s directors will be 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:

| Name                    | Age | Position   |
|-------------------------|-----|--|
| W. Nicholas Howley      | 66  | Executive Chairman of the Board of Directors                             |
| Kevin Stein             | 52  | President, Chief Executive Officer and Director                          |
| Robert S. Henderson     | 62  | Vice Chairman  |
| Jorge L. Valladares III | 44  | Chief Operating Officer—Power and Control                                |
| Michael Lisman          | 35  | Chief Financial Officer  |
| James Skulina           | 59  | Senior Vice President of Finance   |
| Bernt G. Iversen II     | 61  | Executive Vice President—Mergers & Acquisitions and Business Development |
| Halle Terrion           | 50  | General Counsel, Chief Compliance Officer & Secretary                    |

Mr. Howley was appointed Executive Chairman of the Board of Directors of TD Group in April 2018. Mr. Howley previously served as Chairman of the Board of Directors of TD Group from July 2003 to April 2018. He served as Chief Executive Officer of TD Group from December 2005 to April 2018 and of TransDigm Inc. from December 2001 to March 2018. Mr. Howley served as President of TD Group from July 2003 through December 2015, 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. Stein was appointed President, Chief Executive Officer and Director in April 2018. Prior to that, Mr. Stein served as President and Chief Operating Officer from January 2017 through March 2018 and Chief Operating Officer—Power from October 2014 to December 2016. Prior to joining TransDigm, 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. Henderson was appointed Vice Chairman in January 2017. Prior to that, Mr. Henderson served as Chief Operating Officer—Airframe from October 2014 to December 2016. Mr. Henderson also previously 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. Valladares was appointed Chief Operating Officer—Power in June 2018. Prior to that, Mr. Valladares served as Executive Vice President from October 2013 to May 2018, 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.

Mr. Lisman was appointed Chief Financial Officer in July 2018. Prior to that, Mr. Lisman served as Vice President—Mergers and Acquisitions from January 2018 through June 2018, Business Unit Manager for the Air & Fuel Valves business unit at Aero Fluid Products, a wholly-owned subsidiary of TransDigm Inc., from January 2017 to January 2018 and Director of Mergers and Acquisitions of the Company from November 2015 to January 2017. Prior to joining TransDigm, Mr. Lisman was a Vice President at Warburg Pincus from 2011 to 2015.

Mr. Skulina was appointed Senior Vice President of Finance in July 2018. Prior to that, Mr. Skulina served as Interim Chief Financial Officer from January 2018 to June 2018, Executive Vice President from January 2012 to December 2017, 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. Iversen was appointed Executive Vice President—Mergers & Acquisitions and Business Development in May 2012. Prior to that, Mr. Iversen 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.

Ms. Terrion was appointed General Counsel and Chief Compliance Office in March 2012 and Secretary in May 2015. Prior to that, Ms. Terrion was a partner at BakerHostetler LLP.

Section 16(a) Beneficial Ownership Reporting Compliance

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

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## 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 and president, chief financial officer, senior vice president of finance, 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 will be 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 will be 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 will be 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 will be set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in our Proxy Statement, which is incorporated herein by reference.

## 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> | 6,069,234  | <sup>(2)</sup> \$ 194.75   | 2,876,222 <sup>(3)</sup>   |

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

(2) This amount represents 77,829, 3,878,127 and 2,113,278 shares subject to outstanding stock options under our 2003 stock option plan, 2006 stock incentive plan and 2014 stock option plan, respectively. No further grants may be made under our 2003 stock option plan and 2006 stock incentive plan, although outstanding stock options continue in force in accordance with their terms.

(3) This amount represents remaining shares available for award under our 2014 stock option plan.



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

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

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents Filed with Report

(a) (1) Financial Statements

|  | Page              |
|--|-------------------|
| Report of Independent Registered Public Accounting Firm  | <u>F-1</u>        |
| Consolidated Balance Sheets as of September 30, 2018 and 2017  | <u>F-2</u>        |
| Consolidated Statements of Income for Fiscal Years Ended September 30, 2018, 2017 and 2016                           | <u>F-3</u>        |
| Consolidated Statements of Comprehensive Income for Fiscal Years Ended September 30, 2018, 2017 and 2016             | <u>F-4</u>        |
| Consolidated Statements of Changes in Stockholders' Deficit for Fiscal Years Ended September 30, 2018, 2017 and 2016 | <u>F-5</u>        |
| Consolidated Statements of Cash Flows for Fiscal Years Ended September 30, 2018, 2017 and 2016                       | <u>F-6</u>        |
| Notes to Consolidated Financial Statements for Fiscal Years Ended September 30, 2018, 2017 and 2016                  | pages F-7 to F-43 |

(a) (2) Financial Statement Schedules

Valuation and Qualifying Accounts for the Fiscal Years Ended September 30, 2018, 2017 and 2016 F-44

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(a) (3) Exhibits

| Exhibit No. | Description   | Filed Herewith or Incorporated by Reference From  |
|-------------|---|---|
| <u>2.2</u>  | Agreement and Plan of Merger dated as of May 23, 2016 among TransDigm Inc., Thunder Merger Sub Inc., ILC Holdings, Inc. and Behrman Capital PEP L.P.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 26, 2016 (File No. 001-32833)</u>                     |
| <u>2.3</u>  | Agreement and Plan of Merger dated as of October 9, 2018, by and among Esterline Technologies Corporation, TransDigm Group Incorporated and Thunderbird Merger Sub Inc.                     | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 11, 2018 (File No. 001-32833)</u>                 |
| <u>2.4</u>  | First Amendment to Agreement and Plan of Merger dated as of October 10, 2018, by and among Esterline Technologies Corporation, TransDigm Group Incorporated and Thunderbird Merger Sub Inc. | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 11, 2018 (File No. 001-32833)</u>                 |
| <u>3.1</u>  | Second Amended and Restated Certificate of Incorporation, filed April 28, 2014, of TransDigm Group Incorporated   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 28, 2014 (File No. 001-32833)</u>                   |
| <u>3.2</u>  | Third Amended and Restated Bylaws of TransDigm Group Incorporated   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed January 30, 2018 (File No. 001-32833)</u>                 |
| <u>3.3</u>  | Certificate of Incorporation, filed July 2, 1993, of NovaDigm Acquisition, Inc. (now known as TransDigm Inc.)   | <u>Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397)</u> |
| <u>3.4</u>  | Certificate of Amendment, filed July 22, 1993, of the Certificate of Incorporation of NovaDigm Acquisition, Inc. (now known as TransDigm Inc.)  | <u>Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397)</u> |
| <u>3.5</u>  | Bylaws of NovaDigm Acquisition, Inc. (now known as TransDigm Inc.)  | <u>Incorporated by reference to TransDigm Inc. and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397)</u> |
| <u>3.6</u>  | Certificate of Incorporation, filed July 10, 2009, of Acme Aerospace Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2009 (File No. 001-32833)</u>                  |
| <u>3.7</u>  | Bylaws of Acme Aerospace Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2009 (File No. 001-32833)</u>                  |
| <u>3.8</u>  | Articles of Incorporation, filed July 30, 1986, of ARP Acquisition Corporation (now known as Adams Rite Aerospace, Inc.)  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed April 23, 1999 (File No. 333-71397)</u> |
| <u>3.9</u>  | Certificate of Amendment, filed September 12, 1986, of the Articles of Incorporation of ARP Acquisition Corporation (now known as Adams Rite Aerospace, Inc.)                               | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed April 23, 1999 (File No. 333-71397)</u> |
| <u>3.10</u> | Certificate of Amendment, filed January 27, 1992, of the Articles of Incorporation of Adams Rite Products, Inc. (now known as Adams Rite Aerospace, Inc.)                                   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed April 23, 1999 (File No. 333-71397)</u> |
| <u>3.11</u> | Certificate of Amendment, filed December 31, 1992, of the Articles of Incorporation of Adams Rite Products, Inc. (now known as Adams Rite Aerospace, Inc.)                                  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed April 23, 1999 (File No. 333-71397)</u> |
| <u>3.12</u> |   |   |

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- 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.'s and TransDigm Holding Company's Form S-4 filed April 23, 1999 (File No. 333-71397)
- 3.13 Amended and Restated Bylaws of Adams Rite Aerospace, Inc. Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed April 23, 1999 (File No. 333-71397)
- 3.14 Certificate of Incorporation, filed June 18, 2007, of AeroControlex Group, Inc. Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)



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| Exhibit No. | Description   | Filed Herewith or Incorporated by Reference From  |
|-------------|---|---|
| <u>3.15</u> | Bylaws of AeroControlex Group, Inc.   | <u>Incorporated by reference to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u> |
| <u>3.16</u> | Certificate of Formation, filed September 25, 2013, of Aerosonic LLC  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.17</u> | Limited Liability Company Agreement of Aerosonic LLC  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.18</u> | Certificate of Incorporation, filed November 13, 2009, of Airborne Acquisition, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.19</u> | Bylaws of Airborne Acquisition, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.20</u> | Amended and Restated Certificate of Incorporation, filed January 25, 2010, of HDT International Holdings, Inc. (now known as Airborne Global, Inc.)         | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.21</u> | Certificate of Amendment to Certificate of Incorporation, filed February 24, 2010, of HDT International Holdings, Inc. (now known as Airborne Global, Inc.) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.22</u> | Certificate of Amendment to Certificate of Incorporation, filed December 10, 2013, of HDT Global, Inc. (now known as Airborne Global, Inc.)                 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.23</u> | Bylaws of HDT International Holdings, Inc. (now known as Airborne Global, Inc.)   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.24</u> | Certificate of Incorporation, filed November 13, 2009, of Airborne Holdings, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.25</u> | Bylaws of Airborne Holdings, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.26</u> | Certificate of Incorporation, filed September 1, 1995, of Wardle Storeys Inc. (now known as Airborne Systems NA Inc.)                                       | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.27</u> | Certificate of Amendment to Certificate of Incorporation, filed May 28, 2002, of Wardle Storeys Inc. (now known as Airborne Systems NA Inc.)                | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.28</u> | Bylaws of Airborne Systems NA Inc., as amended  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.29</u> | Certificate of Incorporation, filed April 23, 2007, of Airborne Systems North America Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |
| <u>3.30</u> | Bylaws of Airborne Systems North America Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                |

- 3.31 Certificate of Incorporation, filed April 25, 1989, of Irvin Industries (Del), Inc. (now known as Airborne Systems North America of CA Inc.)
- 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)

Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)

Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)

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| Exhibit No. | Description   | Filed Herewith or Incorporated by Reference From  |
|-------------|---|---|
| <u>3.33</u> | 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.)        | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.34</u> | 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.)          | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.35</u> | Bylaws of Airborne Systems North America of CA Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.36</u> | Certificate of Incorporation, Profit, filed October 28, 1994, of Wardle Storeys (Parachutes) Inc. (now known as Airborne Systems North America of NJ Inc.)                | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.37</u> | 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.) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.38</u> | Certificate of Amendment to Certificate of Incorporation, filed April 23, 2007, of Para-Flite Inc. (now known as Airborne Systems North America of NJ Inc.)               | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.39</u> | Certificate of Correction to Certificate of Incorporation, filed June 27, 2007, of Airborne Systems North America of NJ Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.40</u> | Bylaws of Airborne Systems North America of NJ Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                    |
| <u>3.41</u> | Certificate of Incorporation, filed May 8, 1985, of Am-Safe, Inc. (now known as AmSafe, Inc.)   | <u>Incorporated by reference to Form TransDigm Group Incorporated's 10-Q filed May 9, 2012 (File No. 001-32833)</u>                         |
| <u>3.42</u> | Certificate of Amendment of Certificate of Incorporation, filed May 19, 2005, of Am-Safe, Inc. (now known as AmSafe, Inc.)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>                         |
| <u>3.43</u> | By-Laws of Am-Safe, Inc. (now known as AmSafe, Inc.)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>                         |
| <u>3.44</u> | Certificate of Incorporation, filed October 16, 2007, of AmSafe Global Holdings, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>                         |
| <u>3.45</u> | Amended and Restated By-Laws of AmSafe Global Holdings, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>                         |
| <u>3.46</u> | Restated Certificate of Incorporation, filed July 10, 1967, of Arkwin Industries, Inc.  | <u>Incorporated by reference to Amendment No. 3 to TransDigm Inc. and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File</u> |

No. 333-186494)

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)

3.47

Certificate of Amendment, filed November 4, 1981,  
of Arkwin Industries, Inc.

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| Exhibit No. | Description  | Filed Herewith or Incorporated by Reference From  |
|-------------|--|---|
| <u>3.48</u> | Certificate of Amendment, filed June 11, 1999, of Arkwin Industries, Inc.  | <u>Incorporated by reference to Amendment No. 3 to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494)</u> |
| <u>3.49</u> | Bylaws of Arkwin Industries, Inc.  | <u>Incorporated by reference to Amendment No. 3 to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed June 27, 2013 (File No. 333-186494)</u> |
| <u>3.50</u> | Amended and Restated Certificate of Incorporation of Aviation Technologies, Inc.   | <u>Filed Herewith</u>   |
| <u>3.51</u> | Bylaws of Wings Holdings, Inc. (now known as Aviation Technologies, Inc.)  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u>                     |
| <u>3.52</u> | Certificate of Formation, effective June 29, 2007, of Avionic Instruments LLC  | <u>Filed Herewith</u>   |
| <u>3.53</u> | Limited Liability Company Agreement of Avionic Instruments LLC   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u>                     |
| <u>3.54</u> | Articles of Incorporation, filed December 29, 1992, of Avionics Specialties, Inc.  | <u>Filed Herewith</u>   |
| <u>3.55</u> | Bylaws of Avionics Specialties, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                                      |
| <u>3.56</u> | Articles of Incorporation, filed October 3, 1963, of Avtech Corporation (now known as AvtechTye, Inc.)                         | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u>                     |
| <u>3.57</u> | Articles of Amendment of Articles of Incorporation, filed March 30, 1984, of Avtech Corporation (now known as AvtechTye, Inc.) | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u>                     |
| <u>3.58</u> | Articles of Amendment of Articles of Incorporation, filed April 17, 1989, of Avtech Corporation (now known as AvtechTye, Inc.) | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u>                     |
| <u>3.59</u> | Articles of Amendment of Articles of Incorporation, filed July 17, 1998, of Avtech Corporation (now known as AvtechTye, Inc.)  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u>                     |
| <u>3.60</u> | Articles of Amendment of Articles of Incorporation, filed May 20, 2003, of Avtech Corporation (now known as Avtech Tye, Inc.)  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed July 6, 2007 (File No. 333-144366)</u>                    |
| <u>3.61</u> | Articles of Amendment of Articles of Incorporation, filed May 2, 2012, of AvtechTye, Inc.                                      | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 16, 2012 (File No. 001-32833)</u>                                     |
| <u>3.62</u> | Bylaws of Avtech Corporation (now known as AvtechTye, Inc.)  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u>                     |



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| Exhibit No. | Description  | Filed Herewith or Incorporated by Reference From  |
|-------------|--|---|
| <u>3.63</u> | Certificate of Incorporation, filed October 24, 1977, of Transformer Technology Corporation (now known as Beta Transformer Technology Corporation)                             | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u> |
| <u>3.64</u> | Certificate of Amendment of Certificate of Incorporation, filed December 1, 1977, of Transformer Technology Corporation (now known as Beta Transformer Technology Corporation) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u> |
| <u>3.65</u> | By-laws of Transformer Technology Corporation (now known as Beta Transformer Technology Corporation)   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u> |
| <u>3.66</u> | Amended and Restated Limited Liability Company Agreement, filed July 7, 2016, of Beta Transformer Technology LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u> |
| <u>3.67</u> | Limited Liability Company Certificate of Formation of Breeze-Eastern LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 11, 2016 (File No. 001-32833)</u>      |
| <u>3.68</u> | Limited Liability Company Agreement of Breeze-Eastern LLC  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 11, 2016 (File No. 001-32833)</u>      |
| <u>3.69</u> | Articles of Incorporation, filed February 6, 1998, of Air Carrier Acquisition Corp. (now known as Bridport-Air Carrier, Inc.)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.70</u> | Articles of Amendment, filed February 23, 1998, of Air Carrier Acquisition Corp. (now known as Bridport-Air Carrier, Inc.)   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.71</u> | Articles of Amendment, filed December 14, 1999, of Bridport-Air Carrier, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.72</u> | Amended and Restated By-Laws of Bridport-Air Carrier, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.73</u> | Certificate of Incorporation, filed May 9, 2000, of Erie Acquisition Corp. (now known as Bridport Erie Aviation, Inc.)   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.74</u> | Certificate of Amendment of Certificate of Incorporation, filed May 30, 2000, of Erie Acquisition Corp. (now known as Bridport Erie Aviation, Inc.)                            | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.75</u> | Certificate of Amendment of Certificate of Incorporation, filed June 19, 2000, of Bridport Erie Aviation, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.76</u> | Amended and Restated By-Laws of Erie Acquisition Corp. (now known as Bridport Erie Aviation, Inc.)   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.77</u> | Certificate of Incorporation, filed July 2, 2004, of Bridport Holdings, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May</u>                                    |





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| Exhibit No. | Description  | Filed Herewith or Incorporated by Reference From  |
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| <u>3.78</u> | Amended and Restated By-Laws of Bridport Holdings, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>                       |
| <u>3.79</u> | Certificate of Incorporation filed August 6, 2007, of Bruce Aerospace, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)</u>                 |
| <u>3.80</u> | Bylaws of Bruce Aerospace, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)</u>                 |
| <u>3.81</u> | Articles of Organization of CDA InterCorp LLC  | <u>Filed Herewith</u>   |
| <u>3.82</u> | Operating Agreement of CDA InterCorp LLC   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u> |
| <u>3.83</u> | Certificate of Formation, filed September 30, 2009, of CEF Industries, LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 24, 2009 (File No. 001-32833)</u>                 |
| <u>3.84</u> | Limited Liability Company Agreement of CEF Industries, LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 24, 2009 (File No. 001-32833)</u>                 |
| <u>3.85</u> | Certificate of Formation, effective June 30, 2007, of Champion Aerospace LLC   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u> |
| <u>3.86</u> | Limited Liability Company Agreement of Champion Aerospace LLC  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed July 6, 2007 (File No. 333-144366)</u> |
| <u>3.87</u> | Certificate of Incorporation, filed October 23, 1970, of ILC Data Devices Corporation (now known as Data Device Corporation)                           | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                 |
| <u>3.88</u> | Certificate of Amendment of Certificate of Incorporation, filed April 23, 1999, of ILC Data Devices Corporation (now known as Data Device Corporation) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                 |
| <u>3.89</u> | Certificate of Amendment of Certificate of Incorporation, filed July 14, 2014, of Data Device Corporation  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                 |
| <u>3.90</u> | Bylaws of ILC Data Devices Corporation (now known as Data Device Corporation)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                 |
| <u>3.91</u> | Certificate of Incorporation, filed November 20, 2009, of Dukes Aerospace, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed December 4, 2009 (File No. 001-32833)</u>                   |
| <u>3.92</u> | Bylaws of Dukes Aerospace, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed December 4, 2009 (File No. 001-32833)</u>                   |



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| Exhibit No.  | Description  | Filed Herewith or Incorporated by Reference From  |
|--------------|--|---|
| <u>3.93</u>  | Certificate of Formation, filed February 29, 2000, of Western Sky Industries, LLC (now known as Electromech Technologies LLC)                      | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.94</u>  | Certificate of Amendment, filed December 18, 2013, of Western Sky Industries, LLC (now known as Electromech Technologies LLC)                      | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                  |
| <u>3.95</u>  | Fourth Amended and Restated Limited Liability Agreement of Electromech Technologies LLC  | <u>File Herewith</u>  |
| <u>3.96</u>  | Articles of Organization, as amended, of HarcoSemco LLC  | <u>Filed Herewith</u>   |
| <u>3.97</u>  | First Amended and Restated Limited Liability Company Agreement of HarcoSemco LLC   | <u>Filed Herewith</u>   |
| <u>3.98</u>  | Articles of Incorporation, filed May 10, 1957, of Hartwell Aviation Supply Company (now known as Hartwell Corporation)                             | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.99</u>  | Certificate of Amendment, filed June 9, 1960, of Articles of Incorporation of Hartwell Aviation Supply Company (now known as Hartwell Corporation) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.100</u> | Certification of Amendment, filed October 23, 1987, of Articles of Incorporation of Hartwell Corporation   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.101</u> | Certificate of Amendment, filed April 9, 1997, of Articles of Incorporation of Hartwell Corporation  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.102</u> | By-laws of Hartwell Corporation  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.103</u> | Amended and Restated Certificate of Incorporation of ILC Holdings, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                 |
| <u>3.104</u> | Bylaws, as amended, of ILC Holdings, Inc.  | <u>Filed Herewith</u>   |
| <u>3.105</u> | Certificate of Formation, filed January 26, 2007, of Johnson Liverpool LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                 |
| <u>3.106</u> | Amended and Restated Limited Liability Company Agreement of Johnson Liverpool LLC  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                 |
| <u>3.107</u> | Certificate of Incorporation, filed March 28, 1994, of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)                          | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397)</u> |

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| Exhibit No.  | Description  | Filed Herewith or Incorporated by Reference From  |
|--------------|--|---|
| <u>3.108</u> | Certificate of Amendment, filed May 18, 1994, of the Certificate of Incorporation of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)                | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397)</u> |
| <u>3.109</u> | Certificate of Amendment, filed May 24, 1994, of the Certificate of Incorporation of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)                | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397)</u> |
| <u>3.110</u> | Certificate of Amendment, filed August 28, 2003, of the Certificate of Incorporation of Marathon Power Technology Company (now known as MarathonNorco Aerospace, Inc.) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 28, 2006 (File No. 001-32833)</u>                 |
| <u>3.111</u> | Bylaws of MPT Acquisition Corp. (now known as MarathonNorco Aerospace, Inc.)   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Holding Company's Form S-4 filed January 29, 1999 (File No. 333-71397)</u> |
| <u>3.112</u> | Certificate of Incorporation, filed April 13, 2007, of McKechnie Aerospace DE, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.113</u> | Bylaws of McKechnie Aerospace DE, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.114</u> | Certificate of Incorporation, filed April 25, 2007, of McKechnie Aerospace Holdings, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.115</u> | Bylaws of McKechnie Aerospace Holdings, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.116</u> | Certificate of Formation, filed May 11, 2005, of Melrose US 3 LLC (now known as McKechnie Aerospace US LLC)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.117</u> | Certificate of Amendment, filed May 11, 2007, to Certificate of Formation of Melrose US 3 LLC (now known as McKechnie Aerospace US LLC)                                | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.118</u> | Limited Liability Company Agreement of McKechnie Aerospace US LLC  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2011 (File No. 001-32833)</u>                  |
| <u>3.119</u> | Restated Certificate of Incorporation, filed June 27, 2014, of North Hills Signal Processing Corp.   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4 filed May 10, 2017 (File No. 333-217850)</u> |
| <u>3.120</u> | Bylaws of Porta Systems Corp. (now known as North Hills Signal Processing Corp.)   | <u>Incorporated by reference to TransDigm Inc's and TransDigm Group Incorporated's Form S-4 filed May 10, 2017 (File No. 333-217850)</u>  |
| <u>3.121</u> | Certificate of Incorporation, as amended, of Porta Systems Overseas Corp (now known as North Hills Signal Processing Overseas Corp)                                    | <u>Incorporated by reference to TransDigm Inc's and TransDigm Group Incorporated's Form S-4 filed May 10, 2017 (File No. 333-217850)</u>  |
| <u>3.122</u> | By-laws of Porta Systems Overseas Corp (now known as North Hills Signal Processing Overseas Corp.)   | <u>Incorporated by reference to TransDigm Inc's and TransDigm Group Incorporated's Form S-4 filed May 10, 2017 (File No. 333-217850)</u>  |



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| Exhibit No.  | Description   | Filed Herewith or Incorporated by Reference From  |
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| <u>3.123</u> | Certificate of Incorporation, filed April 28, 2015, of PX Acquisition Co. (now known as Pexco Aerospace, Inc.)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2015 (File No. 001-32833)</u>    |
| <u>3.124</u> | Certificate of Incorporation, filed April 28, 2015, of PX Acquisition Co. (now known as Pexco Aerospace, Inc.)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2015 (File No. 001-32833)</u>    |
| <u>3.125</u> | Bylaws of PX Acquisition Co. (now known as Pexco Aerospace, Inc.)   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2015 (File No. 001-32833)</u>    |
| <u>3.126</u> | Articles of Incorporation, filed October 3, 1956, of Pneudraulics, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u> |
| <u>3.127</u> | Certificate of Amendment, filed December 9, 1970, of Articles of Incorporation of Pneudraulics, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u> |
| <u>3.128</u> | Restated Bylaws of PneuDrraulics, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u> |
| <u>3.129</u> | Limited Liability Company Certificate of Formation, filed May 30, 2007, of Schneller LLC  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)</u>  |
| <u>3.130</u> | Amended and Restated Limited Liability Company Agreement, dated August 31, 2011, of Schneller LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2012 (File No. 001-32833)</u>  |
| <u>3.131</u> | Certificate of Incorporation of Semco Instruments, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed September 7, 2010 (File No. 001-32833)</u>  |
| <u>3.132</u> | Certificate of Amendment to Certificate of Incorporation, filed October 17, 2012, of Semco Instruments, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 16, 2012 (File No. 001-32833)</u> |
| <u>3.133</u> | Amended and Restated Bylaws of Semco Instruments, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed September 7, 2010 (File No. 001-32833)</u>  |
| <u>3.134</u> | Certificate of Incorporation, filed September 16, 1994, of Am-Safe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.)                        | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.135</u> | Certificate of Amendment of Certificate of Incorporation, filed May 19, 2005, of AmSafe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.)   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |
| <u>3.136</u> | Certificate of Amendment of Certificate of Incorporation, filed August 27, 2014 of AmSafe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 14, 2014 (File No. 001-32833)</u> |
| <u>3.137</u> | By Laws of Am-Safe Commercial Products, Inc. (now known as Shield Restraint Systems, Inc.)  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 9, 2012 (File No. 001-32833)</u>       |



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| <u>3.138</u> | Certificate of Incorporation, filed December 22, 2004, of Skurka Aerospace Inc.                               | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed October 11, 2006 (File No. 333-137937)</u>                   |
| <u>3.139</u> | Bylaws, as amended, of Skurka Aerospace Inc.  | <u>Filed Herewith</u>  |
| <u>3.140</u> | Certificate of Incorporation, filed August 22, 1986, of Tactair Fluid Controls, Inc.                          | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K, filed November 15, 2016 (File No. 001-32833)</u>                                       |
| <u>3.141</u> | Certificate of Amendment, filed June 8, 1998, of Certificate of Incorporation of Tactair Fluid Controls, Inc. | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K, filed November 15, 2016 (File No. 001-32833)</u>                                       |
| <u>3.142</u> | By-laws, as amended, of Tactair Fluid Controls, Inc.  | <u>Filed Herewith</u>  |
| <u>3.143</u> | Certificate of Formation, filed March 27, 2015, of Telair International LLC                                   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed May 5, 2015 (File No. 001-32833)</u>   |
| <u>3.144</u> | Limited Liability Company Agreement of Telair International LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed May 5, 2015 (File No. 001-32833)</u>   |
| <u>3.145</u> | Certificate of Formation, filed February 23, 2015, of Telair US LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed May 5, 2015 (File No. 001-32833)</u>   |
| <u>3.146</u> | Limited Liability Company Agreement of Telair US LLC  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed May 5, 2015 (File No. 001-32833)</u>   |
| <u>3.147</u> | Articles of Incorporation, filed August 6, 1999, of Texas Rotronics, Inc.                                     | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed February 8, 2011 (File No. 001-32833)</u>  |
| <u>3.148</u> | Bylaws, as amended, of Texas Rotronics, Inc.  | <u>Filed Herewith</u>  |
| <u>3.149</u> | Certificate of Formation, effective June 30, 2007, of Transicoil LLC  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed July 6, 2007 (File No. 333-144366)</u>                       |
| <u>3.150</u> | Limited Liability Company Agreement of Transicoil LLC   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed July 6, 2007 (File No. 333-144366)</u>                       |
| <u>3.151</u> | Certificate of Formation, filed June 13, 2013, of Whippany Actuation Systems, LLC                             | <u>Incorporated by reference to Amendment No. 3 to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4/A, filed June 27, 2013 (File No. 333-186494)</u> |
| <u>3.152</u> | Limited Liability Company Agreement of Whippany Actuation Systems, LLC  | <u>Incorporated by reference to Amendment No. 3 to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4/A, filed June 27, 2013 (File No. 333-186494)</u> |



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| Exhibit No.  | Description   | Filed Herewith or Incorporated by Reference From   |
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| <u>3.153</u> | Restated Certificate of Incorporation of Young & Franklin Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K, filed November 15, 2016 (File No. 001-32833)</u> |
| <u>3.154</u> | By-laws, as amended, of Young & Franklin Inc.   | <u>Filed Herewith</u>  |
| <u>3.155</u> | Certificate of Formation, filed May 30, 2013, of Beta Transformer Technology LLC                            | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K, filed November 15, 2016 (File No. 001-32833)</u> |
| <u>3.156</u> | Amended and Restated Bylaws of Kirkhill Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed May 4, 2018 (File No. 001-32833)</u>       |
| <u>3.157</u> | Certificate of Incorporation, filed February 21, 2018, of KH Acquisition I Co. (now known as Kirkhill Inc.) | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed May 4, 2018 (File No. 001-32833)</u>       |
| <u>3.158</u> | Certificate of Incorporation of TransDigm UK Holdings plc   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.159</u> | Articles of Association of TransDigm UK Holdings plc  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.160</u> | Amended and Restated Certificate of Incorporation of Extant Components Group Holdings, Inc.                 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.161</u> | Bylaws of Extant Components Group Holdings, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.162</u> | Certificate of Incorporation of Extant Components Group Intermediate, Inc.                                  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.163</u> | Bylaws of Extant Components Group Intermediate, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.164</u> | Articles of Organization of Symetrics Industries, LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.165</u> | Amended and Restated Limited Liability Company Agreement of Symetrics Industries, LLC                       | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.166</u> | Articles of Organization of Symetrics Technology Group, LLC   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>3.167</u> | Amended and Restated Limited Liability Company Agreement of Symetrics Technology Group, LLC                 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>    |

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| Exhibit No.  | Description  | Filed Herewith or Incorporated by Reference From  |
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| <u>3.168</u> | Certificate of Incorporation of TEAC Aerospace Holdings, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>                   |
| <u>3.169</u> | Bylaws of TEAC Aerospace Holdings, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>                   |
| <u>3.170</u> | Certificate of Incorporation of TEAC Aerospace Technologies, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>                   |
| <u>3.171</u> | Bylaws of TEAC Aerospace Technologies, Inc.  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>                   |
| <u>3.172</u> | Articles of Incorporation, filed January 2, 1992, of Skandia, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>                   |
| <u>3.173</u> | Amended and Restated Bylaws of Skandia, Inc.   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed August 8, 2018 (File No. 001-32833)</u>                   |
| <u>4.1</u>   | Form of Stock Certificate  | <u>Incorporated by reference to Amendment No. 3 to TransDigm Group Incorporated's Form S-1 filed March 13, 2006 (File No. 333-130483)</u> |
| <u>4.2</u>   | 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 5.50% Senior Subordinated Notes due 2020 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 15, 2012 (File No. 001-32833)</u>                   |
| <u>4.3</u>   | 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 11, 2013 (File No. 001-32833)</u>                      |
| <u>4.4</u>   | 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 1, 2013 (File No. 001-32833)</u>                       |
| <u>4.5</u>   | 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>                  |
| <u>4.6</u>   | Fourth Supplemental Indenture, dated as of April 9, 2015, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 5, 2015 (File No. 001-32833)</u>                       |
| <u>4.7</u>   | Fifth Supplemental Indenture, dated as of June 12, 2015, among TransDigm Inc., TransDigm Group Incorporated, the   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed</u>  |

guarantors listed on the signature pages thereto and The Bank August 5, 2015 (File No. 001-32833)  
of New York Mellon Trust Company, N.A., as Trustee

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| <u>4.8</u>  | Sixth Supplemental Indenture, dated as of August 28, 2015, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u>                  |
| <u>4.9</u>  | Seventh Supplemental Indenture, dated as of April 1, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.10</u> | Eighth Supplemental Indenture, dated as of July 8, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.11</u> | Ninth Supplemental Indenture, dated as of October 28, 2016, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.12</u> | Tenth Supplemental Indenture, dated as of March 31, 2017, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 10, 2017 (File No. 001-32833)</u>                       |
| <u>4.13</u> | Eleventh Supplemental Indenture, dated as of May 9, 2017, 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   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed May 10, 2017 (File No. 333-217850)</u> |
| <u>4.14</u> | Twelfth Supplemental Indenture, dated as of March 30, 2018, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.15</u> | Thirteenth Supplemental Indenture, dated as of May 8, 2018, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.16</u> | Fourteenth Supplemental Indenture, dated as of May 22, 2018, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.17</u> | Fifteenth Supplemental Indenture, dated as of July 31, 2018, 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  | <u>Filed Herewith</u>  |
| <u>4.18</u> | 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. | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)</u>                        |



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| <u>4.19</u> | First Supplemental Indenture, dated as of April 9, 2015, 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    | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 5, 2015 (File No. 001-32833)</u>                        |
| <u>4.20</u> | Second Supplemental Indenture, dated as of June 12, 2015, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2015 (File No. 001-32833)</u>                     |
| <u>4.21</u> | Third Supplemental Indenture, dated as of August 28, 2015, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u>                  |
| <u>4.22</u> | Fourth Supplemental Indenture, dated as of April 1, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.23</u> | Fifth Supplemental Indenture, dated as of July 8, 2016, 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     | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.24</u> | Sixth Supplemental Indenture, dated as of October 28, 2016, 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 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.25</u> | Seventh Supplemental Indenture, dated as of March 31, 2017, 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 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 10, 2017 (File No. 001-32833)</u>                       |
| <u>4.26</u> | Eighth Supplemental Indenture, dated as of May 9, 2017, 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    | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed May 10, 2017 (File No. 333-217850)</u> |
| <u>4.27</u> | Ninth Supplemental Indenture, dated as of March 30, 2018, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.28</u> | Tenth Supplemental Indenture, dated as of May 8, 2018, 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     | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.29</u> | Eleventh Supplemental Indenture, dated as of May 22, 2018, 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 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>                     |



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| <u>4.30</u> | Twelfth Supplemental Indenture, dated as of July 31, 2018, 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   | <u>Filed Herewith</u>  |
| <u>4.31</u> | 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 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)</u>                        |
| <u>4.32</u> | First Supplemental Indenture, dated as of April 9, 2015, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 5, 2015 (File No. 001-32833)</u>                        |
| <u>4.33</u> | Second Supplemental Indenture, dated as of June 12, 2015, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2015 (File No. 001-32833)</u>                     |
| <u>4.34</u> | Third Supplemental Indenture, dated as of August 28, 2015, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u>                  |
| <u>4.35</u> | Fourth Supplemental Indenture, dated as of April 1, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.36</u> | Fifth Supplemental Indenture, dated as of July 8, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.37</u> | Sixth Supplemental Indenture, dated as of October 28, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.38</u> | Seventh Supplemental Indenture, dated as of March 31, 2017, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q, filed May 10, 2017 (File No. 001-32833)</u>                      |
| <u>4.39</u> | Eighth Supplemental Indenture, dated as of May 9, 2017, 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  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed May 10, 2017 (File No. 333-217850)</u> |
| <u>4.40</u> | Ninth Supplemental Indenture, dated as of March 30, 2018, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>                     |





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| <u>4.41</u> | Tenth Supplemental Indenture, dated as of May 8, 2018, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>4.42</u> | Eleventh Supplemental Indenture, dated as of May 22, 2018, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>4.43</u> | Twelfth Supplemental Indenture, dated as of July 31, 2018, 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   | <u>Filed Herewith</u>   |
| <u>4.44</u> | Indenture, dated as of May 14, 2015, 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 2025 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 19, 2015 (File No. 001-32833)</u>       |
| <u>4.45</u> | First Supplemental Indenture, dated as of June 12, 2015, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 5, 2015 (File No. 001-32833)</u>    |
| <u>4.46</u> | Second Supplemental Indenture, dated as of August 28, 2015, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u> |
| <u>4.47</u> | Third Supplemental Indenture, dated as of April 1, 2016, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u> |
| <u>4.48</u> | Fourth Supplemental Indenture, dated as of July 8, 2016, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u> |
| <u>4.49</u> | Fifth Supplemental Indenture, dated as of October 28, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u> |
| <u>4.50</u> | Sixth Supplemental Indenture, dated as of March 31, 2017, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 10, 2017 (File No. 001-32833)</u>      |
| <u>4.51</u> | Seventh Supplemental Indenture, dated as of May 9, 2017, among TransDigm, Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York  | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed</u>                   |



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| <u>4.52</u> | Eight Supplemental Indenture, dated as of March 30, 2018, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-O filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.53</u> | Ninth Supplemental Indenture, dated as of May 8, 2018, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-O filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.54</u> | Tenth Supplemental Indenture, dated as of May 22, 2018, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-O filed August 8, 2018 (File No. 001-32833)</u>                     |
| <u>4.55</u> | Eleventh Supplemental Indenture, dated as of July 31, 2018, 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   | <u>Filed Herewith</u>  |
| <u>4.56</u> | Indenture, dated as of June 9, 2016, among TransDigm Inc., as issuer, Transdigm Group Incorporated, as guarantor, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to TransDigm Inc.'s 6.375% Senior Subordinated Notes due 2026 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 14, 2016 (File No. 001-32833)</u>                       |
| <u>4.57</u> | First Supplemental Indenture, dated as of July 8, 2016, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.58</u> | Second Supplemental Indenture, dated as of October 28, 2016, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 15, 2016 (File No. 001-32833)</u>                  |
| <u>4.59</u> | Third Supplemental Indenture, dated as of March 31, 2017, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-O filed May 10, 2017 (File No. 001-32833)</u>                       |
| <u>4.60</u> | Fourth Supplemental Indenture, dated as of May 9, 2017, 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   | <u>Incorporated by reference to TransDigm Inc.'s and TransDigm Group Incorporated's Form S-4, filed May 10, 2017 (File No. 333-217850)</u> |
| <u>4.61</u> | Fifth Supplemental Indenture, dated as of March 30, 2018, 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-O, filed August 8, 2018 (File No. 001-32833)</u>                    |
| <u>4.62</u> | Sixth Supplemental Indenture, dated as of May 8, 2018, 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  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-O filed August 8, 2018 (File No. 001-32833)</u>                     |

4.63 Seventh Supplemental Indenture, dated as of May 22, 2018, 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 August 8, 2018 (File No. 001-32833)

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| <u>4.64</u> | Eighth Supplemental Indenture, dated as of July 31, 2018, 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  | <u>Filed Herewith</u>   |
| <u>4.65</u> | Indenture, dated as of May 8, 2018, among TransDigm UK Holdings plc, as issuer, Transdigm Group Incorporated and TransDigm Inc., as guarantors, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to TransDigm UK Holdings plc's 6.875% Senior Subordinated Notes due 2026 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 14, 2018 (File No. 001-32833)</u>     |
| <u>4.66</u> | First Supplemental Indenture, dated as of May 22, 2018, among TransDigm UK Holdings plc, as issuer, Transdigm Group Incorporated and TransDigm Inc., as guarantors, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>  |
| <u>4.67</u> | Second Supplemental Indenture, dated as of July 31, 2018, among TransDigm UK Holdings plc, as issuer, TransDigm Group Incorporated and TransDigm Inc., as guarantors, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee  | <u>Filed Herewith</u>   |
| <u>4.68</u> | Form of TransDigm Inc.'s 5.50% Senior Subordinated Notes due 2020  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 15, 2012 (File No. 001-32833)</u> |
| <u>4.69</u> | Form of TransDigm Inc.'s 6.00% Senior Subordinated Notes due 2022  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)</u>     |
| <u>4.70</u> | Form of TransDigm Inc.'s 6.50% Senior Subordinated Notes due 2024  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)</u>     |
| <u>4.71</u> | Form of TransDigm Inc.'s 6.50% Senior Subordinated Notes due 2025  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 19, 2015 (File No. 001-32833)</u>     |
| <u>4.72</u> | Form of TransDigm Inc.'s 6.375% Senior Subordinated Notes due 2026   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 14, 2016 (File No. 001-32833)</u>    |
| <u>4.73</u> | Form of TransDigm UK Holdings plc's 6.875% Senior Subordinated Notes due 2026  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 14, 2018 (File No. 001-32833)</u>     |
| <u>4.74</u> | Form of Notation of Guarantee of TransDigm Inc.'s 5.50% Senior Subordinated Notes due 2020   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 16,</u>                         |

|             |   |   |
|-------------|---|---|
| <u>4.75</u> | Form of Notation of Guarantee of 6.00% Senior Subordinated Notes due 2022 | <u>2012 (File No. 001-32833)</u><br><u>Incorporated by reference to</u><br><u>TransDigm Group Incorporated's</u><br><u>Form 8-K filed June 6, 2014</u><br><u>(File No. 001-32833)</u> |
| <u>4.76</u> | Form of Notation of Guarantee of 6.50% Senior Subordinated Notes due 2024 | <u>Incorporated by reference to</u><br><u>TransDigm Group Incorporated's</u><br><u>Form 8-K filed June 6, 2014</u><br><u>(File No. 001-32833)</u>                                     |
| <u>4.77</u> | Form of Notation of Guarantee of 6.50% Senior Subordinated Notes due 2025 | <u>Incorporated by reference to</u><br><u>TransDigm Group Incorporated's</u><br><u>Form 8-K filed May 19, 2015</u><br><u>(File No. 001-32833)</u>                                     |

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| Exhibit No. | Description   | Filed Herewith or Incorporated by Reference From   |
|-------------|---|--|
| <u>4.78</u> | Form of Notation of Guarantee of 6.375% Senior Subordinated Notes due 2026  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 14, 2016 (File No. 001-32833)</u>     |
| <u>4.79</u> | Form of Notation of Guarantee of TransDigm UK Holdings plc's 6.875% Senior Subordinated Notes due 2026  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K, filed May 14, 2018 (File No. 001.32833)</u>     |
| <u>4.80</u> | Registration Rights Agreement, dated as of May 8, 2018, among TransDigm UK Holdings plc, TransDigm Inc., TransDigm Group Incorporated, the subsidiary guarantors party thereto and Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Morgan Stanley & Co. LLC and RBC Capital Markets, LLC, as representatives of the initial purchasers | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 14, 2018 (File No. 001-32833)</u>      |
| <u>10.1</u> | Fourth Amended and Restated Employment Agreement, dated December 10, 2015, between TransDigm Group Incorporated and W. Nicholas Howley*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed December 10, 2015 (File No. 001-32833)</u> |
| <u>10.2</u> | Fifth Amended and Restated Employment Agreement, dated April 26, 2018, between TransDigm Group Incorporated and W. Nicholas Howley*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 30, 2018 (File No. 001-32833)</u>    |
| <u>10.3</u> | Employment Agreement, dated July 27, 2018, between TransDigm Group Incorporated and Michael Lisman*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed July 30, 2018 (File No. 001-32833)</u>     |
| <u>10.4</u> | Second Amended and Restated Employment Agreement, dated April 26, 2018, between TransDigm Group Incorporated and Kevin Stein*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 30, 2018 (File No. 001-32833)</u>    |
| <u>10.5</u> | Second Amended and Restated Employment Agreement, dated January 25, 2018, between TransDigm Group Incorporated and Robert Henderson*  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed January 30, 2018 (File No. 001-32833)</u>  |
| <u>10.6</u> | Third Amended and Restated Employment Agreement, dated November 6, 2018, between TransDigm Group Incorporated and Robert Henderson*   | <u>Filed Herewith</u>  |
| <u>10.7</u> | Employment Agreement, dated October 23, 2013, between TransDigm Group Incorporated and Jorge Valladares*  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K</u>  |



- 10.8 Employment Agreement, Dated February 24, 2011, between TransDigm Group Incorporated and Bernt Iversen\* [filed October 29, 2013 \(File No. 001-32833\)](#)  
[Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed February 25, 2011 \(File No. 001-32833\)](#)
- 10.9 Employment Agreement, dated April 20, 2012, between TransDigm Group Incorporated and James Skulina\* [Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 24, 2012 \(File No. 001-32833\)](#)
- 10.10 Employment Agreement, dated April 27, 2015, between TransDigm Group Incorporated and Terrance Paradie [Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 28, 2015](#)
- 10.11 First Amendment to Employment Agreement, dated April 20, 2012, between TransDigm Group Incorporated and Bernt Iversen\* [Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 24, 2012 \(File No. 001-32833\)](#)

Edgar Filing: TransDigm Group INC - Form 10-K

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| Exhibit No.  | Description   | Filed Herewith or Incorporated by Reference From   |
|--------------|---|--|
| <u>10.12</u> | Form of Amendment to Employment Agreement between TransDigm Group Incorporated and Bernt Iversen*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 25, 2012 (File No. 001-32833)</u>  |
| <u>10.13</u> | Form of Amendment to Employment Agreement, dated October 2015, between TransDigm Group Incorporated and each of Terrance Paradie, Bernt Iversen, James Skulina, and Jorge Valladares* | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 27, 2015 (File No. 001-32833)</u>  |
| <u>10.14</u> | Fourth Amendment to Employment Agreement, dated November 11, 2016, between TransDigm Group Incorporated and Bernt Iversen*  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed November 15, 2016 (File No. 001-32833)</u>                                       |
| <u>10.15</u> | Second Amendment to Employment Agreement, dated November 11, 2016, between TransDigm Group Incorporated and Terrance Paradie*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed November 15, 2016 (File No. 001-32833)</u>                                       |
| <u>10.16</u> | Second Amendment to Employment Agreement, dated July 30, 2018, between TransDigm Group Incorporated and Jorge Valladares*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed August 3, 2018 (File No. 001-32833)</u>  |
| <u>10.17</u> | Separation Agreement, dated January 2, 2018, between TransDigm Group Incorporated and Terrance Paradie*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed May 4, 2018 (File No. 001-32833)</u>  |
| <u>10.18</u> | TransDigm Group Incorporated Fourth Amended and Restated 2003 Stock Option Plan*  | <u>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)</u> |
| <u>10.19</u> | Amendment No. 1 to TransDigm Group Incorporated Fourth Amended and Restated 2003 Stock Option Plan*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 21, 2007 (File No. 001-32833)</u>                                      |
| <u>10.20</u> | Amendment No. 2 to TransDigm Group Incorporated Fourth Amended and Restated Stock Option Plan*  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 7, 2008 (File No. 001-32833)</u>   |
| <u>10.21</u> | Amendment No. 3 to TransDigm Group Incorporated Fourth Amended and Restated Stock Option Plan*  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed April 28, 2009 (File No. 001-32833)</u>  |
| <u>10.22</u> | TransDigm Group Incorporated 2006 Stock Incentive Plan*   | <u>Incorporated by reference to Amendment No. 3 to TransDigm Group Incorporated's Form S-1 filed March 13, 2006 (File No. 333-130483)</u>                      |
| <u>10.23</u> | Amendment No. 1, dated October 20, 2006, to the TransDigm Group Incorporated 2006 Stock Incentive Plan*   | <u>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)</u> |
| <u>10.24</u> | Second Amendment to TransDigm Group Incorporated 2006 Stock Incentive Plan, dated April 25, 2008*   | <u>Incorporated by reference to TransDigm Group Incorporated's Schedule 14A filed June 6, 2008 (File No. 001-32833)</u>  |
| <u>10.25</u> | TransDigm Group Incorporated 2014 Stock Option Plan*  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 6, 2014 (File No. 001-32833)</u>   |
| <u>10.26</u> | Director Share Plan*  |  |

Incorporated by reference to TransDigm Group  
Incorporated's Form 10-Q filed February 10, 2016  
(File No. 001-32833)

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| Exhibit No.  | Description   | Filed Herewith or Incorporated by Reference From  |
|--------------|---|---|
| <u>10.27</u> | Form of Option Agreements for options granted in fiscal 2014*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 14, 2014 (File No. 001-32833)</u> |
| <u>10.28</u> | Form of Option Agreements for options granted in fiscal 2015*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed January 30, 2015 (File No. 001-32833)</u>  |
| <u>10.29</u> | Form of Option Agreements for options granted in fiscal 2016*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 10, 2016 (File No. 001-32833)</u> |
| <u>10.30</u> | Form of Stock Option Agreement for options awarded in fiscal 2017*  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 8, 2017 (File No. 001-32833)</u>  |
| <u>10.31</u> | Form of Stock Option Agreement for options awarded in fiscal 2018*  | <u>Filed Herewith</u>   |
| <u>10.32</u> | Fourth Amended and Restated TransDigm Group Incorporated 2003 Stock Option Plan Dividend Equivalent Plan*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed August 2, 2013 (File No. 001-32833)</u>     |
| <u>10.33</u> | Third Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed August 2, 2013 (File No. 001-32833)</u>     |
| <u>10.34</u> | TransDigm Group Incorporated 2014 Stock Option Plan Dividend Equivalent Plan*   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed October 28, 2014 (File No. 001-32833)</u>   |
| <u>10.35</u> | Amendment and Restatement Agreement, and Second Amendment and Restated Credit 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 | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed June 6, 2014 (File No. 001-32833)</u>       |
| <u>10.36</u> | Incremental Assumption and Refinancing Facility Agreement, dated as of May 14, 2015, among TransDigm Inc., TransDigm Group Incorporated, the subsidiary guarantors party thereto, Credit Suisse AG, as administrative agent and collateral agent, and the other agents and lenders named therein                                | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 19, 2015 (File No. 001-32833)</u>       |
| <u>10.37</u> | Loan Modification Agreement, dated as of May 20, 2015, among TransDigm Inc., TransDigm Group Incorporated, the subsidiary guarantors party thereto, Credit Suisse AG, as administrative agent and collateral agent, and the other agents and lenders party thereto  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 27, 2015 (File No. 001-32833)</u>       |
| <u>10.38</u> | Incremental Revolving Credit Assumption and Refinancing Facility Agreement, dated as of May 20, 2015, among TransDigm Inc., TransDigm Group Incorporated, the subsidiary guarantors party   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 27, 2015</u>                            |

thereto, Credit Suisse AG, as administrative agent and collateral agent (File No. 001-32833)  
and the other agents and lenders party thereto

10.39

Incremental Term Loan Assumption Agreement dated October 14,  
2016 among TransDigm Inc., TransDigm Group Incorporated, the  
subsidiaries of TransDigm Inc. party thereto, the lenders party thereto  
and Credit Suisse AG, as administrative and collateral agent

Incorporated by reference to  
TransDigm Group Incorporated's  
Form 8-K filed October 14, 2016  
(File No. 001-32833)

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| Exhibit No.  | Description  | Filed Herewith or<br>Incorporated by Reference<br>From  |
|--------------|--|---|
| <u>10.40</u> | Amendment No. 2 to the Second Amended and Restated Credit Agreement, dated as of March 6, 2017, among TransDigm Inc., as borrower, TransDigm Group Incorporated, as guarantor, the subsidiary guarantors party thereto, Credit Suisse AG, as administrative agent and collateral agent, and the other agents and lenders named therein   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed March 8, 2017 (File No. 001-32833)</u>      |
| <u>10.41</u> | Amendment No. 3 to the Second Amended and Restated Credit Agreement, dated as of August 22, 2017, among TransDigm Inc., as borrower, TransDigm Group Incorporated, as guarantor, the subsidiary guarantors party thereto, Credit Suisse AG, as administrative agent and collateral agent, and the other agents and lenders named therein   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed August 24, 2017 (File No. 001-32833)</u>    |
| <u>10.42</u> | Amendment No.4 to the Second Amended and Restated Credit Agreement, dated as of November 30, 2017, among TransDigm Inc., as borrower, TransDigm Group Incorporated, as guarantor, the subsidiary guarantors party thereto, Credit Suisse AG, as administrative agent and collateral agent, and the other agents and lenders named therein  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed December 6, 2017 (File No. 001-32833)</u>   |
| <u>10.43</u> | Refinancing Facility Agreement to the Second Amended and Restated Credit Agreement, dated as of February 22, 2018, among TransDigm Inc., as borrower, TransDigm Group Incorporated, as guarantor, the subsidiary guarantors party thereto, Credit Suisse AG, as administrative agent and collateral agent, and the other agents and lenders named therein  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed February 22, 2018 (File No. 001-32833)</u>  |
| <u>10.44</u> | Amendment No. 5, Incremental Assumption Agreement and Refinancing Facility Agreement, dated as of May 30, 2018, relating to the Second Amended and Restated Credit Agreement, dated as of June 4, 2014, among TransDigm Inc., TransDigm Group Incorporated, each subsidiary of TransDigm Inc. party thereto, the lenders party thereto, and Credit Suisse AG, as administrative agent and collateral agent for the lenders | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed May 31, 2018 (File No. 001-32833)</u>       |
| <u>10.45</u> | 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed March 6, 2013 (File No. 001-32833)</u>      |
| <u>10.46</u> | 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   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed February 5, 2014 (File No. 001-32833)</u>  |
| <u>10.47</u> | First Amendment to the Receivables Purchase Agreement, dated March 25, 2014, among TransDigm Receivables LLC, TransDigm Inc., PNC Bank, National Association as a Purchaser, Purchaser Agent for its Purchaser Group and as Administrator  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u> |
| <u>10.48</u> | Second Amendment to the Receivables Purchase Agreement, dated August 8, 2014, among TransDigm Receivables LLC, TransDigm Inc., PNC Bank, National Association, as a Committed Purchaser, as a Purchaser Agent for its Purchaser Group and Administrator, and Credit  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015</u>                      |

Agricole Corporate and Investment Bank, as a Committed Purchaser and (File No. 001-32833)  
as a Purchase Agent for its Purchaser Group

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| Exhibit No.  | Description   | Filed Herewith or<br>Incorporated by<br>Reference From  |
|--------------|---|---|
| <u>10.49</u> | Third Amendment to the Receivables Purchase Agreement, dated March 20, 2015, among TransDigm Receivables LLC, TransDigm Inc., PNC Bank, National Association, as a Committed Purchaser, as a Purchaser Agent for its Purchaser Group and Administrator, Atlantic Asset Securitization LLC, as a Conduit Purchaser, and Credit Agricole Corporate and Investment Bank, as a Committed Purchaser and as a Purchase Agent for its and Atlantic's Purchaser Group   | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2015 (File No. 001-32833)</u> |
| <u>10.50</u> | Fourth Amendment to the Receivables Purchase Agreement dated as of August 4, 2015, among TransDigm Receivables LLC, TransDigm Inc., PNC Bank, National Association, as a Committed Purchaser, as a Purchaser Agent for its Purchaser Group and Administrator, Atlantic Asset Securitization LLC, as a Conduit Purchaser, and Credit Agricole Corporate and Investment Bank, as a Committed Purchaser and as a Purchaser Agent for its and Atlantic's Purchaser Group  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 8-K filed August 7, 2015 (File No. 001-32833)</u>     |
| <u>10.51</u> | Ninth Amendment to the Receivables Purchase Agreement dated as of August 1, 2017, among TransDigm Receivables LLC, TransDigm Inc., PNC Bank, National Association, as a Committed Purchaser, as Purchaser Agent for its Purchaser Group and as Administrator, Atlantic Asset Securitization LLC, as a Conduit Purchaser, Credit Agricole Corporate and Investment Bank, as a Committed Purchaser and as a Purchaser Agent for its and Atlantic's Purchaser Group, and Fifth Third Bank, as a Committed Purchaser and as Purchaser Agent for its Purchaser Group | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-K filed November 13, 2017 (File No. 001-32833)</u> |
| <u>10.52</u> | Tenth Amendment to the Receivables Purchase Agreement dated as of July 31, 2018, among TransDigm Receivables LLC, TransDigm Inc., PNC Bank, National Association, as a Committed Purchaser, as Purchaser Agent for its Purchaser Group and as Administrator, Atlantic Asset Securitization LLC, as a Conduit Purchaser, Credit Agricole Corporate and Investment Bank, as a Committed Purchaser and as a Purchaser Agent for its and Atlantic's Purchaser Group, and Fifth Third Bank, as a Committed Purchaser and as Purchaser Agent for its Purchaser Group  | <u>Incorporated by reference to TransDigm Group Incorporated's Form 10-Q filed August 8, 2018 (File No. 001-32833)</u>    |
| <u>21.1</u>  | Subsidiaries of TransDigm Group Incorporated  | <u>Filed Herewith</u>   |
| <u>23.1</u>  | Consent of Independent Registered Public Accounting Firm  | <u>Filed Herewith</u>   |
| <u>31.1</u>  | 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   | <u>Filed Herewith</u>   |
| <u>31.2</u>  | 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   | <u>Filed Herewith</u>   |
| <u>32.1</u>  | 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   | <u>Filed Herewith</u>   |





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| Exhibit No. | Description   | Filed Herewith or<br>Incorporated by Reference<br>From |
|-------------|---|--|
| <u>32.2</u> | Certification by Principal Financial Officer of TransDigm Group<br>Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to<br>Section 906 of the Sarbanes-Oxley Act of 2002 | <u>Filed Herewith</u>                                  |
| <u>101</u>  | Financial Statements and Notes to Consolidated Financial Statements<br>formatted in XBRL.   | <u>Filed Herewith</u>                                  |

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

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## 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 9, 2018.

TRANSDIGM GROUP  
INCORPORATED

By: /s/ Michael Lisman

Name: Michael Lisman

Title: Chief Financial Officer

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.

| Signature  | Title   | Date             |
|--|---|------------------|
| /s/ Kevin Stein<br>Kevin Stein                     | President, Chief Executive Officer and Director (Principal Executive Officer) | November 9, 2018 |
| /s/ Michael Lisman<br>Michael Lisman               | Chief Financial Officer (Principal Financial Officer)                         | November 9, 2018 |
| /s/ James Skulina<br>James Skulina                 | Senior Vice President of Finance (Principal Accounting Officer)               | November 9, 2018 |
| /s/ W. Nicholas Howley<br>W. Nicholas Howley       | Executive Chairman  | November 9, 2018 |
| /s/ David Barr<br>David Barr                       | Director  | November 9, 2018 |
| /s/ William Dries<br>William Dries                 | Director  | November 9, 2018 |
| /s/ Mervin Dunn<br>Mervin Dunn                     | Director  | November 9, 2018 |
| /s/ Michael Graff<br>Michael Graff                 | Director  | November 9, 2018 |
| /s/ Sean P. Hennessy<br>Sean P. Hennessy           | Director  | November 9, 2018 |
| /s/ Raymond F. Laubenthal<br>Raymond F. Laubenthal | Director  | November 9, 2018 |
| /s/ Gary E. McCullough<br>Gary E. McCullough       | Director  | November 9, 2018 |
| /s/ Douglas Peacock<br>Douglas Peacock             | Director  | November 9, 2018 |
| /s/ Michele Santana<br>Michele Santana             | Director  | November 9, 2018 |
| /s/ Robert J. Small<br>Robert J. Small             | Director  | November 9, 2018 |
| /s/ John Staer<br>John Staer                       | Director  | November 9, 2018 |

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TRANSDIGM GROUP INCORPORATED AND SUBSIDIARIES  
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of  
TransDigm Group

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TransDigm Group Incorporated (“the Company”) as of September 30, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in stockholders’ deficit, and cash flows for each of the three years in the period ended September 30, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company at September 30, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated November 9, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company’s auditor since 2004.

Cleveland, Ohio

November 9, 2018

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TRANSDIGM GROUP INCORPORATED  
CONSOLIDATED BALANCE SHEETS  
AS OF SEPTEMBER 30, 2018 AND 2017  
(Amounts in thousands, except share amounts)

|   | 2018                | 2017               |
|---|---------------------|--------------------|
| <b>ASSETS</b>   |                     |                    |
| <b>CURRENT ASSETS:</b>  |                     |                    |
| Cash and cash equivalents   | \$2,073,017         | \$650,561          |
| Trade accounts receivable—Net   | 704,310             | 636,127            |
| Inventories—Net   | 805,292             | 730,681            |
| Assets held-for-sale  | —                   | 77,500             |
| Prepaid expenses and other  | 74,668              | 38,683             |
| Total current assets  | 3,657,287           | 2,133,552          |
| PROPERTY, PLANT AND EQUIPMENT—Net   | 388,333             | 324,924            |
| GOODWILL  | 6,223,290           | 5,745,338          |
| OTHER INTANGIBLE ASSETS—Net   | 1,788,404           | 1,717,862          |
| DERIVATIVE ASSETS   | 97,286              | 15,809             |
| OTHER   | 42,867              | 38,176             |
| <b>TOTAL ASSETS</b>   | <b>\$12,197,467</b> | <b>\$9,975,661</b> |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  |                     |                    |
| <b>CURRENT LIABILITIES:</b>   |                     |                    |
| Current portion of long-term debt   | \$75,817            | \$69,454           |
| Short-term borrowings—trade receivable securitization facility  | 299,519             | 299,587            |
| Accounts payable  | 173,603             | 148,761            |
| Accrued liabilities   | 351,443             | 335,888            |
| Liabilities held-for-sale   | —                   | 17,304             |
| Total current liabilities   | 900,382             | 870,994            |
| LONG-TERM DEBT  | 12,501,946          | 11,393,620         |
| DEFERRED INCOME TAXES   | 399,496             | 500,949            |
| OTHER NON-CURRENT LIABILITIES   | 204,114             | 161,302            |
| Total liabilities   | 14,005,938          | 12,926,865         |
| <b>STOCKHOLDERS' DEFICIT:</b>   |                     |                    |
| Common stock—\$.01 par value; authorized 224,400,000 shares; issued 56,895,686 and 56,093,659 shares at September 30, 2018 and 2017, respectively | 569                 | 561                |
| Additional paid-in capital  | 1,208,742           | 1,095,319          |
| Accumulated deficit   | (2,246,578 )        | (3,187,220 )       |
| Accumulated other comprehensive income (loss)   | 4,100               | (85,143 )          |
| Treasury stock, at cost; 4,161,326 and 4,159,207 shares at September 30, 2018 and 2017, respectively  | (775,304 )          | (774,721 )         |
| Total stockholders' deficit   | (1,808,471 )        | (2,951,204 )       |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>  | <b>\$12,197,467</b> | <b>\$9,975,661</b> |
| See Notes to Consolidated Financial Statements  |                     |                    |

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

|   | Fiscal Years Ended September 30, |             |             |
|---|----------------------------------|-------------|-------------|
|   | 2018                             | 2017        | 2016        |
| NET SALES   | \$3,811,126                      | \$3,504,286 | \$3,171,411 |
| COST OF SALES   | 1,633,616                        | 1,519,659   | 1,443,348   |
| GROSS PROFIT  | 2,177,510                        | 1,984,627   | 1,728,063   |
| SELLING AND ADMINISTRATIVE EXPENSES                                 | 450,095                          | 415,575     | 382,858     |
| AMORTIZATION OF INTANGIBLE ASSETS                                   | 72,454                           | 89,226      | 77,445      |
| INCOME FROM OPERATIONS  | 1,654,961                        | 1,479,826   | 1,267,760   |
| INTEREST EXPENSE—Net  | 663,008                          | 602,589     | 483,850     |
| REFINANCING COSTS   | 6,396                            | 39,807      | 15,794      |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES               | 985,557                          | 837,430     | 768,116     |
| INCOME TAX PROVISION  | 24,021                           | 208,889     | 181,702     |
| INCOME FROM CONTINUING OPERATIONS                                   | 961,536                          | 628,541     | 586,414     |
| LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX                       | (4,474                           | ) (31,654   | ) —         |
| NET INCOME  | 957,062                          | 596,887     | 586,414     |
| NET INCOME APPLICABLE TO COMMON STOCK                               | \$900,914                        | \$437,630   | \$583,414   |
| Net earnings per share:   |                                  |             |             |
| Net earnings per share from continuing operations—basic and diluted | \$16.28                          | \$8.45      | \$10.39     |
| Net loss per share from discontinued operations—basic and diluted   | (0.08                            | ) (0.57     | ) —         |
| Net earnings per share  | \$16.20                          | \$7.88      | \$10.39     |
| Cash dividends paid per common share                                | \$—                              | \$46.00     | \$—         |
| Weighted-average shares outstanding:                                |                                  |             |             |
| Basic and diluted   | 55,597                           | 55,530      | 56,157      |

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

|  | Fiscal Years Ended September 30, |                  |                  |
|--|----------------------------------|------------------|------------------|
|  | 2018                             | 2017             | 2016             |
| Net income                                     | \$957,062                        | \$596,887        | \$586,414        |
| Other comprehensive income (loss), net of tax: |                                  |                  |                  |
| Foreign currency translation adjustments       | (10,253 )                        | 22,241           | (31,846 )        |
| Interest rate swap and cap agreements          | 93,860                           | 34,471           | (9,648 )         |
| Pension liability adjustments                  | 5,636                            | 7,932            | (12,284 )        |
| Other comprehensive income (loss), net of tax  | 89,243                           | 64,644           | (53,778 )        |
| <b>TOTAL COMPREHENSIVE INCOME</b>              | <b>\$1,046,305</b>               | <b>\$661,531</b> | <b>\$532,636</b> |

See Notes to Consolidated Financial Statements.

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TRANSDIGM GROUP INCORPORATED  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT  
(Amounts in thousands, except share and per share amounts)

|  | Common Stock           |                 |                                  | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Treasury Stock         |             | Total         |
|--|------------------------|-----------------|----------------------------------|------------------------|---|------------------------|-------------|---------------|
|  | Number<br>of<br>Shares | Common<br>Stock | Additional<br>Paid-In<br>Capital |                        |   | Number<br>of<br>Shares | Value       |               |
| BALANCE—September<br>30, 2015  | 55,100,094             | \$ 551          | \$ 950,324                       | \$(1,717,232)          | \$(96,009)  | (1,415,100)            | \$(175,940) | \$(1,038,306) |
| Accrued unvested<br>dividend equivalent<br>payments and other<br>Compensation<br>expense recognized<br>for employee stock<br>options and restricted<br>stock | —                      | —               | —                                | (16,145)               | —   | —                      | —           | (16,145)      |
| Exercise of employee<br>stock options and<br>restricted stock<br>activity, net   | 666,709                | 7               | 30,112                           | —                      | —   | (2,548)                | (575)       | 29,544        |
| Treasury stock<br>purchased  | —                      | —               | —                                | —                      | —   | (1,015,387)            | (207,755)   | (207,755)     |
| Common stock issued  | 964                    | —               | 230                              | —                      | —   | —                      | —           | 230           |
| Net income   | —                      | —               | —                                | 586,414                | —   | —                      | —           | 586,414       |
| Interest rate swaps<br>and caps, net of tax  | —                      | —               | —                                | —                      | (9,648)   | —                      | —           | (9,648)       |
| Foreign currency<br>translation<br>adjustments   | —                      | —               | —                                | —                      | (31,846)  | —                      | —           | (31,846)      |
| Pension liability<br>adjustments, net of<br>tax  | —                      | —               | —                                | —                      | (12,284)  | —                      | —           | (12,284)      |
| BALANCE—September<br>30, 2016  | 55,767,767             | 558             | 1,028,972                        | (1,146,963)            | (149,787)   | (2,433,035)            | (384,270)   | (651,490)     |
| Dividends paid   | —                      | —               | —                                | (2,422,295)            | —   | —                      | —           | (2,422,295)   |
| Accrued unvested<br>dividend equivalent<br>payments and other<br>Compensation<br>expense recognized<br>for employee stock<br>options and restricted<br>stock | —                      | —               | —                                | (214,849)              | —   | —                      | —           | (214,849)     |
| Exercise of employee<br>stock options and<br>restricted stock<br>activity, net   | 324,908                | 3               | 21,177                           | —                      | —   | (2,548)                | (630)       | 20,550        |

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|   |            |        |              |               |           |             |             |               |
|---|------------|--------|--------------|---------------|-----------|-------------|-------------|---------------|
| Treasury stock purchased  | —          | —      | —            | —             | —         | (1,723,624) | (389,821 )  | (389,821 )    |
| Common stock issued   | 984        | —      | 239          | —             | —         | —           | —           | 239           |
| Net income  | —          | —      | —            | 596,887       | —         | —           | —           | 596,887       |
| Interest rate swaps and caps, net of tax  | —          | —      | —            | —             | 34,471    | —           | —           | 34,471        |
| Foreign currency translation adjustments  | —          | —      | —            | —             | 22,241    | —           | —           | 22,241        |
| Pension liability adjustments, net of tax                                       | —          | —      | —            | —             | 7,932     | —           | —           | 7,932         |
| BALANCE—September 30, 2017  | 56,093,659 | 561    | 1,095,319    | (3,187,220 )  | (85,143 ) | (4,159,207) | (774,721 )  | (2,951,204 )  |
| Accrued unvested dividend equivalent payments and other                         | —          | —      | —            | (16,420 )     | —         | —           | —           | (16,420 )     |
| Compensation expense recognized for employee stock options and restricted stock | —          | —      | 55,481       | —             | —         | —           | —           | 55,481        |
| Exercise of employee stock options, restricted stock activity and other, net    | 800,955    | 8      | 57,583       | —             | —         | (2,119 )    | (583 )      | 57,008        |
| Common stock issued   | 1,072      | —      | 359          | —             | —         | —           | —           | 359           |
| Net income  | —          | —      | —            | 957,062       | —         | —           | —           | 957,062       |
| Interest rate swaps and caps, net of tax  | —          | —      | —            | —             | 93,860    | —           | —           | 93,860        |
| Foreign currency translation adjustments  | —          | —      | —            | —             | (10,253 ) | —           | —           | (10,253 )     |
| Pension liability adjustments, net of tax                                       | —          | —      | —            | —             | 5,636     | —           | —           | 5,636         |
| BALANCE—September 30, 2018  | 56,895,686 | \$ 569 | \$ 1,208,742 | \$(2,246,578) | \$ 4,100  | (4,161,326) | \$(775,304) | \$(1,808,471) |

See Notes to Consolidated Financial Statements.

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

|  | Fiscal Years Ended September 30, |             |             |
|--|----------------------------------|-------------|-------------|
|  | 2018                             | 2017        | 2016        |
| <b>OPERATING ACTIVITIES:</b>   |                                  |             |             |
| Net income   | \$957,062                        | \$596,887   | \$586,414   |
| Net loss from discontinued operations  | 4,474                            | 31,654      | —           |
| Adjustments to reconcile net income to net cash provided by operating activities:          |                                  |             |             |
| Depreciation   | 56,397                           | 50,937      | 43,455      |
| Amortization of intangible assets  | 73,447                           | 90,088      | 78,215      |
| Amortization of debt issuance costs, original issue discount and premium                   | 22,128                           | 21,106      | 16,211      |
| Refinancing costs  | 6,396                            | 39,807      | 15,794      |
| Non-cash equity compensation   | 58,481                           | 45,524      | 48,306      |
| Deferred income taxes  | (151,640)                        | (918)       | 5,808       |
| Changes in assets/liabilities, net of effects from acquisitions of businesses:             |                                  |             |             |
| Trade accounts receivable  | (43,811)                         | (54,669)    | (80,114)    |
| Inventories  | (10,808)                         | 5,127       | (2,073)     |
| Income taxes receivable/payable  | 36,161                           | 18,219      | (12,299)    |
| Other assets   | (4,813)                          | (10,564)    | (4,919)     |
| Accounts payable   | 18,075                           | (10,354)    | (6,657)     |
| Accrued interest   | 14,368                           | (958)       | 17,933      |
| Accrued and other liabilities  | (13,744)                         | (33,153)    | (22,776)    |
| Net cash provided by operating activities  | 1,022,173                        | 788,733     | 683,298     |
| <b>INVESTING ACTIVITIES:</b>   |                                  |             |             |
| Capital expenditures, net of disposals   | (73,341)                         | (71,013)    | (43,982)    |
| Payments made in connection with acquisitions  | (667,619)                        | (136,295)   | (1,399,064) |
| Proceeds (payments made) in connection with the sale (purchase) of discontinued operations | 57,383                           | (79,695)    | —           |
| Net cash used in investing activities  | (683,577)                        | (287,003)   | (1,443,046) |
| <b>FINANCING ACTIVITIES:</b>   |                                  |             |             |
| Proceeds from exercise of stock options  | 57,583                           | 21,177      | 30,112      |
| Dividends paid   | (56,148)                         | (2,581,552) | (3,000)     |
| Treasury stock purchased   | —                                | (389,821)   | (207,755)   |
| Proceeds from term loans, net  | 12,779,694                       | 2,937,773   | 1,711,515   |
| Repayment on term loans  | (12,174,305)                     | (1,284,698) | (834,409)   |
| Proceeds from senior subordinated notes, net   | 489,608                          | 300,386     | 939,584     |
| Cash tender and redemption of senior subordinated notes due 2021, including premium        | —                                | (528,847)   | —           |
| Proceeds from trade receivable securitization facility, net                                | —                                | 99,471      | —           |
| Financing fees and other   | (10,832)                         | (17,571)    | (3,580)     |
| Net cash provided by (used in) financing activities  | 1,085,600                        | (1,443,682) | 1,632,467   |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>                        | (1,740)                          | 5,519       | 242         |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                | 1,422,456                        | (936,433)   | 872,961     |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                                      | 650,561                          | 1,586,994   | 714,033     |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>  | \$2,073,017                      | \$650,561   | \$1,586,994 |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                   |                                  |             |             |

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|   |           |           |           |
|---|-----------|-----------|-----------|
| Cash paid during the period for interest        | \$634,980 | \$587,718 | \$448,608 |
| Cash paid during the period for income taxes    | \$129,246 | \$185,295 | \$183,291 |
| See Notes to Consolidated Financial Statements. |           |           |           |

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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 every commercial and military aircraft in service today. TransDigm Inc., along with TransDigm Inc.’s wholly-owned and majority-owned subsidiaries for which it has a controlling interest (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, databus and power controls, 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, high performance hoists, winches and lifting devices, and cargo loading, handling and delivery systems.

2. ACQUISITIONS AND DIVESTITURES

During the last three fiscal years, the Company completed the acquisitions of Skandia, Extant, Kirkhill, three separate aerospace product lines (collectively, the “Third Quarter 2017 Acquisitions”), Y&F/Tactair, DDC and Breeze-Eastern. 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 September 30, 2018, the one-year measurement period is open for Skandia, Extant, and Kirkhill; therefore, the assets acquired and liabilities assumed related to these acquisitions are subject to adjustment until the end of their respective one-year measurement periods. The Company is in the process of obtaining a third-party valuation of certain intangible assets and tangible assets and liabilities of Skandia, Extant and Kirkhill. 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, 2018 or 2017, 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.

Skandia – On July 13, 2018, the Company acquired all of the outstanding stock of Skandia Inc. (“Skandia”) for a total purchase price of approximately \$84.3 million, which is net of a \$0.2 million working capital settlement paid in the fourth quarter of fiscal 2018. Skandia provides highly engineered seating foam, foam fabrication, flammability testing and acoustic solutions for the business jet market. Skandia is included as a product line within an existing reporting unit in TransDigm’s Airframe segment. The Company expects that no goodwill recognized for the acquisition will be deductible for tax purposes.

Extant – On April 24, 2018, the Company acquired all of the outstanding stock of Extant for a total purchase price of approximately \$532.5 million in cash, which is net of a \$0.2 million working capital settlement received in the third quarter of fiscal 2018. Extant provides a broad range of proprietary aftermarket products and repair and overhaul services to the aerospace and defense end markets. Extant owns or exclusively licenses in excess of 2,500 assemblies and sub-assemblies on over 70 active platforms. Extant is included in TransDigm’s Power and Control segment.

Prior to the Company's acquisition of Extant, Extant was owned by an equity fund sponsored by Warburg Pincus LLC. Michael Graff, a director of TransDigm, is a managing director of Warburg Pincus LLC and was chairman of the board of Extant. Robert Henderson, Vice Chairman of TransDigm, was also on the board of Extant and owned less than 2% of Extant on a fully diluted basis. In addition, Mr. Graff, W. Nicholas Howley, TransDigm's Executive Chairman, and Messrs. Douglas Peacock and David Barr, directors of TransDigm, each had minority interests of less than 1% in the Warburg Pincus LLC fund that owned Extant.

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The total purchase price of Extant 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 | \$56,122 |
| Property, plant, and equipment          | 4,096    |
| Intangible assets                       | 105,000  |
| Goodwill                                | 402,412  |
| Total assets acquired                   | 567,630  |

## Liabilities assumed:

|                              |           |
|------------------------------|-----------|
| Current liabilities          | 9,876     |
| Other noncurrent liabilities | 25,264    |
| Total liabilities assumed    | 35,140    |
| Net assets acquired          | \$532,490 |

The Company expects that approximately \$44 million of goodwill recognized for the acquisition will be deductible for tax purposes over 15 years and approximately \$358 million of goodwill recognized for the acquisition will not be deductible for tax purposes.

Kirkhill – On March 15, 2018, the Company acquired the assets and certain liabilities of the Kirkhill elastomers business from Esterline Technologies for a total purchase price of approximately \$49.3 million, which is net of a \$0.6 million working capital settlement received in the third quarter of fiscal 2018. Kirkhill's products are primarily proprietary, sole source with significant aftermarket content and used in a broad variety of most major commercial transport and military platforms. Kirkhill is included in TransDigm's Airframe segment. The Company expects that no goodwill recognized for the acquisition will be deductible for tax purposes.

The Kirkhill acquisition includes loss contract reserves recorded at a fair value of approximately \$39.2 million at September 30, 2018. Of the \$39.2 million in loss contract reserves, \$9.0 million is included accrued liabilities and \$30.2 million is included in other non-current liabilities in the consolidated balance sheet at September 30, 2018. The Company is committed under certain existing Kirkhill agreements to supply products to our customers at selling prices that are not sufficient to cover the costs to produce such product. These agreements were existing at the time of the acquisition. The value of this reserve is analyzed and adjusted at each reporting period.

Third Quarter 2017 Acquisitions – The Third Quarter 2017 Acquisitions were acquired for an aggregate purchase price of approximately \$106.7 million in cash, which includes working capital settlements totaling \$1.0 million paid in the third and fourth quarters of fiscal 2017 and an earn-out of \$0.4 million paid in the second quarter of fiscal 2018. All three product lines consist primarily of proprietary, sole source products with significant aftermarket content. The products include highly engineered aerospace controls, quick disconnect couplings, and communication electronics. Each product line acquired was consolidated into an existing TransDigm reporting unit within TransDigm's Power & Control segment. Approximately \$66 million of goodwill recognized for the acquisitions is deductible for tax purposes over 15 years and approximately \$9 million of goodwill recognized for the acquisitions is not deductible for tax purposes.

Schroth – On February 22, 2017, the Company acquired all of the outstanding stock of Schroth Safety Products GmbH and certain aviation and defense assets and liabilities from subsidiaries of Takata Corporation (collectively, "Schroth"), for a total purchase price of approximately \$89.7 million, of which consisted primarily of \$79.7 million paid in cash during fiscal 2017 and an approximately \$9.0 million indemnity holdback, of which \$8.5 million was paid in April 2018 and \$0.5 million remains a reserve as of September 30, 2018.

In connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition, during the fourth quarter of 2017, the Company committed to dispose of the Schroth business. Therefore, Schroth was classified as held-for-sale beginning in the fourth quarter of 2017. The results of operations of Schroth are reflected as discontinued operations in the accompanying consolidated financial statements.

On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately \$61.4 million, which includes a working capital adjustment of \$0.3 million that was settled in July 2018. Further disclosure related to Schroth's discontinued operations is included in Note 22.

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Y&F/Tactair – On September 23, 2016, the Company acquired all of the outstanding stock of Young & Franklin, Inc., the parent company of Tactair Fluid Controls, Inc., for approximately \$258.8 million in cash, which includes a working capital settlement of \$2.7 million paid in the first quarter of 2017. Y&F/Tactair manufactures proprietary, highly engineered valves and actuators. Y&F/Tactair is included in TransDigm’s Power & Control segment. The purchase price includes approximately \$74.5 million of tax benefits being realized by the Company over a 15-year period that began in the first quarter of fiscal 2017. Approximately \$124 million of goodwill recognized for the acquisition is deductible for tax purposes over 15 years and approximately \$8 million of goodwill recognized for the acquisition is not deductible for tax purposes.

Data Device Corporation – On June 23, 2016, the Company acquired all of the outstanding stock of ILC Holdings, Inc., the parent company of Data Device Corporation, for a total purchase price of approximately \$997.7 million in cash, which includes a working capital settlement of \$1.4 million received in the first quarter of fiscal 2017. TransDigm financed the acquisition of DDC with cash proceeds from the issuance of senior subordinated notes due in June 2026 and term loans. DDC is a supplier of databus and power controls and related products that are used primarily in military avionics, commercial aerospace and space applications. DDC is included in TransDigm’s Power & Control segment.

The total purchase price of DDC 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 final 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 | \$ 107,728 |
| Property, plant, and equipment          | 20,818     |
| Intangible assets                       | 229,300    |
| Goodwill                                | 750,935    |
| Other                                   | 2,036      |
| Total assets acquired                   | 1,110,817  |

## Liabilities assumed:

|                              |            |
|------------------------------|------------|
| Current liabilities          | 26,520     |
| Other noncurrent liabilities | 86,642     |
| Total liabilities assumed    | 113,162    |
| Net assets acquired          | \$ 997,655 |

Approximately \$740 million of goodwill recognized for the acquisition is not deductible for tax purposes and approximately \$11 million of goodwill recognized for the acquisition is deductible for tax purposes over 15 years.

Breeze-Eastern – On January 4, 2016, the Company completed the tender offer for all of the outstanding stock of Breeze-Eastern for \$19.61 per share in cash. The purchase price was approximately \$205.9 million, of which \$146.4 million (net of cash acquired of \$30.8 million) was paid at closing and \$34.9 million was paid to dissenting shareholders during the first fiscal quarter of 2017. Of the \$34.9 million payment, \$28.7 million related to the original merger consideration and \$6.2 million represented the settlement reached with the dissenting shareholders resolving the dispute over the dissenting shareholders’ statutory appraisal action. Of the \$6.2 million settlement, \$4.9 million was recorded as selling and administrative expense and \$1.3 million was recorded as interest expense for statutory interest arising under Delaware General Corporate Law. Once the Company paid the \$34.9 million settlement to the dissenting shareholders on October 20, 2016, the dissenting stockholders fully released their claims against the Company.

Breeze-Eastern manufactures high performance lifting and pulling devices for military and civilian aircraft, including rescue hoists, winches and cargo hooks, and weapons-lifting systems. Breeze-Eastern is included in TransDigm’s Power & Control segment. All of the approximately \$115 million of goodwill recognized for the acquisition is not deductible for tax purposes.

## 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. Certain reclassifications have been made to the prior year financial statements to conform to current year presentation related to an organizational realignment effective October 1, 2017 of certain businesses comprising the Power & Control and the Non-Aviation segments.

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**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, 2018, 2017 and 2016 was approximately \$73.8 million, \$73.8 million, and \$58.6 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 uncollectible accounts is subject to significant levels of judgment and estimation by management. If circumstances change or economic conditions deteriorate or improve, the allowance for uncollectible accounts could increase or decrease.

**Inventories**—Inventories are stated at the lower of cost or net realizable value. 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. Provision for potentially obsolete or slow-moving inventory is made based on management's analysis of inventory levels and future sales forecasts.

**Property, Plant and Equipment**—Property, plant and equipment are stated at cost and include improvements which significantly increase capacities or extend the useful lives of existing plant and equipment. 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. Net gains or losses related to asset dispositions are recognized in earnings in the period in which dispositions occur. Routine maintenance, repairs and replacements are expensed as incurred.

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. Fair value is measured based on quoted market prices in active markets, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows.

**Debt Issuance 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 as a component of interest expense within the consolidated statements of income. Debt issuance costs are presented in the consolidated balance sheets as a direct reduction from the carrying amount of the related debt liabilities.

**Financial Instruments**—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. As the interest rate swap and cap agreements are used to manage interest rate risk, any gains or losses from the derivative instruments that are reclassified into earnings are recognized in interest expense - net in the consolidated statements of income.

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 (i.e., trademarks and trade names) are subject to annual impairment testing. Management

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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.

At the time of goodwill impairment testing, the Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, and whether it is therefore necessary to perform the quantitative goodwill impairment test. The quantitative goodwill impairment test consists of two steps. 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-Based Compensation**—The Company records stock-based compensation expense using the fair value method of accounting. Compensation expense is recorded over the vesting periods of the stock options, restricted stock and other stock-based incentives. No expense is recognized for any stock options, restricted stock and other stock-based incentives ultimately forfeited because the recipients fail to meet vesting requirements.

**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 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 (deficit) 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 and cap 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 monthly 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 immaterial 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

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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. Contingently issuable shares are not included in earnings per share until the period in which the contingency is satisfied; therefore, basic and diluted earnings per share are the same.

#### 4. RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2014-09, which created a new topic in the Accounting Standards Codification (“ASC”) 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 requires an entity to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also specifies the accounting of some costs to obtain or fulfill a contract with a customer and expands the disclosure requirements around contracts with customers. The Company will adopt the standard beginning October 1, 2018 using the modified retrospective method.

We have established our accounting policy, provided training to the Company’s reporting units and completed our evaluation of the new standard, including the impact on our business processes, systems and controls, and differences in the timing and/or method of revenue recognition for our contracts. As a result of the evaluation, the Company identified changes to and modified certain of our accounting policies and practices. The Company also designed and implemented specific controls over the evaluation of the impact of the new standard, including the calculation of the cumulative effect of adopting the new standard. We determined that the revenue recognition for our products and services will remain largely unchanged; and therefore, the adoption of ASC 606 will not have a material impact on our consolidated financial statements. We will provide expanded disclosures as required under ASC 606 in the consolidated financial statements upon adoption.

In February 2016, the FASB issued ASU 2016-02, “Leases (ASC 842),” which will require that a lessee recognize assets and liabilities on the balance sheet for all leases with a lease term of more than twelve months, with the result being the recognition of a right of use asset and a lease liability. Additionally, in July 2018, the FASB issued ASU 2018-10, “Codification Improvements to ASC 842, Leases” which provides narrow amendments to clarify how to apply certain aspects of the new leases standard. The new leases standard guidance is effective for the Company for annual reporting periods, including interim periods therein, beginning October 1, 2019, with early adoption permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and disclosures.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments (ASU 2016-13),” which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. ASU 2016-13 is effective for annual and interim periods beginning after December 15, 2019 and early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements and disclosures.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments,” which clarifies existing guidance related to accounting for cash receipts and cash payments and classification on the statement of cash flows. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, with early adoption permitted. The Company elected to early adopt this standard in the fourth quarter of fiscal 2017. The adoption of this standard did not have a material impact on its consolidated statement of cash flows.

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment,” to eliminate Step 2 from the goodwill impairment test in order to simplify the subsequent measurement of goodwill. The guidance is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this standard is not expected to have a material impact on its consolidated financial statements and disclosures.

In March 2017, the FASB issued ASU 2017-07, "Compensation—Retirement Benefits (ASC 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost," that will change how employers that sponsor defined benefit and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Under the new guidance, employers will present the service cost component of the net periodic benefit cost in the same income statement line item(s) as other employee compensation costs arising from services rendered during the period. In addition, only the service cost component will be eligible for capitalization in assets. Employers will present the other components separately from the line item(s) that includes the service cost and outside of any subtotal of operating income, if one is presented. Employers will have to disclose the line(s) used to present the other components of net periodic benefit cost, if the components are not presented separately in the income statement. The standard is effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within the fiscal year. Early adoption is permitted, including adoption in any interim

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period for which financial statements have not yet been issued. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In May 2017, the FASB issued ASU 2017-09, "Compensation—Stock Compensation (ASC 718): Scope of Modification Accounting," which provides clarity on which changes to the terms or conditions of share-based payment awards require an entity to apply the modification accounting provisions required in ASC 718. The standard is effective for all entities for annual periods beginning after December 15, 2017, with early adoption permitted, including adoption in any interim period for which financial statements have not yet been issued. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (ASC 815): Targeted Improvements to Accounting for Hedging Activities," which amends the FASB's hedge accounting model to enable entities to better portray their risk management activities in financial statements. The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. ASU 2017-12 is effective for the Company for annual reporting periods, including interim periods therein, beginning October 1, 2018, with early adoption permitted. As early adoption is permissible, the Company adopted the pronouncement beginning October 1, 2017. Changes were applied prospectively in accordance with the standard and prior periods were not adjusted. The adoption of this standard did not have a material impact on our consolidated financial statements and disclosures.

In February 2018, the FASB issued ASU 2018-02, "Income Statement - Reporting Comprehensive Income (ASC 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which gives entities the option to reclassify tax effects stranded in accumulated other comprehensive income as a result of the Tax Cuts and Jobs Act (the "Act") into retained earnings. The guidance allows entities to reclassify from accumulated other comprehensive income to retained earnings stranded tax effects resulting from the Act's new federal corporate income tax rate. The guidance also allows entities to elect to reclassify other stranded tax effects that relate to the Act but do not directly relate to the change in the federal tax rate (e.g., state taxes, changing from a worldwide tax system to a territorial system). Tax effects that are stranded in accumulated other comprehensive income for other reasons (e.g., prior changes in tax law, a change in valuation allowance) may not be reclassified. The standard is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within the fiscal year. Early adoption is permitted, including adoption in any interim period for which financial statements have not yet been issued. Entities have the option to apply the guidance retrospectively or in the period of adoption. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In March 2018, the FASB issued ASU 2018-05, "Income Taxes (ASC 740), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118." The ASU adds various SEC paragraphs pursuant to the issuance of the December 2017 SEC Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act ("SAB 118"), which was effective immediately. The SEC issued SAB 118 to address concerns about reporting entities' ability to timely comply with the accounting requirements to recognize all of the effects of the Tax Cuts and Jobs Act in the period of enactment. SAB 118 allows disclosure that timely determination of some or all of the income tax effects from the Tax Cuts and Jobs Act are incomplete by the due date of the financial statements and if possible to provide a reasonable estimate. We have accounted for the tax effects of the Tax Cuts and Jobs Act under the guidance of SAB 118, on a provisional basis. Our accounting for certain income tax effects is incomplete, but we have determined reasonable estimates for those effects and have recorded provisional amounts in our consolidated financial statements. Refer to Note 13, "Income Taxes," for further information.

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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):

|  | Fiscal Years Ended |            |           |
|--|--------------------|------------|-----------|
|  | September 30,      |            |           |
|  | 2018               | 2017       | 2016      |
| Numerator for earnings per share:  |                    |            |           |
| Net income from continuing operations  | \$961,536          | \$628,541  | \$586,414 |
| Less dividends paid on participating securities                                  | (56,148 )          | (159,257 ) | (3,000 )  |
|  | \$905,388          | \$469,284  | \$583,414 |
| Net loss from discontinued operations  | (4,474 )           | (31,654 )  | —         |
| Net income applicable to common stock—basic and diluted                          | \$900,914          | \$437,630  | \$583,414 |
| Denominator for basic and diluted earnings per share under the two-class method: |                    |            |           |
| Weighted average common shares outstanding                                       | 52,345             | 52,517     | 53,326    |
| Vested options deemed participating securities                                   | 3,252              | 3,013      | 2,831     |
| Total shares for basic and diluted earnings per share                            | 55,597             | 55,530     | 56,157    |
|  |                    |            |           |
| Net earnings per share from continuing operations—basic and diluted              | \$16.28            | \$8.45     | \$10.39   |
| Net loss per share from discontinued operations—basic and diluted                | (0.08 )            | (0.57 )    | —         |
| Net earnings per share   | \$16.20            | \$7.88     | \$10.39   |

## 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.

In 2018, 2017 and 2016, two customers individually accounted for more than 10% of the Company's net sales. One customer accounted for approximately 11%, 13% and 13% of the Company's net sales for fiscal years ended 2018, 2017 and 2016, respectively. The other customer accounted for approximately 10%, 11% and 12% of the Company's net sales for fiscal years ended 2018, 2017 and 2016, respectively. Sales to these customers were split approximately evenly between the Power & Control and Airframe segments. Sales to foreign customers, primarily in Western Europe, Canada and Asia, were \$1,355.1 million, \$1,318.9 million and \$1,169.5 million during fiscal years ended 2018, 2017 and 2016.

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

|                                      | 2018      | 2017      |
|--------------------------------------|-----------|-----------|
| Trade accounts receivable—gross      | \$708,984 | \$639,946 |
| Allowance for uncollectible accounts | (4,674 )  | (3,819 )  |
| Trade accounts receivable—net        | \$704,310 | \$636,127 |

At September 30, 2018, approximately 22% of the Company's trade accounts receivable was due from two customers. One customer accounted for approximately 12% percent of the Company's trade accounts receivable and the other customer accounted for approximately 10% of the Company's trade accounts receivable. In addition, approximately 37% 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.

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## 7. INVENTORIES

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

|   | 2018      | 2017      |
|---|-----------|-----------|
| Raw materials and purchased component parts | \$540,290 | \$496,899 |
| Work-in-progress                            | 237,335   | 187,009   |
| Finished Goods                              | 127,018   | 131,548   |
| Total                                       | 904,643   | 815,456   |
| Reserve for excess and obsolete inventory   | (99,351 ) | (84,775 ) |
| Inventories—net                             | \$805,292 | \$730,681 |

## 8. PROPERTY, PLANT AND EQUIPMENT

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

|                                   | 2018       | 2017       |
|-----------------------------------|------------|------------|
| Land and improvements             | \$77,455   | \$56,554   |
| Buildings and improvements        | 171,269    | 161,990    |
| Machinery, equipment and other    | 448,014    | 376,659    |
| Construction in progress          | 31,237     | 22,037     |
| Total                             | 727,975    | 617,240    |
| Accumulated depreciation          | (339,642 ) | (292,316 ) |
| Property, plant and equipment—net | \$388,333  | \$324,924  |

## 9. INTANGIBLE ASSETS

Other intangible assets - net in the consolidated balance sheets consist of the following at September 30 (in thousands):

|                            | 2018                  |                          |             | 2017                  |                          |             |
|----------------------------|-----------------------|--------------------------|-------------|-----------------------|--------------------------|-------------|
|                            | Gross Carrying Amount | Accumulated Amortization | Net         | Gross Carrying Amount | Accumulated Amortization | Net         |
| Trademarks and trade names | \$799,749             | \$ —                     | \$799,749   | \$729,931             | \$ —                     | \$729,931   |
| Technology                 | 1,347,314             | 416,579                  | 930,735     | 1,292,719             | 351,638                  | 941,081     |
| Order backlog              | 12,200                | 5,409                    | 6,791       | 29,000                | 26,668                   | 2,332       |
| Other                      | 73,434                | 22,305                   | 51,129      | 63,599                | 19,081                   | 44,518      |
| Total                      | \$2,232,697           | \$ 444,293               | \$1,788,404 | \$2,115,249           | \$ 397,387               | \$1,717,862 |

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

Annual Amortization Expense:

Years ended September 30,

|      |          |
|------|----------|
| 2018 | \$72,454 |
| 2017 | 89,226   |
| 2016 | 77,445   |

Estimated Amortization Expense:

Years ending September 30,

|      |          |
|------|----------|
| 2019 | \$75,640 |
| 2020 | 70,307   |
| 2021 | 70,307   |
| 2022 | 70,307   |
| 2023 | 70,307   |

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Intangible assets acquired during the fiscal year ended September 30, 2018 were as follows (in thousands):

|  | Gross<br>Amount | Amortization<br>Period |
|--|-----------------|------------------------|
| Intangible assets not subject to amortization: |                 |                        |
| Goodwill                                       | \$475,861       |                        |
| Trademarks and trade names                     | 70,400          |                        |
|  | 546,261         |                        |
| Intangible assets subject to amortization:     |                 |                        |
| Technology                                     | 58,400          | 20 years               |
| Order backlog                                  | 9,500           | 1 year                 |
| Other  | 10,160          | 20 years               |
|  | 78,060          | 17.7 years             |
| Total  | \$624,321       |                        |

The changes in the carrying amount of goodwill by segment for the fiscal years ended September 30, 2017 and 2018 were as follows (in thousands):

|  | Power &<br>Control | Airframe    | Non-<br>aviation | Total       |
|--|--------------------|-------------|------------------|-------------|
| Balance at September 30, 2016                                  | \$3,209,584        | \$2,376,593 | \$93,275         | \$5,679,452 |
| Goodwill acquired during the year (Note 2)                     | 70,369             | 58,783      | —                | 129,152     |
| Write-down of discontinued operations (Note 22)                | —                  | (32,000 )   | —                | (32,000 )   |
| Reclass of goodwill acquired to assets held-for-sale (Note 22) | —                  | (26,783 )   | —                | (26,783 )   |
| Purchase price allocation adjustments                          | (9,972 )           | —           | —                | (9,972 )    |
| Currency translation adjustment                                | —                  | 5,489       | —                | 5,489       |
| Balance at September 30, 2017                                  | 3,269,981          | 2,382,082   | 93,275           | 5,745,338   |
| Goodwill acquired during the year (Note 2)                     | 402,540            | 73,321      | —                | 475,861     |
| Purchase price allocation adjustments                          | 5,354              | —           | —                | 5,354       |
| Currency translation adjustment                                | —                  | (3,258 )    | —                | (3,258 )    |
| Other  | (192 )             | 187         | —                | (5 )        |
| Balance at September 30, 2018                                  | \$3,677,683        | \$2,452,332 | \$93,275         | \$6,223,290 |

**10. ACCRUED LIABILITIES**

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

|  | 2018      | 2017      |
|--|-----------|-----------|
| Compensation and related benefits                  | \$81,035  | \$68,945  |
| Interest   | 96,590    | 82,222    |
| Interest rate swap agreements                      | 528       | 20,740    |
| Product warranties                                 | 21,056    | 22,971    |
| Dividend equivalent payments—current (see Note 17) | 174,200   | 56,506    |
| Environmental and other litigation reserves        | 31,079    | 4,121     |
| Other  | 96,955    | 80,383    |
| Total  | \$351,443 | \$335,888 |

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## 11. DEBT

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

|  | 2018            |                           |  |               |
|--|-----------------|---------------------------|--|---------------|
|  | Gross<br>Amount | Debt<br>Issuance<br>Costs | Original<br>Issue<br>Discount<br>or<br>Premium | Net Amount    |
| Short-term borrowings—trade receivable securitization facility | \$ 300,000      | \$(481 )                  | \$—  | \$ 299,519    |
| Term loans   | \$ 7,599,932    | \$(69,697 )               | \$(21,030)                                     | \$ 7,509,205  |
| 5.50% senior subordinated notes due 2020 (2020 Notes)          | 550,000         | (2,187 )                  | —  | 547,813       |
| 6.00% senior subordinated notes due 2022 (2022 Notes)          | 1,150,000       | (5,501 )                  | —  | 1,144,499     |
| 6.50% senior subordinated notes due 2024 (2024 Notes)          | 1,200,000       | (6,866 )                  | —  | 1,193,134     |
| 6.50% senior subordinated notes due 2025 (2025 Notes)          | 750,000         | (3,505 )                  | 3,636  | 750,131       |
| 6.375% senior subordinated notes due 2026 (6.375% 2026 Notes)  | 950,000         | (7,798 )                  | —  | 942,202       |
| 6.875% senior subordinated notes due 2026 (6.875% 2026 Notes)  | 500,000         | (5,616 )                  | (3,605 )                                       | 490,779       |
|  | 12,699,932      | (101,170 )                | (20,999 )                                      | 12,577,763    |
| Less current portion   | 76,427          | (610 )                    | —  | 75,817        |
| Long-term debt   | \$ 12,623,505   | \$(100,560)               | \$(20,999)                                     | \$ 12,501,946 |

|  | 2017            |                           |  |               |
|--|-----------------|---------------------------|--|---------------|
|  | Gross<br>Amount | Debt<br>Issuance<br>Costs | Original<br>Issue<br>Discount<br>or<br>Premium | Net Amount    |
| Short-term borrowings—trade receivable securitization facility | \$ 300,000      | \$(413 )                  | \$—  | \$ 299,587    |
| Term loans   | \$ 6,973,009    | \$(64,104)                | \$(18,948)                                     | \$ 6,889,957  |
| 2020 Notes   | 550,000         | (3,243 )                  | —  | 546,757       |
| 2022 Notes   | 1,150,000       | (6,941 )                  | —  | 1,143,059     |
| 2024 Notes   | 1,200,000       | (8,042 )                  | —  | 1,191,958     |
| 2025 Notes   | 750,000         | (4,033 )                  | 4,182  | 750,149       |
| 6.375% 2026 Notes  | 950,000         | (8,806 )                  | —  | 941,194       |
|  | 11,573,009      | (95,169 )                 | (14,766 )                                      | 11,463,074    |
| Less current portion   | 70,031          | (577 )                    | —  | 69,454        |
| Long-term debt   | \$ 11,502,978   | \$(94,592)                | \$(14,766)                                     | \$ 11,393,620 |

**Trade Receivable Securitization Facility**

During fiscal 2014, the Company established a trade receivable securitization facility (the "Securitization Facility"). The Securitization Facility effectively increases the Company's borrowing capacity depending on the amount of the domestic operations' trade accounts receivable. 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. The Company uses the proceeds from the Securitization Facility as an alternative to other forms of debt, effectively reducing borrowing costs. In August 2018, the Company amended the Securitization Facility to increase the borrowing capacity to \$350 million and extend the maturity date to July 31, 2019. As of September 30, 2018, the Company has borrowed \$300 million under the Securitization Facility. The Securitization Facility is collateralized by substantially all of the Company's domestic operations' trade accounts receivable.

**Amendment No. 4 to the Second Amended and Restated Credit Agreement**

On November 30, 2017, the Company entered into Amendment No. 4 to the Second Amended and Restated Credit Agreement. Pursuant to Amendment No. 4, TransDigm, among other things, incurred new tranche E term loans and new Tranche F term loans in aggregate principal amounts equal to \$1,503 million and \$2,857 million, respectively,

and repaid in full all of the existing tranche E term loans and Tranche F term loans outstanding under the Second Amended and Restated Credit Agreement immediately prior to the refinancing facility agreement. Additionally, pursuant to Amendment No. 4, TransDigm converted approximately \$798 million of existing tranche D term loans into additional tranche F term loans. The refinancing facility agreement also decreased the margin applicable to the existing tranche E term loans and tranche F term loans to LIBO rate plus 2.75% per annum. The terms

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and conditions (other than maturity date and pricing) that apply to the tranche E and tranche F term loans are substantially the same as the terms and conditions that apply to the tranche D term loans immediately prior to Amendment No. 4.

In addition to the incremental discount of \$1.0 million recorded for the tranche F term loans, the Company capitalized \$2.9 million and expensed \$0.7 million of refinancing costs representing debt issuance costs associated with Amendment No. 4 during the fiscal year ended September 30, 2018. The Company also wrote off \$0.5 million in unamortized debt issuance costs related to the tranche D term loans that were converted to tranche F term loans and wrote off \$0.2 million in unamortized debt issuance costs related to the tranche F terms loans.

**Refinancing Facility Agreement to the Second Amended and Restated Credit Agreement**

On February 22, 2018, the Company entered into a refinancing facility agreement. TransDigm, among other things, incurred new tranche G term loans in an aggregate principal amount equal to \$1,810 million and repaid in full all of the existing tranche G term loans outstanding under the Second and Amended Restated Credit Agreement immediately prior to the refinancing facility agreement. The refinancing facility agreement also decreased the margin applicable to the tranche G term loans to LIBO rate plus 2.5% per annum. The terms and conditions that apply to the tranche G term loans other than pricing are substantially the same as the terms and conditions that apply to the tranche G term loans immediately prior to the refinancing facility agreement.

The Company capitalized \$0.5 million and expensed \$0.3 million of refinancing costs representing debt issuance costs associated with the refinancing facility agreement during the fiscal year ended September 30, 2018. Additionally, the Company wrote off \$0.2 million in unamortized debt issuance costs related to the tranche G terms loans.

**Issuance of Senior Subordinated Notes**

On May 8, 2018, TransDigm UK Holdings plc, a wholly-owned, indirect subsidiary of TD Group, issued \$500 million in aggregate principal amount of new 6.875% 2026 Notes at an issue price of 99.24% of the principal amount. The 2026 Notes bear interest at the rate of 6.875% per annum, which accrues from May 8, 2018 and is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2018. The 2026 Notes mature on May 15, 2026, unless earlier redeemed or repurchased, and are subject to the terms and conditions set forth in the indentures governing the 6.875% 2026 Notes.

In addition to the discount of \$3.8 million recorded upon the issuance of the 6.875% 2026 Notes, the Company capitalized \$5.9 million and expensed \$0.7 million in refinancing costs representing fees associated with the issuance of the 6.875% 2026 Notes during the fiscal year ended September 30, 2018.

**Amendment No. 5 to the Second Amended and Restated Credit Agreement**

On May 30, 2018, the Company entered into Amendment No. 5 to the Second Amended and Restated Credit Agreement. The Company capitalized \$7.2 million and expensed \$0.2 million of refinancing costs representing fees associated with the execution of Amendment No. 5 during the fiscal year ended September 30, 2018.

Pursuant to Amendment No. 5, the Company, among other things, incurred new tranche E term loans in an aggregate principal amount equal to \$1,322 million, and repaid in full all of the existing tranche E term loans outstanding under the Second Amended and Restated Credit Agreement immediately prior to Amendment No. 5. The Company also incurred incremental tranche E term loans in an aggregate principal amount equal to \$933 million. The new tranche E term loans and incremental tranche E term loans mature on May 30, 2025. Amendment No. 5 also decreased the margin applicable to the new tranche E term loans to LIBO rate plus 2.5% per annum. The terms and conditions that apply to the tranche E term loans, other than the maturity date and margin, are substantially the same as the terms and conditions that apply to the tranche E term loans immediately prior to Amendment No. 5. In addition to the discount of \$4.7 million recorded for the tranche E term loans, the Company capitalized \$7.0 million and expensed \$2.7 million of refinancing costs representing debt issuance costs associated with tranche E term loans during the fiscal year ended September 30, 2018. The Company also wrote off \$0.3 million in unamortized debt issuance costs related to the tranche E terms loans.

Additionally, pursuant to Amendment No. 5, the Company incurred new tranche F term loans in an aggregate principal amount equal to \$3,578 million, and repaid in full all of the existing tranche F term loans outstanding under the Second Amended and Restated Credit Agreement immediately prior to Amendment No. 5. Amendment No. 5 also decreased the margin applicable to the tranche F term loans to LIBO rate plus 2.5% per annum. The Company

capitalized \$2.0 million of refinancing costs representing debt issuance costs associated with the tranche F term loans during the fiscal year ended September 30, 2018. Additionally, the Company wrote off \$0.3 million in unamortized debt issuance costs related to the tranche F term loans.

Finally, under the terms of Amendment No. 5, the maturity date of our \$600 million revolving credit facility was extended to December 28, 2022. The terms and conditions that apply to the revolving credit facility, other than the maturity date, are substantially the same as the terms and conditions that applied to the revolving credit facility immediately prior to Amendment No. 5. At September 30, 2018, the Company had \$17.5 million in letters of credit outstanding and \$582.5 million of borrowings available under the revolving commitments. During the fiscal year ended September 30, 2018, the Company capitalized \$0.4

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million and expensed \$0.3 million representing debt issuance costs expensed in conjunction with the refinancing of the revolving credit facility.

## Term Loans

As of September 30, 2018 and 2017, TransDigm had \$7,599.9 million and \$6,973.0 million in fully drawn term loans and \$600 million in revolving commitments. The term loans consist of three tranches as of September 30, 2018 and four tranches as of September 30, 2017 as follows (in millions):

| Term Loan Facility | Maturity Date   | Interest Rate     | Aggregate             |                       |
|--------------------|-----------------|-------------------|-----------------------|-----------------------|
|                    |                 |                   | Principal as of       |                       |
|                    |                 |                   | September 30,<br>2018 | September 30,<br>2017 |
| Tranche D          | Not applicable  | Not applicable    | \$—                   | \$798.1               |
| Tranche E          | May 30, 2025    | LIBO rate + 2.50% | \$2,243.7             | \$1,503.4             |
| Tranche F          | June 9, 2023    | LIBO rate + 2.50% | \$3,559.9             | \$2,857.0             |
| Tranche G          | August 22, 2024 | LIBO rate + 2.50% | \$1,796.3             | \$1,814.5             |

The interest rates per annum applicable to all of the existing tranches of term loans are, 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 not subject to a floor. At September 30, 2018 and 2017, the applicable interest rates were as follows:

| Term Loan Facility | Interest Rate         |                       |
|--------------------|-----------------------|-----------------------|
|                    | as of                 |                       |
|                    | September 30,<br>2018 | September 30,<br>2017 |
| Tranche D          | — %                   | 4.24 %                |
| Tranche E          | 4.58 %                | 4.24 %                |
| Tranche F          | 4.58 %                | 4.24 %                |
| Tranche G          | 4.58 %                | 4.26 %                |

## Debt Issuance Costs, Premiums and Discounts

During the fiscal year ended September 30, 2018, the Company recorded refinancing costs of \$6.4 million representing the refinancing of tranche D, E, F & G term loans, and issuance of the \$500 million 6.875% Senior Subordinated Notes. During the fiscal year ended September 30, 2017, the Company recorded refinancing costs of \$39.8 million representing debt issuance costs and premium expensed in conjunction with the new tranche G term loans, the refinancing of the tranche C term loans, and additional \$300 million tack-on to the 6.375% Notes. During the fiscal year ended September 30, 2016, the Company recorded refinancing costs of \$15.8 million representing debt issuance costs expensed in conjunction with the refinancing of the tranche C term loans.

## Interest Rate Swap and Cap Agreements

See Note 20, "Derivatives and Hedging Activities," for information about how our interest rate swap and cap agreements are used to manage interest rate risk associated with floating-rate borrowings under our credit facilities.

## Senior Subordinated Notes

| Senior Subordinated Notes | Aggregate Principal | Maturity Date    | Interest Rate |
|---------------------------|---------------------|------------------|---------------|
| 2020 Notes                | \$550 million       | October 15, 2020 | 5.50%         |
| 2022 Notes                | \$1,150 million     | July 15, 2022    | 6.00%         |
| 2024 Notes                | \$1,200 million     | July 15, 2024    | 6.50%         |
| 2025 Notes                | \$750 million       | May 15, 2025     | 6.50%         |
| 6.875% 2026 Notes         | \$500 million       | May 15, 2026     | 6.875%        |
| 6.375% 2026 Notes         | \$950 million       | June 15, 2026    | 6.375%        |

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 100%-owned domestic

subsidiaries named in the indentures. 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. See Note 25, "Supplemental Guarantor Information," for further details. The Notes are structurally

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subordinated to all of the liabilities of TD Group's non-guarantor subsidiaries. The Notes contain many of the restrictive covenants included in the Restated Credit Agreement. TransDigm is in compliance with all the covenants contained in the Notes.

At September 30, 2018, future maturities of long-term debt are as follows (in thousands):

|                                  |              |
|----------------------------------|--------------|
| Fiscal years ended September 30, |              |
| 2019                             | \$76,427     |
| 2020                             | 76,427       |
| 2021                             | 626,427      |
| 2022                             | 1,226,427    |
| 2023                             | 3,457,393    |
| Thereafter                       | 7,236,831    |
|                                  | \$12,699,932 |

## 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 fiscal years ended September 30, 2018, 2017 and 2016 was approximately \$14.9 million, \$14.6 million and \$12.7 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 tax and statutory 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, 2018 and 2017 were approximately \$68.5 million and \$69.9 million, respectively. The Company's projected benefit obligation for these defined benefit pension plans at September 30, 2018 and 2017 was \$84.1 million and \$91.7 million, respectively. The total liability recognized at September 30, 2018 and 2017 was \$15.6 million and \$21.8 million, respectively. The decrease in the total liability at September 30, 2018 compared to September 30, 2017 is primarily attributable to the change in pension assumptions, particularly a higher discount rate, for the AmSafe Bridport Limited pension plan.

The net periodic pension cost recognized in the consolidated statements of income for the fiscal years ended September 30, 2018, 2017, and 2016 was \$1.0 million, \$1.7 million, and \$1.0 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, 2018 and 2017 was approximately \$8.1 million and \$8.8 million, respectively. The net periodic pension cost recognized in the consolidated statements of income for each of the fiscal years ended September 30, 2018, 2017 and 2016 was \$0.4 million.

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## 13. INCOME TAXES

The Company's income from continuing operations before income taxes includes the following components for the periods shown below (in thousands):

|               | Fiscal Years Ended |           |           |
|---------------|--------------------|-----------|-----------|
|               | September 30,      |           |           |
|               | 2018               | 2017      | 2016      |
| United States | \$826,539          | \$698,201 | \$641,395 |
| Foreign       | 159,018            | 139,229   | 126,721   |
|               | \$985,557          | \$837,430 | \$768,116 |

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

|          | Fiscal Years Ended |           |           |
|----------|--------------------|-----------|-----------|
|          | September 30,      |           |           |
|          | 2018               | 2017      | 2016      |
| Current  |                    |           |           |
| Federal  | \$136,651          | \$179,884 | \$153,957 |
| State    | 11,771             | 8,596     | 9,234     |
| Foreign  | 27,239             | 21,327    | 12,703    |
|          | 175,661            | 209,807   | 175,894   |
| Deferred | (151,640 )         | (918 )    | 5,808     |
|          | \$24,021           | \$208,889 | \$181,702 |

The differences between the income tax provision on income from continuing operations 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):

|   | Fiscal Years Ended |           |           |
|---|--------------------|-----------|-----------|
|   | September 30,      |           |           |
|   | 2018               | 2017      | 2016      |
| Tax at statutory rate of 24.5% (35% for fiscal 2017 and 2016) | \$241,853          | \$293,129 | \$268,841 |
| Stock compensation  | (50,796 )          | (50,314 ) | (43,565 ) |
| Domestic manufacturing deduction                              | (15,091 )          | (17,832 ) | (16,902 ) |
| US tax reform <sup>(1)</sup>                                  | (146,380 )         | —         | —         |
| Foreign rate differential                                     | (13,770 )          | (29,685 ) | (30,079 ) |
| Other—net   | 8,205              | 13,591    | 3,407     |
| Income tax provision  | \$24,021           | \$208,889 | \$181,702 |

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted. The Act reduces the U.S. federal corporate tax rate from 35% to 21%, requires companies to pay a one-time transition tax on earnings from certain foreign subsidiaries that were previously deferred as well as other changes. We recorded provisional tax benefits of (1) \$176.4 million related to the remeasurement of our net U.S. deferred tax liabilities to reflect the reduction in the corporate tax rate. We also recorded a provisional tax expense of \$30.0 million related to the one-time transition tax.

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

|                                    | 2018        | 2017        |
|------------------------------------|-------------|-------------|
| Deferred tax liabilities:          |             |             |
| Intangible assets                  | \$(469,939) | \$(647,140) |
| Property, plant and equipment      | (26,615 )   | (29,240 )   |
| Interest rate swaps and caps       | (20,052 )   | 15,961      |
| Unremitted foreign earnings        | (4,488 )    | (10,784 )   |
| Employee benefits                  | 73,906      | 107,195     |
| Net operating losses               | 46,487      | 33,462      |
| Inventories                        | 20,916      | 31,077      |
| Environmental reserves             | 8,551       | 15,518      |
| Product warranty reserves          | 4,471       | 7,419       |
| Other                              | 14,516      | 8,797       |
| Total                              | (352,247 )  | (467,735 )  |
| Add: Valuation allowance           | (47,249 )   | (33,214 )   |
| Total net deferred tax liabilities | \$(399,496) | \$(500,949) |

At September 30, 2018, the Company has United Kingdom net operating loss carryforwards of approximately \$23.0 million, German net operating loss carryforwards of approximately \$10.1 million and state net operating loss carryforwards of approximately \$1,011.0 million that expire in various years from 2018 to 2038. 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 state tax credit carryforwards of \$3.1 million that expire from 2029 to 2034.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state and local jurisdictions, as well as foreign jurisdictions located in Belgium, Canada, China, France, Germany, Hong Kong, Hungary, Japan, 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 the U.S. for its fiscal 2014 federal taxes. The Company expects the examinations to be completed during fiscal 2019. In addition, the Company is subject to state income tax examinations for fiscal years 2009 and later.

The Act's one-time repatriation tax liability effectively taxed the undistributed earnings previously deferred from U.S. income taxes. We have provided for foreign withholding taxes in jurisdictions in which we are not considered definitely reinvested, however, such amounts are not significant.

At September 30, 2018, we have not completed our accounting for the tax effects of enactment of the Act; however we have made a reasonable estimate of the effects on our existing deferred tax balances and the one-time transition tax in accordance with U.S. Securities and Exchange Commission Staff Accounting Bulletin No. 118. We are still analyzing certain aspects of the Act and refining our calculations, which could potentially result in changes to our current estimates. Any revisions to the impacts of the Act will be finalized by the first quarter of the fiscal year ending September 30, 2019.

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

|  | 2018     | 2017     |
|--|----------|----------|
| Balance at beginning of period                               | \$8,655  | \$8,706  |
| Additions based on tax positions related to the prior year   | 4,637    | 1,643    |
| Additions based on tax positions related to the current year | 2,390    | 500      |
| Reductions based on tax positions related to the prior year  | (100 )   | (963 )   |
| Settlement with tax authorities                              | (66 )    | —        |
| Lapse in statute of limitations                              | (1,436 ) | (1,231 ) |
| Balance at end of period                                     | \$14,080 | \$8,655  |

Unrecognized tax benefits at September 30, 2018 and 2017, the recognition of which would have an effect on the effective tax rate for each fiscal year, amounted to \$14.1 million and 8.7 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, 2018, 2017 and 2016.

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As of September 30, 2018 and 2017, the Company accrued \$1.9 million and \$1.2 million, respectively, for the potential payment of interest and penalties. The Company anticipates no significant changes to its total unrecognized tax benefits through fiscal 2019.

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 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 Company also takes into consideration the estimated period of time in which payments will be required. 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 offset 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 sheets includes environmental remediation obligations at September 30, 2018 and 2017 of \$39.1 million and \$39.9 million, respectively.

15. CAPITAL STOCK

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, 2018 and 2017 was 56,895,686 and 56,093,659, respectively. The total number of shares held in treasury at September 30, 2018 and 2017 were 4,161,326 and 4,159,207, respectively. There were no shares of preferred stock outstanding at September 30, 2018 and 2017. The terms of the preferred stock have not been established.

On November 8, 2017, our Board of Directors, authorized a new stock repurchase program replacing the previous \$600 million program and permitting repurchases of our outstanding shares not to exceed \$650 million in the aggregate, subject to any restrictions specified in the Credit Agreement and/or Indentures governing the existing Notes. No repurchases were made under the program during the fiscal year ended September 30, 2018.

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, specialized AC/DC electric motors and generators, databus and power controls, high performance hoists, winches and lifting devices and cargo loading and handling systems. Primary

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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, 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 recorded as corporate expenses 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. Certain corporate-level expenses are allocated to the operating segments.

Effective October 1, 2017, the Company made an organizational realignment of certain businesses comprising the Power & Control, Airframe and the Non-Aviation segments. Operating results for the years ended September 30, 2018, 2017 and 2016, and total assets as of September 30, 2018 and 2017 were reclassified to conform to the presentation for the fiscal year ended September 30, 2018.

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

|                                 | Fiscal Years Ended September 30, |             |             |
|---------------------------------|----------------------------------|-------------|-------------|
|                                 | 2018                             | 2017        | 2016        |
| Net sales to external customers |                                  |             |             |
| Power & Control                 | \$2,139,135                      | \$1,927,244 | \$1,621,741 |
| Airframe                        | 1,530,942                        | 1,442,073   | 1,447,894   |
| Non-aviation                    | 141,049                          | 134,969     | 101,776     |

\$3,811,126 \$3,504,286 \$3,171,411

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

|   | Fiscal Years Ended September 30, |           |           |
|---|----------------------------------|-----------|-----------|
|   | 2018                             | 2017      | 2016      |
| EBITDA As Defined                                     |                                  |           |           |
| Power & Control                                       | \$1,114,464                      | \$980,046 | \$787,418 |
| Airframe  | 759,253                          | 726,630   | 709,858   |
| Non-aviation  | 44,310                           | 42,475    | 28,228    |
| Total segment EBITDA As Defined                       | 1,918,027                        | 1,749,151 | 1,525,504 |
| Unallocated corporate expenses                        | 41,469                           | 38,588    | 30,308    |
| Total Company EBITDA As Defined                       | 1,876,558                        | 1,710,563 | 1,495,196 |
| Depreciation and amortization                         | 129,844                          | 141,025   | 121,670   |
| Interest expense, net                                 | 663,008                          | 602,589   | 483,850   |
| Acquisition-related costs                             | 28,450                           | 31,191    | 57,699    |
| Stock compensation expense                            | 58,481                           | 45,524    | 48,306    |
| Refinancing costs                                     | 6,396                            | 39,807    | 15,794    |
| Other, net  | 4,822                            | 12,997    | (239 )    |
| Income from continuing operations before income taxes | \$985,557                        | \$837,430 | \$768,116 |

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

|                               | Fiscal Years Ended |           |           |
|-------------------------------|--------------------|-----------|-----------|
|                               | September 30,      |           |           |
|                               | 2018               | 2017      | 2016      |
| Capital expenditures          |                    |           |           |
| Power & Control               | \$38,762           | \$32,424  | \$25,120  |
| Airframe                      | 32,028             | 34,526    | 16,498    |
| Non-aviation                  | 2,156              | 3,981     | 2,169     |
| Corporate                     | 395                | 82        | 195       |
|                               | \$73,341           | \$71,013  | \$43,982  |
| Depreciation and amortization |                    |           |           |
| Power & Control               | \$67,721           | \$85,681  | \$65,488  |
| Airframe                      | 55,732             | 51,440    | 52,198    |
| Non-aviation                  | 5,276              | 2,745     | 2,860     |
| Corporate                     | 1,115              | 1,159     | 1,124     |
|                               | \$129,844          | \$141,025 | \$121,670 |

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

|                                   | September    | September   |
|-----------------------------------|--------------|-------------|
|                                   | 30, 2018     | 30, 2017    |
| Total assets                      |              |             |
| Power & Control                   | \$5,698,524  | \$5,135,459 |
| Airframe                          | 4,091,011    | 3,923,172   |
| Non-aviation                      | 234,770      | 224,936     |
| Corporate                         | 2,173,162    | 614,594     |
| Assets of discontinued operations | —            | 77,500      |
|                                   | \$12,197,467 | \$9,975,661 |

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

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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 and other stock-based incentives.

Non-cash stock compensation expense recognized by the Company during the fiscal years ended September 30, 2018, 2017 and 2016 was \$58.5 million, \$45.5 million and \$48.3 million, respectively.

The weighted-average grant date fair value of options granted during the fiscal years ended September 30, 2018, 2017 and 2016 was \$81.04, \$67.11 and \$57.47, 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, 2018, there was approximately \$74.3 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 2.5 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, |                |                |
|----------------------------------|----------------------------------|----------------|----------------|
|                                  | 2018                             | 2017           | 2016           |
| Risk-free interest rate          | 2.01% to 2.84%                   | 1.56% to 2.01% | 1.33% to 1.73% |
| Expected life of options         | 5.2 years                        | 5.0 years      | 5.0 years      |
| Expected dividend yield of stock | —                                | —              | —              |
| Expected volatility of stock     | 25%                              | 25%            | 25%            |

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 TransDigm's common stock. Notwithstanding the special cash dividends declared and paid from time to time, the Company historically has not declared and paid regular cash dividends and does not anticipate declaring and 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, 2018, 2017 and 2016 was \$44.4 million, \$42.9 million and \$36.6 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. Performance Vested Stock Options—All of the options granted through September 30, 2018 under the 2014 stock option 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, 2018:

|                                   | Number of Options | Weighted-Average Exercise Price Per Option | Weighted-Average Remaining Contractual Term | Aggregate Intrinsic Value |
|-----------------------------------|-------------------|--|---|---------------------------|
| Outstanding at September 30, 2017 | 862,059           | \$ 260.20                                  |   |                           |
| Granted                           | 1,411,399         | 297.07                                     |   |                           |
| Exercised                         | (9,570 )          | 255.07                                     |   |                           |
| Forfeited                         | (148,910 )        | 274.43                                     |   |                           |
| Expired                           | (1,700 )          | 269.42                                     |   |                           |
| Outstanding at September 30, 2018 | 2,113,278         | \$ 283.84                                  | 8.8 years                                   | \$ 186,943,914            |
| Expected to vest                  | 1,064,431         | \$ 283.53                                  | 8.8 years                                   | \$ 94,486,726             |

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Exercisable at September 30, 2018 355,333 \$ 275.41 8.5 years \$34,428,384

At September 30, 2018, there were 2,876,222 remaining shares available for award under TD Group's 2014 stock option plan.

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## 2006 Stock Incentive Plan

In conjunction with the consummation of the Company's 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 reserved 8,119,668 shares of its common stock for issuance to key employees, directors or consultants under the plan. Awards under the plan were in the form of options, restricted stock or other stock-based awards. Options granted under the plan expire no later than the tenth anniversary of the applicable date of grant of the options, and 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 vested over three years.

**Restricted Stock**—The Company granted 17,700 restricted stock units with a weighted-average grant date fair value of \$189.97 during the fiscal year ended September 30, 2015. During the fiscal year ended September 30, 2018, 4,333 restricted stock units vested and 1,567 restricted stock units forfeited. No restricted stock units were outstanding at September 30, 2018.

**Performance Vested Stock Options**—All of the options granted 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 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, 2018:

|                                   | 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, 2017 | 4,786,114            | \$ 135.95  |   |                              |
| Granted                           | —                    | —  |   |                              |
| Exercised                         | (792,952 )           | 69.37  |   |                              |
| Forfeited                         | (115,035 )           | 205.81   |   |                              |
| Expired                           | —                    | —  |   |                              |
| Outstanding at September 30, 2018 | 3,878,127            | \$ 147.50  | 4.6 years   | \$ 871,815,253               |
| Expected to vest                  | 672,123              | \$ 212.01  | 6.7 years   | \$ 107,735,342               |
| Exercisable at September 30, 2018 | 3,085,780            | \$ 131.25  | 4.1 years   | \$ 743,827,783               |

The 2006 stock incentive plan expired on March 14, 2016 and no further shares were granted under the plan thereafter.

## 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 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**—During the fiscal year ended September 30, 2016, 5,486 of the Company's time vested stock-based options, with a weighted-average exercise price per option of \$39.88, were exercised. There were no

remaining options outstanding as of September 30, 2016.

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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, 2018:

|                                   | 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, 2017 | 77,829               | \$ 130.09  |   |                              |
| Granted                           | —                    | —  |   |                              |
| Exercised                         | —                    | —  |   |                              |
| Outstanding at September 30, 2018 | 77,829               | \$ 130.09  | 4.1 years   | \$ 18,850,962                |
| Exercisable at September 30, 2018 | 77,829               | \$ 130.09  | 4.1 years   | \$ 18,850,962                |

The total intrinsic value of time, performance and rollover options exercised during the fiscal years ended September 30, 2018, 2017 and 2016 was \$192.5 million, \$61.1 million and \$133.2 million, respectively.

In addition to shares issued pursuant to options exercised, during the fiscal year ended September 30, 2018, 1,072 shares of common stock were issued with a weighted-average grant date fair value of \$335.13 as payment to directors in lieu of cash.

#### Dividend Equivalent Plans

Pursuant to the Third Amended and Restated TransDigm Group Incorporated 2003 Stock Option Plan Dividend Equivalent Plan, the Second Amended and Restated TransDigm Group Incorporated 2006 Stock Incentive Plan Dividend Equivalent Plan and the 2014 Stock Option Plan Dividend Equivalent Plan, all of the options granted under the 2003 stock option plan, the 2006 stock incentive plan and the 2014 stock option 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 were \$56.1 million, \$19.5 million and \$3.0 million during the years ended September 30, 2018, 2017 and 2016, respectively. At September 30, 2018, there was \$24.2 million recorded in accrued liabilities and \$32.2 million accrued in other non-current liabilities on the consolidated balance sheets related to the future dividend equivalent payments.

#### 18. LEASES

TransDigm leases certain manufacturing facilities, offices, equipment and vehicles. Such leases, some of which are noncancelable and, in many cases, include renewals, expire at various dates. Rental expense during the fiscal years ended September 30, 2018, 2017 and 2016 was \$19.2 million, \$19.0 million and \$18.3 million, respectively.

Future minimum rental commitments at September 30, 2018 under operating leases having initial or remaining non-cancelable lease terms exceeding one year are \$19.3 million in fiscal 2019, \$16.3 million in fiscal 2020, \$13.9 million in fiscal 2021, \$12.2 million in fiscal 2022, \$9.7 million in fiscal 2023, and \$27.1 million thereafter.

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## 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 (in thousands):

|   | Level | September 30, 2018 |             | September 30, 2017 |            |
|---|-------|--------------------|-------------|--------------------|------------|
|   |       | Carrying Amount    | Fair Value  | Carrying Amount    | Fair Value |
| <b>Assets:</b>  |       |                    |             |                    |            |
| Cash and cash equivalents   | 1     | \$2,073,017        | \$2,073,017 | \$650,561          | \$650,561  |
| Interest rate cap agreements <sup>(1)</sup>                                     | 2     | 36,160             | 36,160      | 12,904             | 12,904     |
| Interest rate swap agreements <sup>(2)</sup>                                    | 2     | 11,634             | 11,634      | —                  | —          |
| Interest rate swap agreements <sup>(1)</sup>                                    | 2     | 61,126             | 61,126      | 2,905              | 2,905      |
| <b>Liabilities:</b>   |       |                    |             |                    |            |
| Interest rate swap agreements <sup>(3)</sup>                                    | 2     | 528                | 528         | 20,740             | 20,740     |
| Interest rate swap agreements <sup>(4)</sup>                                    | 2     | 142                | 142         | 9,731              | 9,731      |
| Short-term borrowings - trade receivable securitization facility <sup>(5)</sup> | 1     | 299,519            | 299,519     | 299,587            | 299,587    |
| <b>Long-term debt, including current portion:</b>                               |       |                    |             |                    |            |
| Term loans <sup>(5)</sup>   | 2     | 7,509,205          | 7,607,323   | 6,889,957          | 6,965,628  |
| 5.50% 2020 Notes <sup>(5)</sup>   | 1     | 547,813            | 548,625     | 546,757            | 558,250    |
| 6.00% 2022 Notes <sup>(5)</sup>   | 1     | 1,144,499          | 1,155,750   | 1,143,059          | 1,178,750  |
| 6.50% 2024 Notes <sup>(5)</sup>   | 1     | 1,193,134          | 1,215,000   | 1,191,958          | 1,236,000  |
| 6.50% 2025 Notes <sup>(5)</sup>   | 1     | 750,131            | 757,500     | 750,149            | 776,807    |
| 6.375% 2026 Notes <sup>(5)</sup>  | 1     | 942,202            | 942,875     | 941,194            | 971,375    |
| 6.875% 2026 Notes <sup>(5)</sup>  | 1     | 490,779            | 507,500     | —                  | —          |

(1) Included in other non-current assets on the consolidated balance sheet.

(2) Included in prepaid expenses and other on the consolidated balance sheet.

(3) Included in accrued liabilities on the consolidated balance sheet.

(4) Included in other non-current liabilities on the consolidated balance sheet.

(5) The carrying amount of the debt instrument is presented net of the debt issuance costs. Refer to Note 11, "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 Company's senior secured credit facility. The estimated fair values of the Company's notes were based upon quoted market prices. There has not been any impact to the fair value of derivative liabilities due to the Company's own credit risk.

Similarly, there has not been any impact to the fair value of derivative assets based on the Company's evaluation of counterparties' credit risks.

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 September 30, 2018 and 2017.



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## 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 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 income (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. As the interest rate swap and cap agreements are used to manage interest rate risk, any gains or losses from the derivative instruments that are reclassified into earnings are recognized in interest expense - net in the consolidated statements of income.

The following table summarizes the Company's interest rate swap agreements:

| Aggregate Notional Amount<br>(in millions) | Start Date | End Date   | Related Term Loans | Conversion of Related Variable Rate Debt to Fixed Rate of: |
|--|------------|------------|--------------------|--|
| \$750                                      | 3/31/2016  | 6/30/2020  | Tranche E          | 5.3% (2.8% plus the 2.5% margin percentage)                |
| \$500                                      | 6/29/2018  | 3/31/2025  | Tranche E          | 5.5% (3.0% plus the 2.5% margin percentage)                |
| \$750                                      | 6/30/2020  | 6/30/2022  | Tranche E          | 5.0% (2.5% plus the 2.5% margin percentage)                |
| \$1,500                                    | 6/30/2022  | 3/31/2025  | Tranche E          | 5.6% (3.1% plus the 2.5% margin percentage)                |
| \$1,000                                    | 9/30/2014  | 6/28/2019  | Tranche F          | 4.9% (2.4% plus the 2.5% margin percentage)                |
| \$1,000                                    | 6/28/2019  | 6/30/2021  | Tranche F          | 4.3% (1.8% plus the 2.5% margin percentage)                |
| \$1,400                                    | 6/30/2021  | 3/31/2023  | Tranche F          | 5.5% (3.0% plus the 2.5% margin percentage)                |
| \$500                                      | 12/30/2016 | 12/31/2021 | Tranche G          | 4.4% (1.9% plus the 2.5% margin percentage)                |
| \$400                                      | 9/30/2017  | 9/30/2022  | Tranche G          | 4.4% (1.9% plus the 2.5% margin percentage)                |
| \$900                                      | 12/31/2021 | 6/28/2024  | Tranche G          | 5.6% (3.1% plus the 2.5% margin percentage)                |
| \$400                                      | 9/30/2022  | 6/28/2024  | Tranche G          | 5.5% (3.0% plus the 2.5% margin percentage)                |

The following table summarizes the Company's interest rate cap agreements:

| Aggregate Notional Amount<br>(in millions) | Start Date | End Date   | Related Debt | Offsets Variable Rate Debt Attributable to Fluctuations Above: |
|--|------------|------------|--------------|--|
| \$750                                      | 9/30/2015  | 6/30/2020  | Tranche E    | Three month LIBO rate of 2.5%                                  |
| \$750                                      | 6/30/2020  | 6/30/2022  | Tranche E    | Three month LIBO rate of 2.5%                                  |
| \$400                                      | 6/30/2016  | 6/30/2021  | Tranche F    | Three month LIBO rate of 2.0%                                  |
| \$400                                      | 12/30/2016 | 12/30/2021 | Tranche G    | Three month LIBO rate of 2.5%                                  |



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All interest rate swap and cap agreements are recognized in our consolidated balance sheets at fair value. Certain derivative asset and liability balances are offset where master netting agreements provide for the legal right of setoff. For classification purposes, we record the net fair value of each type of derivative position that is expected to settle in less than one year with each counterparty as a net current asset or liability and each type of long-term position as a net non-current asset or liability. The amounts shown in the table below represent the gross amounts of recognized assets and liabilities, the amounts offset in the consolidated balance sheet and the net amounts of assets and liabilities presented therein.

|   | September 30,<br>2018 |           | September 30, 2017 |            |
|---|-----------------------|-----------|--------------------|------------|
|   | Asset                 | Liability | Asset              | Liability  |
| Interest rate cap agreements                                      | \$36,160              | \$—       | \$12,904           | \$—        |
| Interest rate swap agreements                                     | 72,090                | —         | 9,235              | (36,801 )  |
| Total   | 108,250               | —         | 22,139             | (36,801 )  |
| Effect of counterparty netting                                    | 670                   | (670 )    | (6,330 )           | 6,330      |
| Net derivatives as classified in the balance sheet <sup>(1)</sup> | \$108,920             | \$(670 )  | \$15,809           | \$(30,471) |

<sup>(1)</sup> Refer to Note 19, "Fair Value Measurements," for the consolidated balance sheet classification of our interest rate swap and cap agreements.

Based on the fair value amounts of the interest rate swap and cap agreements determined as of September 30, 2018, the estimated net amount of existing gains and losses and caplet amortization expected to be reclassified into interest expense within the next twelve months is approximately \$7.3 million.

Effective September 30, 2016, the Company redesignated the interest rate cap agreements related to the \$400 million and the \$750 million aggregate notional amount with cap rates of 2.0% and 2.5%, respectively, based on the expected probable cash flows associated with the 2016 term loans and 2015 term loans in consideration of the Company's ability to select one-month, two-month, three-month, or six-month LIBO rate set forth in the Second Amended and Restated Credit Agreement. Accordingly, amounts previously recorded as a component of accumulated other comprehensive income (loss) in stockholder's deficit amortized into interest expense was \$4.0 million and \$3.8 million for the fiscal years ended September 30, 2018 and 2017, respectively. The accumulated other comprehensive income to be reclassified into interest expense over the remaining term of the cap agreements is \$11.0 million with a related tax benefit of \$2.6 million as of September 30, 2018.

Effective December 30, 2017, the Company redesignated the existing interest rate swap agreements related to the \$750 million, \$500 million, \$1,000 million and \$750 million aggregate notional amounts with swap rates of 5.0%, 4.4%, 4.3% and 5.3%, respectively, based on the expected probable cash flows associated with certain term loans in consideration of the Company's removal of the LIBO rate floor on the certain term loans as set forth in Amendment No. 4 to the Second Amended and Restated Credit Agreement. Accordingly, the amount recorded as a component of accumulated other comprehensive income in stockholders' deficit related to these redesignated interest rate swap hedges will be amortized into earnings based on the original maturity date of the related interest rate swap agreements. Amounts previously recorded as a component of accumulated other comprehensive income in stockholder's deficit amortized into interest expense was \$0.8 million for the fiscal year ended September 30, 2018. The accumulated other comprehensive income to be reclassified into interest expense over the remaining term of the swap agreements is immaterial.

Effective March 31, 2018, the Company redesignated the existing interest rate swap agreements related to the \$1,000 million and the \$400 million aggregate notional amount with swap rates of 4.9% and 4.4%, respectively, based on the expected probable cash flows associated with certain term loans in consideration of the Company's removal of the LIBO rate floor on the certain term loans as set forth in the refinancing facility agreement dated February 22, 2018 related to the Second Amended and Restated Credit Agreement. Accordingly, the amount recorded as a component of accumulated other comprehensive income in stockholders' deficit related to these redesignated interest rate swap hedges will be amortized into earnings based on the original maturity date of the related interest rate swap agreements. Amounts previously recorded as a component of accumulated other comprehensive income in stockholder's deficit

amortized into interest income was \$1.4 million for the fiscal year ended September 30, 2018. The accumulated other comprehensive income to be reclassified into interest income over the remaining term of the swaps agreements is \$11.4 million with a related tax expense of \$2.7 million as of September 30, 2018.

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## 21. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table presents the components of “Accumulated other comprehensive income (loss)” (“AOCI”) in the consolidated balance sheets, net of taxes, for the fiscal years ended September 30, 2018, 2017 and 2016 (in thousands):

|  | Unrealized<br>(loss) gain<br>on<br>derivatives<br>designated<br>and<br>qualifying<br>as cash<br>flow<br>hedges <sup>(2)</sup> | Defined<br>benefit<br>pension<br>plan<br>activity <sup>(3)</sup> | Currency<br>translation<br>adjustment | Total       |
|--|---|--|---------------------------------------|-------------|
| Balance at September 30, 2016  | \$(61,140 )   | \$(24,297)   | \$(64,350 )                           | \$(149,787) |
| Other comprehensive gain before reclassification                                       | 32,072  | 7,932  | 22,241                                | 62,245      |
| Amounts reclassified from AOCI related to interest rate swap agreements <sup>(1)</sup> | 2,399   | —  | —                                     | 2,399       |
| Net current-period other comprehensive gain  | \$34,471  | \$7,932  | \$22,241                              | \$64,644    |
| Balance at September 30, 2017  | \$(26,669 )   | \$(16,365)   | \$(42,109 )                           | \$(85,143 ) |
| Other comprehensive gain (loss) before reclassification                                | 91,226  | 5,636  | (10,253 )                             | 86,609      |
| Amounts reclassified from AOCI related to interest rate swap agreements <sup>(1)</sup> | 2,634   | —  | —                                     | 2,634       |
| Net current-period other comprehensive gain (loss)                                     | \$93,860  | \$5,636  | \$(10,253 )                           | \$89,243    |
| Balance at September 30, 2018  | \$67,191  | \$(10,729)   | \$(52,362 )                           | \$4,100     |

(1) This component of AOCI is included in interest expense (see Note 20, “Derivatives and Hedging Activities,” for additional details).

(2) Unrealized (loss) gain represents interest rate swap and cap agreements, net of taxes of \$(33,923), \$(20,663) and \$6,868 for the fiscal years ended September 30, 2018, 2017 and 2016, respectively.

(3) Defined benefit pension plan activity represent pension liability adjustments, net of taxes of \$(1,487), \$(4,130) and \$6,017, respectively.

A summary of reclassifications out of AOCI for the fiscal years ended September 30, 2018 and 2017 is provided below (in thousands):

| Description of reclassifications out of accumulated other comprehensive income (loss) | Amount<br>Reclassified<br>Fiscal Years<br>Ended |                       |
|---|---|-----------------------|
|   | September 30,<br>2018                           | September 30,<br>2017 |
| Amortization from redesignated interest rate swap and cap agreements <sup>(1)</sup>   | \$3,443   | \$3,829               |
| Deferred tax benefit from redesignated interest rate swap and cap agreements          | (809 )  | (1,430 )              |
| Losses reclassified into earnings, net of tax   | \$2,634   | \$2,399               |

(1) This component of AOCI is included in interest expense (see Note 20, “Derivatives and Hedging Activity,” for additional information).



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## 22. DISCONTINUED OPERATIONS

In connection with the settlement of a Department of Justice investigation into the competitive effects of the acquisition, during the fourth quarter of 2017, the Company committed to dispose of the Schroth business. Therefore, Schroth was classified as held-for-sale as of September 30, 2017. The results of operations of Schroth are reflected as discontinued operations in the accompanying consolidated financial statements for all periods presented. On January 26, 2018, the Company completed the sale of Schroth in a management buyout to a private equity fund and certain members of Schroth management for approximately \$61.4 million, which includes a working capital adjustment of \$0.3 million that was settled on July 6, 2018. The Company previously acquired Schroth in February 2017 (refer to Note 2, "Acquisitions and Divestitures").

The loss from discontinued operations was \$4.5 million and \$31.7 million in the consolidated statements of income for the fiscal years ended September 30, 2018 and 2017, respectively. Previously, in the fourth quarter of fiscal 2017, the Company recorded a \$32.0 million impairment charge to write down the Schroth assets to fair value. The impairment charge was based on an internal assessment of the recovery of Schroth's assets. The following is the summarized operating results for Schroth for the years ended September 30, 2018 and 2017 (in thousands):

|  | Fiscal Years Ended |            |
|--|--------------------|------------|
|  | September 30,      |            |
|  | 2018               | 2017       |
| Net sales  | \$11,808           | \$24,590   |
| Income (loss) from discontinued operations before income taxes | 354                | (5,709 )   |
| Loss on classification as held-for-sale before income taxes    | —                  | (32,000 )  |
| Income tax benefit   | 2,016              | 6,055      |
| Income (loss) from discontinued operations, net of tax         | 2,370              | (31,654 )  |
| Net loss of sale of discontinued operations, net of tax        | (6,844 )           | —          |
| Loss from discontinued operations                              | \$(4,474 )         | \$(31,654) |

## 23. QUARTERLY FINANCIAL DATA (UNAUDITED)

|   | First Quarter                            | Second Quarter | Third Quarter | Fourth Quarter |
|---|--|----------------|---------------|----------------|
|   | Ended                                    | Ended          | Ended         | Ended          |
|   | December                                 | March 31,      | June 30,      | September      |
|   | 30, 2017                                 | 2018           | 2018          | 30, 2018       |
|   | (in thousands, except per share amounts) |                |               |                |
| Fiscal Year Ended September 30, 2018 <sup>(1)</sup>   |  |                |               |                |
| Net sales <sup>(2)</sup>  | \$847,960                                | \$933,070      | \$980,662     | \$1,049,434    |
| Gross profit <sup>(2)</sup>   | 476,650                                  | 534,074        | 569,520       | 597,266        |
| Income from continuing operations <sup>(2)</sup>  | 312,011                                  | 201,840        | 217,391       | 230,294        |
| Loss from discontinued operations <sup>(2)</sup>  | 2,764                                    | (5,562 )       | (145 )        | (1,531 )       |
| Net income <sup>(2)</sup>   | 314,775                                  | 196,278        | 217,246       | 228,763        |
| Net earnings per share from continuing operations—basic and diluted <sup>(3)</sup>          | \$4.60                                   | \$3.63         | \$3.91        | \$4.14         |
| Net earnings (loss) per share from discontinued operations—basic and diluted <sup>(3)</sup> | 0.05                                     | (0.10 )        | —             | (0.03 )        |
| Net earnings per share—basic and diluted <sup>(3)</sup>                                     | \$4.65                                   | \$3.53         | \$3.91        | \$4.11         |

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|   | First Quarter<br>Ended<br>December<br>31, 2016 | Second Quarter<br>Ended<br>April 1, 2017 | Third Quarter<br>Ended<br>July 1, 2017 | Fourth Quarter<br>Ended<br>September 30, 2017 |
|---|--|--|--|---|
| (in thousands, except per share amounts)                            |  |  |  |   |
| Fiscal Year Ended September 30, 2017 <sup>(1)</sup>                 |  |  |  |   |
| Net sales <sup>(2)</sup>  | \$814,018                                      | \$ 868,728                               | \$ 897,655                             | \$ 923,885                                    |
| Gross profit <sup>(2)</sup>   | 444,255  | 489,437                                  | 519,696                                | 531,239                                       |
| Income from continuing operations <sup>(2)</sup>                    | 118,871  | 155,691                                  | 169,832                                | 184,147                                       |
| Loss from discontinued operations <sup>(2)</sup>                    | —  | (186                                     | ) (779                                 | ) (30,689                                     |
| Net income <sup>(2)</sup>   | 118,871  | 155,505                                  | 169,053                                | 153,458                                       |
| Net earnings per share from continuing operations—basic and diluted | \$0.41   | \$ 2.78                                  | \$ 3.09                                | \$ 2.21                                       |
| Net loss per share from discontinued operations —basic and diluted  | —  | —  | (0.01                                  | ) (0.56                                       |
| Net earnings per share—basic and diluted <sup>(3)</sup>             | \$0.41   | \$ 2.78                                  | \$ 3.08                                | \$ 1.65                                       |

Results adjusted to reflect amounts reclassified to discontinued operations due to the Company's classification of (1) Schroth as discontinued operations at September 30, 2017. See Note 22, "Discontinued Operations," for additional information.

(2) The Company's operating results include the results of operations of acquisitions from the effective date of each acquisition. See Note 2 "Acquisitions," for additional details.

(3) The sum of the earnings per share for the four quarters in a year does not necessarily equal the total year earnings per share.

#### 24. SUBSEQUENT EVENTS

On October 1, 2018, Extant completed the acquisition of substantially all of the assets and technical data rights from the Corona, California operations of NavCom Defense Electronics, Inc. ("NavCom") for approximately \$27 million in cash. NavCom is a product line of Extant and therefore will be included in TransDigm's Power and Control segment. On October 9, 2018, the Company entered into a merger agreement with Esterline, under which the Company agreed to acquire Esterline. Under the terms of the merger agreement, the Company will purchase each share of Esterline common stock outstanding for \$122.50 per share in cash. TransDigm anticipates that the total transaction value will be approximately \$4 billion, representing the \$122.50 price paid per share for common stock outstanding plus existing debt. The Company expects the acquisition to be financed primarily through existing cash on hand and the incurrence of new term loans. In connection with the merger agreement, the Company entered into a commitment letter for a senior secured term facility up to \$3.7 billion. The actual amount and timing of the new senior secured term facility is subject to the closing of the Esterline acquisition and the cash on hand at that time. The Company currently expects that the merger will be completed in 2019, subject to approval of Esterline's shareholders, as well as other customary closing conditions, including the receipt of required regulatory approvals.

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25. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm Inc.'s 2020 Notes, 2022 Notes, 2024 Notes, 2025 Notes and 6.375% 2026 Notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group, TransDigm UK Holdings plc ("TransDigm UK") and TransDigm Inc.'s Domestic Restricted Subsidiaries, as defined in the applicable Indentures. TransDigm UK's 6.875% 2026 Notes are jointly and severally guaranteed, on a senior subordinated basis, by TD Group, TransDigm Inc. and TransDigm Inc.'s Domestic Restricted Subsidiaries as defined in the applicable indenture. The following supplemental condensed consolidating financial information presents, in separate columns, the balance sheets of the Company as of September 30, 2018 and September 30, 2017 and its statements of income and comprehensive income and cash flows for the fiscal years ended September 30, 2018, 2017 and 2016 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, excluding TransDigm UK, (iii) TransDigm UK (iv) the Subsidiary Guarantors (other than TransDigm UK) on a combined basis, (v) Non-Guarantor Subsidiaries and (vi) the Company on a consolidated basis.

Separate financial statements of TransDigm Inc. are not presented because TransDigm Inc.'s 2020 Notes, 2022 Notes, 2024 Notes, 2025 Notes and 6.375% 2026 Notes are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm UK and all of TransDigm Inc.'s Domestic Restricted Subsidiaries and because TD Group has no significant operations or assets separate from its investment in TransDigm Inc.

Separate financial statements of TransDigm UK are not presented because TransDigm UK's 6.875% 2026 Notes, issued in May 2018, are fully and unconditionally guaranteed on a senior subordinated basis by TD Group, TransDigm Inc. and all of TransDigm Inc.'s Domestic Restricted Subsidiaries.

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING BALANCE SHEET  
 AS OF SEPTEMBER 30, 2018  
 (Amounts in Thousands)

|  | TransDigm<br>Group | TransDigm<br>Inc. | Transdigm<br>UK | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations   | Total<br>Consolidated |
|--|--------------------|-------------------|-----------------|--------------------------|-------------------------------|----------------|-----------------------|
| <b>ASSETS</b>  |                    |                   |                 |                          |                               |                |                       |
| <b>CURRENT ASSETS:</b>   |                    |                   |                 |                          |                               |                |                       |
| Cash and cash equivalents                                      | \$389              | \$1,821,437       | \$125           | \$(1,763)                | ) \$252,829                   | \$—            | \$2,073,017           |
| Trade accounts receivable—Net                                  | —                  | —                 | —               | 40,916                   | 663,394                       | —              | 704,310               |
| Inventories—Net  | —                  | 45,262            | —               | 648,574                  | 115,913                       | (4,457)        | ) 805,292             |
| Prepaid expenses and other                                     | —                  | 16,231            | —               | 47,020                   | 11,417                        | —              | 74,668                |
| Total current assets   | 389                | 1,882,930         | 125             | 734,747                  | 1,043,553                     | (4,457)        | ) 3,657,287           |
| <b>INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES</b>    |                    |                   |                 |                          |                               |                |                       |
| PROPERTY, PLANT AND EQUIPMENT—Net                              | (1,808,860)        | ) 10,459,497      | 1,099,886       | 8,928,726                | 2,160,236                     | (20,839,485)   | ) —                   |
| GOODWILL   | —                  | 97,002            | —               | 5,466,148                | 660,140                       | —              | 6,223,290             |
| OTHER INTANGIBLE ASSETS—Net                                    | —                  | 31,362            | —               | 1,514,983                | 242,059                       | —              | 1,788,404             |
| DERIVATIVE ASSETS  | —                  | 97,286            | —               | —                        | —                             | —              | 97,286                |
| OTHER  | —                  | 7,347             | —               | 29,805                   | 5,715                         | —              | 42,867                |
| TOTAL ASSETS   | \$(1,808,471)      | \$12,590,986      | \$1,100,011     | \$16,993,976             | \$4,164,907                   | \$(20,843,942) | \$12,197,467          |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>          |                    |                   |                 |                          |                               |                |                       |
| <b>CURRENT LIABILITIES:</b>                                    |                    |                   |                 |                          |                               |                |                       |
| Current portion of long-term debt                              | \$—                | \$75,817          | \$—             | \$—                      | \$—                           | \$—            | \$75,817              |
| Short-term borrowings—trade receivable securitization facility | —                  | —                 | —               | —                        | 299,519                       | —              | 299,519               |
| Accounts payable   | —                  | 18,470            | —               | 115,735                  | 39,398                        | —              | 173,603               |
| Accrued liabilities  | —                  | 118,600           | 13,274          | 162,618                  | 56,951                        | —              | 351,443               |
|  | —                  | 212,887           | 13,274          | 278,353                  | 395,868                       | —              | 900,382               |

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|  |               |              |             |              |             |                |              |
|--|---------------|--------------|-------------|--------------|-------------|----------------|--------------|
| Total current liabilities                            |               |              |             |              |             |                |              |
| LONG-TERM DEBT                                       | —             | 12,011,166   | 490,780     | —            | —           | —              | 12,501,946   |
| DEFERRED INCOME TAXES                                | —             | 345,357      | —           | (2,329       | ) 56,468    | —              | 399,496      |
| OTHER NON-CURRENT LIABILITIES                        | —             | 77,573       | —           | 104,829      | 21,712      | —              | 204,114      |
| Total liabilities                                    | —             | 12,646,983   | 504,054     | 380,853      | 474,048     | —              | 14,005,938   |
| STOCKHOLDERS' EQUITY                                 |               |              |             |              |             |                |              |
| (DEFICIT)  | (1,808,471 )  | (55,997 )    | 595,957     | 16,613,123   | 3,690,859   | (20,843,942 )  | (1,808,471 ) |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) |               |              |             |              |             |                |              |
|  | \$(1,808,471) | \$12,590,986 | \$1,100,011 | \$16,993,976 | \$4,164,907 | \$(20,843,942) | \$12,197,467 |

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING BALANCE SHEET  
 AS OF SEPTEMBER 30, 2017  
 (Amounts in Thousands)

|  | TransDigm<br>Group | TransDigm<br>Inc. | TransDigm<br>UK | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations   | Total<br>Consolidated |
|--|--------------------|-------------------|-----------------|--------------------------|-------------------------------|----------------|-----------------------|
| <b>ASSETS</b>  |                    |                   |                 |                          |                               |                |                       |
| <b>CURRENT ASSETS:</b>   |                    |                   |                 |                          |                               |                |                       |
| Cash and cash equivalents                                      | \$2,416            | \$439,473         | \$ —            | \$(203 )                 | \$208,875                     | \$—            | \$650,561             |
| Trade accounts receivable—Net                                  | —                  | —                 | —               | 25,069                   | 652,807                       | (41,749 )      | 636,127               |
| Inventories—Net  | —                  | 47,051            | —               | 571,712                  | 114,018                       | (2,100 )       | 730,681               |
| Assets held-for-sale   | —                  | —                 | —               | 6,428                    | 71,072                        | —              | 77,500                |
| Prepaid expenses and other                                     | —                  | 4,746             | —               | 24,141                   | 9,796                         | —              | 38,683                |
| Total current assets   | 2,416              | 491,270           | —               | 627,147                  | 1,056,568                     | (43,849 )      | 2,133,552             |
| INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES           | (2,953,620 )       | 10,263,999        | —               | 7,599,210                | 966,675                       | (15,876,264 )  | —                     |
| PROPERTY, PLANT AND EQUIPMENT—Net                              | —                  | 16,032            | —               | 261,434                  | 47,458                        | —              | 324,924               |
| GOODWILL   | —                  | 85,905            | —               | 4,996,034                | 663,399                       | —              | 5,745,338             |
| OTHER INTANGIBLE ASSETS—Net                                    | —                  | 27,620            | —               | 1,438,006                | 252,236                       | —              | 1,717,862             |
| DERIVATIVE ASSETS  | —                  | 15,809            | —               | —                        | —                             | —              | 15,809                |
| OTHER  | —                  | 4,507             | —               | 27,567                   | 6,102                         | —              | 38,176                |
| TOTAL ASSETS   | \$(2,951,204)      | \$10,905,142      | \$ —            | —\$14,949,398            | \$2,992,438                   | \$(15,920,113) | \$9,975,661           |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>          |                    |                   |                 |                          |                               |                |                       |
| <b>CURRENT LIABILITIES:</b>                                    |                    |                   |                 |                          |                               |                |                       |
| Current portion of long-term debt                              | \$—                | \$69,454          | \$ —            | —                        | \$—                           | \$—            | \$69,454              |
| Short-term borrowings—trade receivable securitization facility | —                  | —                 | —               | —                        | 299,587                       | —              | 299,587               |
| Accounts payable   | —                  | 14,712            | —               | 137,948                  | 37,667                        | (41,566 )      | 148,761               |
| Accrued liabilities  | —                  | 180,916           | —               | 103,902                  | 51,070                        | —              | 335,888               |
| Liabilities held-for-sale                                      | —                  | —                 | —               | —                        | 17,304                        | —              | 17,304                |
| Total current liabilities                                      | —                  | 265,082           | —               | 241,850                  | 405,628                       | (41,566 )      | 870,994               |
| LONG-TERM DEBT   | —                  | 11,393,620        | —               | —                        | —                             | —              | 11,393,620            |
| DEFERRED INCOME TAXES  | —                  | 442,415           | —               | (99 )                    | 58,633                        | —              | 500,949               |
| OTHER  | —                  | 61,347            | —               | 73,245                   | 26,710                        | —              | 161,302               |
| <b>NON-CURRENT</b>   |                    |                   |                 |                          |                               |                |                       |

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|   |               |              |    |               |             |                |              |
|---|---------------|--------------|----|---------------|-------------|----------------|--------------|
| LIABILITIES   |               |              |    |               |             |                |              |
| Total liabilities   | —             | 12,162,464   | —  | 314,996       | 490,971     | (41,566 )      | 12,926,865   |
| STOCKHOLDERS'<br>(DEFICIT) EQUITY                             | (2,951,204 )  | (1,257,322 ) | —  | 14,634,402    | 2,501,467   | (15,878,547 )  | (2,951,204 ) |
| TOTAL LIABILITIES<br>AND<br>STOCKHOLDERS'<br>(DEFICIT) EQUITY |               |              |    |               |             |                |              |
|   | \$(2,951,204) | \$10,905,142 | \$ | —\$14,949,398 | \$2,992,438 | \$(15,920,113) | \$9,975,661  |

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

(Amounts in thousands)

|   | TransDigm<br>Group | TransDigm<br>Inc. | TransDigm<br>UK | TransDigm<br>Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations  | Total<br>Consolidated |
|---|--------------------|-------------------|-----------------|---------------------------------------|-------------------------------|---------------|-----------------------|
| NET SALES   | \$—                | \$163,348         | \$—             | \$3,118,032                           | \$610,688                     | \$(80,942)    | \$3,811,126           |
| COST OF SALES   | —                  | 94,387            | —               | 1,253,018                             | 367,153                       | (80,942)      | 1,633,616             |
| GROSS PROFIT  | —                  | 68,961            | —               | 1,865,014                             | 243,535                       | —             | 2,177,510             |
| SELLING AND<br>ADMINISTRATIVE<br>EXPENSES                         | —                  | 108,687           | —               | 269,452                               | 71,956                        | —             | 450,095               |
| AMORTIZATION OF<br>INTANGIBLE ASSETS                              | —                  | 1,261             | —               | 62,915                                | 8,278                         | —             | 72,454                |
| (LOSS) INCOME<br>FROM OPERATIONS                                  | —                  | (40,987)          | —               | 1,532,647                             | 163,301                       | —             | 1,654,961             |
| INTEREST EXPENSE<br>(INCOME)—Net                                  | —                  | 678,155           | 6,943           | 1,308                                 | (23,398)                      | —             | 663,008               |
| REFINANCING COSTS   | —                  | 6,300             | 96              | —                                     | —                             | —             | 6,396                 |
| EQUITY IN INCOME<br>OF SUBSIDIARIES                               | (957,062)          | (1,306,511)       | —               | —                                     | —                             | 2,263,573     | —                     |
| INCOME FROM<br>CONTINUING<br>OPERATIONS<br>BEFORE INCOME<br>TAXES | 957,062            | 581,069           | (7,039)         | 1,531,339                             | 186,699                       | (2,263,573)   | 985,557               |
| INCOME TAX<br>PROVISION   | —                  | (375,993)         | —               | 379,665                               | 20,349                        | —             | 24,021                |
| INCOME FROM<br>CONTINUING<br>OPERATIONS                           | 957,062            | 957,062           | (7,039)         | 1,151,674                             | 166,350                       | (2,263,573)   | 961,536               |
| LOSS FROM<br>DISCONTINUED<br>OPERATIONS, NET<br>OF TAX            | —                  | —                 | —               | (2,427)                               | (2,047)                       | —             | (4,474)               |
| NET INCOME  | \$957,062          | \$957,062         | \$(7,039)       | \$1,149,247                           | \$164,303                     | \$(2,263,573) | \$957,062             |
| OTHER<br>COMPREHENSIVE<br>INCOME (LOSS), NET<br>OF TAX            | 89,243             | 95,076            | —               | 8,491                                 | (17,837)                      | (85,730)      | 89,243                |
| TOTAL<br>COMPREHENSIVE<br>INCOME                                  | \$1,046,305        | \$1,052,138       | \$(7,039)       | \$1,157,738                           | \$146,466                     | \$(2,349,303) | \$1,046,305           |



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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

(Amounts in Thousands)

|  | TransDigm<br>Group | TransDigm<br>Inc. | TransDigm<br>UK | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations   | Total<br>Consolidated |
|--|--------------------|-------------------|-----------------|--------------------------|-------------------------------|----------------|-----------------------|
| NET SALES  | \$—                | \$ 143,631        | \$ —            | \$ —2,911,950            | \$ 535,129                    | \$ (86,424 )   | \$ 3,504,286          |
| COST OF SALES  | —                  | 79,403            | —               | 1,191,770                | 333,985                       | (85,499 )      | 1,519,659             |
| GROSS PROFIT   | —                  | 64,228            | —               | 1,720,180                | 201,144                       | (925 )         | 1,984,627             |
| SELLING AND<br>ADMINISTRATIVE<br>EXPENSES                      | 69                 | 97,677            | —               | 284,819                  | 33,010                        | —              | 415,575               |
| AMORTIZATION OF<br>INTANGIBLE ASSETS                           | —                  | 1,003             | —               | 80,053                   | 8,170                         | —              | 89,226                |
| (LOSS) INCOME FROM<br>OPERATIONS                               | (69 )              | (34,452 )         | —               | 1,355,308                | 159,964                       | (925 )         | 1,479,826             |
| INTEREST EXPENSE<br>(INCOME)—Net                               | —                  | 614,353           | —               | (1,248 )                 | (10,516 )                     | —              | 602,589               |
| REFINANCING COSTS  | —                  | 39,807            | —               | —                        | —                             | —              | 39,807                |
| EQUITY IN INCOME OF<br>SUBSIDIARIES                            | (596,956 )         | (1,318,945 )      | —               | —                        | —                             | 1,915,901      | —                     |
| INCOME FROM<br>CONTINUING<br>OPERATIONS BEFORE<br>INCOME TAXES | 596,887            | 630,333           | —               | 1,356,556                | 170,480                       | (1,916,826 )   | 837,430               |
| INCOME TAX PROVISION   | —                  | 33,377            | —               | 156,251                  | 19,261                        | —              | 208,889               |
| INCOME FROM<br>CONTINUING<br>OPERATIONS                        | 596,887            | 596,956           | —               | 1,200,305                | 151,219                       | (1,916,826 )   | 628,541               |
| LOSS FROM<br>DISCONTINUED<br>OPERATIONS, NET OF TAX            | —                  | —                 | —               | (9,496 )                 | (22,158 )                     | —              | (31,654 )             |
| NET INCOME   | \$ 596,887         | \$ 596,956        | \$ —            | \$ —1,190,809            | \$ 129,061                    | \$ (1,916,826) | \$ 596,887            |
| OTHER COMPREHENSIVE<br>INCOME (LOSS), NET OF<br>TAX            | 64,644             | 31,603            | —               | 16,310                   | 58,856                        | (106,769 )     | 64,644                |
| TOTAL COMPREHENSIVE<br>INCOME                                  | \$ 661,531         | \$ 628,559        | \$ —            | \$ —1,207,119            | \$ 187,917                    | \$ (2,023,595) | \$ 661,531            |

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING STATEMENT OF INCOME AND COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

(Amounts in Thousands)

|   | TransDigm<br>Group | TransDigm<br>Inc. | TransDigm<br>UK | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations  | Total<br>Consolidated |
|---|--------------------|-------------------|-----------------|--------------------------|-------------------------------|---------------|-----------------------|
| NET SALES   | \$—                | \$132,407         | \$—             | —\$2,580,091             | \$486,198                     | \$(27,285)    | \$3,171,411           |
| COST OF SALES                                       | —                  | 75,521            | —               | 1,105,893                | 289,219                       | (27,285)      | 1,443,348             |
| GROSS PROFIT  | —                  | 56,886            | —               | 1,474,198                | 196,979                       | —             | 1,728,063             |
| SELLING AND<br>ADMINISTRATIVE<br>EXPENSES           | —                  | 114,546           | —               | 210,209                  | 58,103                        | —             | 382,858               |
| AMORTIZATION OF<br>INTANGIBLE ASSETS                | —                  | 684               | —               | 65,299                   | 11,462                        | —             | 77,445                |
| (LOSS) INCOME FROM<br>OPERATIONS                    | —                  | (58,344)          | —               | 1,198,690                | 127,414                       | —             | 1,267,760             |
| INTEREST EXPENSE<br>(INCOME)—Net                    | —                  | 490,974           | —               | 259                      | (7,383)                       | —             | 483,850               |
| REFINANCING COSTS                                   | —                  | 15,794            | —               | —                        | —                             | —             | 15,794                |
| EQUITY IN INCOME OF<br>SUBSIDIARIES                 | (586,414)          | (1,044,371)       | —               | —                        | —                             | 1,630,785     | —                     |
| INCOME BEFORE INCOME<br>TAXES                       | 586,414            | 479,259           | —               | 1,198,431                | 134,797                       | (1,630,785)   | 768,116               |
| INCOME TAX PROVISION                                | —                  | (107,155)         | —               | 285,887                  | 2,970                         | —             | 181,702               |
| NET INCOME  | \$586,414          | \$586,414         | \$—             | —\$912,544               | \$131,827                     | \$(1,630,785) | \$586,414             |
| OTHER COMPREHENSIVE<br>(LOSS) INCOME, NET OF<br>TAX | (53,778)           | 6,381             | —               | (9,598)                  | (39,461)                      | 42,678        | (53,778)              |
| TOTAL COMPREHENSIVE<br>INCOME (LOSS)                | \$532,636          | \$592,795         | \$—             | —\$902,946               | \$92,366                      | \$(1,588,107) | \$532,636             |

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2018

(Amounts in thousands)

|  | TransDigm<br>Group | TransDigm<br>Inc. | TransDigm<br>UK | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Total<br>Consolidated |
|--|--------------------|-------------------|-----------------|--------------------------|-------------------------------|--------------|-----------------------|
| NET CASH (USED IN)<br>PROVIDED BY<br>OPERATING ACTIVITIES          | \$ —               | \$(386,152 )      | \$ 6,598        | \$ 1,216,263             | \$ 183,290                    | \$ 2,174     | \$ 1,022,173          |
| INVESTING ACTIVITIES:  |                    |                   |                 |                          |                               |              |                       |
| Capital expenditures   | —                  | (2,001 )          | —               | (61,896 )                | (9,444 )                      | —            | (73,341 )             |
| Payments made in connection<br>with acquisitions                   | —                  | (667,619 )        | —               | —                        | —                             | —            | (667,619 )            |
| Proceeds in connection with<br>sale of discontinued operations     | —                  | 57,383            | —               | —                        | —                             | —            | 57,383                |
| Net cash used in investing<br>activities                           | —                  | (612,237 )        | —               | (61,896 )                | (9,444 )                      | —            | (683,577 )            |
| FINANCING ACTIVITIES:  |                    |                   |                 |                          |                               |              |                       |
| Intercompany activities  | (3,462 )           | 1,785,796         | (496,081)       | (1,155,927 )             | (128,152 )                    | (2,174 )     | —                     |
| Proceeds from exercise of<br>stock options                         | 57,583             | —                 | —               | —                        | —                             | —            | 57,583                |
| Dividends paid   | (56,148)           | —                 | —               | —                        | —                             | —            | (56,148 )             |
| Proceeds from term loans, net                                      | —                  | 12,779,694        | —               | —                        | —                             | —            | 12,779,694            |
| Repayment on term loans  | —                  | (12,174,305)      | —               | —                        | —                             | —            | (12,174,305)          |
| Proceeds from senior<br>subordinated notes, net                    | —                  | —                 | 489,608         | —                        | —                             | —            | 489,608               |
| Financing fees and other   | —                  | (10,832 )         | —               | —                        | —                             | —            | (10,832 )             |
| Net cash (used in) provided by<br>financing activities             | (2,027 )           | 2,380,353         | (6,473 )        | (1,155,927 )             | (128,152 )                    | (2,174 )     | 1,085,600             |
| EFFECT OF EXCHANGE<br>RATE CHANGES ON CASH<br>AND CASH EQUIVALENTS | —                  | —                 | —               | —                        | (1,740 )                      | —            | (1,740 )              |
| NET (DECREASE)<br>INCREASE IN CASH AND<br>CASH EQUIVALENTS         | (2,027 )           | 1,381,964         | 125             | (1,560 )                 | 43,954                        | —            | 1,422,456             |
| CASH AND CASH<br>EQUIVALENTS,<br>BEGINNING OF PERIOD               | 2,416              | 439,473           | —               | (203 )                   | 208,875                       | —            | 650,561               |
| CASH AND CASH<br>EQUIVALENTS, END OF<br>PERIOD                     | \$ 389             | \$ 1,821,437      | \$ 125          | \$(1,763 )               | \$ 252,829                    | \$ —         | \$ 2,073,017          |

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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

(Amounts in Thousands)

|   | TransDigm<br>Group | TransDigm<br>Inc. | TransDigm<br>UK | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Total<br>Consolidated |
|---|--------------------|-------------------|-----------------|--------------------------|-------------------------------|--------------|-----------------------|
| NET CASH (USED IN)<br>PROVIDED BY OPERATING<br>ACTIVITIES                                 | \$ (69 )           | \$(587,800)       | \$              | —\$1,334,099             | \$ 42,028                     | \$ 475       | \$ 788,733            |
| INVESTING ACTIVITIES:   |                    |                   |                 |                          |                               |              |                       |
| Capital expenditures  | —                  | (1,984 )          | —               | (63,305 )                | (5,724 )                      | —            | (71,013 )             |
| Payments made in connection with<br>acquisitions  | —                  | (136,295 )        | —               | —                        | —                             | —            | (136,295 )            |
| Payments made in connection with<br>acquisition of discontinued<br>operations             | —                  | (79,695 )         | —               | —                        | —                             | —            | (79,695 )             |
| Net cash used in investing activities   | —                  | (217,974 )        | —               | (63,305 )                | (5,724 )                      | —            | (287,003 )            |
| FINANCING ACTIVITIES:   |                    |                   |                 |                          |                               |              |                       |
| Intercompany activities   | 2,939,121          | (1,682,518)       | —               | (1,279,805 )             | 23,677                        | (475 )       | —                     |
| Proceeds from exercise of stock<br>options  | 21,177             | —                 | —               | —                        | —                             | —            | 21,177                |
| Dividends paid  | (2,581,552)        | —                 | —               | —                        | —                             | —            | (2,581,552)           |
| Treasury stock purchased  | (389,821)          | —                 | —               | —                        | —                             | —            | (389,821 )            |
| Proceeds from term loans, net   | —                  | 2,937,773         | —               | —                        | —                             | —            | 2,937,773             |
| Repayment on term loans   | —                  | (1,284,698)       | —               | —                        | —                             | —            | (1,284,698)           |
| Proceeds from senior subordinated<br>notes, net   | —                  | 300,386           | —               | —                        | —                             | —            | 300,386               |
| Cash tender and redemption of<br>senior subordinated notes due 2021,<br>including premium | —                  | (528,847 )        | —               | —                        | —                             | —            | (528,847 )            |
| Proceeds from trade receivable<br>securitization facility, net                            | —                  | 99,471            | —               | —                        | —                             | —            | 99,471                |
| Financing fees and other  | —                  | (17,571 )         | —               | —                        | —                             | —            | (17,571 )             |
| Net cash (used in) provided by<br>financing activities                                    | (11,075 )          | (176,004 )        | —               | (1,279,805 )             | 23,677                        | (475 )       | (1,443,682)           |
| EFFECT OF EXCHANGE RATE<br>CHANGES ON CASH AND<br>CASH EQUIVALENTS                        | —                  | —                 | —               | —                        | 5,519                         | —            | 5,519                 |
| NET (DECREASE) INCREASE IN<br>CASH AND CASH<br>EQUIVALENTS                                | (11,144 )          | (981,778 )        | —               | (9,011 )                 | 65,500                        | —            | (936,433 )            |
| CASH AND CASH<br>EQUIVALENTS, BEGINNING OF<br>PERIOD                                      | 13,560             | 1,421,251         | —               | 8,808                    | 143,375                       | —            | 1,586,994             |
| CASH AND CASH<br>EQUIVALENTS, END OF<br>PERIOD  | \$ 2,416           | \$ 439,473        | \$              | —\$(203 )                | \$ 208,875                    | \$ —         | \$ 650,561            |



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TRANSDIGM GROUP INCORPORATED  
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2016  
 (Amounts in Thousands)

|  | TransDigm<br>Group | TransDigm<br>Inc. | TransDigm<br>UK | Subsidiary<br>Guarantors | Non-Guarantor<br>Subsidiaries | Eliminations | Total<br>Consolidated |
|--|--------------------|-------------------|-----------------|--------------------------|-------------------------------|--------------|-----------------------|
| NET CASH (USED IN)<br>PROVIDED BY OPERATING<br>ACTIVITIES          | \$—                | \$(230,931 )      | \$—             | —\$944,152               | \$(25,496 )                   | \$(4,427 )   | \$683,298             |
| INVESTING ACTIVITIES:  |                    |                   |                 |                          |                               |              |                       |
| Capital expenditures   | —                  | (1,716 )          | —               | (32,608 )                | (9,658 )                      | —            | (43,982 )             |
| Payments made in connection<br>with acquisitions                   | —                  | (1,399,064 )      | —               | —                        | —                             | —            | (1,399,064 )          |
| Net cash used in investing<br>activities                           | —                  | (1,400,780 )      | —               | (32,608 )                | (9,658 )                      | —            | (1,443,046 )          |
| FINANCING ACTIVITIES:  |                    |                   |                 |                          |                               |              |                       |
| Intercompany activities  | 192,703            | 580,487           | —               | (910,647 )               | 133,030                       | 4,427        | —                     |
| Proceeds from exercise of stock<br>options                         | 30,112             | —                 | —               | —                        | —                             | —            | 30,112                |
| Dividends paid   | (3,000 )           | —                 | —               | —                        | —                             | —            | (3,000 )              |
| Treasury stock purchased   | (207,755 )         | —                 | —               | —                        | —                             | —            | (207,755 )            |
| Proceeds from term loans, net                                      | —                  | 1,711,515         | —               | —                        | —                             | —            | 1,711,515             |
| Repayment on term loans  | —                  | (834,409 )        | —               | —                        | —                             | —            | (834,409 )            |
| Proceeds from senior<br>subordinated notes, net                    | —                  | 939,584           | —               | —                        | —                             | —            | 939,584               |
| Financing fees and other   | —                  | (3,580 )          | —               | —                        | —                             | —            | (3,580 )              |
| Net cash provided by (used in)<br>financing activities             | 12,060             | 2,393,597         | —               | (910,647 )               | 133,030                       | 4,427        | 1,632,467             |
| EFFECT OF EXCHANGE<br>RATE CHANGES ON CASH<br>AND CASH EQUIVALENTS | —                  | —                 | —               | —                        | 242                           | —            | 242                   |
| NET INCREASE IN CASH<br>AND CASH EQUIVALENTS                       | 12,060             | 761,886           | —               | 897                      | 98,118                        | —            | 872,961               |
| CASH AND CASH<br>EQUIVALENTS, BEGINNING<br>OF PERIOD               | 1,500              | 659,365           | —               | 7,911                    | 45,257                        | —            | 714,033               |
| CASH AND CASH<br>EQUIVALENTS, END OF<br>PERIOD                     | \$ 13,560          | \$ 1,421,251      | \$—             | —\$8,808                 | \$ 143,375                    | \$—          | \$ 1,586,994          |

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TRANSDIGM GROUP INCORPORATED  
 VALUATION AND QUALIFYING ACCOUNTS  
 FOR THE YEARS ENDED SEPTEMBER 30, 2018, 2017, AND 2016  
 (Amounts in Thousands)

| Column A                                    | Column B                       | Column C   |        | Column D                               | Column E                 |
|---|--------------------------------|--|--------|--|--------------------------|
| Description                                 | Balance at Beginning of Period | Additions Charged to Costs and Acquisitions Expenses |        | Deductions from Reserve <sup>(1)</sup> | Balance at End of Period |
| Year Ended September 30, 2018               |                                |  |        |  |                          |
| Allowance for uncollectible accounts        | \$ 3,819                       | \$ 1,498   | \$ 989 | \$ (1,632)                             | ) \$ 4,674               |
| Reserve for excess and obsolete inventory   | 79,775                         | 14,998   | 10,764 | (11,039)                               | ) 94,498                 |
| Valuation allowance for deferred tax assets | 33,214                         | 14,035   | —      | —                                      | 47,249                   |
| Year Ended September 30, 2017               |                                |  |        |  |                          |
| Allowance for uncollectible accounts        | \$ 4,414                       | \$ 1,095   | \$ 363 | \$ (2,053)                             | ) \$ 3,819               |
| Reserve for excess and obsolete inventory   | 80,039                         | 17,361   | 4,254  | (21,879)                               | ) 79,775                 |
| Valuation allowance for deferred tax assets | 27,286                         | 5,928  | —      | —                                      | 33,214                   |
| Year Ended September 30, 2016               |                                |  |        |  |                          |
| Allowance for uncollectible accounts        | \$ 3,801                       | \$ 1,043   | \$ 724 | \$ (1,154)                             | ) \$ 4,414               |
| Reserve for excess and obsolete inventory   | 64,158                         | 26,407   | —      | (10,526)                               | ) 80,039                 |
| Valuation allowance for deferred tax assets | 17,645                         | 9,641  | —      | —                                      | 27,286                   |

(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, 2018

| EXHIBIT<br>NO. | DESCRIPTION  |
|----------------|--|
| <u>3.50</u>    | <u>Amended and Restated Certificate of Incorporation of Aviation Technologies, Inc.</u>  |
| <u>3.52</u>    | <u>Certificate of Formation, effective June 29, 2007, of Avionic Instruments LLC</u>   |
| <u>3.54</u>    | <u>Articles of Incorporation, filed December 29, 1992, of Avionics Specialties, Inc.</u>   |
| <u>3.81</u>    | <u>Articles of Organization of CDA InterCorp LLC</u>   |
| <u>3.95</u>    | <u>Fourth Amended and Restated Limited Liability Agreement of Electromech Technologies LLC</u>   |
| <u>3.96</u>    | <u>Articles of Organization, as amended, of HarcoSemco LLC</u>   |
| <u>3.97</u>    | <u>First Amended and Restated Limited Liability Company Agreement of HarcoSemco LLC</u>  |
| <u>3.104</u>   | <u>Bylaws, as amended, of ILC Holdings, Inc.</u>   |
| <u>3.139</u>   | <u>Bylaws, as amended, of Skurka Aerospace Inc.</u>  |
| <u>3.142</u>   | <u>By-laws, as amended, of Tactair Fluid Controls, Inc.</u>  |
| <u>3.148</u>   | <u>Bylaws, as amended, of Texas Rotronics, Inc.</u>  |
| <u>3.154</u>   | <u>By-laws, as amended, of Young &amp; Franklin Inc.</u>   |
| <u>4.17</u>    | <u>Fifteenth Supplemental Indenture, dated as of July 31, 2018, 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</u>  |
| <u>4.30</u>    | <u>Twelfth Supplemental Indenture, dated as of July 31, 2018, 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</u>  |
| <u>4.43</u>    | <u>Twelfth Supplemental Indenture, dated as of July 31, 2018, 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</u>  |
| <u>4.55</u>    | <u>Eleventh Supplemental Indenture, dated as of July 31, 2018, 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</u>   |
| <u>4.64</u>    | <u>Eighth Supplemental Indenture, dated as of July 31, 2018, 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</u>   |
| <u>4.67</u>    | <u>Second Supplemental Indenture, dated as of July 31, 2018, among TransDigm UK Holdings plc, as issuer, TransDigm Group Incorporated and TransDigm Inc., as guarantors, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as Trustee</u> |
| <u>10.6</u>    | <u>Third Amended and Restated Employment Agreement, dated November 6, 2018, between TransDigm Group Incorporated and Robert Henderson*</u>   |
| <u>10.31</u>   | <u>Form of Stock Option Agreement for options awarded in fiscal 2018*</u>  |
| <u>21.1</u>    | <u>Subsidiaries of TransDigm Group Incorporated</u>  |
| <u>23.1</u>    | <u>Consent of Independent Registered Public Accounting Firm</u>  |
| <u>31.1</u>    | <u>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.</u>  |
| <u>31.2</u>    | <u>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.</u>  |
| <u>32.1</u>    | <u>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.</u>  |
| <u>32.2</u>    | <u>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.</u>  |



101 Financial Statements and Notes to Consolidated Financial Statements formatted in XBRL.

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