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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21926

Morgan Stanley China A Share Fund, Inc.
(Exact name of registrant as specified in charter)

522 Fifth Avenue, New York, New York	10036
(Address of principal executive offices)	(Zip code)

John H. Gernon

522 Fifth Avenue, New York, New York 10036
(Name and address of agent for service)

Registrant s telephone number, including area code: 212-296-0289

Date of fiscal year end: December 31,

Date of reporting period: September 30, 2015

Item 1. Schedule of Investments.

The Fund s schedule of investments as of the close of the reporting period prepared pursuant to Rule 12-12 of Regulation S-X is as follows:

Morgan Stanley China A Share Fund, Inc.

Portfolio of Investments

Third Quarter Report

September 30, 2015 (unaudited)

	Shares		Value (000)
Common Stocks (98.9%)			
Automobiles (1.7%)			
SAIC Motor Corp., Ltd., Class A	4,104,700	$	10,920
Banks (14.1%)			
Industrial & Commercial Bank of China Ltd., Class A	90,530,500		61,679
Shanghai Pudong Development Bank Co., Ltd., Class A	10,299,637		27,008
			88,687
Beverages (11.0%)			
Kweichow Moutai Co., Ltd., Class A	572,631		17,232
Tsingtao Brewery Co., Ltd., Class A	10,206,020		51,800
			69,032
Capital Markets (1.2%)			
CITIC Securities Co., Ltd., Class A	3,470,667		7,455
Construction Materials (1.7%)			
Anhui Conch Cement Co., Ltd., Class A	3,890,500		10,409
Electrical Equipment (2.8%)			
NARI Technology Co., Ltd., Class A	7,688,900		17,397
Electronic Equipment, Instruments & Components (5.4%)			
GoerTek, Inc., Class A	4,743,877		17,847
Universal Scientific Industrial Shanghai Co., Ltd., Class A	8,676,700		15,857
			33,704
Food & Staples Retailing (2.6%)			
Zhongbai Holdings Group Co., Ltd., Class A	15,489,523		16,446
Food Products (2.8%)			
Inner Mongolia Yili Industrial Group Co., Ltd., Class A	7,300,600		17,715
Health Care Providers & Services (3.4%)			
Shanghai Pharmaceuticals Holding Co., Ltd., Class A	7,790,200		21,458
Hotels, Restaurants & Leisure (0.9%)			
Tsui Wah Holdings Ltd.	25,444,000		5,942
Household Durables (4.4%)			
Qingdao Haier Co., Ltd., Class A	19,308,758		27,775
Independent Power Producers & Energy Traders (0.0%)			
China National Nuclear Power Co., Ltd. (a)	20,000		29
Insurance (5.4%)			
China Pacific Insurance Group Co., Ltd., Class A	9,624,300		33,702

Media (0.3%)		
Bona Film Group Ltd. ADR (a)	145,702	1,735
Multi-line Retail (2.9%)		
Beijing Wangfujing Department Store Group Co., Ltd., Class A	5,262,993	18,010
Pharmaceuticals (12.2%)		
China Resources Sanjiu Medical & Pharmaceutical Co., Ltd., Class A	14,842,590	54,627

Dong-E E-Jiao Co., Ltd., Class A	3,393,790		22,330
			76,957
Real Estate Management & Development (7.1%)			
China Overseas Grand Oceans Group Ltd. (b)	38,695,000		11,456
China Vanke Co., Ltd., Class A	10,899,190		21,892
Poly Real Estate Group Co., Ltd.	8,983,229		11,355
			44,703
Road & Rail (8.3%)			
Daqin Railway Co., Ltd., Class A	37,370,600		52,186
Transportation Infrastructure (10.7%)			
Jiangsu Expressway Co., Ltd., Class A	47,359,600		59,584
Shanghai International Airport Co., Ltd., Class A	1,768,397		7,802
			67,386
Total Common Stocks (Cost $719,634)			621,648
Short-Term Investment (0.0%)			
Investment Company (0.0%)			
Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - Institutional Class (c) **(Cost $85)**	85,318		85
Total Investments (98.9%) (Cost $719,719) (d)(e)			621,733
Other Assets in Excess of Liabilities (1.1%)			6,623
Net Assets (100.0%)		$	628,356

(a) Non-income producing security.

(b) Security trades on the Hong Kong exchange.

(c) The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds - Money Market Portfolio - (the Liquidity Funds), an open-end management investment company managed by the Adviser. Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of the advisory and administrative service fees paid by the Fund due to its investment in the Liquidity Funds. For the nine months ended September 30, 2015, advisory fees paid were reduced by approximately $4,000 relating to the Fund s investment in the Liquidity Funds.

(d) The approximate fair value and percentage of net assets, $619,913,000 and 98.7%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in the Notes to the Portfolio of Investments.

(e) At September 30, 2015, the aggregate cost for Federal income tax purposes approximates the aggregate cost for book purposes. The aggregate gross unrealized appreciation is approximately $10,789,000 and the aggregate gross unrealized depreciation is approximately $108,775,000 resulting in net unrealized depreciation of approximately $97,986,000.

ADR American Depositary Receipt.

Portfolio Composition

Classification	**Percentage of Total Investments**
Other*	25.0%
Banks	14.3
Pharmaceuticals	12.4
Beverages	11.1
Transportation Infrastructure	10.8
Road & Rail	8.4
Real Estate Management & Development	7.2
Electronic Equipment, Instruments & Components	5.4
Insurance	5.4
Total Investments	100.0%

* Industries and/or investment types representing less than 5% of total investments.

Morgan Stanley China A Share Fund, Inc.

Notes to the Portfolio of Investments • September 30, 2015 (unaudited)

Security Valuation: (1) An equity portfolio security listed or traded on an exchange is valued at its latest reported sales price (or at the exchange official closing price if such exchange reports an official closing price), if there were no sales on a given day, the security is valued at the mean between the last reported bid and asked prices; (2) all other equity portfolio securities for which over-the-counter (OTC) market quotations are readily available are valued at its latest reported sales price. In cases where a security is traded on more than one exchange, the security is valued on the exchange designated as the primary market; (3) when market quotations are not readily available, including circumstances under which Morgan Stanley Investment Management Inc. (the Adviser) or Morgan Stanley Investment Management Company (MSIM Company) (the Sub-Adviser) determines that the closing price, last sale price or the mean between the last reported bid and asked prices are not reflective of a security s market value, portfolio securities are valued at their fair value as determined in good faith under procedures established by and under the general supervision of the Fund s Board of Directors (the Directors). Occasionally, developments affecting the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business of the New York Stock Exchange (NYSE). If developments occur during such periods that are expected to materially affect the value of such securities, such valuations may be adjusted to reflect the estimated fair value of such securities as of the close of the NYSE, as determined in good faith by the Directors or by the Adviser using a pricing service and/or procedures approved by the Directors; (4) quotations of foreign portfolio securities, other assets and liabilities and forward contracts stated in foreign currency are translated into United States dollar equivalents at the prevailing market rates prior to the close of the NYSE; (5) investments in mutual funds, including the Morgan Stanley Institutional Liquidity Funds, are valued at the net asset value as of the close of each business day; and (6) short-term debt securities with remaining maturities of 60 days or less at the time of purchase may be valued at amortized cost, unless the Adviser determines such valuation does not reflect the securities market value, in which case these securities will be valued at their fair market value determined by the Adviser.

The Directors have responsibility for determining in good faith the fair value of the investments, and the Directors may appoint others, such as the Fund s Adviser or a valuation committee, to assist the Directors in determining fair value and to make the actual calculations pursuant to the fair valuation methodologies previously approved by the Directors. Under procedures approved by the Directors, the Fund s Adviser has formed a Valuation Committee whose members are approved by the Directors. The Valuation Committee provides administration and oversight of the Fund s valuation policies and procedures, which are reviewed at least annually by the Directors. These procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

The Fund has procedures to determine the fair value of securities and other financial instruments for which market prices are not readily available. Under these procedures, the Valuation Committee convenes on a regular and ad hoc basis to review such securities and considers a number of factors, including valuation methodologies and significant unobservable valuation inputs, when arriving at fair value. The Valuation Committee may employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The Valuation Committee employs various methods for calibrating these valuation approaches including a regular review of valuation methodologies, key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Fair Value Measurement: Financial Accounting Standards Board (FASB) Accounting Standards CodificationTM (ASC) 820, Fair Value Measurement (ASC 820), defines fair value as the value that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity s own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund s investments. The inputs are summarized in the three broad levels listed below.

• Level 1 unadjusted quoted prices in active markets for identical investments

• Level 2 other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)

• Level 3 significant unobservable inputs including the Fund s own assumptions in determining the fair value of investments. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer s financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

The following is a summary of the inputs used to value the Fund s investments as of September 30, 2015.

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets:				
Common Stocks				
Automobiles	$	$ 10,920	$	$ 10,920
Banks		88,687		88,687
Beverages		69,032		69,032

Capital Markets		7,455		7,455
Construction Materials		10,409		10,409
Electrical Equipment		17,397		17,397
Electronic Equipment, Instruments & Components		33,704		33,704
Food & Staples Retailing		16,446		16,446
Food Products		17,715		17,715
Health Care Providers & Services		21,458		21,458
Hotels, Restaurants & Leisure		5,942		5,942
Household Durables		27,775		27,775
Independent Power Producers & Energy Traders		29		29
Insurance		33,702		33,702
Media	1,735			1,735
Multi-line Retail		18,010		18,010
Pharmaceuticals		76,957		76,957
Real Estate Management & Development		44,703		44,703
Road & Rail		52,186		52,186
Transportation Infrastructure		67,386		67,386
Total Common Stocks	**1,735**	**619,913**		**621,648**
Short-Term Investment				
Investment Company	85			85
Total Assets	**$ 1,820**	**$ 619,913**	**$**	**$ 621,733**

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment s valuation changes. The Fund recognizes transfers between the levels as of the end of the period. As of September 30, 2015, the Fund did not have any investments transfer between investment levels.

Item 2. Controls and Procedures.

(a) The Fund s principal executive officer and principal financial officer have concluded that the Fund s disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Fund in this Form N-Q was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms, based upon such officers evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.

(b) There were no changes in the Fund s internal control over financial reporting that occurred during the registrant s fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Fund s internal control over financial reporting.

Item 3. Exhibits.

(a) A separate certification for each principal executive officer and principal financial officer of the registrant are attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Morgan Stanley China A Share Fund, Inc.

/s/ John H. Gernon
John H. Gernon
Principal Executive Officer
November 19, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ John H. Gernon
John H. Gernon
Principal Executive Officer
November 19, 2015

/s/ Francis Smith
Francis Smith
Principal Financial Officer
November 19, 2015

="1"> (37,976) (76,106) (3,299)

Net income applicable to common stock - basic and diluted

$38,679 $90,446 $142,656 $233,804

Denominator for basic and diluted earnings per share under the two-class method:

Weighted average common shares outstanding

52,439 51,116 52,147 50,815

Vested options deemed participating securities

2,067 2,766 2,323 3,067

Total shares for basic and diluted earnings per share	54,506	53,882	54,470	53,882
Basic and diluted earnings per share	$0.71	$1.68	$2.62	$4.34

6. INVENTORIES

Inventories are stated at the lower of cost or market. Cost of inventories is determined by the average cost and the first-in, first-out (FIFO) methods for all locations except CEF Industries LLC, which determines the cost of inventories using the last-in, first-out (LIFO) method. Approximately 5% of the inventory was valued under the LIFO method at June 29, 2013.

Inventories consist of the following (in thousands):

	June 29, 2013	September 30, 2012
Raw materials and purchased component parts	$ 265,631	$ 203,809
Work-in-progress	130,329	102,645
Finished Goods	70,843	48,395
Total	466,803	354,849
Reserves for excess and obsolete inventory and LIFO	(52,853)	(34,346)
Inventories - net	$ 413,950	$ 320,503

7. INTANGIBLE ASSETS

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

	June 29, 2013			September 30, 2012		
	Gross Carrying	Accumulated Amortization	Net	Gross Carrying	Accumulated Amortization	Net

	Amount			Amount		
Technology	$ 790,318	$ 131,646	$ 658,672	$ 723,231	$ 105,995	$ 617,236
Order backlog	6,783	3,452	3,331	5,910	3,965	1,945
Other	43,403	8,202	35,201	43,343	6,528	36,815
Total	$ 840,504	$ 143,300	$ 697,204	$ 772,484	$ 116,488	$ 655,996

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Intangible assets acquired during the thirty-nine week period ended June 29, 2013 were as follows (in thousands):

	Cost	Amortization Period
Intangible assets not subject to amortization:		
Goodwill	$ 298,947	
Trademarks and trade names	23,850	
	322,797	
Intangible assets subject to amortization:		
Technology	69,950	20 years
Order backlog	3,600	1 year
	73,550	19.1 years
Total	$ 396,347	

The aggregate amortization expense on identifiable intangible assets for the thirty-nine week periods ended June 29, 2013 and June 30, 2012 was approximately $29.9 million and $33.3 million, respectively. The estimated amortization expense is $40.7 million for fiscal 2013, $42.1 million for fiscal 2014 and $39.7 million for each of the four succeeding years 2015 through 2018.

The following is a summary of changes in the carrying value of goodwill by segment from September 30, 2012 through June 29, 2013 (in thousands):

	Power & Control	Airframe	Non-aviation	Total
Balance, September 30, 2012	$ 1,274,703	$ 1,711,214	$ 49,585	$ 3,035,502
Goodwill acquired during the year	274,739	18,723	5,485	298,947
Other	7,404	(7,255)		149
Balance, June 29, 2013	$ 1,556,846	$ 1,722,682	$ 55,070	$ 3,334,598

8. DEBT

The Company s long-term debt consists of the following (in thousands):

	June 29, 2013	September 30, 2012
Term loans	$ 2,189,000	$ 2,019,125
Senior Subordinated Notes due 2018	1,600,000	1,600,000
Senior Subordinated Notes due 2020	550,000	
	4,339,000	3,619,125
Less current portion	22,000	20,500
Long-term debt	$ 4,317,000	$ 3,598,625

Amendment No. 2 to 2010 (Revolving) Credit Facility - In accordance with the terms of the credit agreement dated December 6, 2010, as amended by the Amendment No.1, dated as of March 25, 2012 (the 2010 Credit Facility), TransDigm Inc. entered into Amendment No. 2 to the 2010 Credit Facility on October 9, 2012. Amendment No. 2 to the 2010 Credit Facility provided for a modification to the restricted payment covenant to permit a special dividend in an amount not to exceed $850 million and a modification to the financial covenant ratios.

Amendment No. 2 to 2011 (Term Loan) Credit Facility - In accordance with the terms of the credit agreement, dated as of February 14, 2011, as amended by Amendment No. 1 and Incremental Term Loan Assumption Agreement, dated as of February 15, 2012 (the 2011 Credit Facility), TransDigm Inc. entered into Amendment No. 2 and Incremental Term Loan Assumption Agreement to the 2011 Credit Facility (the 2012 Term Loan Credit Facility Amendment) on October 9, 2012. The 2012 Term Loan Credit Facility Amendment provides for an additional term loan facility in the aggregate principal amount of $150 million. The additional term loan facility was fully drawn on October 15, 2012.

Amended and Restated Credit Facility - On February 28, 2013, TransDigm Inc. entered into an Amendment and Restatement Agreement (the Amendment and Restatement Agreement) in which TransDigm amended and restated its 2010 Credit Facility and 2011 Credit Facility. The Amendment and Restatement Agreement provides for a $2,200 million term loan facility (the Term Loan Facility), which was fully drawn on February 28, 2013, and a $310 million revolving credit facility (the Revolving Credit Facility and together with the Term Loan Facility, the 2013 Credit Facility).

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The proceeds of the Term Loan Facility were used to repay in full the outstanding term loans under the 2011 Credit Facility and the related transaction expenses associated therewith. The Term Loan Facility consists of two tranches of term loans tranche B term loans and tranche C term loans, and the Revolving Credit Facility consists of two tranches revolving A commitments and revolving B commitments. The tranche B term loans consist of $500 million in the aggregate and the tranche C term loans consist of $1,700 million in the aggregate. The tranche B term loans mature on February 14, 2017 and the tranche C term loans mature on February 28, 2020. The Term Loan Facility requires quarterly principal payments of $5.5 million which began on March 28, 2013. The revolving A commitments consist of $32 million in the aggregate and the revolving B commitments consist of $278 million in the aggregate. The revolving A commitments mature on December 6, 2015 and the revolving B commitments mature on February 28, 2018. At June 29, 2013, the Company had $7.6 million letters of credit outstanding and $302.4 million of borrowings available under the 2013 Credit Facility.

Under the terms of the 2013 Credit Facility, TransDigm is entitled on one or more occasions, subject to the satisfaction of certain conditions, to request additional commitments under the Revolving Credit Facility or additional term loans in the aggregate principal amount of up to $500 million to the extent that existing or new lenders agree to provide such additional term loans. In addition, TransDigm is entitled to convert, subject to certain conditions, the revolving A commitments to revolving B commitments.

All of the indebtedness outstanding under the 2013 Credit Facility is guaranteed by TD Group and all of TransDigm s current and future domestic restricted subsidiaries (other than immaterial subsidiaries). In addition, the obligations of TransDigm and the guarantors under the 2013 Credit Facility are secured ratably in accordance with each lender s respective revolving and term loan commitments by a first priority security interest in substantially all of the existing and future property and assets, including inventory, equipment, general intangibles, intellectual property, investment property and other personal property (but excluding leasehold interests and certain other assets) of TransDigm and its existing and future domestic restricted subsidiaries (other than immaterial subsidiaries), and a first priority pledge of the capital stock of TransDigm and its subsidiaries (other than foreign subsidiaries and certain domestic subsidiaries, of which 65% of the voting capital stock is pledged).

The interest rates per annum applicable to the loans under the 2013 Credit Facility will be, at TransDigm s option, equal to either an alternate base rate or an adjusted LIBO rate for one, two, three or six-month (or to the extent agreed to by each relevant lender, nine or twelve-month) interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted LIBO rate is subject to a floor of .75%. At June 29, 2013 the applicable interest rate was 3.50% on the tranche B term loan and 3.75% on the tranche C term loan.

The Term Loan Facility requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as defined in the 2013 Credit Facility), commencing 90 days after the end of each fiscal year, commencing with the fiscal year ending September 30, 2014, subject to certain exceptions. In addition, subject to certain exceptions (including, with respect to asset sales, the reinvestment in productive assets), TransDigm will be required to prepay the loans outstanding under the term loan facility at 100% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of certain asset sales and issuance or incurrence of certain indebtedness. In addition, if, prior to February 28, 2014, the principal amount of the term loans are (i) prepaid substantially concurrently with the incurrence by TD Group, TransDigm or any its subsidiaries of new bank loans that have an effective yield lower than the yield in effect on the term loans so prepaid or (ii) received by a lender due to a mandatory assignment following the failure of such lender to consent to an amendment of the 2013 Credit Facility that has the effect of reducing the effective interest rate with respect to the term loans, such prepayment or receipt shall be accompanied by a premium of 1.0%.

The 2013 Credit Facility contains certain covenants that limit the ability of TD Group, TransDigm and TransDigm s restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness or issue preferred stock; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to TransDigm; (vi) incur or suffer to exist liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of their assets; and (viii) engage in transactions with affiliates.

The Company recorded refinancing costs of $30.3 million during the thirty-nine week period ended June 29, 2013 representing debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility.

Issuance of Senior Subordinated Notes - On October 15, 2012 TransDigm Inc. issued $550 million in aggregate principal amount of its 5 $^{1}/_{2}$% Senior Subordinated Notes due 2020 (the 2020 Notes) at an issue price of 100% of the principal amount. The 2020 Notes bear interest at the rate of 5 $^{1}/_{2}$ % per annum, which accrues from October 15, 2012 and is payable semiannually in arrears on April 15 and October 15 of each year, which began on April 15, 2013. The 2020 Notes mature on October 15, 2020, unless earlier redeemed or repurchased, and are subject to the terms and conditions as defined in the indenture governing the 2020 notes.

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The 2020 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 2020 Notes. The 2020 Notes are guaranteed on a senior subordinated unsecured basis by TD Group and its wholly-owned domestic subsidiaries named in the indenture. The guarantees of the 2020 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 2020 Notes. The 2020 Notes are structurally subordinated to all of the liabilities of TD Group s non-guarantor subsidiaries.

Special Cash Dividend - On October 15, 2012 the Company s board of directors authorized and declared a special cash dividend of $12.85 on each outstanding share of common stock and cash dividend equivalent payments under its stock option plans. The special cash dividend amounting to approximately $664.3 million was paid in November 2012 and dividend equivalent payments amounting to approximately $35.4 million were paid in November and December 2012.

During July 2013 the Company made $38.0 million of dividend equivalent payments related to the October 2009 special cash dividend payment of $7.65 per share and the October 2012 special cash dividend payment of $12.85 per share for unvested options granted prior to October 1, 2011 that become fully vested under the market sweep provisions thereof.

9. INCOME TAXES

At the end of each reporting period, TD Group makes an estimate of its annual effective income tax rate. The estimate used in the year-to-date period may change in subsequent periods. During the thirteen week periods ended June 29, 2013 and June 30, 2012, the effective income tax rate was 32.9% and 30.7%, respectively. The lower effective tax rate for the thirteen week period ended June 30, 2012 was primarily due to discrete items related to IRS settlements and adjustments resulting from the filing of the previous year s federal tax return. During the thirty-nine week periods ended June 29, 2013 and June 30, 2012, the effective income tax rate was 32.5% and 32.6%, respectively. The Company s effective tax rate for these periods was less than the Federal statutory tax rate due primarily to the domestic manufacturing deduction.

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

At June 29, 2013 and September 30, 2012, TD Group had $7.1 million and $6.9 million in unrecognized tax benefits, the recognition of which would have an effect of approximately $6.5 million and $6.3 million on the effective tax rate at June 29, 2013 and September 30, 2012, respectively. The Company does not believe that the tax positions that comprise the unrecognized tax benefit amount will change significantly over the next 12 months. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense.

10. FAIR VALUE MEASUREMENTS

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

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

		June 29, 2013		September 30, 2012	
	Level	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Assets:					
Cash and cash equivalents	1	$ 269,172	$ 269,172	$ 440,524	$ 440,524
Liabilities:					
Interest rate swap agreements (1)	2	7,700	7,700	9,800	9,800
Long-term debt:					
Term loans	2	2,189,000	2,162,000	2,019,125	2,037,000
7 $^{3}/_{4}$% Senior Subordinated Notes due 2018	1	1,600,000	1,680,000	1,600,000	1,696,000
5 $^{1}/_{2}$% Senior Subordinated Notes due 2020	1	550,000	512,000		

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

Interest rate swaps were measured at fair value using quoted market prices for the swap interest rate indexes over the term of the swap discounted to present value versus the fixed rate of the contract. The estimated fair value of the Company s term loans was based on information provided by the agent under the Company s senior secured credit facility. The estimated fair values of the Company s 7 $^{3}/_{4}$% Senior Subordinated Notes due 2018 and 5 $^{1}/_{2}$% Senior Subordinated Notes due 2020 were based upon quoted market prices.

11. DERIVATIVES AND HEDGING ACTIVITIES

The Company is exposed to, among other things, the impact of changes in interest rates in the normal course of business. The Company s risk management program is designed to manage the exposure and volatility arising from these risks, and utilizes derivative financial instruments to offset a portion of these risks. The Company uses derivative financial instruments only to the extent necessary to hedge identified business risks and does not enter into such transactions for trading purposes. The Company generally does not require collateral or other security with counterparties to these financial instruments and is therefore subject to credit risk in the event of nonperformance; however, the Company monitors credit risk and currently does not anticipate nonperformance by other parties.

At June 29, 2013, three forward-starting interest rate swap agreements were in place to swap variable rates on the 2013 Credit Facility for a fixed rate based on an aggregate notional amount of $353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount of the 2013 Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

Interest rate swap agreements are used to manage interest rate risk associated with floating-rate borrowings under our 2013 Credit Facility. The interest rate swap agreements utilized by the Company effectively modify the Company s exposure to interest rate risk by converting a portion of the Company s floating-rate debt to a fixed rate basis through the expiration date of the interest rate swap agreements, thereby reducing the impact of interest rate changes on future interest expense. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the term of the agreements without an exchange of the underlying principal amount. Prior to February 28, 2013, these derivative instruments qualified as effective cash flow hedges under GAAP. For these cash flow hedges, the effective portion of the gain or loss from the financial instruments was initially reported as a component of accumulated other comprehensive income (loss) in stockholders equity and subsequently reclassified into earnings in the same line as the hedged item in the same period or periods during which the hedged item affected earnings.

In conjunction with the refinancing of the 2011 Credit Facility, the Company no longer designated the interest rate swap agreements as cash flow hedges for accounting purposes. Accordingly, amounts previously recorded as a component of accumulated other comprehensive loss in stockholder s equity will be amortized into earnings over the remaining period of the swap agreements. The net after-tax loss included in accumulated other comprehensive loss to be reclassified into interest expense over the remaining term of the swap agreement was $5.6 million at June 29, 2013.

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12. STOCK-BASED COMPENSATION

In connection with the $12.85 special cash dividend paid in November 2012, in order to take into account the earlier return of capital, the TD Group compensation committee adjusted the market-based vesting features in outstanding options pursuant to the authority granted to the committee under the TD Group stock incentive plan. Under this market sweep provision, unvested options granted prior to October 1, 2011 would accelerate and become fully vested if the closing price of the Company s common stock exceeded $147.15 per share (previously $160 per share) on any 60 trading days during any consecutive 12-month period commencing March 1, 2013 and unvested options granted in fiscal 2012 would accelerate and become fully vested if the closing price of the Company s common stock exceeded $157.15 per share (previously $170 per share) on any 60 trading days during any consecutive 12-month period commencing two years from the date of grant. Options granted in fiscal 2013 do not contain such accelerated vesting provision.

During June 2013, a total of 2,409,420 unvested options granted prior to October 1, 2011 with a weighted-average exercise price per option of $58.35 became fully vested under the market sweep provision. Due to the accelerated vesting, the Company recorded additional stock compensation expense of $24.5 million representing costs that would have been recognized over the remaining requisite service period of the award. In conjunction with the accelerated vesting under the market sweep provision, in July 2013 the Company made $38.0 million of dividend equivalent payments related to the October 2009 special cash dividend payment of $7.65 per share and the October 2012 special cash dividend payment of $12.85 per share for unvested options granted prior to October 1, 2011 that became fully vested.

13. SEGMENT INFORMATION

During TransDigm s third quarter ended June 29, 2013, the Company changed its internal management structure and its reporting structure of financial information used to assess performance and allocate resources. 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. Primary customers of this segment are engine and power system and subsystem suppliers, airlines, third party maintenance suppliers, military buying agencies and repair depots. Products are sold in the original equipment and aftermarket market channels.

The Airframe segment includes operations that primarily develop, produce and market systems and components that are used in non-power airframe applications utilizing airframe and cabin structure technologies. Primary customers of this segment are airframe manufacturers and cabin system suppliers and sub system 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. Primary customers of this segment are off road vehicle suppliers and sub system suppliers, child restraint system suppliers, satellite and space system suppliers and fueling system components primarily for the mining industry.

The primary measurements used by management to review and assess the operating performance of each segment are segment net sales, segment EBITDA As Defined and related margin percentage of segment net sales. The Company defines EBITDA As Defined as earnings before interest, taxes, depreciation and amortization plus certain non-operating items including refinancing costs, acquisition-related costs, transaction-related costs and non-cash compensation charges incurred in connection with the Company s stock option plans. Acquisition-related costs represent accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold; costs incurred to integrate acquired businesses and product lines into the Company s operations, facility relocation costs and other acquisition-related costs; transaction related costs comprising deal fees; legal, financial and tax diligence expenses and valuation costs that are required to be expensed as incurred and other acquisition accounting adjustments.

EBITDA As Defined is not a measurement of financial performance under accounting principles generally accepted in the United States of America (GAAP). Although we use EBITDA As Defined to assess the performance of our business and for various other purposes, the use of this non-GAAP financial measure as an analytical tool has limitations, and you should not consider it in isolation, or as a substitute for analysis of our 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.

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

	Thirteen Week Periods Ended June 29, 2013	Thirteen Week Periods Ended June 30, 2012	Thirty-Nine Week Periods Ended June 29, 2013	Thirty-Nine Week Periods Ended June 30, 2012
Net sales to external customers				
Power & Control	$ 218,024	$ 207,020	$ 615,898	$ 574,691
Airframe	244,095	230,156	695,325	611,183
Non-aviation	26,517	24,484	73,440	51,728
	$ 488,636	$ 461,660	$ 1,384,663	$ 1,237,602

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

	Thirteen Week Periods Ended June 29, 2013	Thirteen Week Periods Ended June 30, 2012	Thirty-Nine Week Periods Ended June 29, 2013	Thirty-Nine Week Periods Ended June 30, 2012
EBITDA As Defined				
Power & Control	$ 115,410	$ 113,161	$ 327,725	$ 305,696
Airframe	116,230	105,638	325,671	292,279
Non-aviation	6,308	5,767	16,504	16,091
Total segment EBITDA As Defined	237,948	224,566	669,900	614,066
Unallocated corporate expenses	6,063	7,885	17,847	20,129
Total Company EBITDA As Defined	231,885	216,681	652,053	593,937
Depreciation and amortization	16,062	17,616	49,835	50,645
Interest expense - net	62,469	55,393	189,439	156,754
Acquisition-related costs	7,381	7,343	12,556	20,542
Stock option expense	31,718	5,858	45,980	14,393
Refinancing costs			30,281	
Income from continuing operations before income taxes	$ 114,255	$ 130,471	$ 323,962	$ 351,603

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

	June 29, 2013	September 30, 2012
Total assets		
Power & Control	$ 2,366,529	$ 1,896,300
Airframe	2,960,152	2,932,229
Non-aviation	129,670	118,520
Corporate	356,309	512,568
	$ 5,812,660	$ 5,459,617

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

14. SUBSEQUENT EVENTS

Amendment No. 1 to Amended and Restated Credit Agreement - On July 1, 2013, TransDigm Inc. entered into Amendment No. 1 (the Amendment) to the 2013 Credit Facility. The Amendment permits, among other things, a special dividend of up to $1.9 billion to the holders of TD Group s common stock, par value $.01 per share, the issuance of the 2021 Notes (as defined below), certain changes to certain negative covenants under the 2013 Credit Facility, a modification to the financial covenant contained in the Revolving Credit Facility established pursuant to the 2013 Credit Facility and a modification to the incremental term loan facility established pursuant to the 2013 Credit Facility by excluding the Incremental Term Facility (as defined below) from the calculation of the availability thereunder.

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Incremental Term Loan Assumption Agreement - On July 1, 2013, in accordance with the terms of the 2013 Credit Facility, TransDigm Inc. entered into an Incremental Term Loan Assumption Agreement (the Term Loan Assumption Agreement). The Term Loan Assumption Agreement provides for incremental term loans in the form of additional Tranche C Term Loans in the aggregate principal amount of $900 million (the Incremental Term Facility). The Incremental Term Facility was fully drawn on July 1, 2013. The terms and conditions that apply to the Incremental Term Facility are substantially the same as the terms and conditions that apply to the existing tranche C term loans under the 2013 Credit Facility.

Issuance of Senior Subordinated Notes - On July 1, 2013, TransDigm issued $500 million in aggregate principal amount of its 7 $^1/_2$% Senior Subordinated Notes due 2021 (the 2021 Notes) at an issue price of 100% of the principal amount. The 2021 Notes bear interest at the rate of 7 $^1/_2$% per annum, which accrues from July 1, 2013 and is payable semiannually in arrears on January 15 and July 15 of each year, commencing on January 15, 2014. The 2021 Notes mature on July 15, 2021, unless earlier redeemed or repurchased, and are subject to the terms and conditions as defined in the indenture governing the 2021 Notes.

The 2021 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 2021 Notes. The 2021 Notes are guaranteed on a senior subordinated unsecured basis by TD Group and its wholly-owned domestic subsidiaries named in the Indenture. The guarantees of the 2021 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 2021 Notes. The 2021 Notes are structurally subordinated to all of the liabilities of TD Group s non-guarantor subsidiaries.

Special Cash Dividend - On July 3, 2013 the Company s board of directors authorized and declared a special cash dividend of $22.00 on each outstanding share of common stock and cash dividend equivalent payments under certain of its stock option plans. The special cash dividend amounting to approximately $1,155.8 million in the aggregate and dividend equivalent payments amounting to approximately $95.1 million in the aggregate were paid on or about July 25, 2013.

15. SUPPLEMENTAL GUARANTOR INFORMATION

TransDigm s 7$^3/_4$% Senior Subordinated Notes due 2018 and 5 $^1/_2$% Senior Subordinated Notes due 2020 are jointly and severally guaranteed, on a senior subordinated basis, by TD Group and TransDigm Inc. s 100% owned Domestic Restricted Subsidiaries, as defined in the indentures. The following supplemental condensed consolidating financial information presents, in separate columns, the balance sheets of the Company as of June 29, 2013 and September 30, 2012 and its statements of income and cash flows for the thirty-nine week periods ended June 29, 2013 and June 30, 2012 for (i) TransDigm Group on a parent only basis with its investment in subsidiaries recorded under the equity method, (ii) TransDigm Inc. including its directly owned operations and non-operating entities, (iii) the Subsidiary Guarantors on a combined basis, (iv) Non-Guarantor Subsidiaries and (v) the Company on a consolidated basis.

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF JUNE 29, 2013

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 5,605	$ 236,765	$ 10,296	$ 16,506	$	$ 269,172
Trade accounts receivable - Net		17,693	252,030	19,427	(1,255)	287,895
Inventories - Net		27,269	360,555	26,949	(823)	413,950
Deferred income taxes		23,255	3,594			26,849
Prepaid expenses and other		26,600	12,260	4,152		43,012
Total current assets	5,605	331,582	638,735	67,034	(2,078)	1,040,878
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	796,121	5,234,312	2,369,106	71,767	(8,471,306)	
PROPERTY, PLANT AND EQUIPMENT - Net		15,510	169,346	13,702		198,558
GOODWILL		90,502	3,163,930	80,166		3,334,598
TRADEMARKS AND TRADE NAMES		19,377	435,155	30,698		485,230
OTHER INTANGIBLE ASSETS - Net		7,675	658,247	31,282		697,204
DEBT ISSUE COSTS - Net		43,140				43,140
OTHER		2,593	9,920	535	4	13,052
TOTAL ASSETS	$ 801,726	$ 5,744,691	$ 7,444,439	$ 295,184	$ (8,473,380)	$ 5,812,660
LIABILITIES AND STOCKHOLDERS EQUITY						
CURRENT LIABILITIES:						
Current portion of long-term debt	$	$ 22,000	$	$	$	$ 22,000
Accounts payable		9,454	57,970	9,559	(1,254)	75,729
Accrued liabilities		72,554	78,564	8,603		159,721
Total current liabilities		104,008	136,534	18,162	(1,254)	257,450
LONG-TERM DEBT		4,317,000				4,317,000
DEFERRED INCOME TAXES		388,764	(69)			388,695
OTHER NON-CURRENT LIABILITIES		20,795	25,730	1,264		47,789
Total liabilities		4,830,567	162,195	19,426	(1,254)	5,010,934
STOCKHOLDERS EQUITY	801,726	914,124	7,282,244	275,758	(8,472,126)	801,726
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 801,726	$ 5,744,691	$ 7,444,439	$ 295,184	$ (8,473,380)	$ 5,812,660

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING BALANCE SHEET

AS OF SEPTEMBER 30, 2012

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 20,100	$ 406,891	$ 4,494	$ 9,039	$	$ 440,524
Trade accounts receivable - Net		12,261	207,537	17,486	(1,501)	235,783
Inventories - Net		23,410	272,180	25,397	(484)	320,503
Deferred income taxes		29,134				29,134
Prepaid expenses and other		9,585	12,626	2,376		24,587
Total current assets	20,100	481,281	496,837	54,298	(1,985)	1,050,531
INVESTMENT IN SUBSIDIARIES AND INTERCOMPANY BALANCES	1,198,734	4,720,602	2,055,938	43,745	(8,019,019)	
PROPERTY, PLANT AND EQUIPMENT - Net		15,685	144,177	12,875		172,737
GOODWILL		85,680	2,872,483	77,339		3,035,502
TRADEMARKS AND TRADE NAMES		19,377	416,490	31,747		467,614
OTHER INTANGIBLE ASSETS - Net		8,151	614,225	33,620		655,996
DEBT ISSUE COSTS - Net		62,190				62,190
OTHER		2,750	(27,249)	39,546		15,047
TOTAL ASSETS	$ 1,218,834	$ 5,395,716	$ 6,572,901	$ 293,170	$ (8,021,004)	$ 5,459,617
LIABILITIES AND STOCKHOLDERS EQUITY						
CURRENT LIABILITIES:						
Current portion of long-term debt	$	$ 20,500	$	$	$	$ 20,500
Accounts payable		10,068	54,054	11,553	(1,497)	74,178
Accrued liabilities		68,808	64,250	6,179		139,237
Total current liabilities		99,376	118,304	17,732	(1,497)	233,915
LONG-TERM DEBT		3,598,625				3,598,625
DEFERRED INCOME TAXES		356,896				356,896
OTHER NON-CURRENT LIABILITIES		24,083	26,480	784		51,347
Total liabilities		4,078,980	144,784	18,516	(1,497)	4,240,783
STOCKHOLDERS EQUITY	1,218,834	1,316,736	6,428,117	274,654	(8,019,507)	1,218,834
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 1,218,834	$ 5,395,716	$ 6,572,901	$ 293,170	$ (8,021,004)	$ 5,459,617

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF INCOME

FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 29, 2013

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET SALES	$	$ 82,303	$ 1,221,613	$ 85,700	$ (4,953)	$ 1,384,663
COST OF SALES		50,405	512,993	58,917	(4,495)	617,820
GROSS PROFIT		31,898	708,620	26,783	(458)	766,843
SELLING AND ADMINISTRATIVE EXPENSES		73,645	106,581	13,171		193,397
AMORTIZATION OF INTANGIBLE ASSETS		468	27,986	1,310		29,764
INCOME (LOSS) FROM OPERATIONS		(42,215)	574,053	12,302	(458)	543,682
INTEREST EXPENSE - Net		186,542	1,988	909		189,439
REFINANCING COSTS		30,281				30,281
EQUITY IN INCOME OF SUBSIDIARIES	(218,762)	(372,374)			591,136	
INCOME BEFORE INCOME TAXES	218,762	113,336	572,065	11,393	(591,594)	323,962
INCOME TAX PROVISION (BENEFIT)		(105,426)	205,974	4,652		105,200
NET INCOME	$ 218,762	$ 218,762	$ 366,091	$ 6,741	$ (591,594)	$ 218,762

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF INCOME

FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 30, 2012

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET SALES	$	$ 77,073	$ 1,100,839	$ 70,229	$ (10,539)	$ 1,237,602
COST OF SALES		45,161	455,134	58,450	(10,040)	548,705
GROSS PROFIT		31,912	645,705	11,779	(499)	688,897
SELLING AND ADMINISTRATIVE EXPENSES		44,946	92,170	10,305		147,421
AMORTIZATION OF INTANGIBLE ASSETS		468	31,412	1,239		33,119
INCOME (LOSS) FROM OPERATIONS		(13,502)	522,123	235	(499)	508,357
INTEREST EXPENSE - Net		154,107	1,483	1,164		156,754
EQUITY IN INCOME OF SUBSIDIARIES	(237,103)	(341,170)			578,273	
INCOME (LOSS) BEFORE INCOME TAXES	237,103	173,561	520,640	(929)	(578,772)	351,603
INCOME TAX PROVISION (BENEFIT)		(63,542)	178,098	(56)		114,500
NET INCOME (LOSS)	$ 237,103	$ 237,103	$ 342,542	$ (873)	$ (578,772)	$ 237,103

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 29, 2013

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$	$ (114,719)	$ 371,939	$ 4,437	$ 5,378	$ 267,035
INVESTING ACTIVITIES:						
Capital expenditures		(1,520)	(20,304)	(1,809)		(23,633)
Acquisition of business, net of cash acquired		(481,842)				(481,842)
Cash proceeds from sale of investment		10,500				10,500
Cash proceeds from working capital settlement		134				134
Net cash used in investing activities		(472,728)	(20,304)	(1,809)		(494,841)
FINANCING ACTIVITIES:						
Intercompany activities	629,280	(282,854)	(345,833)	4,785	(5,378)	
Excess tax benefits related to share-based payment arrangements	43,785					43,785
Proceeds from exercise of stock options	14,846					14,846
Dividends paid	(702,406)					(702,406)
Proceeds from 2013 credit facility - net		2,190,996				2,190,996
Repayment on 2013 credit facility		(11,000)				(11,000)
Proceeds from 2011 credit facility - net		147,360				147,360
Repayment on 2011 credit facility		(2,169,125)				(2,169,125)
Proceeds from senior subordinated notes due 2020 - net		541,944				541,944
Net cash provided by (used in) financing activities	(14,495)	417,321	(345,833)	4,785	(5,378)	56,400
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				54		54
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,495)	(170,126)	5,802	7,467		(171,352)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	20,100	406,891	4,494	9,039		440,524
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 5,605	$ 236,765	$ 10,296	$ 16,506	$	$ 269,172

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TRANSDIGM GROUP INCORPORATED

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

FOR THE THIRTY-NINE WEEK PERIOD ENDED JUNE 30, 2012

(Amounts in thousands)

	TransDigm Group	TransDigm Inc.	Subsidiary Guarantors	Non-Guarantor Subsidiaries	Eliminations	Total Consolidated
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$	$ (98,665)	$ 348,628	$ 5,122	$ 2,738	$ 257,823
INVESTING ACTIVITIES:						
Capital expenditures		(1,164)	(14,301)	(744)		(16,209)
Acquisition of businesses, net of cash acquired		(833,971)				(833,971)
Net cash used in investing activities		(835,135)	(14,301)	(744)		(850,180)
FINANCING ACTIVITIES:						
Intercompany activities	(51,104)	383,840	(325,578)	(4,420)	(2,738)	
Excess tax benefits related to share-based payment arrangements	40,531					40,531
Proceeds from exercise of stock options	12,938					12,938
Dividends paid	(3,299)					(3,299)
Proceeds from 2011 credit facility-net		484,316				484,316
Repayment on 2011 credit facility		(14,125)				(14,125)
Treasury stock purchased	(846)					(846)
Net cash provided by (used in) financing activities	(1,780)	854,031	(325,578)	(4,420)	(2,738)	519,515
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				(623)		(623)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,780)	(79,769)	8,749	(665)		(73,465)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,695	360,074	2,115	8,299		376,183
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 3,915	$ 280,305	$ 10,864	$ 7,634	$	$ 302,718

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company s financial condition and results of operations should be read together with TD Group s consolidated financial statements and the related notes included elsewhere in this Quarterly Report on Form 10-Q. References in this section to TransDigm, the Company, we, us, our, and similar references refer to TD Group, TransDigm Inc. and TransDigm Inc. s subsidiaries, unless the context otherwise indicates. The following discussion may contain predictions, estimates and other forward-looking statements that involve a number of risks and uncertainties, including those discussed in this report. These risks could cause our actual results to differ materially from any future performance suggested below.

This Quarterly Report on Form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, in particular, the statements about the Company s plans, strategies and prospects under this section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations. Although the Company believes that its plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Many of the factors affecting these forward-looking statements are outside the control of the Company. Consequently, such forward-looking statements should be regarded solely as the Company s current plans, estimates and beliefs. The Company does not undertake, and specifically declines, 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, except as required by applicable law. All forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements.

Important factors that could cause actual results to differ materially from the forward-looking statements made in this Quarterly Report on Form 10-Q 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 terrorist attacks; 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 substantial indebtedness; potential environmental liabilities; and other factors. Please refer to the other information included in this Quarterly Report on Form 10-Q and to the Annual Report on Form 10-K for additional information regarding the foregoing factors that may affect our business.

Overview

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

For the third quarter of fiscal 2013, we generated net sales of $488.6 million and net income of $76.7 million. EBITDA As Defined was $231.9 million, or 47.5% of net sales. See below for certain information regarding EBITDA and EBITDA As Defined, including reconciliations of EBITDA and EBITDA As Defined to net income and net cash provided by operating activities.

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Certain Acquisitions

Whippany Actuation Systems, LLC Acquisition

On June 28, 2013, Whippany Actuation Systems, LLC, a newly formed, wholly owned subsidiary of TransDigm Inc., acquired assets from GE Aviation s Electromechanical Actuation Division (Whippany Actuation) for approximately $147.8 million in cash, subject to adjustments based on the level of working capital as of the closing date of the acquisition. Whippany Actuation manufactures proprietary, highly engineered aerospace electromechanical motion control subsystems for civil and military applications, with product offerings including control electronics, motors, high power mechanical transmissions and actuators. These products fit well with TransDigm s overall business direction. Whippany will be integrated into TransDigm s Power & Control segment. The Company is in the process of obtaining information to value certain tangible and intangible assets of Whippany Actuation, and therefore the condensed consolidated financial statements at June 29, 2013 reflect a preliminary purchase price allocation for the business.

Arkwin Industries, Inc. Acquisition

On June 5, 2013, TransDigm Inc. acquired all of the outstanding stock of Arkwin Industries, Inc. (Arkwin), for approximately $285.8 million in cash, subject to adjustments based on the level of working capital as of the closing date of the acquisition. Arkwin manufactures proprietary, highly engineered aerospace hydraulic and fuel system components for commercial and military aircraft, helicopters and other specialty applications. These products fit well with TransDigm s overall business direction. Arkwin will be integrated into TransDigm s Power & Control segment. The Company is in the process of obtaining information to value certain tangible and intangible assets of Arkwin, and therefore the condensed consolidated financial statements at June 29, 2013 reflect a preliminary purchase price allocation for the business.

Aerosonic Corporation Acquisition

On June 5, 2013, Buccaneer Acquisition Sub Inc., a subsidiary of TransDigm Inc., completed the tender offer of a majority of the outstanding stock of Aerosonic Corporation (Aerosonic). Buccaneer Acquisition Sub Inc. was subsequently merged into Aerosonic. The aggregate price paid in the tender offer and merger was approximately $39.8 million in cash. Aerosonic designs and manufactures proprietary, highly engineered mechanical and digital altimeters, airspeed indicators, rate of climb indicators, microprocessor controlled air data test sets, angle of attack stall warning systems, integrated air data sensors and other aircraft sensors, monitoring systems and flight instrumentation for use on commercial and military aircraft. These products fit well with TransDigm s overall business direction. Aerosonic will be integrated into TransDigm s Airframe segment. The Company is in the process of obtaining information to value certain tangible and intangible assets of Aerosonic, and therefore the condensed consolidated financial statements at June 29, 2013 reflect a preliminary purchase price allocation for the business.

Aero-Instruments Co., LLC Acquisition

On September 17, 2012, TransDigm Inc. acquired all of the outstanding equity interests in Aero-Instruments Co., LLC (Aero-Instruments), for approximately $34.6 million in cash, which includes a purchase price adjustment of $0.1 million received in the first quarter of fiscal 2013. Aero-Instruments designs and manufactures highly engineered air data sensors including pitot probes, pitot-static probes, static pressure ports, angle of attack, temperature sensors and flight test equipment for use primarily in the business jet and helicopter markets. These products fit well with TransDigm s overall business direction. Aero-Instruments will be integrated into TransDigm s Power & Control segment. The Company is in the process of obtaining information to value certain tangible and intangible assets of Aero-Instruments, and therefore the condensed consolidated financial statements at June 29, 2013 reflect a preliminary purchase price allocation for the business.

AmSafe Global Holdings, Inc. Acquisition

On February 15, 2012, TransDigm Inc. acquired all of the outstanding stock of AmSafe Global Holdings, Inc. (AmSafe), for approximately $749.7 million in cash, which includes a purchase price adjustment of $0.5 million paid in the third quarter of fiscal 2012. AmSafe is a leading supplier of innovative, highly engineered and proprietary safety and restraint equipment used primarily in the global aerospace industry. These products fit well with TransDigm s overall business direction. The majority of AmSafe product lines were integrated into TransDigm s Airframe segment, and the remaining product lines were integrated into the Non-aviation segment. The distribution business acquired as part of AmSafe was sold on August 16, 2012 for approximately $17.8 million in cash, which includes a working capital adjustment of $0.1 million received in the first quarter of fiscal 2013. The equity investment in C-Safe LLC acquired as part of AmSafe was sold in October 2012 for approximately $16.4 million, which consisted of $5.0 million in cash at closing and an $11.4 million short term note receivable, of which $5.5 million was collected in the second quarter of fiscal 2013.

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Harco Laboratories Acquisition

On December 9, 2011, TransDigm Inc. acquired all of the outstanding stock of Harco Laboratories, Incorporated (Harco), for approximately $83.3 million in cash, which includes a purchase price adjustment of $0.4 million paid in the second quarter of fiscal 2012. Harco designs and manufactures highly engineered thermocouples, sensors, engine cable assemblies and related products for commercial aircraft. These products fit well with TransDigm s overall business direction. Harco was integrated into TransDigm s Power & Control segment.

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 our revolving credit facility under our senior secured credit facility requires compliance, 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. This financial covenant is a material term of our senior secured credit facility as the failure to comply with such financial covenant could result in an event of default in respect of the revolving credit facility (and such an event of default could, in turn, result in an event of default under the indentures governing our 7 $^3/_4$% Senior Subordinated Notes due 2018, 5 $^1/_2$% Senior Subordinated Notes due 2020 and our 7 $^1/_2$% Senior Subordinated Notes due 2021).

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

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

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

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

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

	Thirteen Week Periods Ended		Thirty-Nine Week Periods Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
	(in thousands)		(in thousands)	
Net income	$ 76,655	$ 90,446	$ 218,762	$ 237,103
Adjustments:				
Depreciation and amortization expense	16,062	17,616	49,835	50,645
Interest expense, net	62,469	55,393	189,439	156,754
Income tax provision	37,600	40,025	105,200	114,500
EBITDA	192,786	203,480	563,236	559,002
Adjustments:				
Inventory purchase accounting adjustments(1)	1,067	4,274	1,957	12,733
Acquisition integration costs(2)	874	2,458	3,820	5,842
Acquisition transaction-related expenses(3)	5,440	611	6,779	4,759
Other acquisition accounting adjustments				(2,792)
Non-cash compensation costs(4)	31,718	5,858	45,980	14,393
Refinancing costs(5)			30,281	
EBITDA As Defined	$ 231,885	$ 216,681	$ 652,053	$ 593,937

(1) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.

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

(3) Represents transaction-related costs comprising deal fees; legal, financial and tax due diligence expenses; and valuation costs that are required to be expensed as incurred.

(4) Represents the compensation expense recognized by TD Group under our stock option plans.

(5) Represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.

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

	Thirty-Nine Week Period Ended	
	June 29, 2013	June 30, 2012
	(in thousands)	
Net Cash Provided by Operating Activities	$ 267,035	$ 257,823
Adjustments:		
Changes in assets and liabilities, net of effects from acquisitions of businesses	49,671	14,851
Interest expense, net (1)	180,582	147,610
Income tax provision - current	98,424	112,580
Non-cash equity compensation (2)	(45,980)	(14,393)
Excess tax benefit from exercise of stock options	43,785	40,531
Refinancing costs (6)	(30,281)	
EBITDA	563,236	559,002
Adjustments:		
Inventory purchase accounting adjustments (3)	1,957	12,733
Acquisition integration costs (4)	3,820	5,842
Acquisition transaction-related expenses (5)	6,779	4,759
Other acquisition related expenses		(2,792)
Stock option expense (2)	45,980	14,393
Refinancing costs (6)	30,281	
EBITDA As Defined	$ 652,053	$ 593,937

(1) Represents interest expense excluding the amortization of debt issue costs and note premium and discount.
(2) Represents the compensation expense recognized by TD Group under our stock option plans.
(3) Represents accounting adjustments to inventory associated with acquisitions of businesses and product lines that were charged to cost of sales when the inventory was sold.
(4) Represents costs incurred to integrate acquired businesses and product lines into TD Group s operations, facility relocation costs and other acquisition-related costs.
(5) 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.
(6) Represents debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance 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.

A summary of our significant accounting policies and estimates is included in the Annual Report on Form 10-K for the year ended September 30, 2012. There have been no significant changes to our critical accounting policies during the thirty-nine week period ended June 29, 2013.

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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):

	Thirteen Week Periods Ended			
	June 29, 2013	% of Sales	June 30, 2012	% of Sales
Net sales	$ 488,636	100.0%	$ 461,660	100.0%
Cost of sales	219,650	45.0	208,358	45.1
Selling and administrative expenses	82,773	16.9	56,097	12.2
Amortization of intangible assets	9,489	1.9	11,341	2.5
Income from operations	176,724	36.2	185,864	40.3
Interest expense, net	62,469	12.8	55,393	12.0
Income tax provision	37,600	7.7	40,025	8.7
Net income	$ 76,655	15.7%	$ 90,446	19.6%

	Thirty-Nine Week Periods Ended			
	June 29, 2013	% of Sales	June 30, 2012	% of Sales
Net sales	$ 1,384,663	100.0%	$ 1,237,602	100.0%
Cost of sales	617,820	44.6	548,705	44.3
Selling and administrative expenses	193,397	14.0	147,421	11.9
Amortization of intangible assets	29,764	2.1	33,119	2.7
Income from operations	543,682	39.3	508,357	41.1
Interest expense, net	189,439	13.7	156,754	12.7
Refinancing costs	30,281	2.2		
Income tax provision	105,200	7.6	114,500	9.3
Net income	$ 218,762	15.8%	$ 237,103	19.2%

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Changes in Results of Operations

Thirteen week period ended June 29, 2013 compared with the thirteen week period ended June 30, 2012.

Total Company

Net Sales. Net organic sales, acquisition sales and sales of the AmSafe distribution business, which was acquired as part of AmSafe on February 15, 2012 and sold on August 16, 2012, and the related dollar and percentage changes for the thirteen week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirteen Week Periods Ended			% Change
	June 29, 2013	June 30, 2012	Change	Total Sales
Organic sales	$ 473.8	$ 452.9	$ 20.9	4.5%
Acquisition sales	14.8		14.8	3.2%
AmSafe distribution sales		8.8	(8.8)	-1.9%
	$ 488.6	$ 461.7	$ 26.9	5.8%

Organic sales for the quarter ended June 29, 2013 includes a favorable commercial OEM retroactive contract pricing adjustment of approximately $2 million. Organic sales for the quarter ended June 30, 2012 includes a favorable commercial aftermarket retroactive contract pricing adjustment of approximately $6 million.

Excluding the impact of the retroactive contract pricing adjustments and the AmSafe distribution sales indicated above, commercial OEM sales increased $12.1 million, or an increase of 9.5%, commercial aftermarket sales increased $5.2 million, or an increase of 2.8%, and defense sales increased $9.2 million, or an increase of 8.7%, for the quarter ended June 29, 2013 compared to the quarter ended June 30, 2012.

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

Cost of Sales and Gross Profit. Cost of sales increased by $11.3 million, or 5.4%, to $219.7 million for the quarter ended June 29, 2013 compared to $208.4 million for the quarter ended June 30, 2012. Cost of sales and the related percentage of total sales for the thirteen week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	June 29, 2013	June 30, 2012	Change	% Change
Cost of sales excluding acquisition-related costs below	$ 212.8	$ 200.7	$ 12.2	6.1%
% of total sales	43.6%	43.5%		
Inventory purchase accounting adjustments	1.1	4.3	(3.2)	-75.0%
% of total sales	0.2%	0.9%		
Acquisition integration costs	1.0	2.5	(1.5)	-60.8%
% of total sales	0.2%	0.6%		
Stock compensation expense	4.8	0.9	3.9	441.3%
% of total sales	1.0%	0.2%		

Total cost of sales	$ 219.7	$ 208.4	$ 11.3	5.4%
% of total sales	45.0%	45.1%		
Gross profit	$ 269.0	$ 253.3	$ 15.7	6.2%
Gross profit percentage	55.0%	54.9%		

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The increase in the dollar amount of cost of sales during the thirteen week period ended June 29, 2013 was primarily due to increased volume associated with the sales from acquisitions and organic sales growth and higher stock compensation expense related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011 offset by lower acquisition-related costs as shown in the table above.

Gross profit as a percentage of sales increased by 0.1 percentage points to 55.0% for the thirteen week period ended June 29, 2013 from 54.9% for the thirteen week period ended June 30, 2012. The dollar amount of gross profit increased by $15.7 million, or 6.2%, for the quarter ended June 29, 2013 compared to the comparable quarter last year due to the following items:

Gross profit on the sales from the acquisitions indicated above (excluding acquisition-related costs) was approximately $6 million for the quarter ended June 29, 2013, which represented gross profit of approximately 41% of the acquisition sales.

Impact of lower inventory purchase accounting adjustments and acquisition integration costs charged to cost of sales of approximately $5 million.

Organic sales growth described above, application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers), and positive leverage on our fixed overhead costs spread over a higher production volume, partially offset by unfavorable OEM versus aftermarket sales mix, resulted in a net increase in gross profit of approximately $12 million for the quarter ended June 29, 2013.

The gross profit increase described above was partially offset by higher stock compensation expense of $4 million mainly due to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011.

Selling and Administrative Expenses. Selling and administrative expenses increased by $26.7 million to $82.8 million, or 16.9% of sales, for the thirteen week period ended June 29, 2013 from $56.1 million, or 12.2% of sales, for the thirteen week period ended June 30, 2012. Selling and administrative expenses and the related percentage of total sales for the thirteen week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirteen Week Periods Ended			
	June 29, 2013	**June 30, 2012**	**Change**	**% Change**
Selling and administrative expenses excluding costs below	$ 50.5	$ 50.6	$ (0.1)	-0.2%
% of total sales	10.3%	11.0%		
Stock compensation expense	27.0	5.0	22.0	441.5%
% of total sales	5.5%	1.1%		
Acquisition related expenses	5.3	0.5	4.8	910.8%
% of total sales	1.1%	0.1%		
Total selling and administrative expenses	$ 82.8	$ 56.1	$ 26.7	47.6%
% of total sales	16.9%	12.2%		

The increase in the dollar amount of selling and administrative expenses during the quarter ended June 29, 2013 is primarily due to additional stock compensation expense of approximately $21 million recorded in June 2013 related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011. In addition, selling and administrative expenses during the quarter ended June 29, 2013 increased due to higher acquisition related expenses of approximately $5 million as shown in the table above.

Amortization of Intangibles. Amortization of intangibles decreased to $9.5 million for the quarter ended June 29, 2013 from $11.3 million for the comparable quarter last year. The net decrease of $1.8 million was primarily due to order backlog relating to prior acquisitions becoming fully amortized partially offset by increased amortization expense related to the additional identifiable intangible assets recognized in connection with acquisitions during the last twelve months.

Interest Expense-net. Interest expense-net includes interest on outstanding borrowings, amortization of debt issue costs and revolving credit facility fees offset by interest income. Interest expense-net increased $7.1 million, or 12.8%, to $62.5 million for the quarter ended June 29, 2013 from $55.4 million for the comparable quarter last year. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately $4.34 billion for the quarter ended June 29, 2013 and approximately $3.63 billion for the quarter ended June 30, 2012. The increase in borrowings was due to the additional $150 million term loan facility under the amendment to our 2011 Credit Facility which occurred in October 2012, additional borrowings of $36.4 million relating to our refinancing of the 2011 Credit Facility in February 2013, and the issuance in October 2012 of our $550 million 5 $^{1}/_{2}$% Senior Subordinated Notes due 2020.

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Income Taxes. Income tax expense as a percentage of income before income taxes was approximately 32.9% for the quarter ended June 29, 2013 compared to 30.7% for the quarter ended June 30, 2012. The lower effective tax rate for the thirteen week period ended June 30, 2012 was primarily due to discrete items related to IRS settlements and adjustments resulting from the filing of the previous year s federal tax return.

Net Income. Net income decreased $13.8 million, or 15.2%, to $76.7 million for the quarter ended June 29, 2013 compared to net income of $90.4 million for the quarter ended June 30, 2012. The decrease in net income was primarily due to the after-tax additional stock compensation expense recorded in June 2013 of $16.5 million, or $0.30 per share, related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011.

Earnings per Share. The basic and diluted earnings per share were $0.71 for the quarter ended June 29, 2013 and $1.68 per share for the quarter ended June 30, 2012. Net income for the thirteen week period ended June 29, 2013 of $76.7 million was decreased by an allocation of dividends on participating securities of $38.0 million, or $0.70 per share, resulting in net income available to common shareholders of $38.7 million. The decrease in earnings per share of $1.68 per share to $0.71 per share is a result of the factors referred to above.

Business Segments

Segment Net Sales. Net sales by segment for the thirteen week periods ended June 29, 2013 and June 30, 2012 as follows (amounts in millions):

	Thirteen Week Periods Ended					
	June 29, 2013	% of Sales	June 30, 2012	% of Sales	Change	% Change
Power & Control	$ 218.0	44.6%	$ 207.0	44.8%	$ 11.0	5.3%
Airframe	244.1	50.0%	230.2	49.9%	13.9	6.0%
Non-aviation	26.5	5.4%	24.5	5.3%	2.0	8.2%
	$ 488.6	100.0%	$ 461.7	100.0%	$ 26.9	5.8%

Acquisition sales for the Power & Control segment totaled $10.1 million, or an increase of 4.9%, resulting from the acquisitions of Arkwin in fiscal 2013 and Aero-Instruments in fiscal 2012. Sales for the quarter ended June 30, 2012 includes a favorable commercial aftermarket retroactive contract pricing adjustment of approximately $6 million. Excluding the impact of the retroactive contract pricing adjustment, organic sales increased $6.9 million when compared to the quarter ended June 30, 2012. The organic sales increase was primarily due to an increase in commercial aftermarket sales of $2.7 million, or an increase of 3.1%, an increase in defense sales of $7.5 million, or an increase of 9.8%, offset by a decrease in commercial OEM sales of $2.7 million.

Acquisition sales for the Airframe segment totaled $1.9 million, or an increase of 0.8%, resulting from the acquisition of Aerosonic in fiscal 2013. Sales for the quarter ended June 29, 2013 include an OEM retroactive contract pricing adjustment of approximately $2 million. Sales in the third quarter ended June 30, 2012 reflect sales of $8.8 million related to the AmSafe distribution business, which was acquired as part of AmSafe on February 15, 2012 and sold on August 16, 2012. Excluding the impact of the retroactive contract pricing adjustment and prior year sales related to the AmSafe distribution business, organic sales increased $18.8 million when compared to the quarter ended June 30, 2012. The organic sales increase was primarily due to an increase in commercial OEM sales of $14.9 million, or an increase of 16.7%, an increase in commercial aftermarket sales of $2.4 million, or an increase of 2.4%, and an increase in defense sales of $1.6 million, or an increase of 5.6%.

Acquisition sales for the Non-aviation segment totaled $2.8 million, or an increase of 11.5%. Organic sales declined $0.8 million, or 3.3%.

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EBITDA As Defined. EBITDA As Defined by segment for the thirteen week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirteen Week Periods Ended					
	June 29, 2013	% of Segment Sales	June 30, 2012	% of Segment Sales	Change	% Change
Power & Control	$ 115.4	52.9%	$ 113.2	54.7%	$ 2.2	2.0%
Airframe	116.2	47.6%	105.6	45.9%	10.6	10.0%
Non-aviation	6.3	23.8%	5.8	23.5%	0.5	9.4%
	$ 237.9	48.7%	$ 224.6	48.6%	$ 13.3	5.9%

EBITDA As Defined for the Power & Control segment from the acquisitions of Arkwin and Aero-Instruments was approximately $3.7 million for the quarter ended June 29, 2013, which represented EBITDA As Defined of approximately 36.6% of the acquisition sales. Taking into account the impact of a prior year aftermarket pricing adjustment, organic EBITDA As Defined growth was $3.6 million when compared to the quarter ended June 30, 2012.

EBITDA As Defined for the Airframe segment from the acquisition of Aerosonic was approximately $0.1 million for the quarter ended June 29, 2013. Taking into account the impact of the prior year EBITDA As Defined relating to the AmSafe distribution business of approximately $1.0 million, organic EBITDA As Defined increased approximately $11.5 million. The organic EBITDA As Defined growth was due to the gross profit from the organic sales increase noted above and the previously mentioned retroactive contract pricing adjustment of approximately $2 million.

EBITDA As Defined for the Non-aviation segment from acquisitions was approximately $0.7 million for the quarter ended June 29, 2013. Organic EBITDA declined approximately $0.2 million.

Thirty-nine week period ended June 29, 2013 compared with the thirty-nine week period ended June 30, 2012.

Total Company

Net Sales. Net organic sales, acquisition sales and sales of the AmSafe distribution business, which was acquired as part of AmSafe on February 15, 2012 and sold on August 16, 2012, and the related dollar and percentage changes for the thirty-nine week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended			% Change
	June 29, 2013	June 30, 2012	Change	Total Sales
Organic sales	$ 1,257.1	$ 1,223.9	$ 33.2	2.7%
Acquisition sales	127.6		127.6	10.3%
AmSafe distribution sales		13.7	(13.7)	-1.1%
	$ 1,384.7	$ 1,237.6	$ 147.1	11.9%

Organic sales for the thirty-nine week period ended June 29, 2013 includes a favorable commercial OEM retroactive contract pricing adjustment of approximately $2 million. Organic sales for the thirty-nine week period ended June 30, 2012 includes favorable commercial OEM retroactive contract pricing adjustments of approximately $11 million and a favorable commercial aftermarket retroactive contract pricing adjustment of approximately $6 million.

Excluding the impact of the retroactive contract pricing adjustments and the AmSafe distribution sales indicated above, commercial OEM sales increased $35.5 million, or an increase of 9.7%, commercial aftermarket sales increased $1.6 million, or an increase of 0.3%, and defense sales increased $18.6 million, or an increase of 6.3%, for the thirty-nine week period ended June 29, 2013 compared to the thirty-nine week period ended June 30, 2012.

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

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Cost of Sales and Gross Profit. Cost of sales increased by $69.1 million, or 12.6%, to $617.8 million for the thirty-nine week ended June 29, 2013 compared to $548.7 million for the thirty-nine week period ended June 30, 2012. Cost of sales and the related percentage of total sales for the thirty-nine week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended			
	June 29, 2013	June 30, 2012	Change	% Change
Cost of sales - excluding acquisition-related costs below	$ 605.2	$ 529.5	$ 75.7	14.3%
% of total sales	43.7%	42.8%		
Inventory purchase accounting adjustments	2.0	12.7	(10.8)	-84.6%
% of total sales	0.1%	1.0%		
Acquisition integration costs	3.8	4.3	(0.5)	-12.5%
% of total sales	0.3%	0.4%		
Stock compensation expense	6.9	2.2	4.7	219.5%
% of total sales	0.5%	0.2%		
Total cost of sales	$ 617.8	$ 548.7	$ 69.1	12.6%
% of total sales	44.6%	44.3%		
Gross profit	$ 766.8	$ 688.9	$ 77.9	11.3%
Gross profit percentage	55.4%	55.7%		

The increase in the dollar amount of cost of sales during the thirty-nine week period ended June 29, 2013 was primarily due to increased volume associated with the sales from acquisitions and organic sales growth and higher stock compensation expense related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011 offset by lower acquisition-related costs as shown in the table above.

Gross profit as a percentage of sales decreased by 0.3 percentage points to 55.4% for the thirty-nine week period ended June 29, 2013 from 55.7% for the thirty-nine week period ended June 30, 2012. The dollar amount of gross profit increased by $77.9 million, or 11.3%, for the thirty-nine week period ended June 29, 2013 compared to the comparable period last year due to the following items:

Gross profit on the sales from the acquisitions indicated above (excluding acquisition-related costs) was approximately $59 million for the thirty-nine week period ended June 29, 2013, which represented gross profit of approximately 47% of the acquisition sales.

Impact of lower inventory purchase accounting adjustments and acquisition integration costs charged to cost of sales of approximately $11 million.

Organic sales growth described above, application of our three core value-driven operating strategies (obtaining profitable new business, continually improving our cost structure, and providing highly engineered value-added products to customers), and positive leverage on our fixed overhead costs spread over a higher production volume, partially offset by unfavorable OEM versus aftermarket sales mix, resulted in a net increase in gross profit of approximately $27 million for the thirty-nine week period ended June 29, 2013.

The gross profit increase described above was partially offset by higher stock compensation expense of $5 million mainly due to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011 and the impact of the favorable retroactive contract pricing adjustments that were higher in the prior year by approximately $14 million.

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Selling and Administrative Expenses. Selling and administrative expenses increased by $46.0 million to $193.4 million, or 14.0% of sales, for the thirty-nine week period ended June 29, 2013 from $147.4 million, or 11.9% of sales, for the thirty-nine week period ended June 30, 2012. Selling and administrative expenses and the related percentage of total sales for the thirty-nine week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended			
	June 29, 2013	June 30, 2012	Change	% Change
Selling and administrative expenses - excluding costs below	$ 147.5	$ 131.7	$ 15.8	12.0%
% of total sales	10.7%	10.6%		
Stock compensation expense	39.1	12.2	26.8	219.5%
% of total sales	2.8%	1.0%		
Acquisition related expenses	6.8	6.3	0.5	8.7%
% of total sales	0.5%	0.5%		
Other acquisition related expenses		(2.8)	2.8	-100.0%
% of total sales	0.0%	-0.2%		
Total selling and administrative expenses	$ 193.4	$ 147.4	$ 46.0	31.2%
% of total sales	14.0%	11.9%		

The increase in the dollar amount of selling and administrative expenses during the thirty-nine week period ended June 29, 2013 is due to additional stock compensation expense of approximately $21 million recorded in June 2013 related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011. In addition, selling and administrative expenses during the thirty-nine week period ended June 29, 2013 increased due to higher selling and administrative expenses relating to recent acquisitions of approximately $19 million, which was approximately 15% of the acquisition sales.

Amortization of Intangibles. Amortization of intangibles decreased to $29.8 million for the thirty-nine week period ended June 29, 2013 from $33.1 million for the comparable period last year. The net decrease of $3.4 million was primarily due to order backlog relating to prior acquisitions becoming fully amortized offset by amortization expense related to the additional identifiable intangible assets recognized in connection with acquisitions during the last twelve months.

Refinancing Costs. Refinancing costs of $30.3 million were recorded during the thirty-nine week period ended June 29, 2013 representing debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility in February 2013.

Interest Expense-net. Interest expense-net includes interest on outstanding borrowings, amortization of debt issue costs and revolving credit facility fees offset by interest income. Interest expense-net increased $32.7 million, or 20.9%, to $189.4 million for the thirty-nine week period ended June 29, 2013 from $156.8 million for the comparable period last year. The net increase in interest expense-net was primarily due to an increase in the weighted average level of outstanding borrowings, which was approximately $4.29 billion for the thirty-nine week period ended June 29, 2013 and approximately $3.62 billion for the thirty-nine week period ended June 30, 2012. The increase in borrowings was due to the additional $500 million and $150 million term loan facilities under the amendments to our 2011 Credit Facility which occurred in February 2012 and October 2012, respectively, additional borrowings of $36.4 million relating to our refinancing of the 2011 Credit Facility in February 2013, and the issuance in October 2012 of our $550 million 5 $^1/_2$% Senior Subordinated Notes due 2020. The weighted average interest rate on total outstanding borrowings at June 29, 2013 was 5.5%.

Income Taxes. Income tax expense as a percentage of income before income taxes was approximately 32.5% for the thirty-nine week period ended June 29, 2013 compared to 32.6% for the thirty-nine week period ended June 30, 2012. The Company s effective tax rate for these periods was less than the Federal statutory tax rate due primarily to the domestic manufacturing deduction.

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Net Income. Net income decreased $18.3 million, or 7.7%, to $218.8 million for the thirty-nine week period ended June 29, 2013 compared to net income of $237.1 million for the thirty-nine week period ended June 30, 2012. The decrease in net income was primarily due to the after-tax impact of $20.4 million, or $0.38 per share, related to the refinancing costs recorded during the period and the after-tax additional stock compensation expense recorded in June 2013 of $16.5 million, or $0.30 per share, related to the accelerated vesting under the market sweep provision for all options granted prior to October 1, 2011. The decrease noted above was partially offset by an increase in net income from operations.

Earnings per Share. The basic and diluted earnings per share were $2.62 for the thirty-nine week period ended June 29, 2013 and $4.34 per share for the thirty-nine week period ended June 30, 2012. Net income for the thirty-nine week period ended June 29, 2013 of $218.8 million was decreased by an allocation of dividends on participating securities of $76.1 million, or $1.40 per share, resulting in net income available to common shareholders of $142.7 million. Net income for the thirty-nine week period ended June 30, 2012 of $237.1 million was decreased by an allocation of dividends on participating securities of $3.3 million, or $0.06 per share, resulting in net income available to common shareholders of $233.8 million. The decrease in earnings per share of $4.34 per share to $2.62 per share is a result of the factors referred to above.

Business Segments

Segment Net Sales. Net sales by segment for the thirty-nine week periods ended June 29, 2013 and June 30, 2012 as follows (amounts in millions):

	Thirty-Nine Week Periods Ended					
	June 29, 2013	% of Sales	June 30, 2012	% of Sales	Change	% Change
Power & Control	$ 615.9	44.5%	$ 574.7	46.4%	$ 41.2	7.2%
Airframe	695.3	50.2%	611.2	49.4%	84.1	13.8%
Non-aviation	73.5	5.3%	51.7	4.2%	21.8	42.2%
	$ 1,384.7	100.0%	$ 1,237.6	100.0%	$ 147.1	11.9%

Acquisition sales for the Power & Control segment totaled $24.0 million, or an increase of 4.2%, resulting from the acquisitions of Arkwin in fiscal 2013 and Harco and Aero-Instruments in fiscal 2012. Sales for the thirty-nine week period ended June 30, 2012 includes a favorable commercial aftermarket retroactive contract pricing adjustment of approximately $6 million. Excluding the impact of the retroactive contract pricing adjustment, organic sales growth was $23.2 million when compared to the thirty-nine week period ended June 30, 2012. The organic sales increase was primarily due to an increase in commercial OEM sales of $3.1 million, or an increase of 3.1%, an increase in commercial aftermarket sales of $10.0 million, or an increase of 4.2%, and an increase in defense sales of $12.8 million, or an increase of 6.0%.

Acquisition sales for the Airframe segment totaled $74.9 million, or an increase of 12.3%, resulting from the acquisitions of Aerosonic in fiscal 2013 and AmSafe in fiscal 2012. Sales during the thirty-nine week period ended June 29, 2013 reflects an OEM retroactive contract pricing adjustment of approximately $2 million. Sales during the thirty-nine week period ended June 30, 2012 reflect OEM retroactive contract pricing adjustments of approximately $11 million. The thirty-nine week period ended June 30, 2012 also reflects sales of $13.7 million related to the AmSafe distribution business, which was acquired as part of AmSafe on February 15, 2012 and sold on August 16, 2012. Excluding the impact of the OEM retroactive contract pricing adjustments and prior year sales related to the AmSafe distribution business, organic sales growth was $31.9 million when compared to the thirty-nine week period ended June 30, 2012. The organic sales increase was primarily due to an increase in commercial OEM sales of $34.5 million, or an increase of 13.5%, and an increase in defense sales of $5.8 million, or an increase of 7.6%, offset by a decline in commercial aftermarket sales of $8.4 million, or a decrease of 3.2%.

Acquisition sales for the Non-aviation segment totaled $28.6 million resulting primarily from the non-aviation business of AmSafe acquired in fiscal 2012. Organic sales declined by $6.8 million.

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EBITDA As Defined. EBITDA As Defined by segment for the thirty-nine week periods ended June 29, 2013 and June 30, 2012 were as follows (amounts in millions):

	Thirty-Nine Week Periods Ended					
	June 29, 2013	% of Segment Sales	June 30, 2012	% of Segment Sales	Change	% Change
Power & Control	$ 327.7	53.2%	$ 305.7	53.2%	$ 22.0	7.2%
Airframe	325.7	46.8%	292.3	47.8%	33.4	11.4%
Non-aviation	16.5	22.5%	16.1	31.1%	0.4	2.5%
	$ 669.9	48.4%	$ 614.1	49.6%	$ 55.8	9.1%

EBITDA As Defined for the Power & Control segment from the acquisitions of Arkwin, Aero-Instruments and Harco was approximately $9.4 million for the thirty-nine week period ended June 29, 2013, which represented EBITDA As Defined of approximately 39.2% of the acquisition sales. Taking into account the impact of a prior year aftermarket pricing adjustment, organic EBITDA As Defined growth was $17.7 million when compared to the thirty-nine week period ended June 30, 2012 due to higher aftermarket sales in defense and commercial transport OEM sales.

EBITDA As Defined for the Airframe segment from the acquisitions of Aerosonic and AmSafe was approximately $29.0 million for the thirty-nine week period ended June 29, 2013, which represented EBITDA As Defined of approximately 38.7% of the acquisition sales. Taking into account the impact of the prior year OEM retroactive contract pricing adjustment of approximately $11 million and EBITDA As Defined relating to the AmSafe distribution business of approximately $1.4 million, organic EBITDA As Defined increased approximately $16.2 million. The organic EBITDA As Defined growth was due to the gross profit from the organic sales increase noted above and the previously mentioned retroactive contract pricing adjustment of approximately $2 million.

EBITDA As Defined for the Non-aviation segment from the acquisition of AmSafe was approximately $3.3 million for the thirty-nine week period ended June 29, 2013. Organic EBITDA declined approximately $2.9 million due to the organic sales decrease noted above and the mix of products sold in the non-aviation markets.

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Backlog

As of June 29, 2013, the Company estimated its sales order backlog at $1,107 million compared to an estimated sales order backlog of $824 million as of June 30, 2012. The increase in backlog is primarily due to acquisitions, totaling approximately $212 million, and an increase in orders across existing OEM product lines and to a lesser extent the aftermarket. The majority of the purchase orders outstanding as of June 29, 2013 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 June 29, 2013 may not necessarily represent the actual amount of shipments or sales for any future period.

Foreign Operations

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

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.

Liquidity and Capital Resources

Operating Activities. The Company generated $267.0 million of net cash from operating activities during the thirty-nine week period ended June 29, 2013 compared to $257.8 million during the thirty-nine week period ended June 30, 2012. The net increase of $9.2 million was due primarily to an increase in income from operations and lower income tax payments offset by higher interest payments during the period.

Investing Activities. Net cash used in investing activities was $494.8 million during the thirty-nine week period ended June 29, 2013 consisting primarily of the acquisitions of Whippany Actuation, Arkwin and Aerosonic and capital expenditures of $23.6 million offset by the cash proceeds on the sale of our equity investment in C-Safe LLC of $10.5 million and cash proceeds from working capital settlement of $0.1 million. Net cash used in investing activities was $850.2 million during the thirty-nine week period ended June 30, 2012 consisting primarily of the acquisition of AmSafe and Harco and capital expenditures of $16.2 million.

Financing Activities. Net cash provided by financing activities during the thirty-nine week period ended June 29, 2013 was $56.4 million, which comprised $2,191.0 million of net proceeds from our 2013 Credit Facility, $147.4 million of additional net proceeds from the amendment of our 2011 Credit Facility, $541.9 million of net proceeds from our 5 $^1/_2$% Senior Subordinated Notes due 2020 and $58.6 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options offset by $11.0 million repayment on the 2013 Credit Facility, the repayment of our 2011 Credit Facility of $2,169.1 million and $702.4 million of dividend and dividend equivalent payments.

Net cash provided by financing activities during the thirty-nine week period ended June 30, 2012 was $519.5 million, which comprised $484.3 million of additional net proceeds from the amendment of our 2011 Credit Facility and $53.5 million of cash for tax benefits related to share-based payment arrangements and from the exercise of stock options offset by $14.1 million repayment on our 2011 Credit Facility, $3.3 million of dividend equivalent payments and $0.8 million of treasury stock purchased.

Description of Senior Secured Credit Facilities and Indentures

Senior Secured Credit Facilities

In December 2010, TransDigm entered into a senior secured credit facility, which consisted of a $1.55 billion term loan facility and a $245 million revolving credit facility (collectively, the 2010 Credit Facility). The proceeds of the term loan were used to pay the purchase price of and related transaction expenses associated with an acquisition and repay a portion of the amounts outstanding under the previous senior secured credit facility.

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On February 14, 2011, TransDigm Inc. entered into a senior secured credit facility which provided for $1.55 billion term loan facility (the 2011 Credit Facility), which was fully drawn on February 14, 2011. The 2011 Credit Facility replaced the term loan under the 2010 Credit Facility and modified certain terms of the original agreement including extending the maturity date of the term loan and modifying the interest rate provisions.

On March 25, 2011, TransDigm entered into Amendment No. 1 to the 2010 Credit Facility. The amendment provided for a modification to certain terms of the permitted indebtedness covenant contained in the 2010 Credit Facility to modify the requirements for incurring certain additional senior indebtedness.

On February 15, 2012, TransDigm entered into Amendment No. 1 and an Incremental Term Loan Assumption Agreement to the 2011 Credit Facility. The amendment provides for an additional term loan facility in the aggregate principal amount of $500 million. The additional term loan facility was fully drawn on February 15, 2012. The proceeds of the additional term loan facility were used to pay a portion of the purchase price of and related transaction expenses associated with the acquisition of AmSafe. Also on February 15, 2012 TransDigm entered into an Incremental Revolving Credit Assumption Agreement (the Assumption Agreement) to the 2010 Credit Facility, as amended. The Assumption Agreement provided for additional revolving commitments to TransDigm in an aggregate principal amount of $65 million, which resulted in a total revolving credit amount of $310 million.

On October 9, 2012, TransDigm entered into Amendment No. 2 to the 2010 Credit Facility. The amendment provided for a modification to the restricted payment covenant to permit a special dividend in an amount not to exceed $850 million and a modification to the financial covenant ratios in its 2011 Credit Facility. Also on October 9, 2012, TransDigm entered into Amendment No. 2 and an Incremental Term Loan Assumption Agreement to the 2011 Credit Facility. The amendment provided for an additional term loan facility in the aggregate principal amount of $150 million. The additional term loan facility was fully drawn on October 15, 2012.

On February 28, 2013, TransDigm Inc. entered into an Amendment and Restatement Agreement in which TransDigm amended and restated its 2010 Credit Facility and 2011 Credit Facility. The Amendment and Restatement Agreement provides for a $2,200 million new Term Loan Facility, which was fully drawn on February 28, 2013, and a $310 million Revolving Credit Facility (together with the Term Loan Facility, the 2013 Credit Facility).

The proceeds of the Term Loan Facility were used to repay in full the outstanding term loans under the 2011 Credit Facility and the related transaction expenses associated therewith. The Term Loan Facility consists of two tranches of term loans tranche B term loans and tranche C term loans, and the Revolving Credit Facility consists of two tranches revolving A commitments and revolving B commitments. The tranche B term loans consist of $500 million in the aggregate and the tranche C term loans consist of $1,700 million in the aggregate. The tranche B term loans mature on February 14, 2017 and the tranche C term loans mature on February 28, 2020. The Term Loan Facility requires quarterly principal payments of $5.5 million which began on March 28, 2013.

The revolving A commitments consist of $32 million in the aggregate and the revolving B commitments consist of $278 million in the aggregate. The revolving A commitments mature on December 6, 2015 and the revolving B commitments mature on February 28, 2018. At June 29, 2013, the Company had $7.6 million letters of credit outstanding and $302.4 million of borrowings available under the 2013 Credit Facility.

On July 1, 2013, TransDigm Inc. entered into Amendment No. 1 (the Amendment) to the 2013 Credit Facility. The Amendment permits, among other things, a special dividend of up to $1.9 billion to the holders of TD Group s common stock, par value $.01 per share, the issuance of the 2021 Notes (as defined below), certain changes to certain negative covenants under the 2013 Credit Facility, a modification to the financial covenant contained in the Revolving Credit Facility established pursuant to the 2013 Credit Facility and a modification to the incremental term loan facility established pursuant to the 2013 Credit Facility by excluding the Incremental Term Facility (as defined below) from the calculation of the availability thereunder.

On July 1, 2013, in accordance with the terms of the 2013 Credit Facility, TransDigm Inc. entered into an Incremental Term Loan Assumption Agreement (the Term Loan Assumption Agreement). The Term Loan Assumption Agreement provides for incremental term loans in the form of additional Tranche C Term Loans in the aggregate principal amount of $900 million (the Incremental Term Facility). The Incremental Term Facility was fully drawn on July 1, 2013. The terms and conditions that apply to the Incremental Term Facility are substantially the same as the terms and conditions that apply to the existing tranche C term loans under the 2013 Credit Facility.

The interest rates per annum applicable to the loans under the 2013 Credit Facility will be, at TransDigm s option, equal to either an alternate base rate or an adjusted LIBO rate for one, two, three or six-month (or to the extent agreed to by each relevant lender, nine or twelve-month) interest periods chosen by TransDigm, in each case plus an applicable margin percentage. The adjusted LIBO rate is subject to a floor of .75%.

At June 29, 2013, applicable interest rate on the tranche B term loan was 3.50% and the tranche C term loan was 3.75%.

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At June 29, 2013, three forward-starting interest rate swap agreements were in place to swap variable rates on the 2013 Credit Facility for a fixed rate based on an aggregate notional amount of $353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount of the 2013 Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

All of the indebtedness outstanding under the 2013 Credit Facility is guaranteed by TD Group and all of TransDigm s current and future domestic restricted subsidiaries (other than immaterial subsidiaries). In addition, the obligations of TransDigm and the guarantors under the 2013 Credit Facility are secured ratably in accordance with each lender s respective revolving and term loan commitments by a first priority security interest in substantially all of the existing and future property and assets, including inventory, equipment, general intangibles, intellectual property, investment property and other personal property (but excluding leasehold interests and certain other assets) of TransDigm and its existing and future domestic restricted subsidiaries (other than immaterial subsidiaries), and a first priority pledge of the capital stock of TransDigm and its subsidiaries (other than foreign subsidiaries and certain domestic subsidiaries, of which 65% of the voting capital stock is pledged).

The Term Loan Facility requires mandatory prepayments of principal based on certain percentages of Excess Cash Flow (as defined in the 2013 Credit Facility), commencing 90 days after the end of each fiscal year, commencing with the fiscal year ending September 30, 2014, subject to certain exceptions. In addition, subject to certain exceptions (including, with respect to asset sales, the reinvestment in productive assets), TransDigm will be required to prepay the loans outstanding under the term loan facility at 100% of the principal amount thereof, plus accrued and unpaid interest, with the net cash proceeds of certain asset sales and issuance or incurrence of certain indebtedness. In addition, if, prior to February 28, 2014, the principal amount of the term loans are (i) prepaid substantially concurrently with the incurrence by TD Group, TransDigm or any its subsidiaries of new bank loans that have an effective yield lower than the yield in effect on the term loans so prepaid or (ii) received by a lender due to a mandatory assignment following the failure of such lender to consent to an amendment of the 2013 Credit Facility that has the effect of reducing the effective interest rate with respect to the term loans, such prepayment or receipt shall be accompanied by a premium of 1.0%.

The 2013 Credit Facility contains certain covenants that limit the ability of TD Group, TransDigm and TransDigm s restricted subsidiaries to, among other things: (i) incur or guarantee additional indebtedness or issue preferred stock; (ii) pay distributions on, redeem or repurchase capital stock or redeem or repurchase subordinated debt; (iii) make investments; (iv) sell assets; (v) enter into agreements that restrict distributions or other payments from restricted subsidiaries to TransDigm; (vi) incur or suffer to exist liens securing indebtedness; (vii) consolidate, merge or transfer all or substantially all of their assets; and (viii) engage in transactions with affiliates.

The Company recorded refinancing costs of $30.3 million during the thirty-nine week period ended June 29, 2013 representing debt issue costs expensed in conjunction with the refinancing of our 2010 Credit Facility and 2011 Credit Facility.

Indentures

In December 2010, TransDigm Inc. issued $1.6 billion in aggregate principal amount of its 7 $^{3}/_{4}$% Senior Subordinated Notes due 2018 (the 2018 Notes) at an issue price of 100% of the principal amount. The 2018 Notes represent unsecured obligations of TransDigm Inc. ranking subordinate to TransDigm Inc. s senior debt, as defined in the Indenture governing the 2018 Notes. Such notes do not require principal payments prior to their maturity in December 2018. Interest under the 2018 Notes is payable semi-annually. TransDigm utilized a portion of the proceeds from the 2018 Notes to repurchase its 7 $^{3}/_{4}$% senior subordinated notes due 2014.

In October 2012, TransDigm Inc. issued $550 million in aggregate principal amount of its 5 $^{1}/_{2}$% Senior Subordinated Notes due 2020 (2020 Notes) at an issue price of 100% of the principal amount. The 2020 Notes represent unsecured obligations of TransDigm Inc. ranking subordinate to TransDigm Inc. s senior debt, as defined in the Indenture governing the 2020 Notes. Such notes do not require principal payments prior to their maturity in October 2020. Interest under the 2020 Notes is payable semi-annually.

In July 2013, the Company also issued $500 million in aggregate principal amount of its 7 $^{1}/_{2}$% Senior Subordinated Notes due 2021 (2021 Notes) at an issue price of 100% of the principal amount. The 2021 Notes represent unsecured obligations of TransDigm Inc. ranking subordinate to TransDigm Inc. s senior debt, as defined in the Indenture governing the 2021 Notes. Such notes do not require principal payments prior to their maturity in July 2021. Interest under the 2021 Notes is payable semi-annually.

Certain Restrictive Covenants in Our Debt Documents

The 2013 Credit Facility and the Indentures contain restrictive covenants that, among other things, limit the incurrence of additional indebtedness, the payment of dividends, transactions with affiliates, asset sales, acquisitions, mergers and consolidations, liens and encumbrances, and prepayments of other indebtedness. A breach of any of the covenants or an inability to comply with the required

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leverage ratio could result in a default under the 2013 Credit Facility or the Indentures. If any such default occurs, the lenders under the 2013 Credit Facility and the holders of the 2018 Notes, 2020 Notes and 2021 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 2013 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 2013 Credit Facility, 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 2018 Notes, 2020 Notes and 2021 Notes.

Stock Repurchase Program

On August 22, 2011 we announced a program permitting us to repurchase a portion of our outstanding shares not to exceed $100 million in the aggregate. At June 29, 2013, the Company had repurchased 11,300 shares of its common stock at a gross cost of approximately $0.8 million at a weighted-average price per share of $74.87. No repurchases were made under the program during the quarter ended June 29, 2013.

Recent Accounting Pronouncement

In June 2011, the Financial Accounting Standards Board (FASB) issued authoritative accounting guidance included in Accounting Standards Codification (ASC) Topic 220, *Comprehensive Income*. This guidance eliminates the option to report other comprehensive income and its components in the statement of changes in equity. Companies can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. The Company adopted the presentation guidance during the first quarter of fiscal 2013 and has elected to present two separate consecutive statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Our main exposure to market risk relates to interest rates. Our financial instruments that are subject to interest rate risk principally include fixed-rate and floating-rate long-term debt. At June 29, 2013, we had borrowings under our 2013 Credit Facility of $2.19 billion that were subject to interest rate risk. Borrowings under our 2013 Credit Facility bear interest, at our option, at a rate equal to either an alternate base rate or an adjusted LIBO rate for a one-, two-, three- or six-month (or to the extent available to each lender, nine- or twelve-month) interest period chosen by us, in each case, plus an applicable margin percentage. Accordingly, the Company s cash flows and earnings will be exposed to the market risk of interest rate changes resulting from variable rate borrowings under our 2013 Credit Facility. The effect of a hypothetical one percentage point increase in interest rates would increase the annual interest costs under our 2013 Credit Facility by approximately $21.9 million based on the amount of outstanding borrowings at June 29, 2013. The weighted average interest rate on the $2.19 billion of borrowings under our 2013 Credit Facility on June 29, 2013 was 3.9%.

At June 29, 2013, three forward-starting interest rate swap agreements were in place to swap variable rates on the 2013 Credit Facility for a fixed rate based on an aggregate notional amount of $353 million. These interest rate swap agreements converted the variable interest rate on the aggregate notional amount of the 2013 Credit Facility to a fixed rate of 5.17% (2.17% plus the 3% margin percentage) through June 30, 2015.

The fair value of the $2.19 billion aggregate principal amount of borrowings under our 2013 Credit Facility is exposed to the market risk of interest rates. The estimated fair value of such term loans approximated $2.16 billion at June 29, 2013 based upon information provided to the Company from its agent under the 2013 Credit Facility. The fair value of the $1.60 billion 7 $^{3}/_{4}$% Senior Subordinated Notes due 2018 and our $0.55 billion 5 $^{1}/_{2}$% Senior Subordinated Notes due 2012 are exposed to the market risk of interest rate changes. The estimated fair value of the 2018 Notes approximated $1.68 billion and the estimated fair value of the 2020 Notes approximated $0.51 billion at June 29, 2013 based upon quoted market rates.

ITEM 4. CONTROLS AND PROCEDURES

As of June 29, 2013, TD Group carried out an evaluation, under the supervision and with the participation of TD Group s management, including its Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial and Accounting Officer), of the effectiveness of the design and operation of TD Group s disclosure controls and procedures. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that TD Group s disclosure controls and procedures are effective to ensure that information required to be disclosed by TD Group in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission s rules and forms, and that such information is accumulated and communicated to TD Group s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, TD Group s management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of

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achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures. There have been no significant changes in TD Group s internal controls or other factors that could significantly affect the internal controls subsequent to the date of TD Group s evaluations.

Changes in Internal Control over Financial Reporting

On June 28, 2013 we acquired Whippany Actuation. Whippany Actuation operated under its own set of systems and internal controls and we are currently maintaining those systems and much of that control environment until we are able to incorporate Whippany Actuation s processes into our own systems and control environment. We currently expect to complete the incorporation of Whippany Actuation s operations into our systems and control environment in fiscal 2014.

On June 5, 2013 we acquired Arkwin. Arkwin operated under its own set of systems and internal controls and we are currently maintaining those systems and much of that control environment until we are able to incorporate Arkwin s processes into our own systems and control environment. We currently expect to complete the incorporation of Arkwin s operations into our systems and control environment in fiscal 2014.

On June 5, 2013 we acquired Aerosonic. Aerosonic operated under its own set of systems and internal controls and we are currently maintaining those systems and much of that control environment until we are able to incorporate Aerosonic s processes into our own systems and control environment. We currently expect to complete the incorporation of Aerosonic s operations into our systems and control environment in fiscal 2014.

There have been no other changes to our internal controls over financial reporting that could have a material effect on our financial reporting during the quarter ended June 29, 2013.

PART II: OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the risk factors disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended September 30, 2012. There have been no material changes to the risk factors set forth therein.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS: PURCHASES OF EQUITY SECURITIES BY THE ISSUER

On August 22, 2011, the Board of Directors authorized a common share repurchase program, which was announced on August 23, 2011. Under the terms of the program, the Company may purchase up to a maximum aggregate value of $100 million of its shares of common stock. During the quarter ended June 29, 2013, the Company did not repurchase any shares under the program.

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ITEM 6. EXHIBITS

4.1	Fifth Supplemental Indenture to the Indenture dated as of December 14, 2010, dated as of June 5, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated by reference to Form 8-K filed June 11, 2013)
4.2	First Supplemental Indenture to the Indenture dated as of October 15, 2012, dated as of June 5, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated by reference to Form 8-K filed June 11, 2013)
4.3	Sixth Supplemental Indenture to the Indenture dated as of December 14, 2010, dated as of June 26, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated by reference to Form 8-K filed July 1, 2013)
4.4	Second Supplemental Indenture to the Indenture dated as of October 15, 2012, dated as of June 26, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated by reference to Form 8-K filed July 1, 2013)
4.5	Indenture, dated as of July 1, 2013, among TransDigm Inc., as issuer, TransDigm Group Incorporated, as a guarantor, the subsidiary guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to TransDigm Inc. s 7.50% Senior Subordinated Notes due 2021. (Incorporated by reference to Form 8-K filed July 3, 2013).
4.6	Form of 7.50% Senior Subordinated Notes due 2021 (included in Exhibit 4.5). (Incorporated by reference to Form 8-K filed July 3, 2013).
4.7	Form of Notation of Guarantee (included in Exhibit 4.5). (Incorporated by reference to Form 8-K filed July 3, 2013).
4.8	Registration Rights Agreement, dated as of July 1, 2013, among TransDigm Inc., as issuer, TransDigm Group Incorporated, as a guarantor, the subsidiary guarantors party thereto and UBS Securities LLC and Credit Suisse Securities (USA) LLC as representatives for the initial purchasers listed therein. (Incorporated by reference to Form 8-K filed July 3, 2013).
10.1	Joinder Agreement, dated as of June 5, 2013, between Arkwin Industries, Inc. and Credit Suisse AG, as agent, to the Amended and Restated Credit Agreement, dated as of February 28, 2013. (Incorporated by reference to Form 8-K filed June 11, 2013)
10.2	Supplement No. 1, dated as of June 5, 2013, between Arkwin Industries, Inc. and Credit Suisse AG, as agent, to the Guarantee and Collateral Agreement, dated as of June 23, 2006, as amended and restated. (Incorporated by reference to Form 8-K filed June 11, 2013)
10.3	Joinder Agreement, dated as of June 26, 2013, between Whippany Actuation Systems, LLC and Credit Suisse AG, as agent, to the Amended and Restated Credit Agreement, dated as of February 28, 2013. (Incorporated by reference to Form 8-K filed July 1, 2013)
10.4	Supplement No. 2, dated as of June 26, 2013, between Whippany Actuation Systems, LLC and Credit Suisse AG, as agent, to the Guarantee and Collateral Agreement, dated as of June 23, 2006, as amended and restated. (Incorporated by reference to Form 8-K filed July 1, 2013)
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10.6	Incremental Term Loan Assumption Agreement, dated as of July 1, 2013, relating to Amended and Restated Credit Agreement, dated as of February 28, 2013, among TransDigm Inc., TransDigm Group Incorporated, the subsidiaries of TransDigm Inc. from time to time party thereto, the lenders party thereto, as lenders, and Credit Suisse AG, as administrative agent. (Incorporated by reference to Form 8-K filed July 3, 2013)

10.7	Amendment, date as of July 19, 2013, to the Guarantee and Collateral Agreement dated as of June 23, 2006, as amended and restated as of December 6, 2010, February 14, 2011 and February 28, 2013, and as amended by Amendment No. 1 dated as of July 1, 2013, among TransDigm Inc., TransDigm Group Incorporated, the subsidiaries of TransDigm Inc. from time to time party thereto, and Credit Suisse AG, as administrative agent and collateral agent.
31.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification by Principal Executive Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification by Principal Financial Officer of TransDigm Group Incorporated pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial Statements and Notes to the Condensed Consolidated Financial Statements formatted in XBRL.

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SIGNATURES

Pursuant to the requirements 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.

TRANSDIGM GROUP INCORPORATED

SIGNATURE	TITLE	DATE
/s/ W. Nicholas Howley	Chairman of the Board of Directors and	August 7, 2013
W. Nicholas Howley	Chief Executive Officer	
	(Principal Executive Officer)	
/s/ Gregory Rufus	Executive Vice President,	August 7, 2013
Gregory Rufus	Chief Financial Officer and Secretary	
	(Principal Financial and Accounting Officer)	

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EXHIBIT INDEX

TO FORM 10-Q FOR THE PERIOD ENDED JUNE 29, 2013

EXHIBIT NO.	DESCRIPTION
4.1	Fifth Supplemental Indenture to the Indenture dated as of December 14, 2010, dated as of June 5, 2013, among TransDigm Inc., TransDigm Group Incorporated, the guarantors listed on the signature pages thereto and The Bank of New York Mellon Trust Company, N.A., as trustee. (Incorporated by reference to Form 8-K filed June 11, 2013)
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