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Vought Reports First Quarter 2004 Earnings

DALLAS, MAY 12, 2004 – Vought Aircraft Industries, Inc. today reported financial results for its first quarter ending March 28.

Net sales for the first quarter 2004 were \$294.9 million, an increase of 12 percent compared to \$263.5 million in the same period a year ago. The increase in net sales is due to the acquisition of The Aerostructures Corp. in July 2003 partially offset by lower C-17 revenues. Net loss for the first quarter 2004 was \$23.7 million, compared to a net loss of \$9.8 million for the same period last year. Net loss in the first quarter 2004 was impacted by restructuring charges of \$18.0 million related to the company's Feb. 26 announcement to consolidate its Nashville and Stuart, Fla., operations to its Dallas facility. Adjusted EBITDA, as defined by our senior secured credit agreement, for the first quarter 2004 was \$27.2 million, compared to \$43.2 million for the same period last year. The decrease in adjusted EBITDA is primarily the result of reduced revenue on the C-17 program.

"We are taking the necessary steps to consolidate and modernize our facilities, which position us well for the long term," said Vought's President and Chief Executive Officer Tom Risley. "We must continue to focus on producing quality products on-time while implementing this ambitious restructuring of the company."

Vought Aircraft Industries, Inc. (www.voughtaircraft.com) is one of the world's largest independent suppliers of aerostructures. Headquartered in Dallas, the company designs and manufactures major airframe structures such as wings, fuselage subassemblies, empennages, nacelles and other components for prime manufacturers of aircraft. Vought has annual sales of approximately \$1.2 billion and more than 6,000 employees in seven U.S. locations.

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This release contains forward-looking statements within the meaning of section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements involve known and unknown risks and uncertainties. Vought's actual financial results could differ materially from those anticipated due to the company's dependence on conditions in the airline industry, the level of new commercial aircraft orders, production rates for commercial and military aircraft, the level of defense spending, competitive pricing pressures, manufacturing inefficiencies, start-up costs and possible overruns on new contracts, technology and product development risks and uncertainties, availability of materials and components from suppliers and other factors beyond the company's control.

Vought Aircraft Industries, Inc.
Consolidated Statements of Operations
(\$ in millions)

(Unaudited)

	For the Three Months Ended	
	March 28, 2004	March 30, 2003
Net sales	\$294.9	\$263.5
Costs and expenses		
Cost of sales	246.7	212.2
Selling, general and administrative expenses.....	62.7	55.6
Total costs and expenses	309.4	267.8
Operating loss	(14.5)	(4.3)
Other income (expense)		
Non-cash income-interest rate swaps		2.2
Interest income	0.5	0.5
Interest expense	(9.7)	(8.2)
Loss before income taxes	(23.7)	(9.8)
Income taxes		
Net loss	\$(23.7)	\$(9.8)

Vought Aircraft Industries, Inc.
Condensed Consolidated Statements of Adjusted EBITDA
(\$ in Millions)
(Unaudited)

	3 Months Ended	
	3/28/04	03/30/03
Net loss	(\$23.7)	(\$9.8)
Plus:		
Interest, net	9.2	5.5
Depreciation and amortization	17.6	15.9
EBITDA	3.1	11.6
 Adjusted EBITDA		
Plus:		
Unusual charges – plant consolidation and other merger & integration expenses	18.6	0.3
Non-cash expense (forward loss accruals)	-	19.2
Non-cash reduction of deferred learning inventory	0.7	0.9
Non-cash reduction inventory (purchase accounting)	4.8	11.2
Total Adjusted EBITDA	\$27.2	\$43.2

Vought Aircraft Industries, Inc.
Reconciliation of Adjusted EBITDA to Net Cash
(\$ in Millions)
(Unaudited)

	Three Months Ended March 28, 2004	Three Months Ended March 30, 2003
Adjusted EBITDA (unaudited)	\$ 27.2	\$ 43.2
Less:		
Unusual items	18.6	0.3
Non-cash expense	5.5	31.3
EBITDA (unaudited)	<u>3.1</u>	<u>11.6</u>
Less:		
Interest expense and other, net (a)	9.2	5.5
Depreciation and amortization (b)	<u>17.6</u>	<u>15.9</u>
Net income (loss)	(23.7)	(9.8)
Plus:		
Depreciation and amortization (b)	17.6	15.9
Stock compensation expense	-	11.1
Amortization of debt issuance costs	0.9	1.0
Loss on disposition of property, plant and equipment	1.5	0.1
Gain on derivative financial instruments	-	(2.2)
Change in operating assets and liabilities:		
Accounts receivable	0.8	(18.8)
Inventories	(14.0)	11.0
Other current assets	(1.4)	1.0
Accounts payable	25.7	12.0
Accrued payroll and employee benefits	(6.6)	(26.1)
Accrued & other liabilities	(2.7)	(6.0)
Accrued contract liabilities	98.7	161.7
Other assets and liabilities - long term	12.8	4.8
Net cash provided by operating activities	<u>\$ 109.6</u>	<u>\$ 155.7</u>
Net cash used in investing activities	<u>\$ (8.6)</u>	<u>\$ (5.7)</u>
Net cash used in provided by financing activities	<u>\$ (0.3)</u>	<u>\$ (30.0)</u>

(a) Interest expense, net includes interest rate swap gain.

(b) Depreciation and amortization excludes debt origination cost amortization, which is included in interest expense, net.

Vought Aircraft Industries, Inc.
Consolidated Balance Sheets
(\$ in millions) (unaudited)

	<u>March 28,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 207.1	\$ 106.4
Accounts receivable.....	113.7	114.5
Inventories	211.3	197.3
Other current assets	7.8	6.4
Total current assets.....	539.9	424.6
Property, plant and equipment, net.....	407.8	414.1
Goodwill, net.....	527.7	527.7
Identifiable intangible assets, net	110.7	114.9
Debt origination costs, net and other assets.....	17.6	18.4
Total assets	<u>\$ 1,603.7</u>	<u>\$ 1,499.7</u>
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable, trade.....	\$80.0	\$54.3
Accrued and other liabilities	93.8	96.5
Accrued payroll and employee benefits.....	39.8	46.4
Accrued post-employment benefits-current.....	54.1	54.1
Accrued pension-current.....	30.5	30.5
Capital lease obligation	1.2	1.2
Accrued contract liabilities	291.3	192.6
Total current liabilities	590.7	475.6
Long-term liabilities:		
Accrued post employment benefits	500.3	477.7
Accrued pension	272.5	282.0
Long-term bank debt	295.9	295.9
Long-term bond debt	270.0	270.0
Long-term capital lease obligation	3.0	3.3
Other non-current liabilities.....	17.9	18.1
Total liabilities	1,950.3	1,822.6
Stockholders' equity (deficit):		
Common stock, par value \$.01; 50,000,000 shares authorized, 25,012,052 issued and outstanding in 2004 and 2003, respectively	0.3	0.3
Additional paid-in capital	418.0	418.0
Shares held in rabbi trust and CMG escrow	(3.9)	(3.9)
Stockholders' loans	(2.3)	(2.3)
Accumulated deficit	(243.1)	(219.4)
Accumulated other comprehensive loss	(515.6)	(515.6)
Total stockholders' equity (deficit)	<u>\$ (346.6)</u>	<u>\$ (322.9)</u>
Total liabilities and stockholders' equity (deficit)	<u>\$ 1,603.7</u>	<u>\$ 1,499.7</u>