

Spirit AeroSystems Holdings, Inc.
Form 10-Q
May 04, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 29, 2012

Or

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

For the transition period from _____ to _____

Commission File Number 001-33160

Spirit AeroSystems Holdings, Inc.

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(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

20-2436320
*(I.R.S. Employer
Identification No.)*

3801 South Oliver

Wichita, Kansas 67210

(Address of principal executive offices and zip code)

Registrant's telephone number, including area code:

(316) 526-9000

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of April 30, 2012, the registrant had outstanding 118,735,414 shares of class A common stock, \$0.01 par value per share, and 24,179,758 shares of class B common stock, \$0.01 par value per share.

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Table of Contents**Spirit AeroSystems Holdings, Inc.****Condensed Consolidated Statements of Operations**

(unaudited)

	For the Three Months Ended	
	March 29, 2012	March 31, 2011
	(\$ in millions, except per share data)	
Net revenues	\$ 1,265.8	\$ 1,049.6
Operating costs and expenses		
Cost of sales	1,091.1	928.0
Selling, general and administrative	45.0	39.0
Research and development	7.4	13.0
Total operating costs and expenses	1,143.5	980.0
Operating income	122.3	69.6
Interest expense and financing fee amortization	(18.3)	(20.9)
Interest income		0.1
Other income (expense), net	3.5	1.5
Income before income taxes and equity in net loss of affiliates	107.5	50.3
Income tax provision	(33.6)	(15.3)
Income before equity in net loss of affiliates	73.9	35.0
Equity in net loss of affiliates	(0.3)	(0.4)
Net income	\$ 73.6	\$ 34.6
Earnings per share		
Basic	\$ 0.52	\$ 0.25
Diluted	\$ 0.52	\$ 0.24

See notes to condensed consolidated financial statements (unaudited)

Table of Contents**Spirit AeroSystems Holdings, Inc.****Condensed Consolidated Statements of Comprehensive Income**

(unaudited)

	For the Three Months Ended	
	March 29, 2012	March 31, 2011
	(\$ in millions)	
Net income	\$ 73.6	\$ 34.6
Changes in other comprehensive income, net of tax:		
Unrealized (loss) on interest rate swaps, net of tax benefit of \$0.5, \$0.1, respectively	(0.7)	(0.1)
Less: reclassification adjustment for loss realized in net income, net of tax benefit of \$0.3, \$1.2, respectively	0.5	2.0
Net unrealized gain (loss) on interest rate swaps	(0.2)	1.9
Unrealized gain on foreign currency hedge contracts, net of tax expense of \$0.0, \$0.2, respectively	0.1	0.6
Less: reclassification adjustment for loss realized in net income, net of tax benefit of \$0.1, \$0.0, respectively	0.1	0.1
Less: reclassification adjustment for loss realized in net other assets, net of tax benefit \$0.0, \$0.4, respectively		0.7
Net unrealized gain on foreign currency hedge contracts	0.2	1.4
Pension, SERP, and Retiree medical adjustments, net of tax benefit of \$0.1, \$0.0, respectively	0.2	0.1
Unrealized foreign exchange gain on intercompany loan, net of tax expense of \$0.4, \$0.6, respectively	1.3	1.6
Foreign currency translation adjustments	3.6	4.0
Total comprehensive income	\$ 78.7	\$ 43.6

See notes to condensed consolidated financial statements (unaudited)

Table of Contents**Spirit AeroSystems Holdings, Inc.****Condensed Consolidated Balance Sheets**

(unaudited)

	March 29, 2012	December 31, 2011
	(\$ in millions)	
Current assets		
Cash and cash equivalents	\$ 134.1	\$ 177.8
Accounts receivable, net	414.4	267.2
Inventory, net	2,739.1	2,630.9
Deferred tax asset-current	55.6	52.2
Other current assets	15.4	27.7
Total current assets	3,358.6	3,155.8
Property, plant and equipment, net	1,625.6	1,615.7
Pension assets	124.9	118.8
Deferred tax asset non-current, net	47.7	55.7
Other assets	93.7	96.4
Total assets	\$ 5,250.5	\$ 5,042.4
Current liabilities		
Accounts payable	\$ 557.6	\$ 559.4
Accrued expenses	211.4	200.8
Profit sharing	16.5	23.5
Current portion of long-term debt	42.3	48.9
Advance payments, short-term	35.2	8.8
Deferred revenue, short-term	17.2	28.5
Deferred grant income liability - current	6.4	6.1
Other current liabilities	26.8	37.5
Total current liabilities	913.4	913.5
Long-term debt	1,151.6	1,152.0
Advance payments, long-term	779.2	655.9
Pension/OPEB obligation	85.7	84.2
Deferred grant income liability - non-current	121.2	121.8
Deferred revenue and other deferred credits	33.9	34.7
Other liabilities	118.0	115.6
Equity		
Preferred stock, par value \$0.01, 10,000,000 shares authorized, no shares issued		
Common stock, Class A par value \$0.01, 200,000,000 shares authorized, 118,735,017 and 118,560,926 shares issued, respectively	1.2	1.2
Common stock, Class B par value \$0.01, 150,000,000 shares authorized, 24,180,155 and 24,304,717 shares issued, respectively	0.2	0.2
Additional paid-in capital	1,000.0	995.9
Accumulated other comprehensive loss	(121.1)	(126.2)
Retained earnings	1,166.7	1,093.1
Total shareholders' equity	2,047.0	1,964.2
Noncontrolling interest	0.5	0.5
Total equity	2,047.5	1,964.7
Total liabilities and equity	\$ 5,250.5	\$ 5,042.4

See notes to condensed consolidated financial statements (unaudited)

Table of Contents**Spirit AeroSystems Holdings, Inc.****Condensed Consolidated Statements of Cash Flows**

(unaudited)

	For the Three Months Ended March 29, 2012	For the Three Months Ended March 31, 2011
	(\$ in millions)	
Operating activities		
Net income	\$ 73.6	\$ 34.6
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation expense	32.9	32.0
Amortization expense	1.2	1.2
Amortization of deferred financing fees	1.6	2.3
Accretion of customer supply agreement	0.1	
Employee stock compensation expense	4.0	2.2
Excess tax benefit of share-based payment arrangements	(0.1)	(0.3)
(Gain) from the ineffectiveness of hedge contracts	(0.3)	(0.1)
(Gain) from foreign currency transactions	(2.4)	(0.9)
Deferred taxes	5.8	6.3
Long-term tax benefit	(0.2)	0.7
Pension and other post retirement benefits, net	(2.1)	(1.5)
Grant income	(1.4)	(1.3)
Equity in net loss of affiliates	0.3	0.4
Changes in assets and liabilities		
Accounts receivable	(144.4)	(81.5)
Inventory, net	(103.1)	(140.4)
Accounts payable and accrued liabilities	14.7	46.2
Profit sharing/deferred compensation	(7.0)	(15.7)
Advance payments	149.6	(37.0)
Income taxes receivable/payable	0.5	32.1
Deferred revenue and other deferred credits	(11.8)	(5.9)
Other	0.1	(1.5)
Net cash provided by (used in) operating activities	11.6	(128.1)
Investing Activities		
Purchase of property, plant and equipment	(54.2)	(41.5)
Proceeds from sale of assets	1.3	0.3
Other	(0.7)	
Net cash (used in) investing activities	(53.6)	(41.2)
Financing Activities		
Proceeds from revolving credit facility	120.0	
Payments on revolving credit facility	(120.0)	
Principal payments of debt	(2.5)	(2.2)
Excess tax benefit of share-based payment arrangements	0.1	0.3
Net cash (used in) financing activities	(2.4)	(1.9)
Effect of exchange rate changes on cash and cash equivalents	0.7	0.5
Net (decrease) in cash and cash equivalents for the period	(43.7)	(170.7)
Cash and cash equivalents, beginning of period	177.8	481.6
Cash and cash equivalents, end of period	\$ 134.1	\$ 310.9
Supplemental information		

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Purchase of property, plant and equipment, accrued	\$	8.5	\$	3.0
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See notes to condensed consolidated financial statements (unaudited)

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, £, and RM in millions other than per share amounts)

1. Organization and Basis of Interim Presentation

Spirit AeroSystems Holdings, Inc. (Holdings or the Company) was incorporated in the state of Delaware on February 7, 2005, and commenced operations on June 17, 2005 through the acquisition of The Boeing Company s (Boeing) operations in Wichita, Kansas, Tulsa, Oklahoma and McAlester, Oklahoma (the Boeing Acquisition). Holdings provides manufacturing and design expertise in a wide range of products and services for aircraft original equipment manufacturers and operators through its subsidiary, Spirit AeroSystems, Inc. (Spirit). Onex Corporation (Onex) of Toronto, Canada and certain of its affiliates maintain majority voting power of Holdings. In April 2006, Holdings acquired the aerostructures division of BAE Systems (Operations) Limited (BAE Aerostructures), which builds structural components for Airbus, a division of the European Aeronautic Defense and Space NV (Airbus) and Boeing. Prior to this acquisition, Holdings sold essentially all of its production to Boeing. Since Spirit s incorporation, the Company has expanded its customer base to include Sikorsky, Rolls-Royce, Gulfstream, Bombardier, Mitsubishi Aircraft Corporation, Southwest Airlines, Continental Airlines, and American Airlines. The Company has its headquarters in Wichita, Kansas, with manufacturing facilities in Tulsa and McAlester, Oklahoma; Prestwick, Scotland; Wichita and Chanute, Kansas; Kinston, North Carolina and Subang, Malaysia. The Company also has an assembly plant for the A350 XWB aircraft in Saint-Nazaire, France, which began its operations during 2011.

The Company is the majority participant in the Kansas Industrial Energy Supply Company (KIESC), a tenancy-in-common with other Wichita companies established to purchase natural gas.

The Company participates in two joint ventures, Spirit-Progresstech LLC (Spirit-Progresstech) and Taikoo Spirit AeroSystems Composite Co. Ltd. (TSACCL), of which Spirit s ownership interest is 50.0% and 31.5%, respectively. Spirit-Progresstech provides aerospace engineering support services and TSACCL was formed to develop and implement a state-of-the-art composite and metal bond component repair station in the Asia-Pacific region.

The accompanying unaudited interim condensed consolidated financial statements include the Company s financial statements and the financial statements of its majority-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and the instructions to Form 10-Q and Article 10 of Regulation S-X. The year-end condensed balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. Investments in business entities in which the Company does not have control, but has the ability to exercise influence over operating and financial policies, including Spirit-Progresstech and TSACCL, are accounted for under the equity method. KIESC is fully consolidated as the Company owns 77.8% of the entity s equity. All intercompany balances and transactions have been eliminated in consolidation. The Company s U.K. subsidiary uses local currency, the British pound, as its functional currency; the Malaysian subsidiary uses the British pound and our Singapore subsidiary uses the Singapore dollar. All other foreign subsidiaries and branches use the U.S. dollar as their functional currency.

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As part of the monthly consolidation process, our international entities that have functional currencies other than the U.S. dollar are translated to U.S. dollars using the end-of-month translation rate for balance sheet accounts and average period currency translation rates for revenue and income accounts.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the three months ended March 29, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. Certain reclassifications have been made to the prior year financial statements and notes to conform to the 2012 presentation. In connection with the preparation of the condensed consolidated financial statements, the Company evaluated subsequent events through the date the financial statements were issued. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in our 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on February 23, 2012 (the "2011 Form 10-K").

2. New Accounting Pronouncements

As of March 29, 2012, there have been no material changes in our significant accounting policies, as compared to the significant accounting policies described in our 2011 Form 10-K.

In December 2011, the FASB issued Accounting Standards Update 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update*

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(\$, €, and RM in millions other than per share amounts)

No. 2011-05 (FASB ASU 2011-12). The amendments in this update defer certain changes in FASB ASU 2011-05 that relate to the presentation of reclassification adjustments of items out of accumulated other comprehensive income. The provisions of FASB ASU 2011-12 were effective for annual and interim periods beginning after December 15, 2011. The adoption of the provisions of FASB ASU 2011-12 did not have a material impact on the Company's consolidated financial statements.

In December 2011, the FASB issued Accounting Standards Update 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* (FASB ASU 2011-11). The amendments in this update will require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The intention is to enhance required disclosures by improving information about financial instruments and derivative instruments that are either offset in accordance with FASB guidance or are subject to an enforceable master netting arrangement; irrespective of whether they are offset in accordance with FASB guidance. The provisions of FASB ASU 2011-11 will be effective for annual reporting periods beginning on or after January 1, 2013. The adoption of the provisions of FASB ASU 2011-11 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2011, the FASB issued Accounting Standards Update 2011-04 *Fair Value Measurements (Topic 820) Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs*, (FASB ASU 2011-04). This update will require disclosures regarding transfers between Level 1 and Level 2 of the fair value hierarchy, disclosures about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy, and the categorization by level of the fair value hierarchy for items that are not measured at fair value in the statement of financial position, but for which the fair value of such items is required to be disclosed. The provisions of FASB ASU 2011-04 are effective for interim and annual periods beginning after December 15, 2011. The adoption of the provisions of FASB ASU 2011-04 did not have a material impact on the Company's consolidated financial statements.

3. Accounts Receivable, net

Accounts receivable, net consists of the following:

	March 29, 2012		December 31, 2011	
Trade receivables (1)(2)	\$	403.6	\$	258.0
Other		12.1		10.6
Less: allowance for doubtful accounts		(1.3)		(1.4)
Accounts receivable, net	\$	414.4	\$	267.2

- (1) Includes unbilled receivables of \$21.8 and \$17.4 at March 29, 2012 and December 31, 2011, respectively.

- (2) Includes \$48.3 and \$39.7 held in retainage by customers at March 29, 2012 and December 31, 2011, respectively.

Accounts receivable, net includes unbilled receivables on long-term aerospace contracts, comprised principally of revenue recognized on contracts for which amounts were earned but not contractually billable as of the balance sheet date, or amounts earned in which the recovery will occur over the term of the contract, which could exceed one year.

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(\$, , £, and RM in millions other than per share amounts)

4. Inventory

Inventories are summarized as follows:

	March 29, 2012	December 31, 2011
Raw materials	\$ 234.6	\$ 236.9
Work-in-process	1,905.1	1,800.0
Finished goods	39.0	40.8
Product inventory	2,178.7	2,077.7
Capitalized pre-production	560.4	553.2
Total inventory, net	\$ 2,739.1	\$ 2,630.9

Inventories are summarized by platform as follows:

	March 29, 2012	December 31, 2011
B737	\$ 296.5	\$ 297.2
B747-8(1)	140.4	136.9
B767	31.5	31.5
B777	131.8	129.0
B787(2)	995.8	971.1
A350 XWB (3)	224.3	174.2
Airbus All other platforms	96.4	95.5
G280(4)	86.8	80.1
G650	537.7	501.1
Rolls-Royce	103.7	95.6
Sikorsky (5)	14.7	17.5
Aftermarket	44.2	43.1
Other in-process inventory related to long-term contracts and other programs(6)	35.3	58.1
Total inventory, net	\$ 2,739.1	\$ 2,630.9

(1) Net of \$2.7 forward-loss charge in the first quarter of 2012 and \$18.3 forward-loss recorded during 2011 for the B747-8 program.

- (2) Net of settlement adjustments recorded in the second quarter of 2011 related to the B787 memorandum of agreement between Spirit and Boeing entered into in December 2010.

- (3) Net of \$3.0 forward-loss recorded during 2011 for the A350 XWB non-recurring wing contract.

- (4) Net of \$10.7 forward-loss recorded in the first quarter of 2012 and \$81.8 forward-loss recorded during 2011 for the G280 wing program.

- (5) Net of \$29.0 forward-loss recorded during 2011 for the Sikorsky CH-53K helicopter program.

- (6) Includes non-program specific inventory cost accruals and miscellaneous other work-in-process.

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(\$, , £, and RM in millions other than per share amounts)

Non-recurring production costs include design and engineering costs and test articles.

Non-recurring production costs included in inventory are summarized as follows:

	March 29, 2012	December 31, 2011
B737	\$ 19.3	\$ 12.8
B747-8(1)	9.6	10.8
B767	9.4	5.8
B777	4.6	1.9
B787	27.3	17.1
A350 XWB(2)	63.0	41.4
Sikorsky(3)	14.7	17.5
Other	2.4	1.8
Total non-recurring production costs in inventory, net	\$ 150.3	\$ 109.1

(1) Net of \$2.7 forward-loss recorded in the first quarter of 2012 for the B747-8 program.

(2) Net of \$3.0 forward-loss recorded during 2011 for the A350 XWB non-recurring wing contract.

(3) Net of \$29.0 forward-loss recorded during 2011 for the Sikorsky CH-53K helicopter program.

Capitalized pre-production costs include certain contract costs, including applicable overhead, incurred before a product is manufactured on a recurring basis. Significant unfunded statement of work changes can also cause pre-production costs to be incurred. These costs are typically recovered over a certain number of ship set deliveries and the Company believes these amounts will be fully recovered.

The following is a roll forward of the capitalized pre-production costs, net of forward-losses, included in the inventory balance at March 29, 2012:

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Balance, December 31, 2011	\$	553.2
Charges to costs and expenses		(7.8)
Capitalized costs		15.0
Balance, March 29, 2012	\$	560.4

Capitalized pre-production costs, net of forward-losses, included in inventory are summarized as follows:

	March 29, 2012	December 31, 2011
B747-8	\$ 5.8	\$ 5.5
B767	1.1	0.3
B777	1.5	1.8
B787	205.8	210.5
A350 XWB	51.5	36.2
G650	237.8	240.9
Rolls-Royce	56.9	58.0
Total capitalized pre-production costs	\$ 560.4	\$ 553.2

Table of Contents**Spirit AeroSystems Holdings, Inc.****Notes to the Condensed Consolidated Financial Statements (unaudited)**

(\$, , £, and RM in millions other than per share amounts)

Work-in-process inventory includes deferred production costs for the excess of production costs over the estimated average cost per ship set, and credit balances for favorable variances on contracts between actual costs incurred and the estimated average cost per ship set for units delivered under the current production blocks. Recovery of excess-over-average deferred production costs is dependent on the number of ship sets ultimately sold and the ultimate selling prices and lower production costs associated with future production under these contract blocks. The Company believes these amounts will be fully recovered.

Sales significantly under estimates or costs significantly over estimates could result in the realization of losses on these contracts in future periods.

The following is a roll forward of the deferred production costs included in the inventory balances at March 29, 2012:

Balance, December 31, 2011	\$	813.2
Charges to costs and expenses		(59.6)
Capitalized costs		122.6
Exchange rate		0.3
Balance, March 29, 2012	\$	876.5

Deferred production costs included in inventory includes claims asserted by our customer or other similar items subject to uncertainty concerning their determination or realization. At March 29, 2012, these items represented less than 1% of the total ending deferred production balance.

Deferred production costs and credit balances included in inventory are summarized as follows:

	March 29, 2012	December 31, 2011
B747-8	\$ 25.8	\$ 31.8
B787	550.4	533.2
A350 XWB	38.6	
G280	47.3	37.2
G650	176.4	167.1
Rolls-Royce	32.3	25.5
Other contracts	24.8	25.7

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Credit balances on other contracts		(19.1)		(7.3)
Total deferred production costs	\$	876.5	\$	813.2

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, , £, and RM in millions other than per share amounts)

Significant removal of capitalized pre-production and deferred production inventory will occur over the following contract blocks:

	Contract Block Quantity	Orders(1)
B747-8(2)	56	97
B787 (2)	500	850
A350 XWB(2)	400	556
G280(3)	250	30
G650(4)	350	97
Rolls-Royce(5)	350	51

(1) Firm orders are from the published firm-order backlogs of Airbus and Boeing. For all other programs, orders represent purchase orders received from OEM s and are not reflective of OEM sales backlog.

(2) Contract block quantities are projected to fully absorb the balance of capitalized pre-production and deferred inventory.

(3) As of March 29, 2012, 88% of capitalized pre-production and deferred production inventory is recoverable over future anticipated production orders for this program. Should those orders not materialize in future periods, potential impairment charges may be necessary.

(4) As of March 29, 2012, 72% of capitalized pre-production and deferred production inventory is recoverable over future anticipated production orders for this program. Should those orders not materialize in future periods, potential impairment charges may be necessary.

(5) As of March 29, 2012, 85% of capitalized pre-production and deferred production inventory is recoverable over future anticipated production orders for this program. Should those orders not materialize in future periods, potential impairment charges may be necessary.

5. Property, Plant and Equipment, net

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Property, plant and equipment, net consists of the following:

	March 29, 2012	December 31, 2011
Land	\$ 17.4	\$ 17.0
Buildings (including improvements)	437.3	431.5
Machinery and equipment	839.7	849.3
Tooling	681.2	665.0
Capitalized software	153.9	118.7
Construction-in-progress	199.5	204.0
Total	2,329.0	2,285.5
Less: accumulated depreciation	(703.4)	(669.8)
Property, plant and equipment, net	\$ 1,625.6	\$ 1,615.7

Interest costs associated with construction-in-progress are capitalized until the assets are completed and ready for use. Capitalized interest was \$1.9 and \$1.7 for the three months ended March 29, 2012 and March 31, 2011, respectively. Repair and maintenance costs are expensed as incurred. The Company recognized \$23.9 and \$24.2 in repair and maintenance costs for the three months ended March 29, 2012 and March 31, 2011, respectively.

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(\$, , £, and RM in millions other than per share amounts)

We capitalize certain costs, such as software coding, installation and testing, that are incurred to purchase or to create and implement internal use computer software in accordance with FASB authoritative guidance pertaining to capitalization of costs for internal-use software. Depreciation expense related to capitalized software was \$4.5 and \$4.7 for the three months ended March 29, 2012 and March 31, 2011, respectively.

6. Other Assets

Other assets are summarized as follows:

	March 29, 2012	December 31, 2011
Intangible assets		
Patents	\$ 2.0	\$ 2.0
Favorable leasehold interests	9.7	9.7
Customer relationships	27.6	26.8
Total intangible assets	39.3	38.5
Less: Accumulated amortization-patents	(1.1)	(1.1)
Accumulated amortization-favorable leasehold interest	(4.3)	(4.2)
Accumulated amortization-customer relationships	(20.7)	(19.3)
Intangible assets, net	13.2	13.9
Deferred financing		
Deferred financing costs	64.0	64.0
Less: Accumulated amortization-deferred financing costs	(36.6)	(35.0)
Deferred financing costs, net	27.4	29.0
Other		
Fair value of derivative instruments		0.6
Goodwill - Europe	2.9	2.9
Equity in net assets of affiliates	4.6	4.5
Customer supply agreement (1)	40.1	39.8
Other	5.5	5.7
Total	\$ 93.7	\$ 96.4

(1) Under an agreement with Airbus, certain payments accounted for as consideration given by a vendor to a customer are being amortized as a reduction to net revenues.

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The Company recognized \$1.0 of amortization expense of intangibles for each of the three month periods ended March 29, 2012 and March 31, 2011.

The following is a roll forward of the carrying amount of goodwill at March 29, 2012:

Balance, December 31, 2011	\$	2.9
Goodwill acquired		
Exchange rate		
Balance, March 29, 2012	\$	2.9

7. Research and Development Milestones

Milestone payments. Milestone payments are recognized as revenue when milestones are deemed to be substantive and are achieved. A substantive milestone is one that is based on successful performance by the Company and not solely contingent upon the passage of time or performance by another party. Milestone payments collected in advance that have significant future performance obligations are presented as advance payments or deferred revenue, and are recognized when the milestone is achieved.

As part of our ongoing participation in the B787-9 program, we received research and development milestone payments of \$2.8 for the three months ended March 29, 2012. We expect to receive additional payments related to research and development on this program. These additional payments remain un-negotiated as of March 29, 2012.

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8. Advance Payments and Deferred Revenue/Credits

Advance payments. Advance payments are those payments made to Spirit by third parties in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or for other assets to be provided by Spirit on a contract and are repayable if such obligation is not satisfied. The amount of advance payments to be recovered against units expected to be delivered within a year is classified as a short-term liability, with the balance of the unliquidated advance payments classified as a long-term liability.

In March 2012, we signed a Memorandum of Agreement with Airbus providing for us to receive advance payments in 2012. The advance payments will be offset against the recurring price of A350 XWB ship sets invoiced by Spirit at a rate of \$1.25 per ship set. We received \$150.0 in March 2012.

Deferred revenue/credits. Deferred revenue/credits generally consists of nonrefundable amounts received in advance of revenue being earned for specific contractual deliverables. These payments are classified as deferred revenue/credits when received and recognized as revenue as the production units are delivered. In the fourth quarter of 2010, as part of a memorandum of agreement with Boeing related to the B787 contract, a payment of \$236.2 was recorded as current deferred revenue/credits. A formal amendment implementing the terms of the memorandum of agreement was finalized and the related revenue recognized in the second quarter of 2011, as the terms related to prior performance.

Advance payments and deferred revenue/credits are summarized by platform as follows:

	March 29, 2012	December 31, 2011
B737	\$ 23.0	\$ 23.6
B747-8		0.2
B787	630.8	629.1
A350 XWB	155.3	22.9
Airbus All other platforms	7.4	7.4
Gulfstream	34.8	35.6
Other	14.2	9.1
Total advance payments and deferred revenue/credits	\$ 865.5	\$ 727.9

9. Government Grants

We received grants in the form of government funding for a portion of the site construction and other specific capital asset cost at our Kinston, North Carolina and Subang, Malaysia sites. Deferred grant income is being amortized as a reduction to production cost. This amortization is based on specific terms associated with the different grants. In North Carolina, the deferred grant income related to the capital investment criteria, which represents half of the grant, is being amortized over the lives of the assets purchased to satisfy the capital investment performance criteria. The other half of the deferred grant income is being amortized over a ten-year period in a manner consistent with the job performance criteria. In Malaysia, the deferred grant income is being amortized based on the lives of the eligible assets constructed with the grant funds as there are no performance criteria. As of March 29, 2012, the value recorded within property, plant and equipment related to the use of grant funds in North Carolina and Malaysia was \$144.9 prior to amortization, including foreign exchange rate changes.

Deferred grant income liability, net consists of the following:

Balance, December 31, 2011	\$	127.9
Grant income recognized		(1.4)
Exchange rate		1.1
Total deferred grant income liability, March 29, 2012	\$	127.6

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The asset related to the deferred grant income, net consists of the following:

Beginning Balance, December 31, 2011	\$	128.3
Depreciation		(1.3)
Exchange rate		1.0
Total asset value related to deferred grant income, March 29, 2012	\$	128.0

10. Fair Value Measurements

FASB's authoritative guidance on fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The guidance discloses three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2 Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Observable inputs, such as current and forward interest rates and foreign exchange rates, are used in determining the fair value of our interest rate swaps and foreign currency hedge contracts.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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Description	Fair Value Measurements					
	March 29, 2012			At March 29, 2012 using		
	Total Carrying Amount in Balance Sheet	Assets Measured at Fair Value	Liabilities Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Money Market Fund</i>	\$ 25.3	\$ 25.3	\$	\$ 25.3	\$	\$
<i>Interest Rate Swaps</i>	\$ (5.2)	\$	\$ (5.2)	\$	\$ (5.2)	\$
<i>Foreign Currency Hedge Contracts</i>	\$ 0.2	\$ 0.2	\$	\$	\$ 0.2	\$

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<i>Money Market Fund</i>	\$	75.3	\$	75.3	\$	75.3	\$
<i>Interest Rate Swaps</i>	\$	(4.8)	\$	(4.8)	\$	(4.8)	\$
<i>Foreign Currency Hedge Contracts</i>	\$	(0.4)	\$	1.2	\$	(1.6)	\$

The fair value of the interest rate swaps and foreign currency hedge contracts are determined by using mark-to-market reports generated for each derivative and evaluated for counterparty risk. In the case of the interest rate swaps, the Company evaluated its counterparty risk using credit default swaps, historical default rates and credit spreads.

The Company's long-term debt consists of a senior secured term loan, senior unsecured notes, and the Malaysian term loan. The estimated fair value of our debt obligations is based on the quoted market prices for such obligations or the historical default rate for debt with similar credit ratings. The following table presents the carrying amount and estimated fair value of long-term debt in accordance with FASB authoritative guidance on fair value measurements related to disclosures of financial instruments:

	March 29, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior secured term loan (including current portion)	\$ 560.4	\$ 558.9	\$ 561.9	\$ 560.1
Senior unsecured notes due 2017	295.1	324.0	294.9	325.5
Senior unsecured notes due 2020	300.0	324.0	300.0	317.9
Malaysian loan	15.9	14.0	16.1	14.1
Total	\$ 1,171.4	\$ 1,220.9	\$ 1,172.9	\$ 1,217.6

See Note 12, Investments for fair value disclosure on government and corporate debt securities.

11. Derivative and Hedging Activities

The Company enters into interest rate swap agreements to reduce its exposure to the variable rate portion of its long-term debt. The Company also enters into foreign currency hedge contracts to reduce the risks associated with the changes in foreign exchange rates on sales and cost of sales denominated in currencies other than the entities' functional currency. Any gains or losses on the hedges are included in earnings when the underlying transaction that was hedged occurs. The Company does not use these contracts for speculative or trading purposes. On the inception date, the Company designates a derivative contract as either a fair value or cash flow hedge in accordance with FASB guidance on accounting for derivatives and hedges and links the contract to either a specific asset or liability on the balance sheet, or to forecasted commitments or transactions. The Company formally documents the hedging relationship between the hedging instrument and the hedged item, as well as its risk-management objective and strategy for undertaking the hedge, the nature of the risk being hedged, how the hedging instrument's effectiveness in offsetting the hedged risk will be assessed and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge's inception and on a quarterly basis, whether the derivative item is effective in offsetting changes in fair value or cash flows.

Changes in the fair value of derivative instruments considered to be effective hedges are reported in accumulated other comprehensive income, net of tax. In the case of interest rate swaps, amounts are subsequently reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings. If the actual interest

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rate on the fixed rate portion of debt is less than LIBOR, the monies received are recorded as an offset to interest expense. Conversely, if the actual interest rate on the fixed rate portion of debt is greater than LIBOR, then the Company pays the difference, which is recorded to interest expense. Reclassifications of the amounts related to the foreign currency hedge contracts are recorded to earnings in the same period in which the underlying transaction occurs. Any change in the fair value resulting from ineffectiveness is immediately recognized in earnings.

The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values. The Company has applied these valuation techniques as of March 29, 2012 and believes it has obtained the most accurate information available for the types of derivative contracts it holds. The Company attempts to manage exposure to counterparty credit risk by only entering into agreements with major financial institutions which are expected to be able to fully perform under the terms of the agreement.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item; the derivative expires or is sold, terminated or exercised; the derivative is no longer designated as a hedging instrument because it is unlikely that a forecasted transaction will occur; or management determines that the designation of the derivative as a hedging instrument is no longer appropriate. When hedge accounting is discontinued, the Company continues to carry the derivative instrument on the balance sheet at its fair value with subsequent changes in fair value included in earnings, and gains and losses that were accumulated in other comprehensive income are recognized immediately in earnings to the extent the forecasted transaction is not expected to occur, or when the underlying transaction settles.

To the extent that derivative instruments do not qualify for hedge accounting treatment, the changes in fair market value of the instruments are reported in the results of operations for the current period.

The Company enters into master netting arrangements for its derivatives to mitigate the credit risk of financial instruments.

The Company's hedge agreements do not include provisions requiring collateral. The Company has certain derivative instruments covered by master netting arrangements whereby, in the event of a default as defined by the senior secured credit facility or termination event, the non-defaulting party has the right to offset any amounts payable against any obligation of the defaulting party under the same counterparty agreement.

The entire asset classes of the Company, including hedges, are pledged as collateral for both the term loan and the revolving credit facility under the Company's senior secured credit facility (see Note 13, Debt).

Interest Rate Swaps

We enter into floating-to-fixed interest rate swap agreements periodically. As of March 29, 2012, the interest rate swap agreements had notional amounts totaling \$325.0.

Notional Amount	Expires	Variable Rate	Fixed Rate (1)	Effective Fixed Rate(2)	Fair Value, March 29, 2012
\$ 50	March 2013	1 Month LIBOR	0.72%	3.63%	\$ (0.2)
\$ 50	June 2013	1 Month LIBOR	0.84%	3.74%	\$ (0.3)
\$ 225	July 2014	1 Month LIBOR	1.37%	4.28%	\$ (4.7)
				Total	\$ (5.2)

(1) The fixed rate represents the rate at which interest is paid by the Company pursuant to the terms of its interest rate swap agreements.

(2) The effective Term B fixed interest rate represents the fixed rate of the derivative instrument plus the 175 basis-point margin on the pro rata share of Term B-1 and 325 basis-point margin on the pro rata share of Term B-2 above the variable LIBOR borrowing rate we pay on the Term B loan.

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The purpose of entering into these swaps was to reduce the Company's exposure to variable interest rates. The interest rate swaps settle on a monthly basis when interest payments are made. These settlements occur through the maturity date. The interest rate swaps are being accounted for as cash flow hedges in accordance with FASB authoritative guidance. The fair value of the interest rate swaps was a liability (unrealized loss) of (\$5.2) and (\$4.8) at March 29, 2012 and December 31, 2011, respectively.

Foreign Currency Forward Contracts

Spirit's wholly-owned subsidiary Spirit AeroSystems (Europe) Limited (Spirit Europe) has certain sales, expenses, assets and liabilities that are denominated in British pounds sterling. However, certain sales of Spirit Europe's products and some procurement costs are denominated in U.S. dollars and Euros. As a consequence, movements in exchange rates could cause net sales and our expenses to fluctuate, affecting our profitability and cash flows. In addition, even when revenues and expenses are matched, we must translate British pound sterling denominated results of operations, assets and liabilities for our foreign subsidiaries to U.S. dollars in our consolidated financial statements. Consequently, increases and decreases in the value of the U.S. dollar as compared to the British pound sterling will affect our reported results of operations and the value of our assets and liabilities on our consolidated balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in its original currency. These transactions could significantly affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity.

We use foreign currency hedge contracts to reduce our exposure to currency exchange rate fluctuations, which include hedging contracts to hedge U.S. dollar revenue from certain customers. The objective of these contracts is to minimize the impact of currency exchange rate movements on our operating results. The hedges are being accounted for as cash flow hedges in accordance with FASB authoritative guidance. Gains and losses from these cash flow hedges are recorded to other comprehensive income until the underlying transaction for which the hedge was placed occurs and then the value in other comprehensive income is reclassified to earnings. The exception to the aforementioned treatment of realized gains/losses involves certain cash payments to Airbus, payable in British pounds sterling which were hedged, and this amount in other comprehensive income was reclassified into other assets when the underlying transaction occurred and will be amortized over the first A350 XWB contract block. The amount of unamortized loss reclassified out of other comprehensive income into other assets for the three months ended March 29, 2012 was zero. The fair value of the forward contracts was a net asset of \$0.2 as of March 29, 2012.

Notional Amount

Year	March 29, 2012			December 31, 2011		
	USD Buy/(Sell)	Foreign Buy/(Sell)		USD Buy/(Sell)	Foreign Buy/(Sell)	
2012	\$ (4.5)	£ 2.9	\$	(9.0)	£ 5.6	

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2013							(0.1)	
	\$	(4.5)	£	2.9	\$	(9.0)	£	5.5

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The following table summarizes the Company's fair value of outstanding derivatives at March 29, 2012 and December 31, 2011:

	Fair Values of Derivative Instruments			
	Other Asset Derivatives		Other Liability Derivatives	
	March 29, 2012	December 31, 2011	March 29, 2012	December 31, 2011
Derivatives designated as hedging instruments				
Interest rate swaps				
Current	\$	\$	\$ 2.9	\$ 2.4
Non-current			2.3	2.4
Foreign currency hedge contracts				
Current		0.2		0.2
Non-current				
Total derivatives designated as hedging instruments		0.2	5.2	5.0
Derivatives not designated as hedging instruments				
Foreign currency hedge contracts				
Current				0.6
Non-current				0.6
Total derivatives not designated as hedging instruments				1.2
Total derivatives	\$	\$ 0.2	\$ 5.2	\$ 6.4

The impact on other comprehensive income (OCI) and earnings from cash flow hedges for the three months ended March 29, 2012 and March 31, 2011 was as follows:

Cash Flow Hedging Relationships	Location of (Gain) or Loss				Location of (Gain) or Loss Recognized in Income			
	Amount of Gain or (Loss) Recognized in OCI, net of tax, on Derivative		Amount of Loss Reclassified from Accumulated OCI into Income		Amount of Loss Reclassified from Accumulated OCI into Income		Amount of Loss Recognized in Income	
	For the Three Months Ended March 29, 2012	For the Three Months Ended March 31, 2011	For the Three Months Ended March 29, 2012	For the Three Months Ended March 31, 2011	For the Three Months Ended March 29, 2012	For the Three Months Ended March 31, 2011	For the Three Months Ended March 29, 2012	For the Three Months Ended March 31, 2011
Interest rate swaps	\$ (0.7)	\$ (0.1)	Interest expense	\$ 0.7	\$ 3.2	Other (income)/expense	\$	\$
Foreign currency hedge	0.1	0.6	Sales/Revenue	0.1	0.1	Other (income)/expense		

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contracts

Total	\$	(0.6)	\$	0.5	\$	0.8	\$	3.3	\$	\$
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The impact on earnings from foreign currency hedge contracts that do not qualify as cash flow hedges was \$0.2 income for the three months ended March 29, 2012 and less than (\$0.1) loss for three months ended March 31, 2011.

Gains and losses accumulated in OCI for interest rate swaps are reclassified into earnings as each interest rate period is reset. During the next twelve months, the Company estimates that a loss of (\$1.8) will be reclassified from OCI, net of tax, as a charge to earnings from interest rate swaps. Interest rate swaps are placed for a period of time not to exceed the maturity of the Company's senior secured term loan. None of the gains or losses reclassified to earnings were attributable to the discontinuance of cash flow hedges.

Gains and losses accumulated in OCI for foreign currency hedge contracts are reclassified into earnings as the underlying transactions for which the contracts were entered into are realized. During the next twelve months, the Company estimates that a loss of \$0.1 will be reclassified from OCI, net of tax. None of the gains or losses reclassified to earnings are attributable to the discontinuance of cash flow hedges.

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12. Investments

The amortized cost and approximate fair value of held-to-maturity securities are as follows:

	March 29, 2012		December 31, 2011	
	Current	Noncurrent	Current	Noncurrent
Government and Corporate Debt Securities				
Amortized cost	\$ 0.6	\$ 2.9	\$ 0.4	\$ 3.1
Unrealized gains				
Unrealized losses				(0.1)
Fair value	\$ 0.6	\$ 2.9	\$ 0.4	\$ 3.0

Maturities of held-to-maturity securities at March 29, 2012 are as follows:

	Amortized Cost	Approximate Fair Value
Within One Year	\$ 0.6	\$ 0.5
One to Five Years	2.0	2.0
Five to Ten Years	0.2	0.2
After Ten Years	0.7	0.7
Total	\$ 3.5	\$ 3.4

At March 29, 2012 and December 31, 2011, the fair value of certain investments in debt and marketable securities are less than their historical cost. Total fair value of these investments at March 29, 2012 and December 31, 2011, was \$1.6 and \$1.8, respectively, which is approximately 46% and 53% of the Company's held-to-maturity investment portfolio. These declines primarily resulted from decreases in market interest rates and failure of certain investments to maintain consistent credit quality ratings or meet projected earnings targets.

Based on evaluation of available evidence, including changes in market interest rates, credit rating information and information obtained from regulatory filings, management believes the declines in fair value for these securities are temporary.

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Should the impairment of any of these securities become other than temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the permanent impairment is identified.

13. Debt

Total debt shown on the balance sheet is comprised of the following:

	March 29, 2012		December 31, 2011
Senior secured term loan (short and long-term)	\$ 560.4	\$	561.9
Senior notes (due 2017 and 2020)	595.1		594.9
Malaysian term loan	15.9		16.1
Present value of capital lease obligations	15.2		15.2
Other	7.3		12.8
Total	\$ 1,193.9	\$	1,200.9

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Senior Secured Term Loan

As of March 29, 2012, we were a party to a credit agreement that consists of a senior secured term loan and a senior secured revolving line of credit (the "Prior Credit Agreement"). On October 15, 2010, we entered into Amendment No. 3 to the Prior Credit Agreement. As a result of the amendment, among other things, the revolving credit commitment was increased from \$408.8 to \$650.0 and the maturity date of the revolving credit commitment was extended to September 30, 2014. The credit agreement amendment also extended the maturity date for \$437.4 (Term B-2) of the outstanding term loan to September 30, 2016. The maturity date for the \$130.2 (Term B-1) balance of the outstanding term loan remained at September 30, 2013. Substantially all of Spirit's assets, including inventory and property, plant and equipment were pledged as collateral for both the term loan and the revolving credit facility. As of March 29, 2012 and December 31, 2011, the outstanding balance of the term loan was \$560.4 and \$561.9, respectively. Amounts outstanding under the revolving credit facility were zero at March 29, 2012 and December 31, 2011. As of March 29, 2012, there were \$19.9 of letters of credit outstanding under the revolving credit agreement.

The Company was able borrow funds under its revolving credit agreement as either (i) a Eurodollar Loan, based on LIBOR or, (ii) an Alternate Base Rate (ABR) Loan, based on a rate defined in our credit agreement, plus an applicable margin as set forth in the table below:

	Total Leverage Ratio	Eurodollar Margin	ABR Margin
Level I	≥ 2.5:1	4.00%	3.00%
	< 2.5:1 but ≥		
Level II	1.75:1	3.50%	2.50%
Level III	< 1.75:1	3.00%	2.00%

At March 29, 2012, the Company's total leverage ratio was 2.18:1.0 resulting in applicable margins of 3.50% and 2.50% on Eurodollar and ABR Loans respectively.

In addition to paying interest on outstanding principal under the senior secured credit facility, Spirit was required to pay an unused line fee of 75 basis points on the unused portion of the commitments under the revolving credit facility. Spirit was required to pay participation fees equal to the applicable margin for LIBOR rate revolving credit borrowings with respect to letters of credit issued under the revolving credit facility. Spirit was also required to pay to the issuing banks under its senior secured credit facility letter of credit fronting fees in respect of letters of credit equal to 25 basis points per year, and to the administrative agent thereunder customary administrative fees.

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The credit agreement contains customary affirmative and negative covenants, including restrictions on indebtedness, liens, type of business, acquisitions, investments, sales or transfers of assets, payments of dividends, transactions with affiliates, change in control and other matters customarily restricted in such agreements. The credit agreement also contained the following financial covenants (as defined in the credit agreement) through the final maturity date of the credit agreement:

Covenant Leverage Ratio	Shall not exceed 2.5:1.0
Interest Coverage Ratio	Shall not be less than 4.0:1.0
Total Leverage Ratio	Shall not exceed 3.5:1.0

The Financial Covenant ratios were calculated as of the last day of each fiscal quarter. Failure to meet these financial covenants would be an event of default under the credit agreement. As of March 29, 2012, we were and expected to remain in full compliance with all covenants contained within our credit agreement for the foreseeable future.

On April 18, 2012, Spirit entered into a \$1.2 billion senior secured Credit Agreement consisting of a \$650.0 million revolving credit facility and a \$550.0 million term loan B facility. The Credit Agreement refinances and replaces the Second Amended and Restated Credit Agreement dated as of November 27, 2006, as amended October 15, 2010. The revolving credit facility matures April 18, 2017 and bears interest, at Spirit's option, at either LIBOR plus 2.25% or a defined base rate plus 1.25%, subject to adjustment to between LIBOR plus 1.75% and LIBOR plus 2.50% (or between base rate plus 0.75% and base rate plus 1.50%, as applicable) based on changes to Spirit's debt-to-EBITDA ratio. The term loan matures April 18, 2019 and bears interest, at Spirit's option, at LIBOR plus 3.00% with a LIBOR floor of 0.75% or base rate plus 2.00%, subject to a step down to LIBOR plus 2.75% or base rate plus 1.75%, as applicable, in the event Spirit's secured debt-to-EBITDA ratio is below 1:1 at any time following Spirit's fourth fiscal quarter of 2012.

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Spirit used the proceeds of the new term loan to pay off outstanding amounts under the Prior Credit Agreement. The Company will take a charge of approximately \$9.5 million in the second quarter of 2012 for unamortized deferred financing fees as a result of extinguishment of the debt.

Senior Notes

On November 18, 2010, we issued \$300.0 aggregate of 6.75% Senior Notes due December 15, 2020 (the 2020 Notes), with interest payable, in cash in arrears, on June 15 and December 15 of each year, beginning June 15, 2011. The 2020 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and Spirit's existing and future domestic subsidiaries that guarantee Spirit's obligations under Spirit's senior secured credit facility. The carrying value of the 2020 Notes was \$300.0 as of March 29, 2012.

On September 30, 2009, we issued \$300.0 of 7.50% Senior Notes due October 1, 2017 (the 2017 Notes), with interest payable, in cash in arrears, on April 1 and October 1 of each year, beginning April 1, 2010. The 2017 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and Spirit's existing and future domestic subsidiaries that guarantee Spirit's obligations under Spirit's senior secured credit facility. The carrying value of the 2017 Notes was \$295.1 as of March 29, 2012.

As of March 29, 2012, we were and expect to remain in full compliance with all covenants contained in the indentures governing the 2020 Notes and the 2017 Notes for the foreseeable future.

Malaysian Term Loan

On June 2, 2008, the Company's wholly-owned subsidiary, Spirit AeroSystems Malaysia SDN BHD entered into a Facility Agreement for a term loan facility for Ringgit Malaysia (RM) 69.2 (approximately USD \$20.0 equivalent) (the Malaysia Facility), with the Malaysian Export-Import Bank. The Malaysia Facility requires quarterly principal repayments of RM 3.3 (USD \$1.0) from September 2011 through May 2017 and quarterly interest payments payable at a fixed interest rate of 3.50% per annum. The Malaysia Facility loan balance as of March 29, 2012 was \$15.9.

France Factory

On July 17, 2009, the Company's indirect wholly-owned subsidiary, Spirit AeroSystems France SARL entered into a capital lease agreement for 9.0 (approximately USD \$13.1 equivalent) with a subsidiary of BNP Paribas Bank to be used towards the construction of an aerospace-related component assembly plant in Saint-Nazaire, France. Lease payments are variable, subject to the three-month Euribor rate plus 2.20%. Lease payments are due quarterly through April 2025. As of March 29, 2012, the Saint-Nazaire capital lease balance was \$11.5.

Lease Commitment

In September 2011, the Company entered into a lease agreement for a building in Kinston, North Carolina. As part of the lease agreement, the Company's landlord agreed to certain renovations to the facility to convert the space from a warehouse to a manufacturing facility. The Company may be responsible for a portion of the construction costs and has been deemed as the owner of the building during the construction period under the FASB authoritative guidance on accounting for lessee involvement in asset construction. A total of \$5.6 has been capitalized to record the facility on the Company's books with an offsetting credit to the lease financing liability.

The initial renovations were completed during the first quarter of 2012, and the lease was reviewed for potential sale-leaseback treatment in accordance with the FASB authoritative guidance on accounting for lessee involvement in asset construction. The lease qualified for sale-leaseback treatment and the \$5.6 that had been capitalized along with the offsetting credit to the lease financing liability was reversed.

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14. Pension and Other Post-Retirement Benefits

Components of Net Periodic Pension Income	Defined Benefit Plans For the Three Months Ended	
	March 29, 2012	March 31, 2011
Service cost	\$ 1.6	\$ 1.4
Interest cost	11.3	11.2
Expected return on plan assets	(18.7)	(16.6)
Amortization of net (gain)	1.8	0.4
Net periodic pension income	\$ (4.0)	\$ (3.6)

Components of Other Benefit Expense	Other Benefits For the Three Months Ended	
	March 29, 2012	March 31, 2011
Service cost	\$ 0.8	\$ 0.8
Interest cost	0.9	1.0
Amortization of net loss	0.1	0.3
Net periodic other benefit expense	\$ 1.8	\$ 2.1

Employer Contributions

We expect to contribute zero dollars to the U.S. qualified pension plan and less than \$0.7 to both the Supplemental Executive Retirement Plan (SERP) and post-retirement medical plans in 2012. Our projected contributions to the U.K. pension plan for 2012 are \$9.1, of which \$2.1 was contributed by the end of the first quarter of 2012. We anticipate contributing the additional \$7.0 to the U.K. pension plan during the remainder of 2012. The entire amount contributed and the projected contributions can vary based on exchange rate fluctuations.

15. Stock Compensation

Holdings has established various stock compensation plans which include restricted share grants and stock purchase plans. Compensation values are based on the value of Holdings' common stock at the grant date. The common stock value is added to equity and charged to period expense or included in inventory and cost of sales.

For the three months ended March 29, 2012, Holdings recognized a net total of \$4.0 of stock compensation expense, which is net of stock forfeitures, as compared to \$2.2 of stock compensation expense, net of forfeitures, for the three months ended March 31, 2011. The total \$4.0 of net stock compensation expense recorded as of March 29, 2012 was recorded as selling, general and administrative expense, and the amount includes \$0.9 accelerated vesting expense for participants meeting the conditions for Qualifying Retirement under the Short-Term Incentive Plan or STIP as set out in the Proxy Statement for our 2012 annual meeting of stockholders. Of the \$2.2 of stock compensation expense recorded for the three months ended March 31, 2011, less than \$0.1 was charged directly to cost of sales, \$2.1 was recorded as selling, general and administrative expense, while the remainder was capitalized in inventory and is recognized through cost of sales in accordance with FASB authoritative guidance.

In February 2012, 104,405 shares of Class A common stock with an aggregate grant date fair value of \$2.5 were granted under the Company's Short-Term Incentive Plan and such shares will vest on the one-year anniversary of the grant date. Additionally, 169,391

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shares of Class A common stock with an aggregate grant date fair value of \$4.3 granted under the Company's Short-Term Incentive Plan vested during the quarter ended March 29, 2012.

16. Income Taxes

The process for calculating our income tax expense involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. Deferred tax assets are periodically evaluated to determine their recoverability. The total net deferred tax assets at March 29, 2012 and December 31, 2011 were \$95.5 and \$102.1, respectively.

We file income tax returns in all jurisdictions in which we operate. We established reserves to provide for additional income taxes that may be due in future years as these previously filed tax returns are audited. These reserves have been established based on management's assessment as to the potential exposure attributable to permanent differences and associated interest. All tax reserves are analyzed quarterly and adjustments made as events occur that warrant modification.

In general, the Company records income tax expense each quarter based on its best estimate as to the full year's effective tax rate. Certain items, however, are given discrete period treatment and the tax effects for such items are therefore reported in the quarter that an event arises. Events or items that give rise to discrete recognition include finalizing amounts in income tax returns filed, finalizing audit examinations for open tax years, and an expiring statute of limitations.

We continue to operate under a tax holiday in Malaysia effective through September 2024. Management is maintaining a reserve for potential uncertainty in meeting the tax holiday's conditional employment and investment thresholds.

The 31.3% effective tax rate for the three months ended March 29, 2012 differs from the 30.4% effective tax rate for the same period in 2011 primarily due to maintaining a reserve this year for the Malaysia tax holiday benefit and expiration of the U.S. Research Credit on December 31, 2011.

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We are participating in the Internal Revenue Service's Compliance Assurance Process (CAP) program for our 2011 and 2012 tax years. The CAP program's objective is to resolve issues in a timely, contemporaneous manner and eliminate the need for a lengthy post-filing examination. HM Revenue & Customs is currently examining our 2009 U.K. income tax return. While a change could result from the ongoing examinations, the Company expects no material change in its recorded unrecognized tax benefit liability in the next 12 months.

17. Equity

Earnings per Share Calculation

Basic earnings per share represents the income available to common shareholders divided by the weighted average number of common shares outstanding during the measurement period. Diluted earnings per share represents the income available to common shareholders divided by the weighted average number of common shares outstanding during the measurement period while also giving effect to all potentially dilutive common shares that were outstanding during the period.

Subject to preferences that may apply to shares of preferred stock outstanding at the time, holders of the Company's outstanding common stock are entitled to any dividend declared by the Board of Directors out of funds legally available for this purpose. No dividend may be declared on the class A or class B common stock unless at the same time an equal dividend is paid on every share of class A and class B common stock. Dividends paid in shares of the Company's common stock must be paid, with respect to a particular class of common stock, in shares of that class. The Company does not intend to pay cash dividends on its common stock. In addition, the terms of the Company's current financing agreements preclude it from paying any cash dividends on its common stock.

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The following table sets forth the computation of basic and diluted earnings per share:

	March 29, 2012		For the Three Months Ended		March 31, 2011		Per Share Amount
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	
Basic EPS							
Income available to common shareholders	\$ 72.4	139.5	\$ 0.52	\$ 34.0	138.6	\$ 0.25	
Income allocated to participating securities	1.2	2.3		0.6	2.7		
Net Income	\$ 73.6			\$ 34.6			
Diluted potential common shares		0.7			0.8		
Diluted EPS							
Net Income	\$ 73.6	142.5	\$ 0.52	\$ 34.6	142.1	\$ 0.24	

The balance of outstanding common shares presented in the consolidated statement of shareholders' equity was 142.9 million and 142.3 million at March 29, 2012 and March 31, 2011, respectively. Included in the outstanding common shares were 2.5 million and 2.9 million of issued but unvested shares at March 29, 2012 and March 31, 2011, respectively, which are excluded from the basic EPS calculation.

Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss is summarized by component as follows:

	For the Three Months Ended		For the Twelve Months Ended	
	March 29, 2012		December 31, 2011	
Interest rate swaps	\$	(3.1)	\$	(2.8)
Foreign currency hedges		0.1		(0.1)
Pension		(91.5)		(91.5)
SERP/ Retiree medical		(12.4)		(12.7)
		(4.4)		(5.7)

Foreign currency impact on long term intercompany loan			
Currency translation adjustment		(9.8)	(13.4)
Total accumulated other comprehensive loss	\$	(121.1)	\$ (126.2)

Noncontrolling Interest

Noncontrolling interest at March 29, 2012 remained unchanged from the prior year at \$0.5.

18. Related Party Transactions

On March 26, 2007, Hawker Beechcraft, Inc. (Hawker), of which Onex Partners II LP (an affiliate of Onex) owns approximately a 49% interest, acquired Raytheon Aircraft Acquisition Company and substantially all of the assets of Raytheon Aircraft Services Limited. The Company s Prestwick facility provides wing components for the Hawker 800 Series manufactured by Hawker. For the

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Spirit AeroSystems Holdings, Inc.

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three months ended March 29, 2012 and March 31, 2011 sales to Hawker were \$1.2 and \$2.2, respectively. Receivables due from Hawker were \$3.5 as of March 29, 2012, net of a \$0.3 receivable write-off.

On May 3, 2012, Hawker Beechcraft filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. As noted above, we have outstanding receivables with Hawker Beechcraft, for which we have adequately reserved.

The Company paid less than \$0.1 to a subsidiary of Onex for services rendered for each of the three month periods ended March 29, 2012 and March 31, 2011. Management believes the amounts charged were reasonable in relation to the services provided.

Boeing owned and operated significant information technology systems utilized by the Company and, as required under the acquisition agreement for the Boeing Acquisition, was providing those systems and support services to Spirit under a Transition Services Agreement. The services covered by the Transition Services Agreement have now been established by the Company, and the agreement terminated. Under the Transition Services Agreement, the Company incurred fees of zero and less than \$0.1 for the three months ended March 29, 2012 and March 31, 2011, respectively. The amounts owed to Boeing and recorded as accrued liabilities were zero and less than \$0.1 at March 29, 2012 and March 31, 2011, respectively.

The spouse of one of the Company's executives who retired in 2011 is a special counsel at a law firm utilized by the Company and at which the executive was previously employed. The Company paid fees of \$0.2 to the firm for the period ended March 31, 2011.

On April 20, 2011, an executive of the Company was elected to the Board of Directors of Rockwell Collins, Inc., a supplier of manufacturing parts to the Company. Under the commercial terms of the arrangement with the supplier, Spirit paid less than \$0.1 for each of the three month periods ended March 29, 2012 and March 31, 2011. The amounts owed to Rockwell Collins and recorded as accrued liabilities were less than \$0.1 as of March 29, 2012.

An executive of the Company is a member of the Board of Directors of a Wichita, Kansas bank that provides banking services to Spirit. In connection with the banking services provided to Spirit, the Company pays fees consistent with commercial terms that would be available to unrelated third parties. Such fees are not material to the Company.

19. Commitments, Contingencies and Guarantees

Litigation

From time to time we are subject to, and are presently involved in, litigation or other legal proceedings arising in the ordinary course of business. While the final outcome of these matters cannot be predicted with certainty, considering, among other things, the meritorious legal defenses available, it is the opinion of the Company that none of these items, when finally resolved, will have a material adverse effect on the Company's long-term financial position or liquidity. Consistent with the requirements of authoritative guidance on accounting for contingencies, we had no accruals at March 29, 2012 or December 31, 2011 for loss contingencies. However, an unexpected adverse resolution of one or more of these items could have a material adverse effect on the results of operations in a particular quarter or fiscal year.

From time to time, in the ordinary course of business and like others in the industry, we receive requests for information from government agencies in connection with their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government in audits or investigations. We review such requests and notices and take appropriate action. We have been subject to certain requests for information and investigations in the past and could be subject to such requests for information and investigations in the future. Additionally, we are subject to federal and state requirements for protection of the environment, including those for disposal of hazardous waste and remediation of contaminated sites. As a result, we are required to participate in certain government investigations regarding environmental remediation actions.

In December 2005, a lawsuit was filed against Spirit, Onex and Boeing alleging age discrimination in the hiring of employees by Spirit when Boeing sold its Wichita commercial division to Onex. The complaint was filed in U.S. District Court in Wichita, Kansas and seeks class-action status, an unspecified amount of compensatory damages and more than \$1.5 billion in punitive damages. The asset purchase agreement from the Boeing Acquisition requires Spirit to indemnify Boeing for damages resulting from the employment decisions that were made by us with respect to former employees of Boeing Wichita, which relate or allegedly relate to the involvement of, or consultation with, employees of Boeing in such employment decisions. On June 30, 2010, the U.S. District

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Court granted defendants' dispositive motions, finding that the case should not be allowed to proceed as a class action. The matter is now on appeal to the Tenth Circuit Court of Appeals, which could reverse the District Court's June 30, 2010 ruling. The Company intends to continue to vigorously defend itself in this matter. Management believes the resolution of this matter will not materially affect the Company's financial position, results of operations or liquidity.

In December 2005, a federal grand jury sitting in Topeka, Kansas issued subpoenas regarding the vapor degreasing equipment at our Wichita, Kansas facility. The government's investigation appeared to focus on whether the degreasers were operating within permit parameters and whether chemical wastes from the degreasers were disposed of properly. The subpoenas covered a time period both before and after our purchase of the Wichita, Kansas facility. Subpoenas were issued to Boeing, Spirit and individuals who were employed by Boeing prior to the Boeing Acquisition, but are now employed by us. We responded to the subpoena and provided additional information to the government as requested. On March 25, 2008, the U.S. Attorney's Office informed the Company that it was closing its criminal file on the investigation. A civil investigation into this matter is ongoing. Management believes the resolution of this matter will not materially affect the Company's financial position, results of operations or liquidity.

On February 16, 2007, an action entitled Harkness et al. v. The Boeing Company et al. was filed in the U.S. District Court for the District of Kansas. The defendants were served in early July 2007. The defendants include Spirit AeroSystems Holdings, Inc., Spirit AeroSystems, Inc., the Spirit AeroSystems Holdings Inc. Retirement Plan for the International Brotherhood of Electrical Workers (IBEW), Wichita Engineering Unit (SPEEA WEU) and Wichita Technical and Professional Unit (SPEEA WTPU) Employees, and the Spirit AeroSystems Retirement Plan for International Association of Machinists and Aerospace Workers (IAM) Employees, along with Boeing and Boeing retirement and health plan entities. The named plaintiffs are twelve former Boeing employees, eight of whom were or are employees of Spirit. The plaintiffs assert several claims under the Employee Retirement Income Security Act and general contract law and brought the case as a class action on behalf of similarly situated individuals. The putative class consists of approximately 2,500 current or former employees of Spirit. The parties agreed to class certification. The sub-class members who have asserted claims against the Spirit entities are those individuals who, as of June 2005, were employed by Boeing in Wichita, Kansas, were participants in the Boeing pension plan, had at least 10 years of vesting service in the Boeing plan, were in jobs represented by a union, were between the ages of 49 and 55, and who went to work for Spirit on or about June 17, 2005. Although there are many claims in the suit, the plaintiffs' claims against the Spirit entities, asserted under various theories, are (1) that the Spirit plans wrongfully failed to determine that certain plaintiffs are entitled to early retirement bridging rights to pension and retiree medical benefits that were allegedly triggered by their separation from employment by Boeing and (2) that the plaintiffs' pension benefits were unlawfully transferred from Boeing to Spirit in that their claimed early retirement bridging rights are not being afforded these individuals as a result of their separation from Boeing, thereby decreasing their benefits. The plaintiffs initially sought a declaration that they are entitled to the early retirement pension benefits and retiree medical benefits, an injunction ordering that the defendants provide the benefits, damages pursuant to breach of contract claims and attorney fees. Following the completion of discovery, however, plaintiffs' counsel informed Spirit counsel that plaintiffs' counsel had determined that all claims against the Spirit entities were not viable, and plaintiffs' counsel agreed to work with the Spirit entities to seek the voluntary dismissal with prejudice of all claims against the Spirit entities. Plaintiffs' claims against Boeing entities remain pending in the litigation. Boeing has notified Spirit that it believes it is entitled to indemnification from Spirit for any indemnifiable damages it may incur in the Harkness litigation, under the terms of the asset purchase agreement from the Boeing Acquisition between Boeing and Spirit. Spirit disputes Boeing's position on indemnity. Management believes the resolution of this matter will not materially affect the Company's financial position, results of operations or liquidity.

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On July 21, 2005, the International Union, Automobile, Aerospace and Agricultural Implement Workers of America (UAW) filed a grievance against Boeing on behalf of certain former Boeing employees in Tulsa and McAlester, Oklahoma, regarding issues that parallel those asserted in Harkness et al. v. The Boeing Company et al. Boeing denied the grievance, and the UAW subsequently filed suit to compel arbitration, which the parties eventually agreed to pursue. The arbitration was conducted in January 2008. In July 2008, the arbitrator issued an opinion and award in favor of the UAW. The arbitrator directed Boeing to reinstate the seniority of the employees and afford them the benefits appurtenant thereto. On March 5, 2009, the arbitrator entered an Opinion and Supplemental Award that directed Boeing to award certain benefits to UAW members upon whose behalf the grievance was brought, notwithstanding the prior denial of such benefits by the Boeing Plan Administrator. On April 10, 2009, Boeing filed a Complaint in the United States District Court for the Northern District of Illinois, seeking a ruling that the arbitrator exceeded his authority in granting the Supplemental Award. On September 16, 2009, the District Court entered an order affirming the arbitrator's Supplemental Award. Boeing appealed the District Court's decision to the U.S. Seventh Circuit Court of Appeals, which affirmed the District Court's decision. Boeing previously notified Spirit of its intent to seek indemnification from Spirit for any indemnifiable damages it may incur in the UAW matter, pursuant to the terms of the asset purchase agreement from the Boeing Acquisition. Spirit disputes Boeing's position on indemnity. Management believes the resolution of this matter will not materially affect the Company's financial position, results of operations or liquidity.

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On May 11, 2009, Spirit filed a lawsuit in the United States District Court for the District of Kansas against SPS Technologies LLC (SPS) and Precision Castparts Corp. Spirit 's claims are based on the sale by SPS of certain non-conforming nut plate fasteners to Spirit between August 2007 and August 2008. Many of the fasteners were used on assemblies that Spirit sold to a customer. In the fall of 2008, Spirit discovered the non-conformity and notified the customer of the discrepancy. Subsequently, Spirit and the customer removed and replaced nut plates on various in-process aircraft assemblies and subsequently agreed to an appropriate cost related to those efforts. Spirit 's lawsuit seeks damages, including damages related to these efforts, under various theories, including breach of contract and breach of implied warranty.

Guarantees

Contingent liabilities in the form of letters of credit, letters of guarantee and performance bonds have been provided by the Company. These letters of credit reduce the amount of borrowings available under the revolving credit facility. As of both March 29, 2012 and December 31, 2011, outstanding letters of credit were \$19.9. Outstanding guarantees were \$27.1 and \$26.6 at March 29, 2012 and December 31, 2011, respectively.

Indemnification

The Company has entered into customary indemnification agreements with each of its Directors, and some of its executive employment agreements include indemnification provisions. Under those agreements, the Company agrees to indemnify each of these individuals against claims arising out of events or occurrences related to that individual 's service as the Company 's agent or the agent of any of its subsidiaries to the fullest extent legally permitted.

Service and Product Warranties and Extraordinary Rework

The Company provides service and warranty policies on its products. Liability under service and warranty policies is based upon specific claims and a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience change. In addition, the Company incurs discretionary costs to service its products in connection with product performance or quality issues.

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The following is a roll forward of the service warranty and extraordinary rework balance at March 29, 2012:

Balance, December 31, 2011	\$	19.6
Charges to costs and expenses		2.3
Exchange rate		0.1
Balance, March 29, 2012	\$	22.0

20. Other Income (Expense), Net

Other income (expense), net is summarized as follows:

	For the Three Months Ended	
	March 29, 2012	March 31, 2011
KDFA bond	\$ 1.2	\$ 1.1
Rental and miscellaneous (expense)	(0.1)	
Foreign currency gains	2.4	0.4
Total	\$ 3.5	\$ 1.5

Foreign currency gains are due to the impact of movement in foreign currency exchange rates on trade and intercompany receivables/payables and other long-term contractual rights/obligations denominated in a currency other than the entity's functional currency.

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21. Segment Information

The Company operates in three principal segments: Fuselage Systems, Propulsion Systems and Wing Systems. Substantially all revenues in the three principal segments are from Boeing, with the exception of Wing Systems, which includes revenues from Airbus and other customers. Approximately 93% of the Company's net revenues for the three months ended March 29, 2012 came from our two largest customers, Boeing and Airbus. All other activities fall within the All Other segment, principally made up of sundry sales of miscellaneous services, tooling contracts, and sales of natural gas through a tenancy-in-common with other companies that have operations in Wichita, Kansas. The Company's primary profitability measure to review a segment's operating performance is segment operating income before unallocated corporate selling, general and administrative expenses, unallocated research and development and unallocated cost of sales. Unallocated corporate selling, general and administrative expenses include centralized functions such as accounting, treasury and human resources that are not specifically related to our operating segments and are not allocated in measuring the operating segments' profitability and performance and operating margins. Unallocated research and development includes research and development efforts that benefit the Company as a whole and are not unique to a specific segment. Unallocated cost of sales includes general costs not directly attributable to segment operations, such as early retirement and other incentives. All of these unallocated items are not specifically related to our operating segments and are not allocated in measuring the operating segments' profitability and performance and operating margins.

The Company's Fuselage Systems segment includes development, production and marketing of forward, mid and rear fuselage sections and systems, primarily to aircraft OEMs (OEM refers to aircraft original equipment manufacturer), as well as related spares and maintenance, repairs and overhaul (MRO). The Fuselage Systems segment manufactures products at our facilities in Wichita, Kansas and Kinston, North Carolina. The Fuselage Systems segment also includes an assembly plant for the A350 XWB aircraft in Saint-Nazaire, France.

The Company's Propulsion Systems segment includes development, production and marketing of struts/pylons, nacelles (including thrust reversers) and related engine structural components primarily to aircraft or engine OEMs, as well as related spares and MRO services. The Propulsion Systems segment manufactures products at our facilities in Wichita and Chanute, Kansas.

The Company's Wing Systems segment includes development, production and marketing of wings and wing components (including flight control surfaces) as well as other miscellaneous structural parts primarily to aircraft OEMs, as well as related spares and MRO services. These activities take place at the Company's facilities in Tulsa and McAlester, Oklahoma; Kinston, North Carolina; Prestwick, Scotland; and Subang, Malaysia.

The Company's segments are consistent with the organization and responsibilities of management reporting to the chief operating decision-maker for the purpose of assessing performance. The Company's definition of segment operating income differs from operating income as presented in its primary financial statements and a reconciliation of the segment and consolidated results is provided in the table set forth below. Most selling,

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general and administrative expenses, and all interest expense or income, related financing costs and income tax amounts, are not allocated to the operating segments.

While some working capital accounts are maintained on a segment basis, much of the Company's assets are not managed or maintained on a segment basis. Property, plant and equipment, including tooling, is used in the design and production of products for each of the segments and, therefore, is not allocated to any individual segment. In addition, cash, prepaid expenses, other assets and deferred taxes are managed and maintained on a consolidated basis and generally do not pertain to any particular segment. Raw materials and certain component parts are used in the production of aerostructures across all segments. Work-in-process inventory is identifiable by segment, but is managed and evaluated at the program level. As there is no segmentation of the Company's productive assets, depreciation expense (included in fixed manufacturing costs and selling, general and administrative expenses) and capital expenditures, no allocation of these amounts has been made solely for purposes of segment disclosure requirements.

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(\$, , £, and RM in millions other than per share amounts)

The following table shows segment revenues and operating income for the three months ended March 29, 2012 and March 31, 2011:

	Three Months Ended March 29, 2012	Three Months Ended March 31, 2011
Segment Revenues		
Fuselage Systems (1)	\$ 622.6	\$ 528.0
Propulsion Systems	344.0	273.0
Wing Systems (2)	296.6	244.9
All Other	2.6	3.7
	\$ 1,265.8	\$ 1,049.6
Segment Operating Income		
Fuselage Systems (1)	\$ 86.9	\$ 47.0
Propulsion Systems	57.6	40.8
Wing Systems (2)	20.4	17.4
All Other	0.2	105.2
Unallocated corporate SG&A	(40.7)	(35.1)
Unallocated research and development	(1.1)	(0.5)
Unallocated cost of sales(3)	(1.0)	
Total operating income	\$ 122.3	\$ 69.6

(1) Net of \$28.2 forward-loss recorded in the first quarter of 2011 for the Sikorsky CH-53K helicopter program.

(2) Net of \$2.7 and \$10.7 forward-loss charges recorded in the first quarter of 2012 for the B747-8 and G280 wing programs, respectively.

(3) Includes charges in the first quarter of 2012 of \$1.0 related to early retirement incentives to eligible employees.

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22. Condensed Consolidating Financial Information

On November 18, 2010, Spirit completed an offering of \$300.0 aggregate principal amount of its 2020 Notes. On September 30, 2009, Spirit completed an offering of \$300.0 aggregate principal amount of its 2017 Notes. Both the 2017 Notes and the 2020 Notes were sold to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the Securities Act), and outside the United States only to non-U.S. persons pursuant to Regulation S promulgated under the Securities Act.

In connection with the initial sales of the 2017 Notes and the 2020 Notes, the Company entered into Registration Rights Agreements with the initial purchasers of the 2017 Notes and the 2020 Notes, respectively, pursuant to which the Company, Spirit and the Subsidiary Guarantors (as defined below) agreed to file (x) a registration statement with respect to an offer to exchange original 2017 Notes for a new issue of substantially identical notes registered under the Securities Act (the 2017 Notes Exchange Offer) and (y) a registration statement with respect to an offer to exchange the original 2020 Notes for a new issue of substantially identical notes registered under the Securities Act (the 2020 Notes Exchange Offer). The 2017 Notes Exchange Offer was consummated on May 26, 2010. The 2020 Notes Exchange Offer was consummated on January 31, 2011. The 2017 Notes and 2020 Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and its 100% owned domestic subsidiaries, other than Spirit (the Subsidiary Guarantors).

The following condensed consolidating financial information, which has been prepared in accordance with the requirements for presentation of Rule 3-10(d) of Regulation S-X promulgated under the Securities Act, presents the condensed consolidating financial information separately for:

- (i) Holdings, as the parent company;
- (ii) Spirit, as the subsidiary issuer of the 2017 Notes and the 2020 Notes;
- (iii) The Subsidiary Guarantors, on a combined basis, as guarantors of the 2017 Notes and the 2020 Notes;
- (iv) The Company's subsidiaries, other than the Subsidiary Guarantors, which are not guarantors of the 2017 Notes and the 2020 Notes (the Subsidiary Non-Guarantors), on a combined basis;
- (v) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Holdings, the Subsidiary Guarantors and the Subsidiary Non-Guarantors, (b) eliminate the investments in the Company's subsidiaries and (c) record consolidating entries; and
- (vi) Holdings and its subsidiaries on a consolidated basis.

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(\$, €, and RM in millions other than per share amounts)

Condensed Consolidating Statements of Operations**For the Three Months Ended March 29, 2012**

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	\$	\$ 1,149.0	\$ 55.4	\$ 136.6	\$ (75.2)	\$ 1,265.8
Operating costs and expenses						
Cost of sales		996.3	49.3	120.7	(75.2)	1,091.1
Selling, general and administrative	1.1	38.8	0.5	4.6		45.0
Research and development		7.0		0.4		7.4
Total operating costs and expenses	1.1	1,042.1	49.8	125.7	(75.2)	1,143.5
Operating income (loss)	(1.1)	106.9	5.6	10.9		122.3
Interest expense and financing fee amortization		(18.0)		(2.2)	1.9	(18.3)
Interest income		1.9			(1.9)	
Other income, net		1.2		2.3		3.5
Income (loss) before income taxes and equity in net income (loss) of affiliates and subsidiaries	(1.1)	92.0	5.6	11.0		107.5
Income tax benefit (provision)	0.4	(30.2)	(2.1)	(1.7)		(33.6)
Income (loss) before equity in net income (loss) of affiliates and subsidiaries	(0.7)	61.8	3.5	9.3		73.9
Equity in net (loss) of affiliates		(0.4)		0.1		(0.3)
Equity in net income of subsidiaries	74.6	12.8			(87.4)	
Net income (loss)	73.9	74.2	3.5	9.4	(87.4)	73.6
Other comprehensive income				5.1		5.1
Comprehensive income (loss)	\$ 73.9	\$ 74.2	\$ 3.5	\$ 14.5	\$ (87.4)	\$ 78.7

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Condensed Consolidating Statements of Operations**For the Three Months Ended March 31, 2011**

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	\$	\$ 943.3	\$ 0.5	\$ 127.6	\$ (21.8)	\$ 1,049.6
Operating costs and expenses						
Cost of sales		830.0	(0.1)	119.9	(21.8)	928.0
Selling, general and administrative	1.1	32.2	0.4	5.3		39.0
Research and development		13.0				13.0
Total operating costs and expenses	1.1	875.2	0.3	125.2	(21.8)	980.0
Operating income (loss)	(1.1)	68.1	0.2	2.4		69.6
Interest expense and financing fee amortization		(20.6)		(1.4)	1.1	(20.9)
Interest income		1.2			(1.1)	0.1
Other income, net		1.0		0.5		1.5
Income (loss) before income taxes and equity in net income (loss) of affiliates and subsidiaries	(1.1)	49.7	0.2	1.5		50.3
Income tax benefit (provision)	0.4	(16.4)	(0.1)	0.8		(15.3)
Income (loss) before equity in net income (loss) of affiliates and subsidiaries	(0.7)	33.3	0.1	2.3		35.0
Equity in net (loss) of affiliates				(0.4)		(0.4)
Equity in net income of subsidiaries	35.7	2.4			(38.1)	
Net income (loss)	35.0	35.7	0.1	1.9	(38.1)	34.6
Other comprehensive income		2.7		6.3		9.0
Comprehensive income (loss)	\$ 35.0	\$ 38.4	\$ 0.1	\$ 8.2	\$ (38.1)	\$ 43.6

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

(\$, , £, and RM in millions other than per share amounts)

Condensed Consolidating Balance Sheet

March 29, 2012

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Current assets						