

Section 1: 10-Q (10-Q)

[Table of Contents](#)

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 June 28, 2018

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.

(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 <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>	Emerging Growth Company <input type="checkbox"/>
<input checked="" type="checkbox"/>				

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

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

As of July 25, 2018, the registrant had 106,499,459 shares of class A common stock, \$0.01 par value per share, outstanding.

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION

	Page
Item 1. Financial Statements (unaudited)	3
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	38
Item 3. Quantitative and Qualitative Disclosures About Market Risk	50
Item 4. Controls and Procedures	50

PART II — OTHER INFORMATION

Item 1. Legal Proceedings	51
Item 1A. Risk Factors	51
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	51
Item 6. Exhibits	52
Signatures	54

PART 1. FINANCIAL INFORMATION
Item 1. Financial Statements (unaudited)

Spirit AeroSystems Holdings, Inc.
Condensed Consolidated Statements of Operations
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
	(\$ in millions, except per share data)			
Revenue	\$ 1,836.9	\$ 1,826.1	\$ 3,573.0	\$ 3,520.2
Operating costs and expenses				
Cost of sales	1,547.2	1,855.2	3,058.2	3,276.2
Selling, general and administrative	61.0	47.2	117.2	100.1
Impact of severe weather event	—	9.1	—	19.9
Research and development	11.1	6.7	20.5	11.7
Total operating costs and expenses	1,619.3	1,918.2	3,195.9	3,407.9
Operating income (loss)	217.6	(92.1)	377.1	112.3
Interest expense and financing fee amortization	(24.8)	(10.2)	(36.1)	(19.7)
Other (expense) income, net	(12.3)	10.5	(8.2)	21.2
Income (loss) before income taxes and equity in net income of affiliate	180.5	(91.8)	332.8	113.8
Income tax provision	(35.3)	35.0	(62.8)	(29.0)
Income (loss) before equity in net income of affiliate	145.2	(56.8)	270.0	84.8
Equity in net income of affiliate	—	—	0.6	0.1
Net income (loss)	\$ 145.2	\$ (56.8)	\$ 270.6	\$ 84.9
Earnings (loss) per share				
Basic	\$ 1.32	\$ (0.48)	\$ 2.43	\$ 0.71
Diluted	\$ 1.31	\$ (0.48)	\$ 2.40	\$ 0.71
Dividends declared per common share	\$ 0.12	\$ 0.10	\$ 0.22	\$ 0.20

See notes to condensed consolidated financial statements (unaudited)

Spirit AeroSystems Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Income (Loss)
(unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
	(\$ in millions)			
Net income (loss)	\$ 145.2	\$ (56.8)	\$ 270.6	\$ 84.9
Changes in other comprehensive income (loss), net of tax:				
Pension, SERP, and Retiree medical adjustments, net of tax effect of \$0.2 and \$0.8 for the three months ended, respectively, and \$0.4 and \$1.0 for the six months ended, respectively	(0.6)	(0.5)	(1.2)	(0.9)
Unrealized foreign exchange loss on intercompany loan, net of tax effect of \$0.7 and (\$0.4) for three months ended, respectively, and \$0.3 and (\$0.6) for the six months ended, respectively	(2.9)	1.6	(1.3)	2.6
Foreign currency translation adjustments	(27.0)	14.7	(13.4)	18.1
Total other comprehensive (loss) income	(30.5)	15.8	(15.9)	19.8
Total comprehensive income (loss)	\$ 114.7	\$ (41.0)	\$ 254.7	\$ 104.7

See notes to condensed consolidated financial statements (unaudited)

Spirit AeroSystems Holdings, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

	June 28, 2018	December 31, 2017
	(\$ in millions)	
Assets		
Cash and cash equivalents	\$ 593.0	\$ 423.3
Restricted cash	97.8	2.2
Accounts receivable, net	682.9	722.2
Contract assets, short-term	498.1	—
Inventory, net	900.8	1,449.9
Other current assets	53.4	53.5
Total current assets	2,826.0	2,651.1
Property, plant and equipment, net	2,102.6	2,105.3
Contract assets, long-term	55.1	—
Pension assets	363.7	347.1
Other assets	264.4	164.3
Total assets	\$ 5,611.8	\$ 5,267.8
Liabilities		
Accounts payable	\$ 837.5	\$ 693.1
Accrued expenses	367.9	269.3
Profit sharing	28.5	109.5
Current portion of long-term debt	128.1	31.1
Advance payments, short-term	106.7	100.0
Contract liabilities, short-term	114.6	—
Forward loss provision, short-term	157.1	—
Deferred revenue and other deferred credits, short-term	7.0	64.6
Deferred grant income liability - current	22.7	21.6
Other current liabilities	84.0	331.8
Total current liabilities	1,854.1	1,621.0
Long-term debt	1,858.4	1,119.9
Advance payments, long-term	175.8	231.7
Pension/OPEB obligation	39.2	40.8
Contract liabilities, long-term	362.2	—
Forward loss provision, long-term	94.3	—
Deferred revenue and other deferred credits	28.5	161.0
Deferred grant income liability - non-current	27.5	39.3
Other liabilities	217.1	252.6
Stockholders' 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, 106,498,050 and 114,447,605 shares issued and outstanding, respectively	1.1	1.1
Additional paid-in capital	977.3	1,086.9
Accumulated other comprehensive loss	(144.4)	(128.5)
Retained earnings	2,392.5	2,422.4
Treasury stock, at cost (39,624,996 and 31,467,709 shares, respectively)	(2,272.3)	(1,580.9)
Total stockholders' equity	954.2	1,801.0
Noncontrolling interest	0.5	0.5
Total equity	954.7	1,801.5
Total liabilities and equity	\$ 5,611.8	\$ 5,267.8

See notes to condensed consolidated financial statements (unaudited)

Spirit AeroSystems Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Six Months Ended	
	June 28, 2018	June 29, 2017
	(\$ in millions)	
Operating activities		
Net income	\$ 270.6	\$ 84.9
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	113.5	105.5
Amortization expense	0.3	—
Amortization of deferred financing fees	11.2	1.7
Accretion of customer supply agreement	2.2	5.1
Employee stock compensation expense	13.6	11.0
Loss from derivative instruments	19.2	1.5
Gain from foreign currency transactions	(2.2)	(3.4)
Loss on impairment and disposition of assets	4.5	6.5
Deferred taxes	(16.9)	3.0
Pension and other post-retirement benefits, net	(16.9)	(21.7)
Grant liability amortization	(10.2)	(8.8)
Equity in net income of affiliate	(0.6)	(0.1)
Forward loss provision	(102.5)	—
Changes in assets and liabilities		
Accounts receivable	(117.0)	(156.5)
Contract assets	(36.5)	—
Inventory, net	58.4	438.9
Accounts payable and accrued liabilities	247.6	179.7
Profit sharing/deferred compensation	(80.9)	(60.2)
Advance payments	(49.9)	(106.6)
Income taxes receivable/payable	(42.9)	(60.6)
Contract liabilities	157.5	—
Deferred revenue and other deferred credits	—	(271.5)
Other	(24.9)	185.6
Net cash provided by operating activities	397.2	334.0
Investing activities		
Purchase of property, plant and equipment	(109.4)	(88.1)
Other	0.3	0.2
Net cash used in investing activities	(109.1)	(87.9)
Financing activities		
Proceeds from the issuance of bonds	1,300.0	—
Principal payments of debt	(3.3)	(1.8)
Payments on term loan	(256.2)	(6.3)
Payments on bonds	(202.6)	—
Taxes paid related to net share settlement awards	(15.4)	(13.1)
Debt issuance and financing costs	(16.9)	(0.9)
Proceeds from financing under the New Markets Tax Credit Program	—	7.6
Purchase of treasury stock	(805.8)	(207.6)
Dividends Paid	(22.8)	(24.0)
Net cash used in financing activities	(23.0)	(246.1)
Effect of exchange rate changes on cash and cash equivalents	0.2	3.6
Net increase in cash, cash equivalents, and restricted cash for the period	265.3	3.6
Cash, cash equivalents, and restricted cash, beginning of period	445.5	717.6

Cash, cash equivalents, and restricted cash, end of period	\$	710.8	\$	721.2
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See notes to condensed consolidated financial statements (unaudited)

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”) provides manufacturing and design expertise in a wide range of fuselage, propulsion, and wing products and services for aircraft original equipment manufacturers (“OEM”) and operators through its subsidiary, Spirit AeroSystems, Inc. (“Spirit”). The Company’s headquarters are in Wichita, Kansas, with manufacturing and assembly facilities in Tulsa and McAlester, Oklahoma; Prestwick, Scotland; Wichita, Kansas; Kinston, North Carolina; Subang, Malaysia; and Saint-Nazaire, France.

The accompanying unaudited interim condensed consolidated financial statements include the Company’s financial statements and the financial statements of its majority-owned or controlled 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 Company’s fiscal quarters are 13 weeks in length. Since the Company’s fiscal year ends on December 31, the number of days in the Company’s first and fourth quarters varies slightly from year to year. All intercompany balances and transactions have been eliminated in consolidation.

As part of the monthly consolidation process, the Company’s 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. The U.K. and Malaysian subsidiaries use the British pound as their functional currency. All other foreign subsidiaries and branches use the U.S. dollar as their functional currency.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments and elimination of intercompany balances and transactions) considered necessary to fairly present the results of operations for the interim period. The results of operations for the six months ended June 28, 2018, are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. Certain reclassifications have been made to the prior year financial statements and notes to conform to the 2018 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 the Company’s 2017 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 9, 2018 (the “2017 Form 10-K”).

2. Adoption of New Accounting Standards

Adoption of New Revenue Standard

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”) that supersedes ASC 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts (“legacy GAAP”). Subsequently, the FASB issued several updates to ASU 2014-09, which are pending content or otherwise codified in Accounting Standards Codification (“ASC”) Topic 606 (“ASC 606”). ASC 606 also includes new guidance on costs related to a contract, which is codified in ASC Subtopic 340-40 (“ASC 340-40”). The Company adopted ASC 606 using the modified retrospective method (“method”) effective as of January 1, 2018 (“date of initial application”). Under this method, the cumulative effect of the adoption of ASC 606 is recognized as an adjustment to retained earnings on the date of initial application (“Transition Adjustment”), and the comparative financial statements for prior periods are not adjusted and continue to be reported under legacy GAAP. The Transition Adjustment was an after tax decrease to retained earnings of approximately \$277.0. Financial information for 2018 and 2017 is presented under ASC 606 and under legacy GAAP, respectively. The tables below reflect adjusted 2018 financial statement amounts as if the Company had been reporting under legacy GAAP for items that are materially different.

The adoption of ASC 606 does not impact the Company’s cash flows or the underlying economics of the Company’s contracts with customers. However, the pattern and timing of revenue and profit recognition, as well as financial statement presentation and disclosures, has changed.

The significant changes and the qualitative and quantitative impact of the adoption of ASC 606 are noted below:

- a. Revenue from Contracts with Customers

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

The Company no longer uses the units-of-delivery method, and the historical use of contract blocks to define contracts for accounting purposes has been replaced by accounting contracts as identified under ASC 606. The Company's accounting contracts under ASC 606 are for the specific number of units for which orders have been received, which is typically for fewer units than what was used to define contract blocks under legacy GAAP. In most of the Company's contracts, the customer has options or requirements to purchase additional products and services.

b. Deferred Production Costs

Under legacy GAAP, certain production costs were deferred over the life of the contract block, which is not permitted under ASC 606. Accordingly, deferred production costs of \$640.3 (pretax), net of previously recognized forward loss reserves of \$364.0 (pretax), were eliminated, resulting in a decrease to retained earnings in the Transition Adjustment.

c. Contract Assets and Contract Liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract assets in the amount of \$342.0 were established in the Transition Adjustment.

Contract liabilities primarily represent cash received that is in excess of revenues recognized and is contingent upon the satisfaction of performance obligations. For certain contracts, the allocation of consideration to the performance obligations results in a deferral of revenue that was previously recognized under legacy GAAP. Contract liabilities in the amount of \$113.0 were established in the Transition Adjustment, which reflects consideration received prior to the date of initial application that is in excess of the standalone selling price. This liability includes an allocation of consideration to future units, including those under options that the Company believes are likely to be exercised, with prices that are lower than standalone selling price. This liability will be recognized earlier if the options are not fully exercised, or immediately if the contract is terminated prior to the options being fully exercised.

d. Contract Costs

The Company's accounting for preproduction, tooling, and certain other costs has not changed since these costs generally do not fall within the scope of ASC 340-40. Incurred production costs for anticipated contracts (satisfaction of performance obligations, which have commenced because the Company expects the customer to exercise options) continue to be classified as inventory.

e. Practical expedients

The Company has adopted ASC 606 only for contracts that were not substantially completed under legacy GAAP on the date of initial application. For these contracts, the Company has reflected the aggregate effect of all modifications executed prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, for determining the transaction price and for allocating the transaction price.

The following tables summarize the impacts of adopting ASC Topic 606 on the Company's consolidated financial statements for the three and six month periods ended June 28, 2018.

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
 (\$, €, and RM in millions other than per share amounts)

	For the Three Months Ended			For the Six Months Ended		
	As Reported	Impact of Adoption of	As Adjusted	As Reported	Impact of Adoption of	As Adjusted
	June 28, 2018	ASC Topic 606	June 28, 2018	June 28, 2018	ASC Topic 606	June 28, 2018
Revenue	\$ 1,836.9	\$ 75.2	\$ 1,912.1	\$ 3,573.0	\$ 90.7	\$ 3,663.7
Cost of sales	1,547.2	132.2	1,679.4	3,058.2	139.5	3,197.7
Income tax provision	(35.3)	11.6	(23.7)	(62.8)	10.3	(52.5)
Net income	145.2	(45.4)	99.8	270.6	(38.5)	232.1
Earnings per share						
Basic	\$ 1.32	\$ (0.41)	\$ 0.91	\$ 2.43	\$ (0.35)	\$ 2.08
Diluted	\$ 1.31	\$ (0.41)	\$ 0.90	\$ 2.40	\$ (0.34)	\$ 2.06

	As Reported	Impact of Adoption of	As Adjusted
	June 28, 2018	ASC Topic 606	June 28, 2018
Assets			
Accounts receivable, net	\$ 682.9	\$ 115.1	\$ 798.0
Contract assets, short-term	498.1	(498.1)	—
Inventory, net	900.8	509.1	1,409.9
Other current assets	53.4	31.0	84.4
Contract assets, long-term	55.1	(55.1)	—
Other assets	264.4	(81.8)	182.6
Total assets	5,611.8	20.2	5,632.0
Liabilities			
Accrued expenses	367.9	(5.8)	362.1
Contract liabilities, short-term	114.6	(114.6)	—
Forward loss provision, short-term	157.1	(157.1)	—
Deferred revenue and other deferred credits, short-term	7.0	100.1	107.1
Other current liabilities	84.0	318.8	402.8
Contract liabilities, long-term	362.2	(362.2)	—
Forward loss provision, long-term	94.3	(94.3)	—
Deferred revenue and other deferred credits	28.5	99.5	128.0
Stockholders' Equity			
Accumulated other comprehensive loss	(144.4)	(2.2)	(146.6)
Retained earnings	2,392.5	238.0	2,630.5
Total liabilities and equity	5,611.8	20.2	5,632.0

Adoption of ASU 2017-07

In March 2017, the FASB issued ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost (“ASU 2017-07”). ASU 2017-07 requires entities to report the service cost component of net periodic pension and net periodic postretirement benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. Further, ASU 2017-07 requires the other components of net periodic pension and net periodic postretirement benefit cost to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. The Company adopted the requirements of ASU 2017-07 on January 1, 2018, using the retrospective transition method.

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

Prior period information has been reclassified as a result of the Company's adoption of ASU 2017-07 on a retrospective basis in 2018. In accordance with the adoption of this guidance, prior year amounts related to the components of net periodic pension and postretirement benefit cost other than service costs have been reclassified from cost of sale and selling, general and administrative expense to other income (expense) within the consolidated statement of operations for all periods presented. The reclassifications are as follows:

	For the Three Months Ended			For the Six Months Ended		
	As Reported June 29, 2017	Impact of Adoption of ASU 2017-07	As Adjusted June 29, 2017	As Reported June 29, 2017	Impact of Adoption of ASU 2017-07	As Adjusted June 29, 2017
Cost of sales	\$ 1,847.0	\$ 8.2	\$ 1,855.2	\$ 3,259.8	\$ 16.4	\$ 3,276.2
Selling, general and administrative	46.1	1.1	47.2	98.0	2.1	100.1
Other income, net	1.2	9.3	10.5	2.7	18.5	21.2

Adoption of ASU 2016-18

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force) ("ASU 2016-18"), which addresses classification and presentation of changes in restricted cash on the statement of cash flows. The standard requires a reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. The ASU does not define restricted cash or restricted cash equivalents, but an entity will need to disclose the nature of the restrictions. The Company adopted ASU 2016-18 on January 1, 2018. Below is a reconciliation of cash, cash equivalents, and restricted cash. Long-term restricted cash is included in Other Assets on the Company's condensed consolidated balance sheet.

Reconciliation of Cash, Cash Equivalents, and Restricted Cash:

	For the Six Months Ended	
	June 28, 2018	June 29, 2017
Cash and cash equivalents, beginning of the period	\$ 423.3	\$ 697.7
Restricted cash, short-term, beginning of the period	2.2	—
Restricted cash, long-term, beginning of the period	20.0	19.9
Cash, cash equivalents, and restricted cash, beginning of the period	\$ 445.5	\$ 717.6
Cash and cash equivalents, end of the period	\$ 593.0	\$ 696.9
Restricted cash, short-term, end of the period	97.8	4.4
Restricted cash, long-term, end of the period	20.0	19.9
Cash, cash equivalents, and restricted cash, end of the period	\$ 710.8	\$ 721.2

3. Summary of Significant Accounting Policies
Use of Estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to use estimates and assumptions. The results of these estimates form the basis for making judgments that may affect the reported amounts of assets and liabilities, including the impacts of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period.

Management may make significant judgments when assessing estimated amounts of variable consideration and related constraints, the number of options likely to be exercised, and the standalone selling prices of the Company's products and services. The Company also estimates the cost of satisfying the performance obligations in its contracts and options that may extend over

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

many years. Cost estimates reflect currently available information and the impact of any changes to cost estimates, based upon the facts and circumstances, are recorded in the period in which they become known.

The transaction price for a contract reflects the consideration the Company expects to receive for fully satisfying the performance obligations in the contract. The Company's contracts with customers are typically for products and services to be provided at fixed stated prices but may also include variable consideration. Variable consideration may include, but is not limited to, unpriced contract modifications, cost sharing provisions, incentives and awards, non-warranty claims and assertions, provisions for non-conformance and rights to return, or other payments to, or receipts from, customers and suppliers. The Company estimates the variable consideration using the expected value or the most likely amount based upon the facts and circumstances, available data and trends and the history of resolving variability with specific customers and suppliers.

The Company regularly commences work and incorporates customer-directed changes prior to negotiating pricing terms for engineering work, product modifications, and other statements of work. The Company's contractual terms typically provide for price negotiations after certain customer-directed changes have been accepted by the Company. Prices are estimated until they are contractually agreed upon with the customer. When a contract is modified, the Company evaluates whether additional distinct products and services have been promised and whether allocation of consideration is necessary. If not, the modification is treated as a change to the performance obligations within the existing contract, or otherwise accounted for as a new contract prospectively.

The Company allocates the consideration for a contract to the performance obligations on the basis of their relative standalone selling price. The Company estimates the likelihood of the amount of options that the customer is going to exercise when assessing the existence of performance obligations with respect to this allocation or for assessing the impact of loss contracts.

The Company typically provides warranties on all the Company's products and services. Generally, warranties are not priced separately because customers cannot purchase them independently of the products or services under contract so they do not create performance obligations. Spirit warranties generally provide assurance to the Company's customers that the products or services meet the specifications in the contract. In the event that there is a warranty claim because of a covered design, material or workmanship issue, the Company may be required to redesign or modify the product, offer concessions, and/or pay the customer for repairs or perform the repair. Provisions for estimated expenses related to design, service, and product warranties and certain extraordinary rework are made at the time products are sold. These costs are accrued at the time of the sale and are recorded as unallocated cost of sales. These estimates are established using historical information on the nature, frequency, and the cost experience of warranty claims, including the experience of industry peers. In the case of new development products or new customers, Spirit also considers factors including the warranty experience of other entities in the same business, management judgment, and the type and nature of the new product or new customer, among others.

Actual results could differ from those estimates and assumptions.

Revenues and Profit Recognition

Substantially all of the Company's revenues are from long-term supply agreements with Boeing, Airbus, and other aerospace manufacturers. The Company participates in its customers' programs by providing design, development, manufacturing, fabrication, and support services for major aerostructures in the fuselage, propulsion, and wing segments. During the early stages of a program, this frequently involves nonrecurring design and development services, including tooling. As the program matures, the Company provides recurring manufacturing of products in accordance with customer design and schedule requirements. Many contracts include clauses that provide sole supplier status to the Company for the duration of the program's life (including derivatives). The Company's long-term supply agreements typically include fixed price volume-based terms and require the satisfaction of performance obligations for the duration of the program's life.

The identification of an accounting contract with a customer and the related promises require an assessment of each party's rights and obligations regarding the products or services to be transferred, including an evaluation of termination clauses and presently enforceable rights and obligations. In general, these long-term supply agreements are legally governed by Master Supply Agreements (or General Terms and Agreements) together with special business provisions (or work package agreements), which define specific program requirements. Purchase orders (or authorizations to proceed) are issued under these agreements to reflect presently enforceable rights and obligations for the units of products and services being purchased. The units for accounting purposes ("accounting contract") is typically determined by the purchase orders. Revenue is recognized when the Company has a contract with presently enforceable rights and obligations, including an enforceable right to payment for work performed. These agreements may lead to continuing sales of more than twenty years. Customers generally contract with the Company for

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

requirements in a segment relating to a specific program, and the Company's performance obligations consist of a wide range of engineering design services and manufactured structural components, as well as spare parts and repairs for OEMs. A single program may result in multiple contracts for accounting purposes, and within the respective contracts, non-recurring work elements and recurring work elements may result in multiple performance obligations. The Company generally contracts directly with its customers and is the principal in all current contracts.

Management considers a number of factors when determining the existence of a contract and the related performance obligations that include, but are not limited to, the nature and substance of the business exchange, the contractual terms and conditions, the promised products and services, the termination provisions in the contract, including the presently enforceable rights and obligations of the parties to the contract, the nature and execution of the customer's ordering process and how the Company is authorized to perform work, whether the promised products and services are distinct or capable of being distinct within the context of the contract, as well as how and when products and services are transferred to the customer.

Revenue is recognized when, or as, control of promised products or services transfers to a customer and is recognized in an amount that reflects the consideration that the Company expects to receive in exchange for those products or services. Revenue is recognized over time as work progresses when the Company is entitled to the reimbursement of costs plus a reasonable profit for work performed for which the Company has no alternate use. For these performance obligations that are satisfied over time, the Company generally recognizes revenue using an input method with revenue amounts being recognized proportionately as costs are incurred relative to the total expected costs to satisfy the performance obligation. The Company believes that costs incurred as a portion of total estimated costs is an appropriate measure of progress towards satisfaction of the performance obligation since this measure reasonably depicts the progress of the work effort.

Revenue for performance obligations that are not recognized over time are recognized at the point in time when control transfers to the customer (which is generally upon delivery). For performance obligations that are satisfied at a point in time, the Company evaluates the point in time when the customer can direct the use of, and obtain the benefits from, the products and services. Shipping and handling costs are not considered performance obligations and are included in cost of sales as incurred.

The transaction price for a contract reflects the consideration the Company expects to receive for fully satisfying the performance obligations in the contract. The Company's current contracts do not include any significant financing components because the timing of the transfer of the underlying products and services under contract are at the customers' discretion. The Company's contracts with customers generally require payment under normal commercial terms after delivery. Payment terms are typically within 30 to 120 days of delivery. The total transaction price is allocated to each of the identified performance obligations using the relative standalone selling price to reflect the amount the Company expects to be entitled for transferring the promised products and services to the customer. A majority of the Company's agreements with customers include options for future purchases. For the purposes of allocating transaction price, the Company assesses, based upon the facts and circumstances of the business arrangement, the amount and likelihood of options to be exercised that may result in deferral of revenue to future contracts and options. Deferred revenues are recognized as, or when, the underlying future performance obligations are satisfied.

Standalone selling price is the price at which the Company would sell a promised good or service separately to a customer. Standalone selling prices are established at contract inception and subsequent changes in transaction price are allocated on the same basis as at contract inception. Standalone selling prices for the Company's products and services are generally not observable and the Company uses the "Expected Cost plus a Margin" approach to determine standalone selling price. Expected costs are typically derived from the available periodic forecast information. If a contract modification changes the overall transaction price of an existing contract, the Company allocates the new transaction price on the basis of the relative standalone selling prices of the performance obligations and cumulative adjustments, if any, are recorded in the current period.

The Company also identifies and estimates variable consideration for contractual provisions such as unpriced contract modifications, cost sharing provisions, incentives and awards, non-warranty claims and assertions, provisions for non-conformance and rights to return, or other payments to, or receipts from, customers and suppliers. The timing of satisfaction of performance obligations and actual receipt of payment from a customer may differ and affects the balances of the contract assets and liabilities.

For contracts that are deemed to be loss contracts, the Company establishes forward loss reserves for total estimated costs that are in excess of total estimated consideration in the period in which they become known. These reserves are based on estimates for accounting contracts, plus options that the Company believes are likely to be exercised. The Company records forward loss reserves for all performance obligations in the aggregate for the accounting contract.

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
 (\$, €, and RM in millions other than per share amounts)

Disaggregation of Revenue

The Company disaggregates revenue based on the method of measuring satisfaction of the performance obligation either over time or at a point in time, and determining whether the accounting contract is a short duration or long duration contract. Short duration contracts are those for which the performance obligations are expected to be fully satisfied within 12 months of contract origination. The number of units and the production schedule is used to make this assessment. Additionally, the Company disaggregates revenue based upon the location where products and services are transferred to the customer. The Company's principal operating segments and related revenue are noted in Note 22, *Segment Information*.

The following table disaggregates revenues by the method of performance obligation satisfaction:

	For the Three Months Ended	For the Six Months Ended
	June 28, 2018	June 28, 2018
Revenue		
Contracts with performance obligations satisfied over time	\$ 1,433.6	\$ 2,756.0
Contracts with performance obligations satisfied at a point in time	403.3	817.0
Total Revenue	<u>\$ 1,836.9</u>	<u>\$ 3,573.0</u>

The following table disaggregates revenue by major customer:

	For the Three Months Ended	For the Six Months Ended
	June 28, 2018	June 28, 2018
Customer		
Boeing	\$ 1,456.4	\$ 2,796.8
Airbus	290.6	605.1
Other	89.9	171.1
Total Revenue	<u>\$ 1,836.9</u>	<u>\$ 3,573.0</u>

The following table disaggregates revenue based upon the location where control of products are transferred to the customer:

	For the Three Months Ended	For the Six Months Ended
	June 28, 2018	June 28, 2018
Location		
United States	\$ 1,523.5	\$ 2,924.4
International		
United Kingdom	193.6	392.1
Other	119.8	256.5
Total International	<u>313.4</u>	<u>648.6</u>
Total Revenue	<u>\$ 1,836.9</u>	<u>\$ 3,573.0</u>

Inventory

Spirit AeroSystems Holdings, Inc.**Notes to the Condensed Consolidated Financial Statements (unaudited)**
(\$, €, and RM in millions other than per share amounts)

Raw materials are stated at lower of cost (principally on an actual or average cost basis) or market. Production costs for contracts, including costs expected to be recovered on specific anticipated contracts (satisfaction of performance obligations that have commenced because the Company expects the customer to exercise options), are classified as work-in-process and include direct material, labor, overhead, and purchases. Revenue and related cost of sales are recognized as the performance obligations are satisfied. Typically, anticipated contracts materialize and the related performance obligations are satisfied within 6-12 months. These costs are evaluated for impairment periodically and capitalized costs for which anticipated contracts do not materialize are written off in the period in which it becomes known. Work-in-process includes \$129.9 in costs incurred in anticipation of specific future contracts and no impairments were charged for the period ending June 28, 2018. See Note 9, *Inventory*.

4. New Accounting Pronouncements

In February 2018, the FASB issued ASU No. 2018-02 (“ASU 2018-02”), *Income Statement - Reporting Comprehensive Income (Topic 220)*. The guidance in ASU 2018-02 allows an entity to elect to reclassify the stranded tax effects related to the Tax Cuts and Jobs Act of 2017 (the “TCJA”) from accumulated other comprehensive income into retained earnings. ASU 2018-02 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company does not expect the adoption of this standard to have a material effect to the Company’s consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (“ASU 2017-12”)*, which expands component and fair value hedging, specifies the presentation of the effects of hedging instruments, and eliminates the separate measurement and presentation of hedge ineffectiveness. ASU 2017-12 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company adopted ASU 2017-12 as of January 1, 2018. The adoption of ASU 2017-12 did not have a material impact to the Company’s consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) (“ASU 2016-02”)*. This update requires recognition of lease assets and lease liabilities on the balance sheet of lessees. ASU 2016-02 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2018. Early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. The Company is progressing through its implementation plan and continue to evaluate the impact of the standard on our business processes, accounting systems, controls and financial statement disclosures, however the Company does not expect the adoption of this standard to have a material effect to the Company’s consolidated financial statements.

5. Changes in Estimates

The Company has a periodic forecasting process in which management assesses the progress and performance of the Company’s programs. This process requires management to review each program’s progress by evaluating the program schedule, changes to identified risks and opportunities, changes to estimated revenues and costs for the accounting contracts (and options if applicable), and any outstanding contract matters. Risks and opportunities include but are not limited to management’s judgment about the cost associated with the Company’s ability to achieve the schedule, technical requirements (e.g., a newly-developed product versus a mature product), and any other program requirements. Due to the span of years it may take to completely satisfy the performance obligations for the accounting contracts (and options, if any) and the scope and nature of the work required to be performed on those contracts, the estimation of total revenue and costs is subject to many variables and, accordingly, is subject to change based upon judgment. When adjustments in estimated total consideration or estimated total cost are required, any changes from prior estimates for fully satisfied performance obligations are recognized in the current period as a cumulative catch-up adjustment for the inception-to-date effect of such changes. Cumulative catch-up adjustments are driven by several factors including production efficiencies, assumed rate of production, the rate of overhead absorption, changes to scope of work, and contract modifications. For 2017, the changes in estimates apply to contract blocks under legacy GAAP under the units of delivery method. For 2018, cumulative catch-up adjustments are primarily related to changes in measure of progress for contracts with performance obligations that are satisfied over time. For 2018, forward losses recorded relate primarily to the impact of the adoption of ASU 2017-07 related to pension, offset by favorable performance on cost initiatives.

Changes in estimates are summarized below:

Changes in Estimates	For the Three Months Ended		For the Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
Favorable (Unfavorable) Cumulative Catch-up Adjustment by Segment				
<i>Fuselage Systems</i>	\$ 5.7	\$ 0.7	\$ (2.5)	\$ 3.3
<i>Propulsion Systems</i>	3.4	6.1	1.4	3.8
<i>Wing Systems</i>	(1.6)	17.5	0.7	22.0
Total Favorable (Unfavorable) Cumulative Catch-up Adjustment	\$ 7.5	\$ 24.3	\$ (0.4)	\$ 29.1

Changes in Estimate on Loss Programs (Forward Loss) by Segment

<i>Fuselage Systems</i>	\$	10.1	\$	(231.7)	\$	(1.5)	\$	(237.6)
<i>Propulsion Systems</i>		4.3		(48.0)		0.8		(48.0)
<i>Wing Systems</i>		3.0		(73.8)		(0.5)		(72.0)
Total Change in Estimate on Loss Programs (Forward Loss)	\$	17.4	\$	(353.5)	\$	(1.2)	\$	(357.6)
Total Change in Estimate	\$	24.9	\$	(329.2)	\$	(1.6)	\$	(328.5)
EPS Impact (diluted per share based upon statutory rates)	\$	0.18	\$	(1.75)	\$	(0.01)	\$	(1.73)

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)**6. Accounts Receivable, net**

Accounts receivable represent the Company's unconditional rights to consideration, subject to the payment terms of the contract, for which only the passage of time is required before payment. For balances as of June 28, 2018, amounts that are receivable or payable that are contingent upon, or related to, satisfied or to be satisfied performance obligations, are presented as contract assets or liabilities. The Company determines an allowance for doubtful accounts based on a review of outstanding receivables that are charged off against the allowance after the potential for recovery is considered remote.

Accounts receivable, net consists of the following:

	June 28, 2018	December 31, 2017
Trade receivables	\$ 654.9	\$ 710.5
Other	28.8	13.0
Less: allowance for doubtful accounts	(0.8)	(1.3)
Accounts receivable, net	<u>\$ 682.9</u>	<u>\$ 722.2</u>

In October 2017, the Company entered into an agreement (the "Receivable Sales Agreement"), to sell, on a revolving basis, certain trade accounts receivable balances to a third party financial institution. Transfers under this agreement are accounted for as sales of receivables resulting in the receivables being de-recognized from the balance sheet. The Receivable Sales Agreement provides for the continuing sale of certain receivables on a revolving basis until terminated by either party. The receivables under the Receivable Sales Agreement are sold without recourse to the third party financial institution. During 2018, \$2,743.2 of accounts receivable were sold via this arrangement. The proceeds from these sales of receivables are included in cash from operating activities in the Consolidated Statement of Cash Flows. The recorded net loss on sale of receivables is \$8.3 for the six months ended June 28, 2018 and is included in Other income and expense. See Note 21, *Other (Expense) Income, net*.

7. Contract Assets and Contract Liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract assets, current are those for which performance obligations are expected to be fully satisfied within 12 months of contract origination and contract assets, long-term are expected to be fully satisfied over periods greater than 12 months. No impairments to contract assets were recorded for the period ended June 28, 2018.

Contract liabilities are established for cash received that is in excess of revenues recognized and are contingent upon the satisfaction of performance obligations. Contract liabilities primarily consist of cash received on contracts for which revenue has been deferred since the receipts are in excess of transaction price resulting from the allocation of consideration based on relative standalone selling price to future units (including those under option that the Company believes are likely to be exercised) with prices that are lower than standalone selling price. These contract liabilities will be recognized earlier if the options are not fully exercised, or immediately, if the contract is terminated prior to the options being fully exercised.

	January 1, 2018	June 28, 2018	Change
Contract assets	\$ 517.8	\$ 553.2	35.4
Contract liabilities	(319.4)	(476.8)	(157.4)
Net contract asset	<u>\$ 198.4</u>	<u>\$ 76.4</u>	<u>(122.0)</u>

The increase in contract assets reflects the net impact of additional unbilled revenues recorded in excess of revenue recognized during the period. The increase in contract liabilities reflects the net impact of additional deferred revenues recorded in excess of revenue recognized during the period. For the period ended June 28, 2018, the Company recognized \$27.6 of revenue that was included in the contract liability balance at the beginning of the period.

8. Performance Obligations

Unsatisfied, or partially unsatisfied, performance obligations that are expected to be recognized in the future are noted in the table below. The Company expects options to be exercised in addition to the amounts presented below.

Remaining in 2018	2019	2020	2021 and After
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Unsatisfied performance obligations	\$2,808.3	\$6,340.3	\$4,478.2	\$1,671.4
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9. Inventory

Inventory consists of raw materials used in the production process, work-in-process, which is direct material, direct labor, overhead and purchases, and capitalized preproduction costs. Raw materials are stated at lower of cost (principally on an actual or average cost basis) or market. Capitalized pre-production costs include certain contract costs, including applicable overhead, incurred before a product is manufactured on a recurring basis. These costs are typically amortized over a period that is consistent with the satisfaction of the underlying performance obligations to which these relate. See Note 3, *Summary of Significant Accounting Policies - Inventory*.

For 2017, deferred production includes costs for the excess of production costs over the estimated average cost per shipset, and credit balances for favorable variances on contracts between actual costs incurred and the estimated average cost per shipset for units delivered under the current production blocks. Recovery of excess-over-average deferred production costs is dependent on the number of shipsets ultimately sold and the ultimate selling prices and lower production costs associated with future production under these contract blocks. Forward loss reserves on contract blocks are recorded in the period in which they become evident and are included as a reduction to inventory with remaining amounts, if any, reflected in accrued deferred revenue. Inventories are summarized as follows:

	June 28, 2018	December 31, 2017
Raw materials	\$ 243.5	\$ 321.0
Work-in-process ⁽¹⁾	604.5	854.4
Finished goods	11.2	35.8
Product inventory	859.2	1,211.2
Capitalized pre-production ⁽²⁾	41.6	78.9
Deferred production ⁽³⁾	—	640.3
Forward loss provision ⁽⁴⁾	—	(480.5)
Total inventory, net	<u>\$ 900.8</u>	<u>\$ 1,449.9</u>

(1) For the period ended June 28, 2018, work-in-process inventory includes direct labor, direct material, overhead and purchases on contracts for which revenue is recognized at a point in time as well as sub-assembly parts that have not been issued to production on contracts for which revenue is recognized using the input method. For the period ended December 31, 2017, work-in-process included direct labor, direct material, overhead and purchases on all contracts that were accounted for using the units of delivery method. For the period ended June 28, 2018, work-in-process inventory includes \$129.9 of costs incurred in anticipation of specific contracts and no impairments were recorded in the period.

(2) As part of the Transition Adjustment, \$43.0 (pretax) of pre-production costs on the A350 XWB were eliminated.

(3) As part of the Transition Adjustment, \$640.3 (pretax) of deferred production was eliminated. For the period ended December 31, 2017, the balance contained \$632.8 and \$129.3 on the A350 XWB and Rolls-Royce BR725 programs, respectively.

(4) For the period ended June 28, 2018, forward loss reserves of \$251.4 have been classified as a liability in the condensed consolidated balance sheet. For the period ended December 31, 2017, the forward loss reserve for the B787 program exceeded the program's inventory balance. This excess was classified as a liability and reported in other current liabilities on the balance sheet in the amount of \$254.5 as of December 31, 2017.

Spirit AeroSystems Holdings, Inc.**Notes to the Condensed Consolidated Financial Statements (unaudited)**
(\$, €, and RM in millions other than per share amounts)**10. Property, Plant and Equipment, net**

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

	June 28, 2018	December 31, 2017
Land	\$ 15.5	\$ 15.9
Buildings (including improvements)	802.7	764.1
Machinery and equipment	1,578.1	1,529.9
Tooling	1,021.5	1,013.9
Capitalized software	269.2	263.3
Construction-in-progress	203.9	213.4
Total	<u>3,890.9</u>	<u>3,800.5</u>
Less: accumulated depreciation	<u>(1,788.3)</u>	<u>(1,695.2)</u>
Property, plant and equipment, net	<u>\$ 2,102.6</u>	<u>\$ 2,105.3</u>

Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs of \$34.9 and \$28.9 for the three months ended June 28, 2018 and June 29, 2017, respectively, and \$67.7 and \$51.3 for the six months ended June 28, 2018 and June 29, 2017, respectively.

The Company capitalizes certain costs, such as software coding, installation, and testing, that are incurred to purchase or to create and implement internal-use computer software. Depreciation expense related to capitalized software was \$4.2 and \$5.1 for the three months ended June 28, 2018 and June 29, 2017, respectively, and \$8.6 and \$10.3 for the six months ended June 28, 2018 and June 29, 2017, respectively.

The Company reviews capital and amortizing intangible assets (long-lived assets) for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company evaluated its long-lived assets at its locations and determined no impairment was necessary for the period ended June 28, 2018.

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)**11. Other Assets**

Other assets are summarized as follows:

	June 28, 2018	December 31, 2017
Intangible assets		
Patents	\$ 1.9	\$ 1.9
Favorable leasehold interests	6.3	6.3
Total intangible assets	8.2	8.2
Less: Accumulated amortization - patents	(1.9)	(1.8)
Accumulated amortization - favorable leasehold interest	(4.7)	(4.6)
Intangible assets, net	1.6	1.8
Deferred financing		
Deferred financing costs	39.5	39.5
Less: Accumulated amortization - deferred financing costs	(34.5)	(33.7)
Deferred financing costs, net	5.0	5.8
Other		
Goodwill - Europe	2.4	2.5
Equity in net assets of affiliates	—	4.7
Supply agreements ⁽¹⁾	17.4	19.9
Restricted cash - collateral requirements	20.0	20.0
Deferred Tax Asset - non-current	173.7	72.5
Other	44.3	37.1
Total	\$ 264.4	\$ 164.3

(1) Under two agreements, certain payments accounted for as consideration paid by the Company to a customer and a supplier are being amortized as reductions to net revenues.

12. Advance Payments

Advances on the B787 Program. Boeing has made advance payments to Spirit under the B787 Supply Agreement, that are required to be repaid to Boeing by way of offset against the purchase price for future shipset deliveries. Advance repayments were scheduled to be spread evenly over the remainder of the first 1,000 B787 shipsets delivered to Boeing. On April 8, 2014, the Company signed a memorandum of agreement with Boeing that suspended advance repayments related to the B787 program for a period of twelve months beginning April 1, 2014. Repayment recommenced on April 1, 2015, and any repayments which otherwise would have become due during such twelve-month period will offset the purchase price for shipsets 1,001 through 1,120. In the event Boeing does not take delivery of a sufficient number of shipsets to repay the full amount of advances prior to the termination of the B787 program or the B787 Supply Agreement, any advances not then repaid will be applied against any outstanding payments then due by Boeing to us, and any remaining balance will be repaid in annual installments of \$42.0 due on December 15th of each year until the advance payments have been fully recovered by Boeing. As of June 28, 2018, the amount of advance payments received by us from Boeing under the B787 Supply Agreement and not yet repaid was approximately \$280.0.

13. Fair Value Measurements

The 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:

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

- 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 the interest rate swaps and foreign currency hedge contracts.
- Level 3** Unobservable inputs that are supported by little or no market activity and 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.

At June 28, 2018 and December 31, 2017, the Company did not hold any cash within money market funds.

The Company's long-term debt includes a senior unsecured term loan and senior unsecured notes. The estimated fair value of the Company's 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:

	June 28, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior unsecured term loan A (including current portion)	\$ 205.4	\$ 205.9 ⁽²⁾	\$ 460.7	\$ 461.9 ⁽²⁾
Senior unsecured notes due 2021	298.2	298.8 ⁽¹⁾	—	— ⁽¹⁾
Senior unsecured notes due 2022	95.9	98.5 ⁽¹⁾	294.8	304.6 ⁽¹⁾
Senior unsecured notes due 2023	297.7	299.3 ⁽¹⁾	—	— ⁽¹⁾
Senior unsecured notes due 2026	297.4	286.7 ⁽¹⁾	297.2	301.0 ⁽¹⁾
Senior unsecured notes due 2028	693.2	699.7 ⁽¹⁾	—	— ⁽¹⁾
Total	\$ 1,887.8	\$ 1,888.9	\$ 1,052.7	\$ 1,067.5

(1) Level 1 Fair Value hierarchy

(2) Level 2 Fair Value hierarchy

14. Derivative and Hedging Activities

The Company has historically entered into interest rate swap agreements to reduce its exposure to the variable rate portion of its long-term debt. The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values.

The Company has historically entered into derivative instruments covered by master netting arrangements whereby, in the event of a default as defined by the 2016 Credit Agreement (as defined below) 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. See Note 15, *Debt*, for more information.

Interest Rate Swaps

On March 15, 2017, the Company entered into an interest rate swap agreement, with an effective date of March 31, 2017. The swaps have a notional value of \$250.0 and fix the variable portion of the Company's floating rate debt at 1.815%. The fair value

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

of the interest rate swaps, using Level 2 inputs, was an asset of \$3.2 and \$0.9 as of June 28, 2018 and December 31, 2017, respectively. The Company recorded a gain related to swap activity of \$0.6 and \$2.3, for the three and six months ended June 28, 2018, respectively.

Foreign Currency Forward Contract

As described further in Note 24, *Asco Acquisition*, the Company and its wholly-owned subsidiary Spirit AeroSystems Belgium Holdings BVBA (“Spirit Belgium”) entered into a definitive agreement (the “Purchase Agreement”) with certain private sellers pursuant to which Spirit Belgium will purchase all of the issued and outstanding equity of S.R.I.F. N.V., the parent company of Asco Industries N.V. (“Asco”) for \$650.0 in cash, subject to certain customary closing adjustments, including foreign currency adjustments. As such, movements in the Euro exchange rates could cause the purchase price to fluctuate, affecting our cash flows.

To reduce the Company's exposure to currency exchange rate fluctuations, the Company entered into foreign currency forward contract. The objective of this contract is to minimize the impact of currency exchange rate movements on the Company's cash flows, however the Company has not designated this forward contract as a hedge and has not applied hedge accounting to it. During the second quarter of 2018, the Company entered into a foreign currency forward contract in the amount of \$580.0 to reduce the Euro exchange rate exposure of the purchase of Asco. The fair value of the foreign currency forward contract, using Level 2 inputs, was a liability of \$21.5 as of June 28, 2018. The Company recorded a loss related to foreign currency forward contract activity of \$21.5, for both the three and six months ended June 28, 2018.

15. Debt

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

	June 28, 2018		December 31, 2017	
	Current	Noncurrent	Current	Noncurrent
Senior unsecured term loan A	\$ 24.9	\$ 180.5	\$ 24.9	\$ 435.8
Senior notes due 2021	—	298.2	—	—
Senior notes due 2022	95.9	—	—	294.8
Senior notes due 2023	—	297.7	—	—
Senior notes due 2026	—	297.4	—	297.2
Senior notes due 2028	—	693.2	—	—
Present value of capital lease obligations	6.3	35.4	5.2	33.6
Other	1.0	56.0	1.0	58.5
Total	\$ 128.1	\$ 1,858.4	\$ 31.1	\$ 1,119.9

Senior Unsecured Credit Facility

On June 6, 2016, the Company entered into the senior unsecured Amended and Restated Credit Agreement, among Spirit, as borrower, the Company, as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents named therein (the “2016 Credit Agreement”). The 2016 Credit Agreement provides for a \$650.0 revolving credit facility (the “2016 Revolver”) and a \$500.0 term loan A facility (the “2016 Term Loan”). Each of the 2016 Revolver and the 2016 Term Loan has a maturity date of June 4, 2021, and each bears interest, at Spirit's option, at either LIBOR plus 1.5% or a defined “base rate” plus 0.50%, subject to adjustment to amounts between and including LIBOR plus 1.125% and LIBOR plus 2.0% (or amounts between and including base rate plus 0.125% and base rate plus 1.0%, as applicable) based on changes to Spirit's senior unsecured debt rating provided by Standard & Poor's Financial Services LLC and/or Moody's Investors Service, Inc. The principal obligations under the 2016 Term Loan are to be repaid in equal quarterly installments of \$6.25, with the remaining balance due at maturity of the 2016 Term Loan. The 2016 Credit Agreement contains affirmative and negative covenants available to investment grade companies, including certain financial covenants that are tested on a quarterly basis. The 2016 Credit Agreement contains an accordion feature that provides Spirit with the option to increase the 2016 Revolver commitments and/or institute one or more additional term loans by an amount not to exceed \$500.0 in the aggregate, subject to the satisfaction of certain conditions and the participation of the lenders.

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

On September 22, 2017, the Company, the lenders, and the administrative agent entered into Amendment No. 1 to the 2016 Credit Agreement, which made certain minor administrative changes to the 2016 Credit Agreement to account for the Company's upcoming adoption of ASU 2014-09, among other things.

As of June 28, 2018, the outstanding balance of the 2016 Term Loan was \$206.3 and the carrying value was \$205.4.

On July 12, 2018, the Company replaced the 2016 Credit Agreement with a \$1,260.0 senior unsecured Second Amended and Restated Credit Agreement among Spirit AeroSystems, Inc., as borrower, the Company, as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents named therein. See Note 25, *Subsequent Event*, for more information.

Senior Notes

2022 Notes

On May 22, 2018, the Company commenced an offer to purchase for cash (the "Tender Offer") any and all of the \$300.0 outstanding principal amount of our 5 1/4% Senior Notes due 2022 (the "2022 Notes"). The Tender Offer was made pursuant to an Offer to Purchase dated May 22, 2018, and a related Letter of Transmittal and Notice of Guaranteed Delivery, which set forth the terms and conditions of the Tender Offer in full detail. Under the terms of the Tender Offer, holders of 2022 Notes who validly tendered their notes at or prior to May 29, 2018 would receive, in whole dollars, \$1,028.50 per \$1,000 principal amount of Notes tendered. Tendering holders will also receive accrued and unpaid interest from the last applicable interest payment date to, but not including, the settlement date of the Tender Offer.

On May 30, 2018, Spirit repurchased \$202.6 aggregate principal amount of its 2022 Notes pursuant to the Tender Offer. Tender fees were \$5.8, which are included within debt issuance costs on the Condensed Consolidated Statement of Cash Flows for the six months ended June 28, 2018.

In addition, on May 30, 2018, Spirit called for redemption the remaining \$97.4 aggregate principal amount of the 2022 Notes outstanding following completion of the Tender Offer. This amount was recorded as Restricted Cash on the Balance Sheet for the period ended June 28, 2018. The redemption price of the 2022 Notes was 102.85% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date of June 29, 2018. Following the redemption on June 29, 2018, none of the 2022 Notes remain outstanding.

As a result of the extinguishment of the 2022 Notes, the Company recognized a loss on extinguishment of \$9.0, all of which is reflected within amortization of deferred financing fees on the Condensed Consolidated Statement of Cash Flows for the six months ended June 28, 2018. The carrying value of the 2022 Notes was \$95.9 as of June 28, 2018.

New Notes

On May 30, 2018, Spirit entered into an Indenture (the "Indenture") by and among Spirit, the Company and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee in connection with Spirit's offering of \$300.0 aggregate principal amount of its Senior Floating Rate Notes due 2021 (the "Floating Rate Notes"), \$300.0 aggregate principal amount of its 3.950% Senior Notes due 2023 (the "2023 Notes") and \$700.0 aggregate principal amount of its 4.600% Senior Notes due 2028 (the "2028 Notes" and, together with the Floating Rate Notes and the 2023 Notes, the "New Notes"). The Company guaranteed Spirit's obligations under the Notes on a senior unsecured basis (the "Guarantees").

The Floating Rate Notes bear interest at a rate per annum equal to three-month LIBOR, as determined in the case of the initial interest period, on May 25, 2018, and thereafter at the beginning of each quarterly period as described herein, plus 80 basis points and mature on June 15, 2021. Interest on the Floating Rate Notes is payable on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2018. The 2023 Notes bear interest at a rate of 3.950% per annum and mature on June 15, 2023. The 2028 Notes bear interest at a rate of 4.600% per annum and mature on June 15, 2028. Interest on the 2023 Notes and 2028 Notes is payable on June 15 and December 15 of each year, beginning on December 15, 2018. The carrying value of the 2021 Notes, 2023 Notes, and 2028 Notes was \$298.2, \$297.7, and \$693.2 as of June 28, 2018, respectively.

The Notes and the Guarantees have been registered under the Securities Act of 1933, as amended (the "Act"), pursuant to a Registration Statement on Form S-3 (No. 333-211423) previously filed with the SEC under the Act.

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

The Indenture contains covenants that limit Spirit's, the Company's and certain of the Company's subsidiaries' ability, subject to certain exceptions and qualifications, to create liens without granting equal and ratable liens to the holders of the New Notes and enter into sale and leaseback transactions. These covenants are subject to a number of qualifications and limitations. In addition, the Indenture provides for customary events of default.

2026 Notes

In June 2016, the Company issued \$300.0 in aggregate principal amount of 3.850% Senior Notes due June 15, 2026 (the "2026 Notes") with interest payable, in cash in arrears, on June 15 and December 15 of each year, beginning December 15, 2016. The carrying value of the 2026 Notes was \$297.4 as of June 28, 2018.

16. Pension and Other Post-Retirement Benefits

Components of Net Periodic Pension Expense/(Income)	Defined Benefit Plans			
	For the Three Months Ended		For the Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
Service cost	\$ 0.2	\$ 0.3	\$ 0.4	\$ 0.5
Interest cost	8.9	9.3	18.2	18.9
Expected return on plan assets	(17.4)	(18.1)	(34.9)	(36.4)
Net periodic pension (income) expense	\$ (8.3)	\$ (8.5)	\$ (16.3)	\$ (17.0)

Components of Other Benefit Expense	Other Benefits			
	For the Three Months Ended		For the Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
Service cost	\$ 0.2	\$ 0.3	\$ 0.5	\$ 0.6
Interest cost	0.2	0.3	0.5	0.6
Amortization of prior service cost	(0.3)	(0.3)	(0.5)	(0.5)
Amortization of net gain	(0.5)	(0.5)	(1.1)	(1.1)
Net periodic other benefit (income) expense	\$ (0.4)	\$ (0.2)	\$ (0.6)	\$ (0.4)

Employer Contributions

The Company expects to contribute zero dollars to the U.S. qualified pension plan and a combined total of approximately \$7.4 for the Supplemental Executive Retirement Plan ("SERP") and post-retirement medical plans in 2018. The Company's projected contributions to the U.K. pension plan for 2018 are \$1.8. The entire amount contributed can vary based on exchange rate fluctuations.

17. Stock Compensation

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

The Company recognized a net total of \$6.5 and \$3.0 of stock compensation expense for the three months ended June 28, 2018 and June 29, 2017, respectively. The Company recognized a net total of \$13.6 and \$11.0 of stock compensation expense for the six months ended June 28, 2018 and June 29, 2017, respectively.

During the six months ended June 28, 2018, 241,010 shares, 92,375 shares, and 63,904 shares of class A common stock with aggregate grant date fair values of \$21.4, \$8.4 and \$5.7 were granted under the service-based, market-based, and performance based portions of the Company's LTIA's, respectively. Additionally, 454,402 shares of class A common stock with an aggregate grant date fair value of \$23.9 that were LTIA's vested during the three months ended June 28, 2018.

18. Income Taxes

The process for calculating the Company's 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 asset at June 28, 2018, and December 31, 2017, was \$173.3 and \$72.2, respectively. The difference is primarily due to the creation of deductible temporary differences within the Transition Adjustment, and the utilization of taxable temporary differences within the current year.

The Company files income tax returns in all jurisdictions in which it operates. The Company establishes reserves to provide for additional income taxes that may be due upon audit. These reserves are established based on management's assessment as to the potential exposure attributable to permanent tax adjustments 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 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 may give rise to discrete recognition include excess tax benefits with respect to share-based compensation, finalizing amounts in income tax returns filed, finalizing audit examinations for open tax years and expiration of statutes of limitations and changes in tax law.

On December 22, 2017, President Trump signed into law legislation referred to as the "Tax Cuts and Jobs Act" (the "TCJA"). The staff of the SEC has recognized the complexity of reflecting the impacts of the TCJA, and on December 22, 2017, issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one-year period in which to complete the required analyses and accounting (the measurement period). SAB 118 describes three scenarios (or "buckets") associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply ASC 740, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted.

The Company has not made revisions to the provisional tax effects of the TCJA on its existing deferred tax balances and one-time transition tax, but will include any revisions as an adjustment to tax expense in the period in which the amounts are determined.

The TCJA subjects a US stockholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries for years ending after December 31, 2017. The FASB Staff Q&A, Topic 740, No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred as a period expense. At June 28, 2018, because the Company is still evaluating the effects of the GILTI provisions, an accounting policy on whether the Company will account for GILTI as a period expense or record deferred taxes for anticipated GILTI has not been made. The Company's accounting for the effects of the GILTI provision is incomplete, however the Company has included estimated GILTI tax related to current-year operations in the Company's annualized effective tax rate and have not provided additional GILTI on deferred items.

The TCJA also introduces base erosion and anti-abuse tax provisions ("BEAT") for companies that meet certain thresholds by effectively excluding deductions on certain payments to foreign related entities. Although the Company's analysis of the tax effects of the BEAT provision is incomplete the Company does not expect to be subject to the tax.

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

In January 2018, the FASB issued ASU 2018-02, Income Statement - Reporting Comprehensive Income (“Topic 220”); Reclassification of Certain Tax effects from Accumulated Other Comprehensive Income (“AOCI”), which gives entities the option to reclassify to retained earnings the tax effects resulting from the TCJA that are stranded in AOCI.

The new guidance may be applied retrospectively to each period in which the effect of the TCJA is recognized in the period of adoption. The Company must adopt this guidance for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early adoption is permitted for periods for which financial statements have not yet been issued or made available for issuance, including the period the TCJA was enacted. The guidance, when adopted, will require new disclosures regarding a company’s accounting policy for releasing the tax effects in AOCI. The Company is currently evaluating how to apply the new guidance and has not determined whether it will elect to reclassify stranded amounts. The adoption of ASU 2018-02 is not expected to have a material effect on its consolidated financial statements.

The 18.9% effective tax rate for the six months ended June 28, 2018 differs from the 25.5% effective tax rate for the same period of 2017 primarily due to the enactment of the TCJA, including the reduction in the U.S. corporate federal income tax rate from 35% to 21%, and the elimination of the domestic manufacturing deduction, offset by the proportional tax rate effects of lower pre-tax income in 2017.

The Company will continue to participate in the Internal Revenue Service’s Compliance Assurance Process (“CAP”) program for its 2018 tax year. The CAP program’s objective is to resolve issues in a timely, contemporaneous manner and eliminate the need for a lengthy post-filing examination. There are no open audits in the Company’s foreign jurisdictions. The Company expects no material change in its recorded unrecognized tax benefit liability in the next 12 months.

19. Equity

Accelerated Share Repurchase Program

In May 2018, the Company entered into accelerated share repurchase agreements (“ASRs”) with Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC (collectively, the “Dealers”) to repurchase in total \$725.0 of the Company’s class A common stock. Under the ASRs, the Company delivered a total of \$725.0 in cash to the Dealers and received a total of 7.3 million shares which represented approximately 85% of the total common shares expected to be repurchased under the ASRs based on the closing price on the day the Company entered into the ASRs. The final number of shares to be repurchased and the final average price per share under the ASRs will depend on the volume-weighted average price of the Company’s class A common stock, less a discount, during the term of the agreement. Purchases under the ASRs are expected to be completed in the fourth quarter of 2018.

For further information regarding the ASRs, refer to the Company’s Current Report on Form 8-K filed with the SEC on May 30, 2018.

The Company accounts for the ASRs as two separate transactions: (i) as shares of reacquired common stock for the shares delivered to us upon effectiveness of the ASRs and (ii) as a forward contract indexed to our own common stock for the undelivered shares. The initial delivery of shares is included in treasury stock at cost and results in an immediate reduction of the outstanding shares used to calculate the weighted average common shares outstanding for basic and diluted earnings per share. The forward contracts indexed to our own common stock meet the criteria for equity classification, and these amounts are initially recorded in additional paid-in capital and reclassified to treasury stock upon completion of the ASRs.

Earnings per Share Calculation

Basic net income per share is computed using the weighted-average number of outstanding shares of common stock during the measurement period. Diluted net income per share is computed using the weighted-average number of outstanding shares of common stock and, when dilutive, potential outstanding shares of common stock during the measurement period.

The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders’ equity. As of June 28, 2018, no treasury shares have been reissued or retired.

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
 (\$, €, and RM in millions other than per share amounts)

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

	For the Three Months Ended					
	June 28, 2018			June 29, 2017		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common stockholders	\$ 145.1	110.0	\$ 1.32	\$ (56.8)	118.2	\$ (0.48)
Income allocated to participating securities	0.1	0.1		—	—	
Net income	<u>\$ 145.2</u>			<u>\$ (56.8)</u>		
Diluted potential common shares		0.9			—	
Diluted EPS						
Net income	\$ 145.2	111.0	\$ 1.31	\$ (56.8)	118.2	\$ (0.48)

	For the Six Months Ended					
	June 28, 2018			June 29, 2017		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common shareholders	\$ 270.4	111.4	\$ 2.43	\$ 84.8	118.8	\$ 0.71
Income allocated to participating securities	0.2	0.1		0.1	0.1	
Net income	<u>\$ 270.6</u>			<u>\$ 84.9</u>		
Diluted potential common shares		1.1			—	
Diluted EPS						
Net income	\$ 270.6	112.6	\$ 2.40	\$ 84.9	118.9	\$ 0.71

Included in the outstanding common shares were 1.4 million and 1.5 million of issued but unvested shares at June 28, 2018 and June 29, 2017, respectively, which are excluded from the basic EPS calculation.

For the impact of the transition adjustment due to the adoption ASC 606 on retained earnings, see Note 2, *Adoption of New Revenue Standard*.

Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss is summarized by component as follows:

	As of June 28, 2018	As of December 31, 2017
Pension	\$ (75.9)	\$ (75.9)
SERP/Retiree medical	16.5	17.7
Foreign currency impact on long term intercompany loan	(15.5)	(14.2)
Currency translation adjustment	(69.5)	(56.1)
Total accumulated other comprehensive loss	<u>\$ (144.4)</u>	<u>\$ (128.5)</u>

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

20. Commitments, Contingencies and Guarantees

Litigation

From time to time the Company is subject to, and is 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.

From time to time, in the ordinary course of business and similar to others in the industry, the Company receives 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. The Company reviews such requests and notices and takes appropriate action. Additionally, the Company is 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, the Company is required to participate in certain government investigations regarding environmental remediation actions.

On December 5, 2014, Boeing filed a complaint in Delaware Superior Court, Complex Commercial Litigation Division, entitled *The Boeing Co. v. Spirit AeroSystems, Inc.*, No. N14C-12-055 (EMD) (the "Complaint") seeking indemnification of approximately \$139.0 from Spirit for (a) damages assessed against Boeing in *International Union, United Automobile, Aerospace and Agricultural Workers of America v. Boeing Co.*, AAA Case No. 54 300 00795 07 ("UAW Arbitration"), which was brought on behalf of certain former Boeing employees in Tulsa and McAlester, Oklahoma, (b) claims that Boeing settled in *Society of Professional Engineering Employees in Aerospace v. Boeing Co.*, Nos. 05-1251-MLB, 07-1043-MLB (D. Kan.) ("Harkness Class Action"), and (c) attorneys' fees Boeing alleges it expended to defend the UAW Arbitration and Harkness Class Action, as well as reasonable fees, costs and expenses Boeing expends litigating the case against Spirit. Boeing's Complaint asserts that the damages assessed against Boeing in the UAW Arbitration and the claims settled by Boeing in the Harkness Class Action are liabilities that Spirit assumed under an Asset Purchase Agreement between Boeing and Spirit, dated February 22, 2005 (the "APA"). Boeing asserts claims for breach of contract and declaratory judgment regarding its indemnification rights under the APA.

Spirit asserted a Counterclaim against Boeing, on the ground that the liabilities at issue were Boeing's responsibility under the APA. Spirit's Counterclaim alleges breach of contract and seeks a declaratory judgment regarding Spirit's right to indemnification from Boeing under the APA. Spirit's Counterclaim seeks to recover the amounts that Spirit spent litigating the Harkness Class Action, responding to Boeing's indemnification demands concerning the Harkness Class Action and UAW Arbitration, and also litigating the current lawsuit against Boeing.

On December 20, 2016, Boeing and Spirit moved for summary judgment. On June 27, 2017, the Delaware Superior Court (the "Superior Court") issued an order denying Boeing's Motion for Summary Judgment and granting Spirit's Motion for Summary Judgment, finding that the liabilities at issue were excluded liabilities under the APA and holding that Spirit is entitled to recover reasonable attorneys' fees, costs and other expenses from Boeing. The Court granted Spirit's motion as to fees, costs, and expenses incurred as a result of the litigation and underlying matters and denied the motion as to pre- and post-trial interest.

Boeing appealed the Superior Court's decision to the Supreme Court of the State of Delaware (the "Supreme Court"). On July 12, 2018, a unanimous three judge panel of the Supreme Court ruled in favor of Spirit and on July 26, 2018, the Supreme Court denied Boeing's Motion for Reargument and returned the case to the Superior Court. Spirit will continue to pursue its recovery for attorneys' fees.

Guarantees

Outstanding guarantees were \$20.7 and \$23.2 at June 28, 2018, and December 31, 2017, respectively.

Restricted Cash - Collateral Requirements

The Company was required to maintain \$20.0 of restricted cash as of both June 28, 2018 and December 31, 2017, related to certain collateral requirements for obligations under its workers' compensation programs. The restricted cash is included in "Other assets" in the Company's Condensed Consolidated Balance Sheets.

Indemnification

Spirit AeroSystems Holdings, Inc.**Notes to the Condensed Consolidated Financial Statements (unaudited)**
(\$, €, and RM in millions other than per share amounts)

The Company has entered into customary indemnification agreements with its non-employee directors, and certain 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.

The Company has agreed to indemnify parties for specified liabilities incurred, or that may be incurred, in connection with transactions they have entered into with the Company. The Company is unable to assess the potential number of future claims that may be asserted under these indemnities, nor the amounts thereof (if any). As a result, the Company cannot estimate the maximum potential amount of future payments under these indemnities and therefore, no liability has been recorded.

Service and Product Warranties and Extraordinary Rework

Provisions for estimated expenses related to service and product warranties and certain extraordinary rework are evaluated on a quarterly basis. These costs are accrued and are recorded to unallocated cost of goods sold. These estimates are established using historical information on the nature, frequency, and average cost of warranty claims, including the experience of industry peers. In the case of new development products or new customers, Spirit considers other factors including the experience of other entities in the same business and management judgment, among others. Service warranty and extraordinary rework is reported in current liabilities and other liabilities on the balance sheet.

The warranty balance presented in the table below includes unresolved warranty claims that are in dispute in regards to their value as well as their contractual liability. The Company estimated the total costs related to some of these claims, however, there is significant uncertainty surrounding the disposition of these disputed claims and as such, the ultimate determination of the provision's adequacy requires significant management judgment. The amount of the specific provisions recorded against disputed warranty claims was \$104.0 and \$101.0 as of June 28, 2018, and December 31, 2017, respectively. These specific provisions represent the Company's best estimate of reasonably possible warranty claim. Should the Company incur higher than expected warranty costs and/or discover new or additional information related to these warranty provisions, the Company may incur additional charges that exceed these recorded provisions. The Company utilized available information to make appropriate assessments, however, the Company recognizes that data on actual claims experience is of limited duration and therefore, claims projections are subject to significant judgment. The amount of the disputed warranty claims in excess of the specific warranty provision was \$179.0 as of June 28, 2018, and \$223.0 as of December 31, 2017.

The following is a roll forward of the service warranty and extraordinary rework balance at June 28, 2018:

Balance, December 31, 2017	\$	166.4
Charges to costs and expenses		2.9
Payouts		(2.7)
Exchange rate		(0.3)
Balance, June 28, 2018	\$	166.3

Spirit AeroSystems Holdings, Inc.**Notes to the Condensed Consolidated Financial Statements (unaudited)**
(\$, €, and RM in millions other than per share amounts)**21. Other (Expense) Income, Net**

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

	For the Three Months Ended		For the Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
Kansas Development Finance Authority bond	\$ 0.9	\$ 0.7	\$ 2.1	\$ 1.7
Rental and miscellaneous income	0.3	—	(1.3)	0.1
Interest income	1.7	1.5	2.9	2.5
Foreign currency losses	1.6	0.5	(1.5)	(0.1)
Loss on sale of accounts receivable	(4.6)	—	(8.3)	—
Pension Income	8.7	9.3	17.1	18.5
Loss on foreign currency forward contract and interest rate swaps	(20.9)	(1.5)	(19.2)	(1.5)
Total	\$ (12.3)	\$ 10.5	\$ (8.2)	\$ 21.2

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

22. Segment Information

The Company operates in three principal segments: Fuselage Systems, Propulsion Systems, and Wing Systems. Revenue from Boeing represents a substantial portion of the Company's revenues in all segments. Wing Systems also includes significant revenues from Airbus. Approximately 95% of the Company's net revenues for the three months ended June 28, 2018, came from the Company's 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 corporate selling, general and administrative expenses, research and development, and unallocated cost of sales.

Corporate selling, general and administrative expenses include centralized functions such as accounting, treasury, and human resources that are not specifically related to the Company's operating segments and are not allocated in measuring the operating segments' profitability and performance and net profit margins. 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 warranty, early retirement and other incentives. All of these items are not specifically related to the Company's operating segments and are not utilized in measuring the operating segments' profitability and performance.

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") services. The Fuselage Systems segment manufactures products at the Company's 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 the Company's facility in Wichita, Kansas.

The Company's Wing Systems segment includes development, production and marketing of wings and wing components (including flight control surfaces), and other miscellaneous structural parts primarily to aircraft OEMs, as well as related spares

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

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 net profit margin as presented in its primary financial statements and a reconciliation of the segment and consolidated results is provided in the table set forth below.

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 aerospace production 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.

The following table shows segment revenues and operating income for the three and six months ended June 28, 2018, and June 29, 2017:

	Three Months Ended		Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
Segment Revenues				
Fuselage Systems	\$ 1,029.7	\$ 938.2	\$ 1,992.4	\$ 1,855.1
Propulsion Systems	422.7	436.5	817.2	842.8
Wing Systems	383.0	450.5	760.0	819.5
All Other	1.5	0.9	3.4	2.8
	\$ 1,836.9	\$ 1,826.1	\$ 3,573.0	\$ 3,520.2
Segment Operating Income (Loss)				
Fuselage Systems ⁽¹⁾	\$ 163.2	\$ (84.8)	\$ 282.9	\$ 61.2
Propulsion Systems ⁽¹⁾	74.8	39.3	127.7	111.0
Wing Systems ⁽¹⁾	56.7	28.9	107.5	85.6
All Other	—	(0.6)	(1.0)	(0.7)
	294.7	(17.2)	517.1	257.1
SG&A	(61.0)	(47.2)	(117.2)	(100.1)
Impact of severe weather event	—	(9.1)	—	(19.9)
Research and development	(11.1)	(6.7)	(20.5)	(11.7)
Unallocated cost of sales	(5.0)	(11.9)	(2.3)	(13.1)
Total operating income (loss)	\$ 217.6	\$ (92.1)	\$ 377.1	\$ 112.3

- (1) Prior period information has been reclassified as a result of the Company's adoption of ASU 2017-07 on a retrospective basis in 2018. In accordance with the adoption of this guidance, prior year amounts related to the components of net periodic pension and postretirement benefit cost other than service costs have been reclassified from cost of sales and selling, general and administrative expense to other income (expense) within the consolidated statement of operations for all periods presented. Accordingly, expenses of \$4.6, \$1.7, and \$1.9 on the Fuselage, Propulsion, and Wing Systems, respectively, were reclassified into segment operating income for the three months ended June 29, 2017 and expenses of \$9.0, \$3.7, and \$3.7 on the Fuselage, Propulsion, and Wing Systems, respectively, were reclassified into segment operating income for the six months ended June 29, 2017.

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)
23. Condensed Consolidating Financial Information

The 2021 Notes, 2023 Notes, 2026 Notes, and 2028 Notes are fully and unconditionally guaranteed on a senior unsecured basis by Holdings. No subsidiaries are guarantors to any of Spirit's senior notes. All statements below reflect the 2016 Credit Agreement, on the guarantor structure.

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 and parent guarantor to the 2016 Credit Agreement, as further detailed in Note 15, *Debt*;
- (ii) Spirit, as the subsidiary issuer of the 2021 Notes, the 2023 Notes, the 2026 Notes, and the 2028 Notes;
- (iii) The Company's subsidiaries, (the "Non-Guarantor Subsidiaries"), on a combined basis;
- (iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Holdings and the Non-Guarantor Subsidiaries, (b) eliminate the investments in the Company's subsidiaries, and (c) record consolidating entries; and
- (v) Holdings and its subsidiaries on a consolidated basis.

Condensed Consolidating Statements of Operations
For the Three Months Ended June 28, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$ —	\$ 1,654.2	\$ 342.3	\$ (159.6)	\$ 1,836.9
Operating costs and expenses					
Cost of sales	—	1,400.3	306.5	(159.6)	1,547.2
Selling, general and administrative	3.3	53.6	4.1	—	61.0
Research and development	—	10.0	1.1	—	11.1
Total operating costs and expenses	3.3	1,463.9	311.7	(159.6)	1,619.3
Operating (loss) income	(3.3)	190.3	30.6	—	217.6
Interest expense and financing fee amortization	—	(24.6)	(1.6)	1.4	(24.8)
Other income (expense), net	—	(12.9)	2.0	(1.4)	(12.3)
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(3.3)	152.8	31.0	—	180.5
Income tax benefit (provision)	0.7	(31.2)	(4.8)	—	(35.3)
(Loss) income before equity in net income of affiliate and subsidiaries	(2.6)	121.6	26.2	—	145.2
Equity in net income of affiliate	—	—	—	—	—
Equity in net income of subsidiaries	147.8	26.2	—	(174.0)	—
Net income	145.2	147.8	26.2	(174.0)	145.2
Other comprehensive (loss) income	(30.5)	(30.5)	(29.9)	60.4	(30.5)
Comprehensive income (loss)	\$ 114.7	\$ 117.3	\$ (3.7)	\$ (113.6)	\$ 114.7

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)Condensed Consolidating Statements of Operations
For the Three Months Ended June 29, 2017

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$ —	\$ 1,608.0	\$ 380.5	\$ (162.4)	\$ 1,826.1
Operating costs and expenses					
Cost of sales	—	1,687.1	330.5	(162.4)	1,855.2
Selling, general and administrative	3.3	40.3	3.6	—	47.2
Impact of severe weather event	—	9.1	—	—	9.1
Research and development	—	6.5	0.2	—	6.7
Total operating costs and expenses	3.3	1,743.0	334.3	(162.4)	1,918.2
Operating (loss) income	(3.3)	(135.0)	46.2	—	(92.1)
Interest expense and financing fee amortization	—	(10.1)	(1.6)	1.5	(10.2)
Other income (expense), net	—	11.5	0.5	(1.5)	10.5
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(3.3)	(133.6)	45.1	—	(91.8)
Income tax benefit (provision)	1.4	43.2	(9.6)	—	35.0
(Loss) income before equity in net income of affiliate and subsidiaries	(1.9)	(90.4)	35.5	—	(56.8)
Equity in net income of affiliate	—	—	—	—	—
Equity in net income of subsidiaries	(54.9)	35.5	—	19.4	—
Net income	(56.8)	(54.9)	35.5	19.4	(56.8)
Other comprehensive (loss) income	15.8	15.8	16.2	(32.0)	15.8
Comprehensive income (loss)	\$ (41.0)	\$ (39.1)	\$ 51.7	\$ (12.6)	\$ (41.0)

Spirit AeroSystems Holdings, Inc.**Notes to the Condensed Consolidated Financial Statements (unaudited)**
(\$, €, and RM in millions other than per share amounts)**Condensed Consolidating Statements of Operations**
For the Six Months Ended June 28, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	\$ —	\$ 3,195.2	\$ 712.0	\$ (334.2)	\$ 3,573.0
Operating costs and expenses					
Cost of sales	—	2,751.9	640.5	(334.2)	3,058.2
Selling, general and administrative	5.7	101.7	9.8	—	117.2
Research and development	—	18.6	1.9	—	20.5
Total operating costs and expenses	5.7	2,872.2	652.2	(334.2)	3,195.9
Operating (loss) income	(5.7)	323.0	59.8	—	377.1
Interest expense and financing fee amortization	—	(35.9)	(2.8)	2.6	(36.1)
Other income (expense), net	—	(3.0)	(2.6)	(2.6)	(8.2)
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(5.7)	284.1	54.4	—	332.8
Income tax benefit (provision)	1.1	(54.9)	(9.0)	—	(62.8)
(Loss) income before equity in net income of affiliate and subsidiaries	(4.6)	229.2	45.4	—	270.0
Equity in net income of affiliate	0.6	—	0.6	(0.6)	0.6
Equity in net income of subsidiaries	274.6	45.4	—	(320.0)	—
Net income	270.6	274.6	46.0	(320.6)	270.6
Other comprehensive (loss) income	(15.9)	(15.9)	(14.8)	30.7	(15.9)
Comprehensive income (loss)	\$ 254.7	\$ 258.7	\$ 31.2	\$ (289.9)	\$ 254.7

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)
Condensed Consolidating Statements of Operations
For the Six Months Ended June 29, 2017

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	\$ —	\$ 3,128.1	\$ 713.6	\$ (321.5)	\$ 3,520.2
Operating costs and expenses					
Cost of sales	—	2,968.2	629.5	(321.5)	3,276.2
Selling, general and administrative	4.9	88.1	7.1	—	100.1
Impact of severe weather event	—	19.9	—	—	19.9
Research and development	—	10.6	1.1	—	11.7
Total operating costs and expenses	4.9	3,086.8	637.7	(321.5)	3,407.9
Operating (loss) income	(4.9)	41.3	75.9	—	112.3
Interest expense and financing fee amortization	—	(19.6)	(3.2)	3.1	(19.7)
Other income (expense), net	—	24.3	—	(3.1)	21.2
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(4.9)	46.0	72.7	—	113.8
Income tax (provision) benefit	1.9	(17.2)	(13.7)	—	(29.0)
(Loss) income before equity in net income of affiliate and subsidiaries	(3.0)	28.8	59.0	—	84.8
Equity in net income of affiliate	0.1	—	0.1	(0.1)	0.1
Equity in net income of subsidiaries	87.8	59.0	—	(146.8)	—
Net income	84.9	87.8	59.1	(146.9)	84.9
Other comprehensive (loss) income	19.8	19.8	20.7	(40.5)	19.8
Comprehensive income (loss)	\$ 104.7	\$ 107.6	\$ 79.8	\$ (187.4)	\$ 104.7

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
June 28, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 534.7	\$ 58.3	\$ —	\$ 593.0
Restricted cash	—	97.8	—	—	97.8
Accounts receivable, net	—	712.2	334.9	(364.2)	682.9
Contract assets, short-term	—	463.7	34.4	—	498.1
Inventory, net	—	601.6	299.2	—	900.8
Other current assets	—	50.9	2.5	—	53.4
Total current assets	—	2,460.9	729.3	(364.2)	2,826.0
Property, plant and equipment, net	—	1,595.6	507.0	—	2,102.6
Contract assets, long-term	—	55.1	—	—	55.1
Pension assets, net	—	343.3	20.4	—	363.7
Investment in subsidiary	954.7	666.9	—	(1,621.6)	—
Other assets	—	360.8	133.1	(229.5)	264.4
Total assets	\$ 954.7	\$ 5,482.6	\$ 1,389.8	\$ (2,215.3)	\$ 5,611.8
Liabilities					
Accounts payable	\$ —	\$ 801.3	\$ 400.4	\$ (364.2)	\$ 837.5
Accrued expenses	—	333.0	34.9	—	367.9
Profit sharing	—	25.8	2.7	—	28.5
Current portion of long-term debt	—	127.2	0.9	—	128.1
Advance payments, short-term	—	106.7	—	—	106.7
Contract liabilities, short-term	—	114.6	—	—	114.6
Forward loss provision, long-term	—	156.7	0.4	—	157.1
Deferred revenue and other deferred credits, short-term	—	6.5	0.5	—	7.0
Deferred grant income liability - current	—	—	22.7	—	22.7
Other current liabilities	—	83.8	0.2	—	84.0
Total current liabilities	—	1,755.6	462.7	(364.2)	1,854.1
Long-term debt	—	1,850.7	136.6	(128.9)	1,858.4
Advance payments, long-term	—	173.5	2.3	—	175.8
Pension/OPEB obligation	—	39.2	—	—	39.2
Contract liabilities, long-term	—	362.2	—	—	362.2
Forward loss provision, long-term	—	94.3	—	—	94.3
Deferred grant income liability - non-current	—	0.3	27.2	—	27.5
Deferred revenue and other deferred credits	—	25.9	2.6	—	28.5
Other liabilities	—	306.2	11.5	(100.6)	217.1
Total equity	954.7	874.7	746.9	(1,621.6)	954.7
Total liabilities and stockholders' equity	\$ 954.7	\$ 5,482.6	\$ 1,389.8	\$ (2,215.3)	\$ 5,611.8

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
December 31, 2017

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 365.1	\$ 58.2	\$ —	\$ 423.3
Restricted cash	—	2.2	—	—	2.2
Accounts receivable, net	—	752.6	330.9	(361.3)	722.2
Inventory, net	—	1,010.0	439.9	—	1,449.9
Other current assets	—	50.3	3.2	—	53.5
Total current assets	—	2,180.2	832.2	(361.3)	2,651.1
Property, plant and equipment, net	—	1,585.8	519.5	—	2,105.3
Pension assets, net	—	327.2	19.9	—	347.1
Investment in subsidiary	1,801.5	704.4	—	(2,505.9)	—
Other assets	—	298.2	124.5	(258.4)	164.3
Total assets	<u>\$ 1,801.5</u>	<u>\$ 5,095.8</u>	<u>\$ 1,496.1</u>	<u>\$ (3,125.6)</u>	<u>\$ 5,267.8</u>
Liabilities					
Accounts payable	\$ —	\$ 629.0	\$ 425.4	\$ (361.3)	\$ 693.1
Accrued expenses	—	239.5	29.8	—	269.3
Profit sharing	—	103.4	6.1	—	109.5
Current portion of long-term debt	—	30.2	0.9	—	31.1
Advance payments, short-term	—	100.0	—	—	100.0
Deferred revenue and other deferred credits, short-term	—	63.6	1.0	—	64.6
Deferred grant income liability - current	—	—	21.6	—	21.6
Other current liabilities	—	324.3	7.5	—	331.8
Total current liabilities	—	1,490.0	492.3	(361.3)	1,621.0
Long-term debt	—	1,110.6	167.1	(157.8)	1,119.9
Advance payments, long-term	—	231.7	—	—	231.7
Pension/OPEB obligation	—	40.8	—	—	40.8
Deferred grant income liability - non-current	—	—	39.3	—	39.3
Deferred revenue and other deferred credits	—	158.2	2.8	—	161.0
Other liabilities	—	343.1	10.1	(100.6)	252.6
Total equity	1,801.5	1,721.4	784.5	(2,505.9)	1,801.5
Total liabilities and stockholders' equity	<u>\$ 1,801.5</u>	<u>\$ 5,095.8</u>	<u>\$ 1,496.1</u>	<u>\$ (3,125.6)</u>	<u>\$ 5,267.8</u>

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
 (\$, €, and RM in millions other than per share amounts)

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 28, 2018

	Holdings	Spirit	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities					
Net cash provided by operating activities	\$ —	\$ 320.1	\$ 77.1	\$ —	\$ 397.2
Investing activities					
Purchase of property, plant and equipment	—	(89.4)	(20.0)	—	(109.4)
Other	—	(0.3)	0.6	—	0.3
Net cash used in investing activities	—	(89.7)	(19.4)	—	(109.1)
Financing activities					
Proceeds from issuance of bonds	—	1,300.0	—	—	1,300.0
Principal payments of debt	—	(2.7)	(0.6)	—	(3.3)
Payments on term loan	—	(256.2)	—	—	(256.2)
Payments on bonds	—	(202.6)	—	—	(202.6)
Proceeds (payments) from intercompany debt	—	57.2	(57.2)	—	—
Debt issuance and financing costs	—	(16.9)	—	—	(16.9)
Taxes paid related to net share settlement of awards	—	(15.4)	—	—	(15.4)
Proceeds (payments) from subsidiary for purchase of treasury stock	805.8	(805.8)	—	—	—
Purchase of treasury stock	(805.8)	—	—	—	(805.8)
Proceeds (payments) from subsidiary for dividends paid	22.8	(22.8)	—	—	—
Dividends Paid	(22.8)	—	—	—	(22.8)
Net cash used in financing activities	—	34.8	(57.8)	—	(23.0)
Effect of exchange rate changes on cash and cash equivalents	—	—	0.2	—	0.2
Net increase in cash, cash equivalents, and restricted cash for the period	—	265.2	0.1	—	265.3
Cash, cash equivalents, and restricted cash, beginning of period	—	387.3	58.2	—	445.5
Cash, cash equivalents, and restricted cash, end of period	\$ —	\$ 652.5	\$ 58.3	\$ —	\$ 710.8

Spirit AeroSystems Holdings, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
 (\$, €, and RM in millions other than per share amounts)

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended June 29, 2017

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities					
Net cash provided by operating activities	\$ —	\$ 255.7	\$ 78.3	\$ —	\$ 334.0
Investing activities					
Purchase of property, plant and equipment	—	(76.2)	(11.9)	—	(88.1)
Proceeds from sale of assets	—	0.2	—	—	0.2
Other	—	—	—	—	—
Net cash used in investing activities	—	(76.0)	(11.9)	—	(87.9)
Financing activities					
Principal payments of debt	—	(0.6)	(1.2)	—	(1.8)
Payment on term loan	—	(6.3)	—	—	(6.3)
Proceeds (payments) from intercompany debt	—	39.0	(39.0)	—	—
Taxes paid related to net share settlement of awards	—	(13.1)	—	—	(13.1)
Debt issuance and financing costs	—	(0.9)	—	—	(0.9)
Proceeds from financing under the New Markets Tax Credit Program	—	7.6	—	—	7.6
Proceeds (payments) from subsidiary for purchase of treasury stock	207.6	(207.6)	—	—	—
Purchase of treasury stock	(207.6)	—	—	—	(207.6)
Proceeds (payments) from subsidiary for dividends paid	24.0	(24.0)	—	—	—
Dividends Paid	(24.0)	—	—	—	(24.0)
Net cash used in financing activities	—	(205.9)	(40.2)	—	(246.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	3.6	—	3.6
Net (decrease) increase in cash, cash equivalents, and restricted cash for the period	—	(26.2)	29.8	—	3.6
Cash, cash equivalents, and restricted cash, beginning of period	—	700.0	17.6	—	717.6
Cash, cash equivalents, and restricted cash, end of period	\$ —	\$ 673.8	\$ 47.4	\$ —	\$ 721.2

24. Asco Acquisition

On May 1, 2018, the Company and its wholly-owned subsidiary Spirit Belgium entered into the Purchase Agreement pursuant to which Spirit Belgium will purchase all of the issued and outstanding equity of Asco, a leading supplier of high lift wing structures, mechanical assemblies and major functional components to major OEMs and Tier I suppliers in the global commercial aerospace and military markets, for the translated amount of \$650.0 in cash, subject to certain customary closing adjustments, including foreign currency adjustments. The definitive agreement is subject to customary closing conditions, including regulatory approvals and customer consents. The acquisition is expected to close in the second half of 2018 and financial results will not include Asco's results until the acquisition is closed.

Acquisition-related expenses were \$12.1 for the three months ended June 28, 2018 and are included in selling, general and administrative costs on the condensed and consolidated statements of income.

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)
(\$, €, and RM in millions other than per share amounts)

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the description set forth in the Company's Current Report on Form 8-K filed with the SEC on May 2, 2018, and the full text of the Purchase Agreement, which is filed as an exhibit hereto.

25. Subsequent Events

2018 Credit Agreement

On July 12, 2018, the Company replaced the 2016 Credit Agreement by entering into a \$1,260.0 senior unsecured Second Amended and Restated Credit Agreement among Spirit AeroSystems, Inc., as borrower ("Spirit" or the "Borrower"), the Company, as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents named therein (the "2018 Credit Agreement"), consisting of a \$800.0 revolving credit facility (the "2018 Revolver"), a \$206.0 term loan A facility (the "2018 Term Loan") and a \$250.0 delayed draw term loan facility (the "Delayed Draw Term Loan").

Each of the 2018 Revolver, the 2018 Term Loan and the Delayed Draw Term Loan matures July 12, 2023, and bears interest, at Spirit's option, at either LIBOR plus 1.375% or a defined "base rate" plus 0.375%, subject to adjustment to between LIBOR plus 1.125% and LIBOR plus 1.875% (or between base rate plus 0.125% and base rate plus 0.875%, as applicable) based on changes to Spirit's senior unsecured debt rating provided by Standard & Poor's Financial Services LLC and/or Moody's Investors Service, Inc. The principal obligations under the 2018 Term Loan are to be repaid in equal quarterly installments of \$2.6, commencing with the fiscal quarter ending March 31, 2019, and with the balance due at maturity of the 2018 Term Loan. The principal obligations under the Delayed Draw Term Loan are to be repaid in equal quarterly installments of 1.25% of the outstanding principal amount of the Delayed Draw Term Loan as of March 31, 2019, subject to adjustments for any extension of the availability period of the Delayed Draw Term Loan, with the balance due at maturity of the Delayed Draw Term Loan.

The Delayed Draw Term Loan is available for Spirit to draw until January 12, 2019, which date may be extended for two additional three-month periods, in each instance subject to Spirit's payment of a fee to the relevant lenders based on the undrawn Delayed Draw Term Loan commitment.

The 2018 Credit Agreement also contains an accordion feature that provides Spirit with the option to increase the 2018 Revolver commitments and/or institute one or more additional term loans by an amount not to exceed \$750.0 in the aggregate, subject to the satisfaction of certain conditions and the participation of the lenders. The 2018 Credit Agreement contains customary affirmative and negative covenants, including certain financial covenants that are tested on a quarterly basis. Spirit's obligations under the 2018 Credit Agreement may be accelerated upon an event of default, which includes non-payment of principal or interest, material breach of a representation or warranty, material breach of a covenant, cross-default to material indebtedness, material judgments, ERISA events, change in control, bankruptcy and invalidity of the guarantee of Spirit's obligations under the 2018 Credit Agreement made by the Company.

Spirit used the proceeds of the 2018 Term Loan to pay off outstanding amounts under the 2016 Credit Agreement and the remainder will be used for general corporate purposes

The foregoing description of the 2018 Credit Agreement in this Quarterly Report on Form 10-Q does not purport to be complete and is qualified in its entirety by reference to the full text of the 2018 Credit Agreement, which was filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on July 13, 2018.

Contractual Terms Clarification

On July 6, 2018, Spirit filed a complaint in Washington Superior Court entitled Spirit AeroSystems, Inc. v. The Boeing Company (No. 18-2-16649-7 SEA). Spirit is seeking payment of money that Boeing owes Spirit for product ordered by Boeing and delivered by Spirit. As of the date of filing the complaint, Boeing has underpaid Spirit approximately \$64.0. Boeing claims to be withholding money due to customer warranty claims, which are technical in nature and largely relate to designs that predate Spirit's separation from Boeing in 2005. Spirit disputes its liability for those claims. Spirit is also asking the court to clarify the parties' contractual obligations, including that Boeing has no right under the parties' contracts to withhold money presently due based on disputed warranty claims on past orders.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q ("Quarterly Report"). The following section may include "forward-looking statements." Forward-looking statements generally can be identified by the use of forward-looking terminology such as "aim," "anticipate," "believe," "could," "continue," "estimate," "expect," "goal," "forecast," "intend," "may," "might," "objective," "outlook," "plan," "predict," "project," "should," "target," "will," "would," and other similar words, or phrases, or the negative thereof, unless the context requires otherwise. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties, both known and unknown. Our actual results may vary materially from those anticipated in forward-looking statements. We caution investors not to place undue reliance on any forward-looking statements.

Important factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook include, but are not limited to, the following: 1) our ability to continue to grow our business and execute our growth strategy, including the timing, execution, and profitability of new and maturing programs; 2) our ability to perform our obligations under our new and maturing commercial, business aircraft, and military development programs, and the related recurring production; 3) our ability to accurately estimate and manage performance, cost, and revenue under our contracts, including our ability to achieve certain cost reductions with respect to the B787 program; 4) margin pressures and the potential for additional forward losses on new and maturing programs; 5) our ability to accommodate, and the cost of accommodating, announced increases in the build rates of certain aircraft; 6) the effect on aircraft demand and build rates of changing customer preferences for business aircraft, including the effect of global economic conditions on the business aircraft market and expanding conflicts or political unrest in the Middle East or Asia; 7) customer cancellations or deferrals as a result of global economic uncertainty or otherwise; 8) the effect of economic conditions in the industries and markets in which we operate in the U.S. and globally and any changes therein, including fluctuations in foreign currency exchange rates; 9) the success and timely execution of key milestones such as the receipt of necessary regulatory approvals, including our ability to obtain in a timely fashion any required regulatory or other third party approvals for the consummation of our announced acquisition of Asco, and customer adherence to their announced schedules; 10) our ability to successfully negotiate, or re-negotiate, future pricing under our supply agreements with Boeing and our other customers; 11) our ability to enter into profitable supply arrangements with additional customers; 12) the ability of all parties to satisfy their performance requirements under existing supply contracts with our two major customers, Boeing and Airbus, and other customers, and the risk of nonpayment by such customers; 13) any adverse impact on Boeing's and Airbus' production of aircraft resulting from cancellations, deferrals, or reduced orders by their customers or from labor disputes, domestic or international hostilities, or acts of terrorism; 14) any adverse impact on the demand for air travel or our operations from the outbreak of diseases or epidemic or pandemic outbreaks; 15) our ability to avoid or recover from cyber-based or other security attacks, information technology failures, or other disruptions; 16) returns on pension plan assets and the impact of future discount rate changes on pension obligations; 17) our ability to borrow additional funds or refinance debt, including our ability to obtain the debt to finance the purchase price for our announced acquisition of Asco on favorable terms or at all; 18) competition from commercial aerospace original equipment manufacturers and other aerostructures suppliers; 19) the effect of governmental laws, such as U.S. export control laws and U.S. and foreign anti-bribery laws such as the Foreign Corrupt Practices Act and the United Kingdom Bribery Act, and environmental laws and agency regulations, both in the U.S. and abroad; 20) the effect of changes in tax law, such as the effect of The Tax Cuts and Jobs Act that was enacted on December 22, 2017, and changes to the interpretations of or guidance related thereto, and the Company's ability to accurately calculate and estimate the effect of such changes; 21) any reduction in our credit ratings; 22) our dependence on our suppliers, as well as the cost and availability of raw materials and purchased components; 23) our ability to recruit and retain a critical mass of highly-skilled employees and our relationships with the unions representing many of our employees; 24) spending by the U.S. and other governments on defense; 25) the possibility that our cash flows and our credit facility may not be adequate for our additional capital needs or for payment of interest on, and principal of, our indebtedness; 26) our exposure under our revolving credit facility to higher interest payments should interest rates increase substantially; 27) the effectiveness of any interest rate hedging programs; 28) the effectiveness of our internal control over financial reporting; 29) the outcome or impact of ongoing or future litigation, claims, and regulatory actions; 30) exposure to potential product liability and warranty claims; 31) our ability to effectively assess, manage and integrate acquisitions that we pursue, including our ability to successfully integrate the Asco business and generate synergies and other cost savings; 32) our ability to consummate our announced acquisition of Asco in a timely matter while avoiding any unexpected costs, charges, expenses, adverse changes to business relationships and other business disruptions for ourselves and Asco as a result of the acquisition; 33) our ability to continue selling certain receivables through our supplier financing program; 34) the risks of doing business internationally, including fluctuations in foreign current exchange rates, impositions of tariffs or embargoes, trade restrictions, compliance with foreign laws, and domestic and foreign government policies; and 35) our ability to complete the accelerated stock repurchase plan, among other things.

These factors are not exhaustive and it is not possible for us to predict all factors that could cause actual results to differ materially from those reflected in our forward-looking statements. These factors speak only as of the date hereof, and new factors

[Table of Contents](#)

may emerge or changes to the foregoing factors may occur that could impact our business. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. Except to the extent required by law, we undertake no obligation to, and expressly disclaim any obligation to, publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should review carefully the section captioned “Risk Factors” in the Company’s 2017 Form 10-K and the Company’s Quarterly Report on Form 10-Q for the first quarter of 2018 for a more complete discussion of these and other factors that may affect our business.

Management’s Focus

The Company’s focus in 2018 revolves around our operational execution with a focus on safety and quality while working to meet our customers’ requirements for production rate changes. Additionally, we will focus on positioning ourselves for organic and inorganic growth within the commercial, defense, and fabrication markets. Considering the strong demand for commercial aircraft for the foreseeable future, both markets offer possibilities for growth. To help support our work on production rate increases and market growth, we continue to focus on attracting, developing, and retaining a world-class team at our sites and remaining a trusted partner to our customers and suppliers.

Programs

B737 Program

The B737 program has been steadily increasing in rate due to increased demand, and will continue to do so for the remainder of 2018. As we are working to meet this increased demand, we have experienced supplier disruptions, challenges relating to model mix changes from the B737 NG to B737 MAX, and other challenges that have resulted in additional production costs including overtime, expedited freight, and surge resources. In response to these disruptions, we implemented a comprehensive recovery plan in the first half of 2018 to eliminate the current operational challenges and mitigate future challenges. With this recovery plan in place, we made great efforts during the second quarter to recover to our planned production schedule. Additional efforts will be ongoing to address these challenges on a go-forward basis. As a result of our efforts to recover to plan, we incurred additional expenses that are reflected in our financial results. We expect these additional costs to be reduced in the second half of 2018.

B787 Program

As we continue on the B787 program, our performance depends on our continued ability to achieve cost reductions in our manufacturing and support labor and supply chain. In the first quarter of 2018, the adoption of ASU 2017-07 resulted in a decrease in operating income on the B787 program and we recorded additional forward loss reserves of \$17.4 million. In the second quarter of 2018, we recognized favorable changes in estimates on the B787 program from favorable performance on cost initiatives, which resulted in a reversal of \$15.1 million of previously recognized forward loss reserves.

We have agreed to price reductions for future units and we expect to continue to reduce costs in the future. If we are unable to continue to reduce our costs on the B787 program while successfully executing future rate increases, we may record additional forward loss reserves.

A350 XWB - Fuselage Program

As previously disclosed, our A350 XWB fuselage recurring program is continuing to increase production rates to meet customer needs. To prepare for increased production rates, we are investing in additional labor and capital and continue to focus on gaining additional production efficiencies. We are reliant on this increase in capital and efficiency to achieve the planned production rates and to reduce our use of air freight and other costs.

Results of Operations

The following table sets forth, for the periods indicated, certain of our operating data:

	Three Months Ended		Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
	(\$ in millions)		(\$ in millions)	
Revenue	\$ 1,836.9	\$ 1,826.1	\$ 3,573.0	\$ 3,520.2
Cost of sales	1,547.2	1,855.2	3,058.2	3,276.2
Gross profit	289.7	(29.1)	514.8	244.0
Selling, general and administrative	61.0	47.2	117.2	100.1
Impact of severe weather event	—	9.1	—	19.9
Research and development	11.1	6.7	20.5	11.7
Operating (loss) income	217.6	(92.1)	377.1	112.3
Interest expense and financing fee amortization	(24.8)	(10.2)	(36.1)	(19.7)
Other (expense) income, net	(12.3)	10.5	(8.2)	21.2
(Loss) income before income taxes and equity in net income of affiliate	180.5	(91.8)	332.8	113.8
Income tax provision	(35.3)	35.0	(62.8)	(29.0)
(Loss) income before equity in net income of affiliate	145.2	(56.8)	270.0	84.8
Equity in net income of affiliate	—	—	0.6	0.1
Net (loss) income	\$ 145.2	\$ (56.8)	\$ 270.6	\$ 84.9

Comparative shipset deliveries by model are as follows:

Model	Three Months Ended		Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
B737	169	136	297	262
B747	2	2	3	3
B767	7	7	15	13
B777	12	19	21	40
B787	38	36	75	68
Total Boeing	228	200	411	386
A320 Family	162	152	323	306
A330/340	17	19	33	39
A350 XWB	24	23	52	47
A380	1	4	3	8
Total Airbus	204	198	411	400
Business/Regional Jets	22	26	42	48
Total	454	424	864	834

For purposes of measuring production or shipset deliveries for Boeing aircraft in a given period, the term “shipset” refers to sets of structural fuselage components produced or delivered for one aircraft in such period. For purposes of measuring production or shipset deliveries for Airbus and Business/Regional Jet aircraft in a given period, the term “shipset” refers to all structural aircraft components produced or delivered for one aircraft in such period. For the purposes of measuring wing shipset deliveries, the term “shipset” refers to all wing components produced or delivered for one aircraft in such period. Other components that are part of the same aircraft shipsets could be produced or shipped in earlier or later accounting periods than the components used to measure

[Table of Contents](#)

production or shipset deliveries, which may result in slight variations in production or delivery quantities of the various shipset components in any given period.

Net revenues by prime customer are as follows:

Prime Customer	Three Months Ended		Six Months Ended	
	June 28, 2018	June 29, 2017	June 28, 2018	June 29, 2017
	(\$ in millions)		(\$ in millions)	
Boeing	\$ 1,456.4	\$ 1,406.8	\$ 2,796.8	\$ 2,753.9
Airbus	290.6	316.9	605.1	596.4
Other	89.9	102.4	171.1	169.9
Total net revenues	\$ 1,836.9	\$ 1,826.1	\$ 3,573.0	\$ 3,520.2

Changes in Estimates

During the second quarter of 2018, we recognized total changes in estimates of \$24.9 million, which included favorable changes in estimates on loss programs of \$17.4 million, and favorable cumulative catch-up adjustments related to periods prior to the second quarter of 2018 of \$7.5 million. During the same period in the prior year, we recognized total changes in estimates of \$(329.2) million, which included net forward loss charges of \$353.5 million, partially offset by favorable cumulative catch-up adjustments related to periods prior to the second quarter of 2017 of \$24.3 million.

Three Months Ended June 28, 2018 as Compared to Three Months Ended June 29, 2017

Revenue. Revenues for the three months ended June 28, 2018 were \$1,836.9 million, an increase of \$10.8 million, or 1%, compared to net revenues of \$1,826.1 million for the same period in the prior year. Higher revenues were recorded for the Fuselage Systems segment and lower revenues were recorded for the Propulsion and Wing Systems segments during the second quarter of 2018 compared to the same period in the prior year. The increase in revenues was primarily due to higher production work on the B737 program, higher revenues recognized on certain non-recurring Boeing programs, and increased defense related work, partially offset by lower production deliveries on the B777 program, the absence of a litigation reserve reversed in the second quarter of 2017, and lower revenues recognized on the B787 program due to the adoption of ASC 606. Approximately 95% of Spirit's net revenues for the second quarter of 2018 came from our two largest customers, Boeing and Airbus.

Total production deliveries to Boeing increased to 228 shipsets during the second quarter of 2018, compared to 200 shipsets delivered in the same period of the prior year, primarily driven by increased production on the B737 program, partially offset by decreased production on the B777 program. Total production deliveries to Airbus increased to 204 shipsets during the second quarter of 2018, compared to 198 shipsets delivered in the same period of the prior year, primarily driven by higher production of the A320 program, partially offset by lower A380 deliveries. Total production deliveries of business/regional jet wing and wing components decreased to 22 shipsets during the second quarter of 2018, compared to 26 shipsets delivered in the same period of the prior year, driven by lower production on the A220 program. In total, production deliveries increased to 454 shipsets during the second quarter of 2018, compared to 424 shipsets delivered in the same period of the prior year.

Gross Profit. Gross profit was \$289.7 million for the three months ended June 28, 2018, as compared to \$(29.1) million for the same period in the prior year. This increase was driven by the absence of net forward loss charges recognized on the B787 program in the second quarter of 2017, partially offset by decreased margins recognized on certain Boeing recurring programs.

SG&A and Research and Development. SG&A expense was \$13.8 million higher for the three months ended June 28, 2018, compared to the same period in the prior year, primarily due to costs incurred related to the anticipated purchase of Asco. Research and development expense was \$4.4 million higher for the three months ended June 28, 2018, compared to the same period in the prior year, primarily due to more internal projects underway.

Impact of Severe Weather Event. During the second quarter of 2017, the Company recorded a \$9.1 million charge against operating income related to the aftermath of Hurricane Matthew that caused the Company's Kinston, North Carolina site operations to temporarily shut down in the fourth quarter of 2016.

Table of Contents

Operating (Loss) Income. Operating income for the three months ended June 28, 2018 was \$217.6 million, an increase of \$309.7 million, or 336% compared to an operating loss of \$(92.1) million for the same period in the prior year. The increase in operating income was driven by the absence of net forward loss charges recognized on the B787 program in the second quarter of 2017.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the three months ended June 28, 2018 was \$24.8 million, compared to \$10.2 million for the same period in the prior year. Interest expense and financing fee amortization during the second quarter of 2018 included \$12.6 million of interest and fees paid or accrued in connection with long-term debt and \$10.5 million in amortization of deferred financing costs and original issue discount, compared to \$8.7 million of interest and fees paid or accrued in connection with long-term debt and \$0.9 million in amortization of deferred financing costs and original issue discount for the same period in the prior year. During the second quarter of 2018, we extinguished our \$300.0 million 2022 Notes through a tender offer and redemption. As a result, we recognized a loss on extinguishment of \$9.0 million.

Other (Expense) Income, net. Other expense, net for the three months ended June 28, 2018 was \$12.3 million, compared to Other income, net of \$10.5 million for the same period in the prior year. Other expense, net during the second quarter of 2018 was primarily driven by losses on foreign currency forward contracts as the U.S. Dollar strengthened against the Euro and net losses taken on sales of receivables, partially offset by pension income and foreign exchange rate fluctuations as the U.S. Dollar strengthened against the British Pound. Other income, net during the second quarter of 2017 was primarily driven by pension income.

Provision for Income Taxes. Our reported tax rate includes two principal components: an expected annual tax rate and discrete items resulting in additional provisions or benefits that are recorded in the quarter that an event arises. Events or items that could give rise to discrete recognition include excess tax benefit in respect of share-based compensation, finalizing audit examinations for open tax years, statute of limitations expiration, or a change in tax law.

The income tax provision for the three months ended June 28, 2018 includes \$29.9 million for federal taxes, \$0.9 million for state taxes and \$4.6 million for foreign taxes. The income tax provision for the three months ended June 29, 2017 includes (\$41.8) million for federal taxes, (\$1.6) million for state taxes and \$8.4 million for foreign taxes. The effective tax rate for the three months ended June 28, 2018 was 19.6% as compared to 38.1% for the same period in 2017. The difference in the effective tax rate recorded for 2018 as compared to 2017 is related primarily to the enactment of the TCJA, including the reduction in the U.S. corporate federal income tax rate from 35% to 21% and the elimination of the domestic manufacturing deduction and, unrelated to the TCJA, the proportional tax rate effects of pre-tax losses in 2017. The decrease from the U.S. statutory tax rate is attributable primarily to the generation of state income tax and federal research tax credits, share based compensation excess tax benefit, and foreign tax rates lower than the U.S. rate, offset by estimated GILTI tax provisions. For additional information on the TCJA and GILTI tax, please see Note 18, *Income Taxes*, to our condensed consolidated financial statements included in Part I of this Quarterly Report.

[Table of Contents](#)

Segments. The following table shows segment revenues and operating income for the three months ended June 28, 2018 and June 29, 2017:

	Three Months Ended	
	June 28, 2018	June 29, 2017
(\$ in millions)		
Segment Revenues		
Fuselage Systems	\$ 1,029.7	\$ 938.2
Propulsion Systems	422.7	436.5
Wing Systems	383.0	450.5
All Other	1.5	0.9
	\$ 1,836.9	\$ 1,826.1
Segment Operating Income		
Fuselage Systems ⁽¹⁾	\$ 163.2	\$ (84.8)
Propulsion Systems ⁽¹⁾	74.8	39.3
Wing Systems ⁽¹⁾	56.7	28.9
All Other	—	(0.6)
	294.7	(17.2)
SG&A	(61.0)	(47.2)
Impact of severe weather event	—	(9.1)
Research and development	(11.1)	(6.7)
Unallocated cost of sales ⁽²⁾	(5.0)	(11.9)
Total operating (loss) income	\$ 217.6	\$ (92.1)

(1) Prior period information has been reclassified as a result of the Company's adoption of ASU 2017-07 on a retrospective basis in 2018. In accordance with the adoption of this guidance, prior year amounts related to the components of net periodic pension and postretirement benefit cost other than service costs have been reclassified from cost of goods sold and selling, general and administrative expense to other income (expense) within the consolidated statement of operations for all periods presented. Accordingly, expenses of \$4.6, \$1.7, and \$1.9 on the Fuselage, Propulsion, and Wing Systems, respectively, were reclassified into segment operating income for the three months ended June 29, 2017.

(2) Includes \$4.0 million and \$0.5 million of warranty expense for the three months ended June 28, 2018 and June 29, 2017 respectively. Also includes a charge for excess purchases and purchase commitments of \$11.5 million for the three months ended June 29, 2017.

Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 56%, 23%, 21% and less than 1%, respectively, of our net revenues for the three months ended June 28, 2018.

Fuselage Systems. Fuselage Systems segment net revenues for the three months ended June 28, 2018, were \$1,029.7 million, an increase of \$91.5 million, or 10%, compared to the same period in the prior year. The increase was primarily due to higher production deliveries on the B737 and B787 programs, increased defense-related activity, and higher revenue on certain non-recurring programs, partially offset by lower production deliveries on the B777 and lower revenues recognized on the B787 program due to the adoption of ASC 606. Fuselage Systems segment operating margins were 16% for the three month period ended June 28, 2018, compared to (9)% for the same period in the prior year, primarily due to the absence of a \$230.5 million reach-forward loss charge recognized on the B787 program in 2017 and increased margins recorded on the A350 XWB program due to the adoption of ASC 606, partially offset by lower margins recognized on the B737 and B777 programs. In the second quarter of 2018, the segment recorded favorable cumulative catch-up adjustments of \$5.7 million and favorable changes in estimates on loss programs of \$10.1 million. In comparison, during the second quarter of 2017, the segment recorded favorable cumulative catch-up adjustments of \$0.7 million and net forward loss charges of \$231.7 million.

Propulsion Systems. Propulsion Systems segment net revenues for the three months ended June 28, 2018 were \$422.7 million, a decrease of \$13.9 million, or 3%, compared to the same period in the prior year. The decrease was primarily due to lower

[Table of Contents](#)

production deliveries on the B777, lower revenues recognized on certain non-recurring programs, and lower revenues recognized on the B787 program due to the adoption of ASC 606, partially offset by increased production on the B737 program. Propulsion Systems segment operating margins were 18% for the three months ended June 28, 2018, compared to 9% for the same period in the prior year. This increase was primarily driven by the absence of a \$48.3 million reach-forward loss charge recognized on the B787 program in 2017, partially offset by lower margins recognized on the B777 program. The segment recorded favorable cumulative catch-up adjustments of \$3.4 million and favorable changes in estimates on loss programs of \$4.3 million for the three months ended June 28, 2018. In comparison, during the same period of the prior year, the segment recorded favorable cumulative catch-up adjustments of \$6.1 million and net forward loss charges of \$48.0 million.

Wing Systems. Wing Systems segment net revenues for the three months ended June 28, 2018 were \$383.0 million, a decrease of \$67.4 million, or 15%, compared to the same period in the prior year. The decrease was primarily due to lower production deliveries on the B777, lower revenue recognized on the A350 XWB program in accordance with pricing terms, lower revenues recognized on the B787 program due to the adoption of ASC 606, and the impact of foreign currency fluctuations on the A320 program, partially offset by increased production on the B737 program. Wing Systems segment operating margins were 15% for the three months ended June 28, 2018, compared to 7% for the same period in the prior year. This increase was primarily driven by the absence of a \$74.0 million reach-forward loss recognized on the B787 program in 2017 and increased margins recorded on the A350 XWB program due to the adoption of ASC 606, partially offset by decreased margins recognized on the B737 and B777 programs. In the second quarter of 2018, the segment recorded favorable changes in estimates on loss programs of \$3.0 million and unfavorable cumulative catch-up adjustments of \$1.6 million. In comparison, during the second quarter of 2017, the segment recorded \$73.8 million of net forward loss charges as well as favorable cumulative catch-up adjustments of \$17.5 million.

All Other. All Other segment net revenues consist of sundry sales of miscellaneous services, tooling contracts and natural gas revenues from KIESC. In the three months ended June 28, 2018, All Other segment net revenues were \$1.5 million, an increase of \$0.6 million compared to the same period in the prior year.

Six Months Ended June 28, 2018 as Compared to Six Months Ended June 29, 2017

Net Revenues. Net revenues for the six months ended June 28, 2018 were \$3,573.0 million, an increase of \$52.8 million, or 1%, compared to net revenues of \$3,520.2 million for the same period in the prior year. Higher revenues were recorded for the Fuselage segment and lower revenues were recorded for the Propulsion Systems and Wing Systems segments during the first half of 2018 as compared to the same period in the prior year. The increase in net revenues was primarily due to higher production deliveries of the B737, B787, A350 XWB, and A320 programs, increased defense related activities, and higher revenues recognized on certain non-recurring Boeing programs, partially offset by lower production deliveries of the B777 and A380 programs, lower revenues recognized on the B787 program due to the adoption of ASC 606, and the absence of a litigation reserve reversed in the second quarter of 2017. Approximately 95% of Spirit's net revenues for the first half of 2018 came from our two largest customers, Boeing and Airbus.

Production deliveries to Boeing increased to 411 shipsets during the first half of 2018, compared to 386 shipsets delivered in the same period of the prior year, primarily driven by increased production on the B737 and B787 programs, partially offset by decreased production of the B777 program. Production deliveries to Airbus increased to 411 shipsets during the first half of 2018, compared to 400 shipsets delivered in the same period of the prior year, primarily driven by higher production of the A320 and A350 XWB programs, partially offset by lower A380 deliveries. Production deliveries of business/regional jet wing and wing components decreased to 42 shipsets during the first half of 2018, compared to 48 shipsets delivered in the same period of the prior year. In total, production deliveries increased by 4% to 864 shipsets during the first half of 2018, compared to 834 shipsets delivered in the same period of the prior year.

Gross Profit. Gross profit was \$514.8 million, or 14%, for the six months ended June 28, 2018, as compared to \$244.0 million, or 7%, for the same period in the prior year. The increase in gross profit was primarily driven by the absence of the \$352.8 million reach-forward loss recorded on the B787 program in the second quarter of 2017, partially offset by decreased production on the B777 program and lower margins recognized on the B737 program.

SG&A and Research and Development. SG&A expense was \$17.1 million higher for the six months ended June 28, 2018, compared to the same period in the prior year primarily due to costs incurred related to the anticipated purchase of Asco. Research and development expense was \$8.8 million higher for the six months ended June 28, 2018, compared to the same period in the prior year primarily due to more internal projects underway.

[Table of Contents](#)

Impact of Severe Weather Event. For the six months ended June 29, 2017, the Company recorded a \$19.9 million charge against operating income related to the aftermath of Hurricane Matthew, which caused the Company's Kinston, North Carolina site operations to temporarily shut down in the fourth quarter of 2016.

Operating Income. Operating income for the six months ended June 28, 2018 was \$377.1 million, an increase of \$264.8 million, or 236%, compared to operating income of \$112.3 million for the same period in the prior year. The increase in operating income was primarily due to the absence of net forward loss charges on the B787 program recorded in the second quarter of 2017 and the absence of expenses related to the severe weather event, partially offset by decreased production on the B777 program, lower margins recognized on the B737 program, and expenses related to the purchase of Asco.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the six months ended June 28, 2018 includes \$21.4 million of interest and fees paid or accrued in connection with long-term debt and \$11.4 million in amortization of deferred financing costs and original issue discount, compared to \$18.0 million of interest and fees paid or accrued in connection with long-term debt and \$1.7 million in amortization of deferred financing costs and original issue discount for the same period in the prior year. During the second quarter of 2018, we extinguished our \$300.0 million 2022 Notes through a tender offer and redemption. As a result, we recognized a loss on extinguishment of \$9.0 million.

Other (Expense) Income, net. Other expense for the six months ended June 28, 2018 was \$8.2 million, compared to Other income of \$21.2 million for the same period in the prior year. Other expense during 2018 was primarily driven by losses on foreign currency forward hedge contracts as the U.S. Dollar strengthened against the Euro and net losses on sales of receivables, partially offset by pension income.

Provision for Income Taxes. Our reported tax rate includes two principal components: an expected annual tax rate and discrete items resulting in additional provisions or benefits that are recorded in the quarter that an event arises. Events or items that could give rise to discrete recognition could include excess tax benefits in respect of share-based compensation, finalizing audit examinations for open tax years, statute of limitations expiration, or a change in tax law.

The income tax provision for the six months ended June 28, 2018 includes \$53.9 million for federal taxes, \$1.4 million for state taxes, and \$7.6 million for foreign taxes. The income tax provision for the six months ended June 29, 2017 includes \$17.0 million for federal taxes, \$0.5 million for state taxes, and \$11.5 million for foreign taxes. The effective tax rate for the six months ended June 28, 2018 was 18.9% as compared to 25.5% in 2017. The difference in the effective tax rate recorded for 2018 as compared to 2017 is related primarily to the enactment of the TCJA, including the reduction in the U.S. corporate federal income tax rate from 35% to 21% and the elimination of the domestic manufacturing deduction, offset by the proportional tax rate effects of lower pre-tax income in 2017. The decrease from the U.S. statutory tax rate is attributable primarily to the generation of state income tax and federal research tax credits, share based compensation excess tax benefit, and foreign tax rates lower than the U.S. rate, offset by estimated GILTI tax provisions. For additional information on the TCJA and GILTI tax, please see Note 18, *Income Taxes*, to our condensed consolidated financial statements included in Part I of this Quarterly Report.

Segments. The following table shows segment revenues and operating income for the six months ended June 28, 2018 and June 29, 2017:

	Six Months Ended	
	June 28, 2018	June 29, 2017
(\$ in millions)		
Segment Revenues		
Fuselage Systems	\$ 1,992.4	\$ 1,855.1
Propulsion Systems	817.2	842.8
Wing Systems	760.0	819.5
All Other	3.4	2.8
	<u>\$ 3,573.0</u>	<u>\$ 3,520.2</u>
Segment Operating Income		
Fuselage Systems ⁽¹⁾	\$ 282.9	\$ 61.2
Propulsion Systems ⁽¹⁾	127.7	111.0
Wing Systems ⁽¹⁾	107.5	85.6
All Other	(1.0)	(0.7)
	517.1	257.1
Corporate SG&A	(117.2)	(100.1)
Research and development	(20.5)	(11.7)
Unallocated cost of sales ⁽²⁾	(2.3)	(13.1)
Total operating income	<u>\$ 377.1</u>	<u>\$ 132.2</u>

(1) Prior period information has been reclassified as a result of the Company's adoption of ASU 2017-07 on a retrospective basis in 2018. In accordance with the adoption of this guidance, prior year amounts related to the components of net periodic pension and postretirement benefit cost other than service costs have been reclassified from cost of sales and selling, general and administrative expense to other income (expense) within the consolidated statement of operations for all periods presented. Accordingly, expenses of \$9.0, \$3.7, and \$3.7 on the Fuselage, Propulsion, and Wing Systems, respectively, were reclassified into segment operating income for the six months ended June 29, 2017.

(2) Includes \$1.1 million and \$1.7 million of warranty expense for the six months ended June 28, 2018 and June 29, 2017, respectively. Also includes a charge for excess purchases and purchase commitments of \$11.5 million for the six months ended June 29, 2017.

Fuselage Systems. Fuselage Systems segment net revenues for the six months ended June 28, 2018 were \$1,992.4 million, an increase of \$137.3 million, or 7%, compared to the same period in the prior year. The increase was primarily due to increased production on the B737, B787, and A350 XWB programs, increased defense related activities, and higher revenue recognized on certain non-recurring Boeing programs, partially offset by decreased deliveries on the B777, lower revenues recognized on the B787 program due to the adoption of ASC 606. Fuselage Systems segment operating margins were 14% for the six months ended June 28, 2018, compared to 3% for the same period in the prior year. The increase was primarily driven by the absence of a \$230.5 million reach-forward loss on the B787 program recognized in 2017 and increased margins recognized on the A350 XWB program due to the adoption of ASC 606, partially offset by decreased margins on the B737 and B777 programs. In the first half of 2018, the segment recorded net forward loss charges of \$1.5 million and unfavorable cumulative catch-up adjustments of \$2.5 million. In comparison, during the first half of 2017, the segment recorded net forward loss charges of \$237.6 million and favorable cumulative catch-up adjustments of \$3.3 million.

Propulsion Systems. Propulsion Systems segment net revenues for the six months ended June 28, 2018 were \$817.2 million, a decrease of \$25.6 million, or 3%, compared to the same period in the prior year. The decrease was primarily due to decreased deliveries on the B777 program, lower revenues recognized on certain non-recurring Boeing programs, and lower revenues recognized on the B787 program due to the adoption of ASC 606, partially offset by increased production on the B737 program. Propulsion Systems segment operating margins were 16% for the six months ended June 28, 2018, compared to 13% for the same period in the prior year. The increase in margins was primarily driven by the absence of a \$48.3 million reach-forward loss charge

[Table of Contents](#)

on the B787 program in 2017. In the first half of 2018, the segment recorded favorable cumulative catch-up adjustments of \$1.4 million and favorable changes in estimates on loss programs of \$0.8 million. In comparison, during the first half of 2017, the segment recorded \$48.0 million of net forward loss charges and favorable cumulative catch-up adjustments of \$3.8 million.

Wing Systems. Wing Systems segment net revenues for the six months ended June 28, 2018 were \$760.0 million, a decrease of \$59.5 million, or 7%, compared to the same period in the prior year. The decrease was primarily due to decreased deliveries on the B777 program and lower revenues recognized on the B787 programs due to the adoption of ASC 606, partially offset by higher B737 and A320 wing related activity. Wing Systems segment operating margins were 14% for the six months ended June 28, 2018, compared to 10% for the same period in the prior year, driven primarily by the absence of a \$74.0 million reach-forward loss charge recognized on the B787 program in 2017. In the first half of 2018, the segment recorded net forward loss charges of \$0.5 million and favorable cumulative catch-up adjustments of \$0.7 million. In comparison, during the first half of 2017, the segment recorded net forward loss charges of \$72.0 million and favorable cumulative catch-up adjustments of \$22.0.

All Other. All Other segment net revenues consist of sundry sales of miscellaneous services, tooling contracts and natural gas revenues from KIESC. In the six months ended June 28, 2018, All Other segment net revenues were \$3.4 million, an increase of \$0.6 million compared to the same period in the prior year. The All Other segment recorded (29)% operating margins for the six months ended June 28, 2018.

Liquidity and Capital Resources

We assess our liquidity in terms of our ability to generate cash to fund our operating, investing, and financing activities. Our principal source of liquidity is operating cash flows from continuing operations. We expend significant capital as we undertake new programs, meet increased production rates on certain mature and maturing programs, and develop new technologies for the next generation of aircraft, which may not be funded by our customers. In addition, other significant factors that affect our overall management of liquidity include: debt service, redemptions of debt, the ability to attract long-term capital at satisfactory terms, research and development, capital expenditures, share repurchases, dividend payments, and merger and acquisition activities. As described above, we have entered into the Purchase Agreement with respect to the acquisition of Asco for \$650.0 million. Further, in May 2018, the Company entered into the ASRs to repurchase in total \$725.0 million of the Company's class A common stock. We funded the ASRs with proceeds from the debt issuances executed during the second quarter of 2018 and will fund the acquisition of Asco through our 2018 Credit Agreement.

As of June 28, 2018, we had \$593.0 million of cash and cash equivalents on the balance sheet. In addition, we currently have \$800.0 million of available borrowing capacity under our 2018 Revolver. There were no borrowings or outstanding balances under our 2016 Revolver as of June 28, 2018.

We believe our future operating cash flows will be sufficient to meet our future operating cash needs. Further, we believe that our access to the 2018 Credit Agreement, and ability to obtain debt financing provides additional potential sources of liquidity as required or appropriate.

Cash Flows

The following table provides a summary of our cash flows for the three months ended June 28, 2018 and June 29, 2017:

	For the six months ended	
	June 28, 2018	June 29, 2017
	(\$ in millions)	
Net cash provided by operating activities	\$ 397.2	\$ 334.0
Net cash used in investing activities	(109.1)	(87.9)
Net cash used in financing activities	(23.0)	(246.1)
Effect of exchange rate change on cash and cash equivalents	0.2	3.6
Net increase in cash, cash equivalents and restricted cash for the period	265.3	3.6
Cash, cash equivalents, and restricted cash beginning of period	445.5	717.6
Cash, cash equivalents, and restricted cash, end of period	\$ 710.8	\$ 721.2

Six Months Ended June 28, 2018 as Compared to Six Months Ended June 29, 2017

Operating Activities. For the six months ended June 28, 2018, we had a net cash inflow of \$397.2 million from operating activities, an increase of \$63.2 million compared to a net cash inflow of \$334.0 million for the same period in the prior year. The increase in net cash provided by operating activities was primarily due to lower repayment of customer advances, partially offset by higher payments of annual employee bonuses.

Investing Activities. For the six months ended June 28, 2018, we had a net cash outflow of \$109.1 million for investing activities, an increase in outflow of \$21.2 million compared to a net cash outflow of \$87.9 million for the same period in the prior year. The increase in cash outflow is due to an increase in capital expenditures during the first six months of 2018.

Financing Activities. For the six months ended June 28, 2018, we had a net cash outflow of \$23.0 million for financing activities, a decrease in outflow of \$223.1 million, compared to a net cash outflow of \$246.1 million for the same period in the prior year. The decrease in net cash outflow is primarily due to the issuance of senior notes entered into during the second quarter 2018, which resulted in \$1,300.0 million proceeds from the issuance of debt, partially offset by \$479.0 payments on debt and debt issuance and financing costs. During the six months ended June 28, 2018, the Company repurchased 8,157,287 shares of its class A common stock for \$805.8 million, compared to 3,644,890 shares repurchased for \$207.6 million during the same period in the prior year. Additionally, during the six months ended June 28, 2018, the Company paid dividends of \$22.8 million to its stockholders of record, compared to dividends of \$24.0 million paid in the same period in the prior year.

Pension and Other Post-Retirement Benefit Obligations

Our U.S. pension plan remained fully funded at June 28, 2018 and we anticipate non-cash pension income for 2018 to remain at or near the same level as 2017. Our plan investments are broadly diversified and we do not anticipate a near-term requirement to make cash contributions to our U.S. pension plan. See Note 13, *Pension and Other Post-Retirement Benefits*, for more information on the Company's pension plans.

Interest Rate Swaps

On March 15, 2017, the Company entered into an interest rate swap agreement, with an effective date of March 31, 2017. The swaps have a notional value of \$250.0 million and fix the variable portion of the Company's floating rate debt at 1.815%. The fair value of the interest rate swaps was an asset of \$3.2 million as of June 28, 2018. For the six months ended June 28, 2018, the Company recorded a gain related to swap activity of \$1.8 million, compared to a loss of \$1.5 million during the same period in the prior year.

Foreign Currency Forward Contract

As described further in Note 24, *Asco Acquisition*, the Company and its wholly-owned subsidiary Spirit Belgium entered into the Purchase Agreement pursuant to which Spirit Belgium will purchase all of the issued and outstanding equity of Asco for \$650.0 million in cash, subject to certain customary closing adjustments, including foreign currency adjustments. As such, movements in the Euro exchange rates could cause the purchase price to fluctuate, affecting our cash flows.

To reduce the Company's exposure to currency exchange rate fluctuations, the Company entered into foreign currency forward contract. The objective of this contract is to minimize the impact of currency exchange rate movements on the Company's cash flows, however the Company has not designated this forward contract as a hedge and has not applied hedge accounting to it. During the second quarter of 2018, the Company entered into a foreign currency forward contract in the amount of \$580.0 million to reduce the Euro exchange rate exposure of the purchase of Asco. The fair value of the foreign currency forward contract, using Level 2 inputs, was a liability of \$21.5 million as of June 28, 2018. The Company recorded a loss related to foreign currency forward contract activity of \$21.5 million, for both the three and six months ended June 28, 2018.

Debt and Other Financing Arrangements

As of June 28, 2018, the outstanding balance of the 2016 Term Loan was \$206.3 million and the carrying value was \$205.4 million. On July 12, 2018, the Company replaced the 2016 Credit Agreement by executing the 2018 Credit Agreement.

On May 30, 2018, Spirit repurchased \$202.6 aggregate principal amount of its 2022 notes pursuant to the Tender Offer and redeemed the remaining 2022 Notes. Following the redemption on June 29, 2018, none of the 2022 Notes remain outstanding. The carrying value of the 2022 Notes was \$95.9 million as of June 28, 2018.

[Table of Contents](#)

On May 30, 2018, Spirit entered into an Indenture for the New Notes. The Notes were issued pursuant to the Company's shelf registration statement. The carrying value of the 2021 Notes, 2023 Notes, and 2028 Notes was \$298.2, \$297.7, and \$693.2 as of June 28, 2018, respectively.

The carrying value of the 2026 Notes was \$297.4 million as of June 28, 2018.

See Note 15, *Debt*, to our condensed consolidated financial statements included in Part I of this Quarterly Report for more information. See also Note 25, *Subsequent Events*, to our condensed consolidated financial statements included in Part I of this Quarterly Report for more information regarding our 2018 Credit Agreement.

Advances on the B787 Program. Boeing has made advance payments to Spirit under the B787 Supply Agreement that are required to be repaid to Boeing by way of offset against the purchase price for future shipset deliveries. As of June 28, 2018, the amount of advance payments received by us from Boeing under the B787 Supply Agreement and not yet repaid was approximately \$280.0 million.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

As a result of our operating and financing activities, we are exposed to various market risks that may affect our consolidated results of operations and financial position. These market risks include fluctuations in interest rates, which impact the amount of interest we must pay on our variable rate debt. In addition to other information set forth in this report, you should carefully consider the factors discussed in Item 7A. “Quantitative and Qualitative Disclosures About Market Risk” in our 2017 Form 10-K which could materially affect our business, financial condition or results of operations. There have been no material changes in our market risk since the filing of our 2017 Form 10-K.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of June 28, 2018 and have concluded that these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the SEC rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management of the Company, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

We have implemented changes to our processes, systems and controls with respect to the adoption of ASC 606. These changes included the development of policies and procedures, training, ongoing contract review requirements, internal management reports, controls related to information systems, and disclosures. There have not been any other significant changes in our internal control over financial reporting during the quarter ended or year ended June 28, 2018, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION**Item 1. Legal Proceedings**

Information regarding any recent material development relating to our legal proceedings since the filing of our 2017 Form 10-K is included in Note 20, *Commitments, Contingencies and Guarantees* to our condensed consolidated financial statements included in Part I of this Quarterly Report and incorporated herein by reference.

Item 1A. Risk Factors

In addition to other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors,” in our 2017 Form 10-K, as updated in our Form 10-Q for the first quarter of 2018, which could materially affect our business, financial condition, or results of operations. There have been no material changes to the Company’s risk factors previously disclosed in our 2017 Form 10-K, as updated in our Form 10-Q for the first quarter of 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

There were no sales of unregistered equity securities during the three months ended June 28, 2018.

The following table provides information about our repurchases during the three months ended June 28, 2018 of our class A common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

ISSUER PURCHASES OF EQUITY SECURITIES

Period ⁽¹⁾	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Repurchased Under the Plans or Programs ⁽²⁾
(\$ in millions other than per share amounts)				
March 30, 2018 - May 3, 2018	—	\$ —	—	\$ 925.0
May 4, 2018 - May 31, 2018	7,291,174	\$ 84.5200	7,291,174	\$ 200.0
June 1, 2018 - June 28, 2018	—	\$ —	—	\$ 200.0
Total	7,291,174	\$ 84.5200	7,291,174	\$ 200.0

- (1) Our fiscal months often differ from the calendar months except for the month of December, as our fiscal year ends on December 31. For example, March 1, 2018 was the last day of our February 2018 fiscal month.
- (2) On January 24, 2018, the Board of Directors increased the authorization remaining in the Company's share repurchase program to approximately \$1.0 billion. During the second quarter of 2018, the Company entered into the ASRs. Under the ASRs, the Company delivered a total of \$725.0 in cash to the third-party financial institutions and received a total of 7.3 million shares, which represented approximately 85% of the total common shares expected to be repurchased under the ASRs based on the closing price on the day the Company entered into the ASRs. The final number of shares to be repurchased and the final average price per share under the ASR agreement will depend on the volume-weighted average price of the Company’s class A common stock, less a discount, during the term of the agreement. Purchases under the ASRs are expected to be completed in the fourth quarter of 2018.

[Table of Contents](#)

Item 6. Exhibits

Article I. Exhibit Number	Section 1.01 Exhibit	Incorporated by Reference to the Following Documents
1.1	Underwriting Agreement, dated May 22, 2018, among Spirit AeroSystems, Inc., Spirit AeroSystems Holdings, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Goldman Sachs & Co. LLC, as the representatives of the several Underwriters named therein.	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 1.1
4.1	Indenture, dated as of May 30, 2018, among Spirit AeroSystems, Inc., Spirit AeroSystems Holdings, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee.	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.1
4.2	Form of Senior Floating Rate Note due 2021.	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.2
4.3	Form of 3.950% Senior Note due 2023.	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.3
4.4	Form of 4.600% Senior Note due 2028.	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.4
10.1††	Confirmation - Accelerated Share Repurchase Agreement, dated May 30, 2018, between Spirit AeroSystems Holdings, Inc. and Goldman Sachs & Co. LLC.*	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 10.1
10.2††	Confirmation - Accelerated Share Repurchase Agreement, dated May 30, 2018, between Spirit AeroSystems Holdings, Inc. and Morgan Stanley & Co. LLC.*	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 10.2
10.3	Sale and Purchase of Shares of S.R.I.F. NV, dated May 1, 2018, by and between Christian Boas, Emile Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA and Spirit AeroSystems Holdings, Inc.	*
10.4††	Amendment 35 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of April 18, 2018.	*
10.5††	Amendment 36 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of June 20, 2018.	*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.	*
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002.	*

Table of Contents

32.1	Certification of Chief Executive Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.	**
32.2	Certification of Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002.	**
101.INS@	XBRL Instance Document.	*
101.SCH@	XBRL Taxonomy Extension Schema Document.	*
101.CAL@	XBRL Taxonomy Extension Calculation Linkbase Document.	*
101.DEF@	XBRL Taxonomy Extension Definition Linkbase Document.	*
101.LAB@	XBRL Taxonomy Extension Label Linkbase Document.	*
101.PRE@	XBRL Taxonomy Extension Presentation Linkbase Document.	*
††	Indicates that portions of the exhibit have been omitted and separately filed with the Securities and Exchange Commission pursuant to a request for confidential treatment.	
*	Filed herewith.	
**	Furnished herewith.	

Signatures

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

SPIRIT AEROSYSTEMS HOLDINGS, INC.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Sanjay Kapoor</u> Sanjay Kapoor	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	August 1, 2018

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John Gilson</u> John Gilson	Vice President and Corporate Controller (Principal Accounting Officer)	August 1, 2018

Section 2: EX-10.3 (EXHIBIT 10.3)

EXHIBIT 10.3

**AGREEMENT FOR THE SALE AND PURCHASE
OF THE SHARES OF S.R.I.F. NV**

AMONG

Christian Boas

Emile Boas

Dreda general partnership under Belgian law

Sylvie Boas

as the Sellers

And

Spirit AeroSystems Belgium Holdings BVBA

as the Purchaser

And

Spirit AeroSystems Holdings, Inc.

as the Guarantor

May 1, 2018

1	Definition and Interpretation	4
2	Sale and Purchase	19
3	Purchase Price Mechanism	19
4	Conditions Precedent	23
5	Closing	26
6	Pre-Closing Covenant	28
7	Sellers' Warranties	32
8	Indemnification	33
9	Limitations on indemnification	36
10	Specific Indemnity	39
11	Third Party Claims	41
12	Purchaser's Warranties	43
13	Guarantee By Guarantor	45
14	Guarantor's Warranties	45
15	Non-Competition	46
16	Non-Disposal	47
17	Confidentiality	47
18	Sellers' Representative	49
19	Notices	49
20	Further Assurances	50
21	Assignments	50
22	Payments	51
23	Nature of the Obligations of the Sellers	51
24	Costs and Expenses	51
25	General Provisions	51
26	Governing Law and Competent Courts	53

THIS AGREEMENT is made on May 1, 2018

AMONG:

- (1) **Christian Boas**, having his domicile at xxx xx xxxxxx xx, xxxx xx xxxxx (xxxxxxx) ("**Christian Boas**"),
- (2) **Emile Boas**, having his domicile at xxxxxx xx xxxx xxxxxxxxxxx xxx,xxxx xxxxxxx (xxxxxx) ("**Emile Boas**"),
- (3) **DREDA**, a general partnership without legal personality under Belgian law, having its seat at xxxxxx xx xxx xxxxxxxxxxx xxx, xxxx xxxxxxxxxxxxxxxxxxxxxxx (xxxxxx), represented by Sylvie Boas ("**Dreda**"),
- (4) **Sylvie Boas**, having her domicile at xxxxxx xx xxx xxxxxxxxxxx xxx, xxxx xxxxxxxxxxxxxxxxxxxxxxx (xxxxxxx) ("**Sylvie Boas**"),

(each a "**Seller**" and together the "**Sellers**"); and

- (5) **Spirit AeroSystems Belgium Holdings BVBA**, a limited liability company incorporated under the laws of Belgium, having its registered office at Koningsstraat 97, 4th floor, 1000 Brussels, registered with the Crossroads Bank for Enterprises under number 0695.554.435 (the "**Purchaser**"), and
- (6) **Spirit AeroSystems Holdings, Inc.**, a Delaware corporation, having its corporate address at 3801 South Oliver, Wichita, Kansas 67210 (the "**Guarantor**").

Each referred to separately as a "**Party**" and jointly as the "**Parties**".

WHEREAS:

- (A) The Sellers are together the owners of all issued shares of S.R.I.F. NV, a Belgian public limited liability company, with registered office at Weiveldlaan 2, 1930 Zaventem (Belgium), registered with the Crossroads Bank of Enterprises under number 0439.623.596 ("**S.R.I.F.**" or the "**Company**").
- (B) The Sellers wish to sell and the Purchaser wishes to purchase all 3,687 ordinary shares carrying voting rights of the Company (the "**Shares**") on the terms and subject to the conditions set out in this Agreement.
- (C) The Guarantor is the ultimate holding company of the Purchaser and has agreed to guarantee the obligations of the Purchaser under this Agreement.

THE PARTIES HAVE AGREED AS FOLLOWS:

1 Definition and Interpretation

1. In this Agreement:

Affiliate means any person related to (“*verbonden met*” / “*liée à*”) another person within the meaning of section 11 of the Belgian Companies Code (“*Wetboek van Vennootschappen*” / “*Code des Sociétés*”);

Agreed Enterprise Value has the meaning set out in Clause 3.2, and amounts to USD 650,000,000;

Agreement means this agreement including its schedules, annexes and exhibits;

Annual Accounts means the consolidated and audited annual accounts of the Company for the financial year ending on 31 December 2017;

Annual Accounts Date means 31 December 2017;

Antitrust Laws means all laws and orders that are designed or intended to prohibit, restrict or regulate actions having the purpose or effect of monopolisation or restraint of trade or lessening of competition through merger or acquisition, whether in the United States, the European Union or elsewhere;

Antitrust Violations has the meaning set out in title 20.5 of Schedule 2;

Applicable Anti-Corruption Laws means, to the extent applicable to any Group Company, (i) the provisions of the U.S. Foreign Corrupt Practices Act of 1977, as amended (15 U.S.C. § 78dd1 et seq.), (ii) sections 108e, 261, 298-301, 331-336 of the German Penal Code (*Strafgesetzbuch*), the provisions of the German Act on Combating International Bribery (*Gesetz zur Bekämpfung internationaler Bestechung*) as well as the German Anti-Money Laundering Act (*Gesetz über das Aufspüren von Gewinnen aus schweren Straftaten - Geldwäschegesetz*), (iii) the *Corruption of Foreign Public Officials Act* (Canada), *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada); (iv) sections 246 to 252 and sections 504bis, 504ter and 505 of the Belgian Criminal Code as well as section 16bis of the Belgian Act of 4 July 1989 on the financing of political parties and the Belgian Anti-Money Laundering Act of 11 January 1993, and (v) the provisions of all other anti-bribery, anti-corruption and anti-money laundering Laws of each jurisdiction in which the Group Companies operate or have operated;

Asco Brazil has the meaning set out in Clause 4.2.2;

Basket has the meaning set out in Clause 9.2.2;

Benefit Plan means any benefit or compensation plan, program, policy, practice, agreement, contract, arrangement or other obligation, whether or not in writing and whether or not funded, in each case, maintained for, available to or otherwise relating to any former or current employees, independent consultants, directors or officers of the Group Companies, or any spouses, dependents or survivors of any former or current employee, independent consultants, director or officer of the Group Companies, which is sponsored or maintained by, or required to be contributed to, or with respect to which any actual or potential liability is borne by any of the Group Companies;

Best Estimate has the meaning set out in Clause 3.3.1;

Breach has the meaning set out in Clause 8.1;

Business has the meaning set out in Clause 15.1.1;

Business Day means a day (other than a Saturday or Sunday or official public holiday in Belgium) on which banks are generally open in Belgium and the United States of America for normal business;

Claim has the meaning set out in Clause 8.2;

Claim Notice has the meaning set out in Clause 8.3;

Claim Response has the meaning set out in Clause 8.4;

Closing means completion of the sale and purchase of the Shares in accordance with this Agreement;

Closing Accounts has the meaning set out in Clause 3.3.2;

Closing Date means the date of Closing;

Code means the United States Internal Revenue Code of 1986, as amended;

Commercially Reasonable Efforts means efforts that a person desirous of achieving a result would reasonably use in similar circumstances to try to achieve that result; provided, however, that Commercially Reasonable Efforts shall not be deemed to require a person to undertake extraordinary or unreasonable measures, including the payment of amounts in excess of normal to undertake from a commercial point of view in the context of the Transaction or the envisaged result;

Companies Code means the Belgian companies code dated 7 May 1999;

Company or **S.R.I.F.** has the meaning set out in recital (A);

Company Permits means all material permits, licenses, certifications, approvals, registrations, consents, authorizations, franchises, variances, exemptions and orders issued or granted by a Regulatory Authority that are required for the operation of the Business as presently conducted, including those required pursuant to Environmental Law;

Competition Condition has the meaning set out in Clause 4.1.2;

Conditions Precedent has the meaning set out in Clause 4.2;

Confidential Information means any non-public information pertaining to or concerning the Business, the Group Companies, the Sellers, the Purchaser's Group or their respective Affiliates, including all budgets, forecasts, analyses, financial results, costs, processes, drawings, blueprints, margins, wages and salaries, business opportunities and other business activities, all supplier and customer lists, price lists, all non-public Intellectual Property Rights, including trade secrets, unfiled patents, technical expertise and know how, documentation, including standard terms and agreements and all other information which, by its nature, or by the nature of the circumstances surrounding its disclosure, ought in good faith to be treated as confidential, except that, "Confidential Information" does not include information that: (i) is or was independently developed by a Party or its representatives without the use of any Confidential Information; (ii) is publicly available, other than as a result of a disclosure in contravention of this Agreement (except that where any part of such information is publicly available, but a compilation of information which includes such part is not publicly available, then such compilation will not be treated as being publicly available and will be treated as Confidential Information under this Agreement); and (iii) is made available to a Party or its representatives on a non-confidential basis from a third party;

Confidentiality Agreement has the meaning set out in Clause 25.7;

Damages means any damage ("*schade*" / "*dommages*") giving rise to indemnification in accordance with sections 1149 to 1153 of the Belgian Civil Code ("*Burgerlijk Wetboek*" / "*Code Civil*"), including, for the avoidance of doubt, any reasonable legal fees;

Data Room means the electronic data room managed by Intralinks under the name 'Albatross', including any sections the access to which may have been restricted to certain selected representatives of the Purchaser only (i.e., the ordinary clean room and the extraordinary clean rooms) and including the documents attached in Schedule 3;

De Minimis shall mean an economic impact of less than USD 2,000,000 on the value of the Group on a standalone basis or on Guarantor or any of its subsidiaries on a standalone basis, excluding for the avoidance of doubt, any loss of synergies envisaged by the Purchaser to the Purchaser's Group;

Disclosed Information has the meaning set out in Clause 7.6;

Due Diligence Investigation has the meaning set out in Clause 7.5;

Employees means any of the employees of the Group;

Encumbrance means any pledges, security interests, liens, encumbrances, mortgages, usufructs, options or other restrictions to sell;

Environment means the air, indoor air space, all layers of the atmosphere, surface water, underground water, any land or underground space, all living organisms and the interacting natural systems that include components of air, land, water, organic and inorganic matters and living organisms;

Environmental Law means any Law (including common law) relating to the protection or enhancement of the Environment or human health and safety;

Equity Rights has the meaning set out in title 3.2 of Schedule 2;

Escrow Account means the account of the Escrow Agent on which the Escrow Amount is deposited and blocked;

Escrow Agent means the Belgian credit institution appointed as escrow agent in the Escrow Agreement;

Escrow Agreement means the agreement in agreed form attached as Schedule 9 (save for any comments to be made by the Escrow Agent, to be acceptable to all Parties, such consent not to be unreasonably withheld) to be entered into among the Parties and the Escrow Agent on the Closing Date governing the payment in escrow and release of the Escrow Amount and of the Holdback Amount into and from the account of the Escrow Agent;

Escrow Amount means the amount of USD 60,000,000 (USD sixty million) paid in escrow into the account of the Escrow Agent pursuant to the Escrow Agreement;

Existing Operational Hedges means the Group's hedging arrangements existing at the Signing Date set out in Schedule 13.

Fairly Disclosed means disclosed to the Purchaser to the extent only that the relevant information is sufficiently explicit and detailed to allow a professional purchaser with expertise in the aircraft components industry assisted by its professional advisors to understand whether the Sellers' Representations and Warranties are entirely true and accurate and to make an informed assessment of the nature and scope of the matter disclosed;

Final Purchase Price has the meaning set out in Clause 3.1;

Government Bid means any offer, quotation, bid or proposal to sell products or services offered by any Group Company to any Regulatory Authority or any prime contractor of any Regulatory Authority or any higher-tier subcontractor of any prime contractor of a Regulatory Authority before the Closing Date that, if accepted, would result in a Government Contract;

Government Contract means any contract, including any prime contract, subcontract, facility contract, teaming agreement or arrangement, joint venture agreement, basic ordering agreement, pricing agreement, letter contract, purchase order, delivery order, task order or other contractual arrangement of any kind, as modified by binding modification or change orders, between any Group Company and (i) any Regulatory Authority (acting on its own behalf or on behalf of another country or international organization), (ii) any prime contractor of any Regulatory Authority, or (iii) any subcontractor (at any tier) to any Group Company with respect to any contract of a type described in clauses (i) or (ii) above. For purposes of clarity, a task order, purchase order or delivery order issued pursuant to a Government Contract will be considered a part of the Government Contract to which it relates;

Government Official means any official, officer, employee, or representative of, or any person acting in an official capacity for or on behalf of, any Regulatory Authority, and includes any official or employee of any entity directly or indirectly 50% or more owned or controlled by any Regulatory Authority, and any officer or employee of a public international organization;

Governmental Order means any order, judgment, injunction, decree, writ, stipulation, determination or award, in each case, entered by or with any Regulatory Authority;

Group or Group Companies means (i) the Company, (ii) Asco Industries NV, and its (direct and indirect) subsidiaries Asco Finance USA NV, Asco Aero Industries NV (merged by acquisition by Asco Industries NV as of 3 April 2017), Asco Deutschland GmbH, Asco Industries USA Inc., Asco Design Center USA Inc., Asco Aerospace USA LLC, SREC LLC, Asco Aerospace Canada Ltd., (iii) Flabel Corporation NV, Belairbus NV, (iv) Asco Management NV, and (v) Immobilière Asco NV, and its subsidiaries Asco Real Estate Canada Ltd. and Asco Real Estate USA Inc.;

Guaranteed Exchange Rate means the average of the USD/EUR exchange spot rate at close of business on the last three (3) Business Days before the Signing Date as published on the website of the European Central Bank, i.e. 0.8261;

Hazardous Substance means any material or substance regulated pursuant to any Environmental Law due to a potential for causing harm to health, safety or the environment, including any substance or material that is defined or deemed to be “hazardous”, “toxic”, “deleterious”, “caustic”, “dangerous”, a “contaminant”, a “waste”, a “source of contamination” or a “pollutant” under any Environmental Law, and includes any breakdown or related substances;

Holdback Amount means the amount of USD 7,000,000 (USD seven million) paid in escrow into the account of the Escrow Agent pursuant to the Escrow Agreement;

Independent Auditor has the meaning set out in Clause 3.4;

Information Memorandum means the information memorandum dated 22 March 2018 provided by the Sellers and Lazard as included in Schedule 3;

Initial Purchase Price has the meaning set out in Clause 3.2;

Insurance Policies has the meaning set out in title 19.1 of Schedule 2;

Intellectual Property Rights means all rights anywhere in the world in or to: (i) trademarks, service marks, brand names, certification marks, collective marks, d/b/a's, logos, symbols, trade dress, trade names, and other indicia of origin, all applications and registrations for the foregoing, and all goodwill associated therewith and symbolized thereby, including all renewals of the same; (ii) patents, patent applications, registrations and invention disclosures, including divisionals, revisions, supplementary protection certificates, continuations, continuations-in-part, renewals, extensions, substitutes, re-issues and re-examinations; (iii) confidential or proprietary trade secrets, inventions, discoveries, ideas, improvements, information, know-how, data and databases, including processes, schematics, business methods, formulae, drawings, specifications, prototypes, models, designs, customer lists and supplier lists; (iv) published and unpublished works of authorship, whether copyrightable or not (including Software, website and mobile content, data, databases and other compilations of information), copyrights therein and thereto, and registrations and applications therefor, and all renewals, extensions, restorations and reversions thereof; and (v) Internet domain names and URLs; and (vi) all other intellectual property, industrial or proprietary rights;

IT Assets means technology devices, computers, computer programs, applications, middleware, firmware, microcode or other software (whether in source code or object code or other format), servers, networks, workstations, routers, hubs, circuits, switches, data communications lines, and all other information technology equipment, and all data stored therein or processed thereby, and all associated documentation;

Law means any laws (including the common law), regulations, by-laws, regulatory constraints, obligations or rules (including binding codes of conduct, binding guidelines, binding policies and binding statements of principle incorporated and contained in such rules), orders, judgments, and directives of any Regulatory Authority applicable to, as the case may be, a Seller, a Seller's Affiliates, the Purchaser, the Purchaser's Affiliates, the Company, the relevant Group Company or to the existence or operation of this Agreement;

Long Stop Date means April 1, 2019;

Material Contracts means all contracts with an annual value of more than EUR 250,000 (two hundred and fifty thousand euro) or more than USD 310,000 (three hundred and ten thousand US dollar) depending on the currency of the contract;

Material Adverse Change means any change, development, circumstance, fact or effect that, individually or taken together with any other changes, developments, circumstances, facts or effects is, or would reasonably be expected to be, materially adverse to the condition (financial or otherwise), assets, liabilities (current or future), business operations or operational results of the Group, excluding, however, in each case any change, development, circumstance, fact or effect arising out of or resulting from:

- (i) changes in general economic, financial, political or social conditions or climate in any geographic region in which the Group is active;
- (ii) changes that affect the market or industry in which the Group is active, as a whole;
- (iii) changes to any foreign exchange rates;
- (iv) changes in any applicable Law, or a modification by the competent Regulatory Authority of their current methodology in applying such Law or changes in generally accepted accounting principles pursuant to which the Group is required to change its accounting policies or practices;
- (v) any failure of the Group to meet any (published or internally prepared) projections, budgets, plans or forecasts of earnings, revenues or other financial performance measures or operating statistics (regardless of whether such projections, budgets, plans or forecasts were made by the Sellers or independent third parties, but for the avoidance of doubt not excluding the underlying cause of such failure);
- (vi) any act or omission requested by the Purchaser or otherwise approved in writing by the Purchaser,

unless, in case (i) and (ii) above, such changes disproportionately affect the financial condition, business operations, assets, liabilities or operational results of the Group as compared to other companies active in the same industry as the Group;

Net Debt means the sum of the following elements from the consolidated and audited annual accounts of the Company for the accounting period ending at Closing:

- a) Long-term financial debt (statutory accounts - Code 170/4);
- b) Part of the long-term debts falling due within one year (statutory accounts - Code 42) but excluding the short term portion of advances (statutory subaccounts 426);
- c) Short term financial debts (statutory accounts - Code 43);

- d) The debt-like component, reported on the Closing Accounts, as agreed between the Parties:
- i. **Unpaid dividends** - Any outstanding dividend liability at Closing, if any, payable to a shareholder other than a Group Company, is considered as a debt-like component. For the avoidance of doubt, at year-end, these are usually recorded under the following accounts:
 - Legal entity: Asco Industries NV - *statutory account #480000*
 - Legal entity: SRIF NV - *statutory account #471001*
 - ii. **Corporate taxes payable** - Any accruals for corporate income taxes (CIT), as reported under statutory accounts 450 are considered as a debt-like component. In case, any of the Group Companies' performed advance payments (statutory account 412) should be deducted from the debt-like components. *For the avoidance of doubt, this should include (at least) the corporate income tax for (i) FY17, (ii) the period from 1 January 2018 to Closing as well as (iii) any other corporate income taxes that would be notified to the Company before closing.*
 - iii. **Accrued interests** - Any accrued interest (payables) on long- and short-term financing, as considered above, as reported under statutory accounts 492. At legal entity level, these are usually reported under the following local accounts:
 - Asco Industries NV: accounts #492020, # 492052, #492064, #492300, #492310 and #492400
 - Asco Aerospace Canada Ltd: account #2153
 - iv. **(Net) provision for pension and pre-pension** - Provision for Belgian and German (pre-) pension, as reported under statutory codes 165 (liability) and 285 (asset) are considered as a debt-like component. At legal entity level, these are usually reported under the following local accounts:
 - Asco Industries NV: account #160001 and #160003
 - Asco Deutschland GmbH: account #951 and #1357
 - v. **Provision for severance payments** - Any outstanding liability with respect to severance payment is considered as a debt-like component. Such provisions are usually recorded under statutory accounts 165.
 - vi. **Unpaid transaction costs** - Any outstanding payable with respect to the Transaction, such as advisors' remuneration, legal expenses, Transaction bonus but excluding potential changes in control fees are to be considered as a debt-like component.

vii. **Overtime provision (in Belgium)** - The historical overtime provision for both blue and white workers is considered as a debt-like component. At legal entity level, these are usually reported under the following local accounts:

- Asco Industries NV: account #459620 and #459630

Altogether, the above items are referred to as the **Debt-Like Adjustments**

Less

- e) Cash deposit and investment (Codes 50 and 51/53);
- f) Cash and cash equivalents (codes 54/58);
- g) The cash-like items, reported in the Closing Accounts, as agreed between the Parties:
- viii. **Accrued interests** - Any accrued interest (receivable - if any) on cash and cash equivalent, as considered above, and as reported under statutory accounts #490/491. At legal entity level, these are usually reported under the following local accounts:
- Asco Industries NV: account #414001, #414012 and #414300

Altogether, the above items are referred to as the **Cash-Like Adjustments**

In addition to the above, the Parties have agreed to consider the following elements as debt- and/or cash-like at Closing. For the avoidance of doubt, these elements are the result of a negotiation and are not accounted for in the audited consolidated financial statements for the year 2017.

Each of the above items or elements shall be calculated in accordance with Belgian GAAP, applied consistently in accordance with prior years.

- h) Elements of negotiation between Parties:
- ix. **Employee related liabilities** - The Purchaser is of the opinion, on the basis of its own analysis, that some employee related liabilities that are not accounted for in the Group Companies balance sheet, should have been accounted for in accordance with US GAAP, such as: seniority days in Belgium, additional German pension plan, German jubilee plan, Belgian jubilee plan and Belgian pension plan. The Purchaser and the Sellers have negotiated a lump-sum amount of EUR 6,500,000 (six million five hundred thousand euros) to cover these. If, in accordance with Belgian GAAP, the Belgian pension plan liability would exceed EUR 400,000 (four hundred thousand euros), the excess of liability would be added to this lump sum amount for purposes of calculating the Net Debt. *For the avoidance of doubt, this adjustment results in a negative adjustment to the Initial Purchase Price (i.e., debt-like component).*

- x. **Value of the Existing Operational Hedges** - The Parties have agreed to consider 50% of the Value of the Existing Operational Hedges as a price adjustment. *For the avoidance of doubt, and given the uncertainty about the evolution of the foreign exchange rate, this element will impact on the Initial Purchase Price as follows:*
- Any upward adjustment in case the Value of the Existing Operational Hedges would be positive (i.e., cash-like);
 - Any downward adjustment in case the Value of the Existing Operational Hedges would be negative (i.e., debt-like).
- xi. **Break up fee** - The parties have agreed that at or immediately following Closing, the Purchaser is entitled to repay outstanding indebtedness of the Group towards financial institutions and any outstanding financial instruments listed in Schedule 5, and that make-whole amounts incurred in connection with such repayment will be treated as a debt-like component up to a maximum amount of EUR 3,304,400 (three million three hundred four thousand four hundred euros), to be decreased by the related tax effect. *For the avoidance of doubt, this adjustment results in a negative adjustment to the Initial Purchase Price.*

Altogether, the above items are referred to as the **Negotiated Adjustments**

For illustrative purposes, the calculation of Net Debt based on the consolidated and audited annual accounts of the Company for the financial year ending on 31 December 2017 is included in Schedule 6;

Net Working Capital the sum of the following elements from the consolidated and audited annual accounts of the Company for the accounting period ending at Closing:

- a) Inventory (statutory accounts - codes 30/37);
- b) Trade receivables (statutory accounts - code 40);
- c) Other receivables - long-term (statutory accounts - code 29);
- d) Other receivables - short-term (statutory accounts - code 41);
- e) Deferred charges and accrued income (statutory accounts - code 490/1);

Less

- f) Long-term portion of advances received (statutory subaccount 176);
- g) Short-term portion of advances received (statutory subaccount 426);
- h) Trade payables (statutory accounts - code 44)
- i) Taxes related balances (statutory subaccount 450/3);
- j) Payroll accruals (statutory subaccount 454/9);
- k) Other liabilities (statutory accounts - code 47/48);

Altogether, the above elements from a) to k) represents the reported Net Working Capital. The latter should be adjusted for by the following elements to determine the Net Working Capital:

- l) Any of the Cash-Like Adjustments and Debt-Like Adjustments set out in Schedule 6;
- m) Elements of negotiation between Parties
 - i. **Provision LT Services** - The Parties agreed to exclude the provision for long-term services from the Net Working Capital calculation. At legal entity level, these are usually reported under the following local accounts
 - Asco Industries NV: account #492024
 - ii. **LT receivable A380** - The Parties agreed to exclude the long-term receivable for A380 from the Net Working Capital calculation. At legal entity level, these are usually reported under the following local accounts:
 - Asco Industries NV: account #291022

Each of the above items or elements shall be calculated in accordance with *Belgian GAAP, applied consistently in accordance with prior years.*

For illustrative purposes, the calculation of Net Working Capital based on the consolidated and audited annual accounts of the Company for the financial year ending on 31 December 2017 is included in Schedule 7;

Net Working Capital Ceiling means EUR 49,000,000 (forty nine million Euro);

Net Working Capital Floor means EUR 45,000,000 (forty five million Euro);

Non-VDR USB Sticks has the meaning set out in Schedule 3;

NMTC Loan Agreement means the Loan Agreement, dated as of June 26, 2013, among Asco Aerospace USA, LLC, MF Stillwater, LLC and REI New Markets Investment, LLC, on behalf of Series FF;

Organizational Documents means articles of association and by-laws or comparable governing documents, each as amended to the date hereof;

OVAM has the meaning set out in Clause 10;

Objection has the meaning set out in Clause 3.3.3;

Personal Information means the type of information collected, used or disclosed by the Group Companies, including information such as an individual's name, address, age, gender, identification number, income, family status, citizenship, employment, assets, liabilities, source of funds, payment records, credit information, personal references and health records, but does not include the name, title or business address or telephone number of an employee;

Price Adjustment has the meaning set out in Clause 3.3;

Proceeding means any action, suit, claim, litigation, arbitration, proceeding (including any civil, criminal, administrative or appellate proceeding), hearing, investigation or public inquiry commenced, brought, conducted or heard by or before, or otherwise involving, any arbitrator, arbitration panel, court or other Regulatory Authority;

Purchaser's Closing Obligations has the meaning set out in Clause 5.3;

Purchaser's Group means the Purchaser and any persons and companies that are affiliated persons and entities ("*verbonden personen*" and "*verbonden vennootschappen*") of the Purchaser within the meaning of section 11 of the Companies Code (including after Closing);

Purchasers' Representations and Warranties has the meaning set out in Clause 12.1;

Registered IP means any Intellectual Property Rights that are issued by, registered with, renewed by or the subject of a pending application before any governmental or administrative authority or Internet domain name registrar;

Regulatory Authority means any supranational, national, state, regional or local government (including any subdivision, court, administrative agency, commission or other authority thereof) or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority;

Resigning Directors means (i) the directors of the Group Companies and (ii) the members of any strategic committee, any audit committee or any finance committee of any of the Group Companies to the extent that they are not employees of any of the Group Companies, including their respective Affiliated companies that have entered into a service agreement with any of the Group Companies, that are set out in Schedule 8;

Resigning Officers means (i) the directors of any of the Group Companies that are also employees of any of the Group Companies, (ii) the officers of the Group Companies and (iii) the members of any executive committee, any management committee, any finance committee and any retirement plan committee of any of the Group Companies, that are set out in Schedule 8;

Response Period has the meaning set out in Clause 8.4;

Resolution Period has the meaning set out in Clause 3.3.3;

Rules has the meaning set out in Clause 26.2;

Sanctioned Person means (i) any person identified in any list of sanctioned persons maintained by or (a) the European Union, (b) the United States Department of Treasury, Office of Foreign Assets Control, the United States Department of Commerce, Bureau of Industry and Security, or the United States Department of State, (c) Her Majesty's Treasury of the United Kingdom, (d) Global Affairs Canada or (e) any committee of the United Nations Security Council, (ii) a Regulatory Authority of any country subject to Sanctions, and (iii) any person controlled by, or acting on behalf of, a person described in clauses (i) or (ii);

Sanctions means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by or (i) the European Union, (ii) the United States Department of Treasury, Office of Foreign Assets Control, the United States Department of Commerce, Bureau of Industry and Security, or the United States Department of State, (iii) Her Majesty's Treasury of the United Kingdom, (iv) Global Affairs Canada or (v) any committee of the United Nations Security Council;

Sellers' Closing Obligations has the meaning set out in Clause 5.2;

Sellers' Knowledge has the meaning set out in Schedule 2;

Sellers' Representations and Warranties means the representations and warranties on the part of the Sellers contained in Schedule 2;

Sellers' Representative has the meaning set out in Clause 17.5;

Senior Employee means any person that exercises any of the following functions in any Group Company: Chief Financial Officer; Chief Commercial Officer; Chief Operational Officer; Chief Technical Officer; Chief Human Resources Officer; Technology Director; Lean

Director; Global HSE Director; Plant Director; HR Adm & Pers Relations Director; Risk, tax & compliance Director; Industrial Development Director; Quality Assurance Director; Business Deployment Director; Chief Engineer & DO Director; Commercial Director; Director Program Management; General Manager & Vice President Asco Aerospace Canada Ltd.; Controlling Director; Special Projects Director; Infrastructure & Investment Director; IT Director;

Shares has the meaning set out in recital (B);

Significant Customer has the meaning set out in title 17 of Schedule 2;

Significant Supplier has the meaning set out in title 17 of Schedule 2;

Signing Date means the date of execution of this Agreement;

Software means any computer program, application, middleware, firmware, microcode and other software, including operating systems, software implementations of algorithms, models and methodologies, in each case, whether in source code, object code or other form or format, including libraries, subroutines and other components thereof, and all documentation relating thereto;

Specific Indemnities has the meaning set out in Clause 10.1;

Spot Exchange Rate means, with respect to any Damages for which the Purchaser submits a Claim Notice pursuant to Clause 8.3 or Clause 10.2, the average of the USD/EUR exchange spot rate at close of business on the last three (3) Business Days prior to the date on which Sellers' indemnification obligations with respect to such Claim Notice are finally determined, as published on the website of the European Central Bank (save for purposes of Clause 9.2.1 where the calculation date shall be the date on which the Damage is deemed to have been incurred by the Purchaser and/or the Group Companies);

Tax means any direct or indirect taxes and social security charges, in each case, including applicable interest and penalties, which any of the Group Companies is required to pay, withhold or collect, including any income taxes, capital gains taxes, real property taxes, stamp duties, V.A.T., excise taxes, employee withholding taxes and social security;

Tax Return means all tax returns, declarations, statements, reports, schedules, tax slips, forms and information returns and any amended tax return related to Taxes filed or required to be filed in any jurisdiction;

Tax Savings has the meaning set out in Clause 9.8.3;

Tax Warranties means the Sellers' Representations and Warranties set out in title 11 of Schedule 2;

Title Warranties means the Sellers' Representations and Warranties set out in title 3 of Schedule 2;

Transaction means the sale of the Shares by the Sellers to the Purchaser;

Transaction Documents means this Agreement (including its Schedules and Annexes) and the Escrow Agreement;

USB Sticks has the meaning set out in Schedule 3;

Value of the Existing Operational Hedges means the mark-to-market value at Closing of the Existing Operational Hedges remaining at Closing as communicated to the Group Companies by the financial institutions that operate as counterparties to the Group Companies with respect to the Existing Operational Hedges, excluding, for the avoidance of doubt, Existing Operational Hedges expired between Signing and Closing and new operational hedges entered into between Signing and Closing;

VDR Main Room USB Sticks has the meaning set out in Schedule 3;

VDR Clean Rooms USB Sticks has the meaning set out in Schedule 3.

- 1.1 Where in this Agreement a Dutch or French term is given in italics or in italics and in brackets after an English term and there is any inconsistency between the Dutch or French and the English, the meaning of the Dutch or French term shall prevail.
- 1.2 References to EUR mean the Euro currency. References to USD mean the US Dollar currency.
- 1.3 All periods of time set out in this Agreement shall be calculated from midnight to midnight in Belgium. They shall start on the day following the day on which the event triggering the relevant period of time has occurred. The expiration date shall be included in the period of time. If the expiration date is not a Business Day, the expiration date shall be postponed until the next Business Day. Unless otherwise provided herein, all periods of time shall be calculated in calendar days.
- 1.4 Article, clause, schedule and annex headings and captions are for convenience only and shall not affect or limit the construction or interpretation of this Agreement.
- 1.5 A reference in this Agreement to a person shall include any individual, company, corporation, firm, government, state or agency of a state or any association, trust or partnership (whether or not having legal personality).
- 1.6 A reference in this Agreement to a company shall be construed so as to include any company, corporation or other body corporate or other legal entity, wherever and however incorporated or established, and shall include any legal entity or entities into

which such company may be merged by means of a statutory merger or into which it may be split by means of a statutory de-merger.

- 1.7 A reference in this Agreement to the singular shall, unless the context otherwise requires, include a reference to the plural and vice versa.
- 1.8 The words include, including and all forms and derivations thereof shall mean including but not limited to.
- 1.9 When the words shall cause or shall procure that (or any similar expression or any derivations thereof) are used, the Parties refer to the Belgian legal concept of *sterkmaking / porte-fort* but this shall also include a guarantee by the relevant party of the due and timely performance of all actions, agreements and obligations to be performed by the relevant third party under the terms and conditions of this Agreement.

2 Sale and Purchase

- 2.1 On the terms and subject to the conditions of this Agreement, each Seller hereby sells and the Purchaser hereby purchases the Shares set opposite each Seller's name in Schedule 1.
- 2.2 The Shares are sold free from any Encumbrances and together with all rights attaching thereto, including all rights to dividends relating to the current accounting year.
- 2.3 The ownership of the Shares will be transferred to the Purchaser on Closing against payment of the Final Purchase Price in accordance with Clause 3.

3 Purchase Price Mechanism

3.1 Final Purchase Price

The purchase price for the Shares shall be equal to the Initial Purchase Price calculated in accordance with Clause 3.2, adjusted, as the case may be, with the amount of the Price Adjustment in accordance with Clause 3.3 (as so adjusted, the Final Purchase Price).

3.2 Initial Purchase Price

The initial purchase price for the Shares amounts to USD 650,000,000 (six hundred and fifty million US dollar), reflecting the Agreed Enterprise Value on a fully consolidated basis (the Initial Purchase Price).

3.3 Price Adjustment

3.3.1 The Initial Purchase Price will be adjusted based on the Closing Accounts, as follows (the Price Adjustment):

- the Initial Purchase Price will be decreased by an amount equal to the Net Debt, converted into USD at the Guaranteed Exchange Rate;
- If the amount of Net Working Capital as at Closing exceeds the Net Working Capital Ceiling, the Initial Purchase Price will be increased by an amount equal to such excess, converted into USD at the Guaranteed Exchange Rate; and
- If the amount of Net Working Capital as at Closing is lower than the Net Working Capital Floor, the Initial Purchase Price will be decreased by an amount equal to such shortfall, converted into USD at the Guaranteed Exchange Rate;

provided that the Initial Purchase Price shall be preliminarily adjusted on the Closing Date based on the pre-Closing best estimate of the Sellers of the Closing Accounts using the best estimates of balance sheet amounts using the most recently available balance sheet prior to the Closing Date (including for the avoidance of doubt the year-end adjustments that would be included if the Closing Date were a fiscal year-end) as a starting point for the analysis (the Best Estimate), acting reasonably, of the amounts set forth in Clause 3.3.1 and will be further adjusted post-Closing based on the amounts set forth in Clause 3.3.1 as at the Closing Date in accordance with Clause 3.3.2 based on the Closing Accounts with respect to such amounts. The Sellers will provide a draft of the Best Estimate five (5) Business Days prior to Closing and take into consideration all reasonable comments of the Purchaser prior to Closing. All underlying calculations shall be made in EUR; the resulting adjustments to Net Debt or Net Working Capital, if any, shall be expressed in USD using the Guaranteed Exchange Rate.

Both the Best Estimate and any amounts payable further to Clause 3.3.4 shall be payable to the Sellers in Euro and the USD amounts determined further to this Clause 3 shall for such purposes be converted into EUR at the Guaranteed Exchange Rate, save for the Holdback Amount and the Escrow Amount which will be paid to the Escrow Agent in USD.

3.3.2 Within ninety (90) days of the Closing Date, the Purchaser shall cause to be prepared an audited consolidated balance sheet of the Company (including, for the avoidance of doubt, the year-end adjustments that would be included if the Closing Date were a fiscal year-end) as at Closing (without taking into account any circumstances resulting solely from the transactions contemplated hereby other than costs incurred as result of paying off the outstanding indebtedness of the Group and any outstanding financial instruments, listed in Schedule 5, up to a maximum amount of EUR 3,304,400 (three million three hundred four thousand four hundred euros), to be decreased by the related tax effect) and a statement calculating the adjustments referred to in Clause 3.3.1, prepared in accordance with Belgian GAAP, applied consistently in accordance with prior years (provided that if the application in prior periods is not reconcilable with Belgian GAAP, then Belgian GAAP takes precedence) (collectively, the Closing Accounts). All underlying calculations shall be made in EUR; the resulting adjustments to Net Debt or Net Working Capital, if any, shall be expressed in USD using the Guaranteed Exchange Rate. The Purchaser shall provide details of any variance between the calculation of the Price Adjustment and the Final Purchase Price resulting therefrom based on the Closing Accounts and the Best Estimate.

The Purchaser shall deliver or cause to be delivered to the Sellers' Representative (for and on behalf of the Sellers) the Closing Accounts and the statement comprising the details of any variance between the Best Estimate and the calculation of the Price Adjustment and the Final Purchase Price resulting therefrom based on the Closing Accounts within ninety (90) days of the Closing Date, and the Purchaser shall, subject to appropriate confidentiality undertakings being entered into, provide the Sellers' Representative (and its advisors) reasonable access to all relevant documents, books, records and working papers used in preparation of the Closing Accounts or useful for verifying the Closing Accounts and the calculation of the Price Adjustment and the Final Purchase Price resulting therefrom, to the extent reasonably required for such review and will and shall cause the internal accounting personnel of the Group Companies to fully cooperate with and assist the Sellers' Representative (and its advisors) with its review.

- 3.3.3 The Sellers' Representative shall have thirty (30) Business Days from the date it receives the Closing Accounts to review the Closing Accounts, and to inform the Purchaser in writing of its disagreement (an Objection) with the Closing Accounts or the calculation of the Price Adjustment and the Final Purchase Price resulting therefrom based on the Closing Accounts, if any. If the Sellers' Representative raises no Objection within such thirty (30) Business Day period, the Closing Accounts shall be deemed to have been accepted by the Sellers' Representative (for and on behalf of the Sellers) and shall become binding upon the Sellers and the Purchaser. If the Sellers' Representative delivers an Objection to the Purchaser within such thirty (30) Business Day period, the Purchaser and the Sellers' Representative, for and on behalf of the Sellers, shall then attempt in good faith to resolve their disagreement(s) within thirty (30) Business Days from the time the Objection is received (the Resolution Period). If the Sellers' Representative, for and on behalf of the Sellers, and the Purchaser are unable to resolve their disagreement(s) with respect to the Closing Accounts within the Resolution Period, such dispute shall be submitted to the Independent Auditor in accordance with Clause 3.4.
- 3.3.4 If the Best Estimate paid by the Purchaser to the Sellers at Closing is higher than the price payable to the Sellers hereunder as finally adjusted in accordance with the provisions of this Clause 3.3, then the difference, converted into USD at the Guaranteed Exchange Rate, shall be paid by the Sellers to the Purchaser through a distribution to the Purchaser by the Escrow Agent to the extent possible out of the Holdback Amount (but not, for the avoidance of doubt, from the Escrow Amount) promptly and in any event within five (5) Business Days of the final determination of the Final Purchase Price as contemplated hereunder and from the Sellers, if the Holdback Amount is insufficient. If the Best Estimate paid by the Purchaser to the Sellers at Closing is lower than the price payable to the Sellers hereunder as finally adjusted in accordance with the provisions of this Clause 3.3, then the difference shall be paid by the Purchaser to the Sellers promptly and in any event within five (5) Business Days of the final determination of the Final Purchase Price as contemplated hereunder.

3.4 Independent Auditor

- 3.4.1 If the Parties are unable to reach an agreement as set forth in Clause 3.3.3, the matters of contention shall be settled by an independent audit firm of good international repute not being the statutory auditor of the Company or any of the Group Companies, the Sellers, the Purchaser or of any of their Affiliates and which has not provided services to any of these persons over the three (3) years preceding the Closing Date, as the Sellers and the Purchaser shall agree or, failing agreement, appointed by the Chairman of the Institut des réviseurs d'entreprises / Instituut der bedrijfsrevisoren (the Independent Auditor). In doing so, the Independent Auditor shall perform a mission within the meaning of section 1592 of the Belgian Civil Code. The Independent Auditor shall be requested to make its decision on the matters in dispute (excluding any other items) within twenty (20) Business Days of confirmation and acknowledgement by the Independent Auditor of its appointment.
- 3.4.2 The Independent Auditor shall act on the following basis:
- the Independent Auditor shall determine the procedure to be followed in deciding the matter, it being understood that it shall allow the Parties to make written statements on the disputed matter;
 - the Seller and the Purchaser shall each provide (and to the extent they are reasonably able to do so, shall procure that their respective accountants, employees or advisors provide) the Independent Auditor promptly with all information which it reasonably requires and the Independent Auditor shall be entitled (to the extent considered appropriate by it) to base its opinion on such information and on the accounting and other records of the Company;
 - the Independent Auditor shall determine values of Net Debt and Net Working Capital within the range presented by the Parties, applying the definitions of Net Debt and Net Working Capital as set out in this Agreement and calculated in accordance with Schedule 6 and Schedule 7 respectively; and
 - the decision of the Independent Auditor shall (in the absence of manifest error or manifest breach of the principles set out in this Agreement) be final and binding upon the Parties.
- 3.4.3 The fees and expenses of the Independent Auditor shall be borne by the Parties in the same proportion as the aggregate amount of the disputed matters submitted to the Independent Auditor bears to the matters successfully disputed by such Party (as finally determined by the Independent Auditor) or in such other proportions as the Independent Auditor shall determine.

4 Conditions Precedent

4.1 General

The obligations of the Parties to complete the Transaction are subject to the fulfilment of each of the following conditions precedent on or before 9 a.m. (CET) on the Long Stop Date:

- 4.1.1 there not being in effect on the Closing Date any (executive) order or judgment enacted or issued by a Regulatory Authority or court of competent jurisdiction restricting the Closing of the envisaged Transaction;
- 4.1.2 the Regulatory Authorities of the European Union and of the United States of America competent to grant clearance to the Transaction having issued a clearance decision in compliance with the applicable Antitrust Laws (either unconditionally or under conditions acceptable to the Purchaser in accordance with Clause 4.3.4), or the relevant periods after filing a complete notification having expired without the relevant Regulatory Authority issuing a decision with the result that the relevant Regulatory Authority is deemed, under the applicable Antitrust Laws, to have granted approval of the Transaction (the Competition Condition); and
- 4.1.3 there not having occurred a Material Adverse Change since the date of this Agreement.

4.2 Conditions to the Obligations of the Purchaser

In addition to the satisfaction of the conditions precedent set forth in Clause 4.1, the obligations of the Purchaser to complete the Transaction are further subject to the fulfilment of each of the following conditions precedent (together with the conditions precedent set forth in Clause 4.1, the Conditions Precedent) on or before 9 a.m. (CET) on the Long Stop Date:

- 4.2.1 the profit certificates issued by Asco Industries NV to the benefit of FPIM NV / SFPI SA having been fully and finally purchased by the Company (the price being paid therefore and any other taxes, withholdings to be made, costs or expenses incurred as a result thereof being treated as a Net Debt item to the extent not already paid at the latest on Closing) and there shall be no further right for FPIM NV / SFPI SA nor any further obligation on the Group Companies towards FPIM NV / SFPI SA further to such profit certificates or the purchase agreement following such purchase;
- 4.2.2 all shares issued by Asco Aerospace Serviços de Representação Ltda. (Asco Brazil) having been fully and finally purchased by Christian Boas or any other Seller or any Affiliate of a Seller other than a Group Company; and
- 4.2.3 with respect to the change of control clauses included in the commercial agreements listed in Schedule 11, third party consent to the change of control or a waiver by the third party of the benefit of the change of control clauses having been obtained by the Parties.

4.3 Satisfaction of Conditions Precedent

- 4.3.1 The Parties shall (and, to the extent applicable, the Sellers shall cause the Group Companies to) use their Commercially Reasonable Efforts (save with respect to the Competition Condition, where Clause 4.4 hereafter will apply) to ensure that the Conditions Precedent are satisfied as soon as reasonably practicable and on the Long Stop Date at the latest. Notwithstanding section 1179 of the Belgian Civil Code, the fulfilment of the Conditions Precedent set out in Clause 4.1 shall have no retroactive effect regarding this Agreement.
- 4.3.2 Where any Condition Precedent is capable of being waived (in whole or in part), the Parties may jointly (or, with respect to a Condition Precedent set out in Clauses 4.2.1 through 4.2.3, the Purchaser may) waive in writing that Condition Precedent at any time on or before the Closing Date and that Condition Precedent (or, where applicable, that part of it) will be deemed to have been satisfied by such waiver.

4.4 Conduct of Competition filing

- 4.4.1 After execution of this Agreement the Purchaser shall be solely responsible for obtaining all consents, approvals, clearances, waivers or actions of the Regulatory Authorities required under applicable Antitrust Law to be made or obtained necessary to fulfil the Competition Condition as soon as possible. The Sellers undertake to reasonably cooperate with the Purchaser by providing all required information and to assist in such filings.
- 4.4.2 The Purchaser shall promptly notify the Sellers in advance of any notification, submission, response or other communication which it proposes to make or submit to any Regulatory Authorities pursuant to Clause 4.4.1 (including, but not limited to the submission of pre-notifications, appearances, presentations, memoranda, definitive filings and any proposed understandings, undertakings or agreements with the Regulatory Authorities) and at the same time provide the Sellers with drafts and copies thereof and any supporting documentation or information reasonably requested by the Sellers, it being understood that such copies or documentation may be redacted in order to avoid the communication of business secrets of the Purchaser. The Purchaser undertakes to take due consideration of any reasonable comments which the Sellers may have and to use its reasonable efforts to provide the Sellers with sufficient time to make such comments.
- 4.4.3 The Purchaser agrees to keep the Sellers fully informed as to the progress of any enquiry by the Regulatory Authorities in the context of the Competition Condition.
- 4.4.4 Where necessary to remove any impediments, restrictions, or conditions that prevent the fulfilment of the Competition Condition, the Purchaser agrees to use its Commercially Reasonable Efforts to offer and agrees to accept, in each of such jurisdictions, any remedies that are required to obtain such competition clearance that do not adversely impact the economic value of the Transaction to Purchaser (other than impacts that in the aggregate only have a De Minimis economic impact), it being stipulated for the avoidance of doubt that any remedy that includes a divestiture of any assets of the Group or the Purchaser's Group shall be deemed to have a more than De Minimis economic impact. In this view and without prejudice to the generality of the foregoing, as soon as any Regulatory Authority reasonably expresses, formally or informally to Purchaser, any concerns about the impact of the Transaction, the Purchaser shall promptly inform the Sellers and their legal advisors and keep them informed in advance of the measures that the Purchaser is considering to

take, or the commitments that it is considering to propose, in order to resolve these concerns as the case may be.

4.5 Notification of satisfaction of Conditions Precedent

- 4.5.1 The Parties shall keep each other promptly informed of any progress towards the satisfaction of the Conditions Precedent and shall notify the other Parties immediately upon and not later than one (1) Business Day after becoming aware of the satisfaction of any of the Conditions Precedent.
- 4.5.2 The Sellers shall notify the Purchaser immediately upon and not later than one (1) Business Day after becoming aware of any (executive) order or judgment restricting the Closing of the envisaged Transaction as set out in Clause 4.1.1.
- 4.5.3 The Purchaser shall, in reliance on the information provided by the Group Companies and the Sellers, investigate and decide whether the proposed Transaction will have to be notified to any Regulatory Authority in accordance with applicable Antitrust Law, and the Purchaser will be solely liable (subject to the immediately following sentence), including vis-à-vis the Sellers, for any liabilities or fines resulting from the lack of notification, the late notification and/or the lack of clearance in any jurisdiction, subject to the Sellers, in accordance with their undertaking in Clause 4.4.1, having reasonably cooperated with, and having caused the Group Companies to reasonably cooperate with, the Purchaser by providing all reasonably required information to the extent reasonably able to produce and assisting the Purchaser in making its proper analysis. Notwithstanding the foregoing, to the extent the analysis of the Purchaser is based on information provided by the Group Companies or the Sellers, the Sellers shall be liable vis-à-vis the Purchaser for any damage resulting from such information being materially incorrect, inaccurate or incomplete.

4.6 Failure to satisfy the Conditions Precedent

- 4.6.1 If any of the Conditions Precedent, which has not been waived in accordance with Clause 4.3.2, becomes impossible to satisfy before the Long Stop Date, each of the Parties shall have the right to terminate this Agreement by giving five (5) Business Days advance notice to the other Parties. Provided that the Conditions Precedent are not all waived or satisfied in accordance with this Agreement within such five (5) Business Days notice period, this Agreement shall automatically terminate at the end of such five (5) Business Days period. If the Parties do not issue any notice pursuant to this Clause and any of the Conditions Precedent remains unsatisfied on the Long Stop Date, this Agreement shall in any case automatically terminate on the Long Stop Date by force of law and without need for notice.

4.6.2 If this Agreement is terminated pursuant to Clause 4.6.1 above, all rights and obligations of the Parties hereunder shall terminate except for this Clause 4.6.2 and Clauses 1 (Definition and Interpretation), 17 (Confidentiality), 19 (Notices), 24 (Costs and Expenses), 25 (General Provisions) and 26 (Governing Law and Competent Courts), which shall survive the termination of this Agreement. Such termination shall occur without any liability of any Party to the other Party, provided the fact that a Condition Precedent has not been satisfied does not result from a breach of a Party's obligations under this Clause 4 (in which case such Party will become liable towards the other Party).

5 Closing

5.1 General

Closing shall take place at the offices of Eubelius CVBA, Louizalaan 99, 1050 Brussels on the last Business Day of the month in which all the Conditions Precedent are satisfied or, where permitted, waived and the Parties have notified each other thereof or at such other place and time and on such other date as the Parties may agree. If such date is less than ten (10) Business Days after the date on which all the Conditions Precedent are satisfied or waived and notified as aforesaid, the Closing shall take place on the last Business Day of the following month.

5.2 Seller's obligations

At Closing, the Sellers shall do the following or procure the following to be done (Sellers' Closing Obligations):

- 5.2.1 record the transfer of the Shares in the share register of the Company;
- 5.2.2 provide a receipt for the payment of the Best Estimate less the Escrow Amount and the Holdback Amount;
- 5.2.3 provide the original letters of resignation of the Resigning Directors and the Resigning Officers that are set out in Schedule 8;
- 5.2.4 provide the share register of the Company; and
- 5.2.5 enter into the Escrow Agreement.

5.3 Purchaser's obligations

At Closing, the Purchaser shall do the following or procure the following to be done (Purchaser's Closing Obligations):

- 5.3.1 enter into the Escrow Agreement;
- 5.3.2 transfer the Best Estimate less the Escrow Amount and the Holdback Amount in immediately available funds on the Sellers' bank accounts indicated in Schedule 1 with value as of Closing Date;
- 5.3.3 transfer the Escrow Amount and the Holdback Amount to the Escrow Agent in its capacity as such pursuant to the Escrow Agreement;
- 5.3.4 countersign the share register of the Company;
- 5.3.5 hold special shareholders' meetings or, as the case may be, special meetings of the (equivalent) competent corporate bodies of all Group Companies (except for Flabel Corporation NV and Belairbus NV, where such special meetings shall be held as soon as possible after Closing), which shall:
 - 5.3.5.1 acknowledge the resignation of the Resigning Directors and the Resigning Officers, it being understood that the resignation of the Resigning Officers shall be limited to their mandate listed in Schedule 8 and shall thus not include termination of any other function or position they may hold in any of the Group Companies or termination of their agreement with any of the Group Companies;
 - 5.3.5.2 grant unconditional discharge to the Resigning Directors and the Resigning Officers;
 - 5.3.5.3 modify the articles of association to the extent necessary in view of the Transaction; and
 - 5.3.5.4 appoint new directors and officers, to the extent required by Law;
- 5.3.6 deliver to the Sellers:
 - 5.3.6.1 a copy of (or extract from) the minutes of the meeting of the board of directors of the Purchaser authorising the Purchaser to enter into and perform its obligations under this Agreement, certified to be a true and complete copy (or extract) by a director or the secretary of the Purchaser; and
 - 5.3.6.2 a receipt for the share register of the Company.

5.4 Further actions

The Parties shall further take such action at Closing and shall deliver and sign such documents as shall reasonably be required to be taken, delivered or signed in order to complete the Transaction.

The Purchaser shall furthermore procure to do what is necessary for the publication of the resignation of the Resigning Directors and the Resigning Officers and the appointment of the new directors and officers of all Group Companies, and shall procure that the Resigning Directors and the Resigning Officers of all Group Companies who resigned on Closing and Brieuc Spindler, who resigned from the executive committee of Asco Industries NV/SA in 2018, are granted unconditional discharge at the next annual general shareholders' meeting (or, as the case may be, at the next meeting of the (equivalent) competent corporate body) for the exercise of their mandate for the period from the last annual general shareholders' meeting (or, as the case may be, of the last annual (equivalent) competent corporate body meeting) held prior to the Closing Date up until the Closing Date.

5.5 Breach of Closing Obligations

- 5.5.1 If a Party fails to comply with its obligations under Clauses 5.2 and 5.3 such that the Closing has not occurred, the other, non-breaching Party shall have the right to terminate the Agreement by giving three (3) Business Days advance notice to the breaching Party. The Agreement will only terminate if the breaching Party fails to remedy the breach of its obligations under Clauses 5.2 and 5.3 within such notice period of three (3) Business Days.
- 5.5.2 The right of the non-breaching Party to terminate the Agreement pursuant to Clause 5.5.1 shall be without prejudice to the right of the non-breaching Party to seek specific performance of this Agreement and/or to exercise any other remedy available to it in accordance with this Agreement or by Law.

5.6 Simultaneous occurrence

Each of the actions of the Seller at Closing shall be subject to the occurrence of the actions required from the Purchaser at Closing and vice versa, and all actions referred to in Clauses 5.2 and 5.3 shall be deemed to take place simultaneously on the Closing Date.

5.7 Waiver of Closing Obligations

- 5.7.1 The Purchaser may at any time waive or defer some or all of the Seller's Closing Obligations.
- 5.7.2 The Seller may at any time waive or defer some or all of the Purchaser's Closing Obligations.

6 Pre-Closing Covenant

6.1 Ordinary course of business

- 6.1.1 Except as otherwise contemplated hereby or as required by Law, the Sellers shall use Commercially Reasonable Efforts to keep the business as presently conducted by the Group intact in all materials respects, including maintaining its present operations, physical facilities, working conditions and material relationships with suppliers and customers, consistent with Sellers' policies and practices.

- 6.1.2 Nothing contained in this Agreement shall give the Purchaser, directly or indirectly, the right to control or direct the operations of the Group prior to the Closing. Prior to the Closing, the Sellers shall exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over the Group's operations in compliance with this Agreement.
- 6.1.3 Notwithstanding anything to the contrary herein, as from the Signing Date until the earlier of the Closing Date or the Long Stop Date, the Sellers shall use Commercially Reasonable Efforts to procure that the Group Companies shall refrain, except in the ordinary course of business, from any of the following actions without the Purchaser's prior consent (which shall not be unreasonably delayed or withheld):
- (i) declare, make or pay any dividend (unless to another Group Company);
 - (ii) create, issue or redeem any shares or other securities (other than a redemption or (re)purchase of the profit certificates issued by Asco Industries NV and of the shares of Group Companies held by the Sellers in accordance with Clause 6.2);
 - (iii) increase or decrease its share capital or otherwise amend its articles of association;
 - (iv) enter into a liquidation, a merger, a de-merger or otherwise enter into a material restructuring;
 - (v) incur any expenditure individually exceeding EUR 250,000 (two hundred fifty thousand euro), or incur expenditures in the aggregate exceeding EUR 1,000,000 (one million euro) or defer any capital expenditure currently in the budget of any Group Company;
 - (vi) dispose of or acquire any assets with an individual or aggregate value in excess of EUR 250,000 (two hundred fifty thousand euro);
 - (vii) incur any indebtedness for borrowed money in excess of EUR 250,000 (two hundred fifty thousand euro) or incur indebtedness for borrowed money in the aggregate exceeding EUR 1,000,000 (one million euro), other than indebtedness owing to any Group Company or indebtedness arising in the ordinary course of business consistent with past practice;
 - (viii) not amend nor terminate any Material Contract;
 - (ix) enter into any new hedge contract or modify the terms of any of the Existing Operational Hedges;
 - (x) agree, conditionally or otherwise, to do any of the foregoing;

unless if:

- (A) such action is provided for in the 2018 budget of Asco Industries NV and its subsidiaries, as approved by the board of directors of Asco Industries NV (including, for the avoidance of doubt, any capital expenditure (but not any deferral) provided therein);
- (B) such action constitutes a transaction bonus or similar incentive payment that has become due and payable in connection with the Transaction;
- (C) such action is required by any applicable Law or is consistent with past practice; or
- (D) such action has been made in view of a timely and proper performance of any of the Transaction Documents, including, for the avoidance of doubt, terminating the agreements with the Resigning Directors or Resigning Officers and any payments to any of the Resigning Directors, other than the Sellers and their Affiliated companies, in respect of the termination of their agreements; or
- (E) such action is disclosed in Schedule 4.

For the avoidance of doubt, any amounts expressed in euro in this 6.1.3 shall be converted into US dollar at the Guaranteed Exchange Rate, if relevant.

- 6.1.4 In applying and enforcing Clause 6.1 the Sellers and the Purchaser shall act vis-à-vis each other in accordance with the principles of reasonableness and fairness giving due consideration to all relevant circumstances. The Purchaser shall reply within five (5) Business Days in writing to Sellers' requests for consent under Clause 6.1.3(i-iv) and Clause 6.1.3(x) in so far as it intends to refer to Clause 6.1.3(i-iv), such consent not to be unreasonably withheld. If the Purchaser does not respond to the proposed action within such five (5) Business Day response period, it shall be deemed to have approved the Sellers' request for consent. The Purchaser shall reply within two (2) Business Days in writing to Sellers' requests for consent under the other provisions of this Clause 6.1.3, such consent not to be unreasonably withheld. If the Purchaser does not respond to the proposed action within such two (2) Business Day response period, it shall be deemed to have approved the Sellers' request for consent.

6.2 Shares held directly by the Sellers in Group Companies

Christian Boas or any other Seller or Affiliate of a Seller shall purchase the shares issued by Asco Brazil, record such transfer in the share register and provide evidence thereof to the Purchaser at the latest on Closing. Except for the shares held directly by Christian Boas in Asco Finance USA NV, the Sellers shall sell any shares they hold in any Group Company other than the Company to the Company or any of its subsidiaries, record such transfers in the share registers and provide evidence thereof to the Purchaser before at the latest on the Closing Date.

6.3 Financing Cooperation

- 6.3.1 The Sellers shall cause the Group Companies to provide to Guarantor, and shall use Commercially Reasonable Efforts to cause representatives of the Group Companies to provide to Guarantor, on a reasonably timely basis, all cooperation reasonably requested by Guarantor in connection with the arrangement and marketing of any debt financing (including any issuance of debt securities by Guarantor or Purchaser) incurred in connection with the transactions contemplated hereunder and the repayment of the indebtedness listed on Schedule 5, including by: (i) furnishing Guarantor and its financing sources as promptly as reasonably practicable with such financial and other pertinent information regarding the Group Companies as may be reasonably requested by Guarantor or Guarantor's financing sources, including access to and cooperation with the Company's accountants, (ii) reasonably cooperating with Guarantor's financing sources and their respective agents with respect to their due diligence, including by giving access to documents relating to the Group Companies for diligence in connection with capital markets transactions, (iii) furnishing Guarantor and Guarantor's financing sources promptly with all documentation and other information required by any Governmental Authority under applicable know your customer and anti-money laundering rules and regulations, including the PATRIOT Act, (iv) arranging for customary payoff letters, lien terminations and instruments of discharge to be delivered at Closing providing for the payoff, discharge and termination on the Closing Date of the outstanding indebtedness of the Group and any outstanding financial instruments, listed in Schedule 5, (v) facilitating the execution and delivery at the Closing of definitive documents related to any debt financing at the Closing (provided that no obligation of the Group Companies under any such document shall be effective prior to Closing) and (vi) assisting Guarantor in the satisfaction of conditions precedent set forth in any debt financing to the extent the satisfaction of such conditions requires the cooperation of or is within the control of the Group Companies. Nothing in this Clause 6.3.1 shall require such cooperation to an extent that would reasonably interfere with the business or operations of any Group Company; if, in the reasonable opinion of the Company, additional resources must be hired to allow any Group Company to do so, the reasonable expenses thereof shall be borne by the Purchaser. The Company hereby consents to the use of the logos of the Group Companies in connection with the syndication or marketing of any debt financing, provided that such logos are not used in a manner that would reasonably be expected to harm or disparage the Group Companies or their marks and that such documentation explicitly states that Closing has not yet occurred.
- 6.3.2 Guarantor shall (i) promptly, upon request by the Company, reimburse the Company for all reasonable out-of-pocket costs and expenses (including reasonable and documented attorneys' fees) incurred by the Group Companies in connection with the cooperation of the Group Companies contemplated by Clause 6.3.1 and (ii) indemnify and hold harmless the Group Companies and their respective directors, officers and representatives from, against and in respect of any losses imposed on, sustained, incurred or suffered by, or asserted against, any of them, directly or indirectly relating to, arising out of or resulting from the arrangement of any debt financing by Guarantor, any other cooperation pursuant to Clause 6.3, and/or the provision of information utilized in connection therewith to the fullest extent permitted by applicable Law, except to the extent such losses arise out of fraud or willful misconduct of the Group Companies.

6.3.3 For the avoidance of doubt, none of the financing transactions referred to in this Clause 6.3 shall have any negative impact on the Net Debt or the Net Working Capital.

6.4 Works Council

The Sellers have or shall in due time inform and consult with the employees and their representatives, if any, to the extent required by Law.

6.5 Further assurance with respect to the NMTC Loan Agreement

The Parties shall use Commercially Reasonable Efforts to obtain third party consent to the Transaction to the extent that such consent is contemplated by the NMTC Loan Agreement and/or a waiver by such third party of any and all rights which it may acquire under the NMTC Loan Agreement in connection with the Transaction, including, without limitation, any termination right, right to declare a breach or event of default, or right to alter the terms of the NMTC Loan Agreement.

7 Sellers' Warranties

- 7.1 The Sellers represent and warrant to the Purchaser that the statements set out in Schedule 2 (the Sellers' Representations and Warranties) are true and accurate on the Signing Date or on any such earlier date as of which any Sellers' Representation or Warranty is expressly made.
- 7.2 The Sellers represent and warrant to the Purchaser that the Sellers' Representations and Warranties shall be true and accurate in all material respects on the Closing Date or on any such earlier date as of which any Sellers' Representation or Warranty is expressly made.
- 7.3 Without prejudice to Clause 25.1 and 25.2, the Sellers' Representations and Warranties are the only representations or assurances of any kind given by or on behalf of the Sellers and collectively and exhaustively reflect characteristics that the Purchaser may reasonably expect the Shares, the Group and its business to have. The Purchaser acknowledges and agrees that it has not entered into this Agreement in reliance on any representation or warranty other than the Sellers' Representations and Warranties and other than with respect to the Sellers' Representations and Warranties waives to the fullest extent possible or permitted under any applicable Law all rights and remedies which might otherwise be available to it in respect of any such representations, warranties, other assurances, statements, promises or forecasts (whether written or oral).

- 7.4** In no event are any representations or warranties, express or implied, given by the Sellers with respect to forecasts, plans, expectations, the feasibility of any business plans or the future development of the business of any Group Company and, more broadly, to any fact, circumstance or event dated after the Signing Date (other than with respect to the accuracy of the Sellers' Representations and Warranties as of the Closing Date in Clause 7.2), or as the case may be, any such earlier date as of which any of the Sellers' Representations and Warranties is expressly made, irrespective of whether these have been explicitly included in any disclosed document or information.
- 7.5** The Purchaser acknowledges and agrees that it has performed, with the assistance of professional advisors, an extensive due diligence investigation with respect to the Shares, the Group Companies and their respective businesses, activities, operation, assets, liabilities and financial condition during the period from 8 November 2017 until the Signing Date on the basis of the information provided by the Sellers and their advisers - amongst others - by way of data room documents in the Data Room, management presentations and expert calls and the related Q&A process (the Due Diligence Investigation). The Purchaser acknowledges that the Due Diligence Investigation was in a form, scope and substance to the Purchaser's satisfaction and that it has raised with the Sellers any and all specific issues which it considered relevant in connection with the transactions contemplated by this Agreement and obtained satisfactory answers from the Sellers on all its queries.
- 7.6** The information contained in the Data Room (an index of which is included in Schedule 3), this Agreement including the Schedules hereto, the Information Memorandum and the written answers to questions raised by the Purchaser and its advisors (copies of which are also included in Schedule 3), any other information made available to the Purchaser and its advisors in writing, in interviews, in process letters, in (management or other) presentations (written records of these interviews; process letters and (management or other) presentations are also included in Schedule 3) or in any other form, and all other information which is in the public domain in each case as of the date hereof shall together be considered the disclosed information (the Disclosed Information).

8 Indemnification

- 8.1** The Sellers shall indemnify and hold the Purchaser harmless from and against any Damage resulting from a breach of any of the Sellers' Representations and Warranties (a Breach), it being understood that (without prejudice to Clause 9.11) (i) for purposes of computing the amount of any Damage indemnifiable to the Purchaser, both the Damages suffered by the Damages suffered by the Purchaser and/or any Group Company (as if they had been incurred by the Purchaser, but without duplication) shall be taken into account, (ii) any Damage incurred by a Group Company shall be deemed to be incurred by the Purchaser in the same amount, multiplied by the percentage of the (direct or indirect) shareholding of the Purchaser in the relevant Group Company acquired in the framework of this Transaction (save with respect to ASCO Finance USA NV, where the percentage shall deemed to be 100 %) and maintained up to the moment the Damages are finally determined, either by mutual agreement among the Parties or in a final, non-appealable decision in accordance with Clause 26.

It is thus specified for the avoidance of doubt that the Sellers thus covenant to indemnify the Purchaser for any Breach up to the amount as is required to put the Purchaser and/or the Group Companies (if the Damages would have been indemnifiable to the Group Companies) into the position that it and/or the Group Companies would have been in, had the Breach not occurred (save for any difference that may result from the application of the Spot Exchange Rate, if relevant).

- 8.2** In the event of a Breach the Purchaser shall submit to the Sellers a claim for compensation (a Claim).
- 8.3** The Purchaser shall, after discovery of the circumstances giving rise to such Claim, promptly and in any event within ten (10) Business Days of the date on which the Purchaser becomes aware or should have become aware of the relevant fact, circumstance or matter, notify the Sellers giving such particulars of the underlying facts as may reasonably be required for a normally prudent seller to be able to understand the Claim and assess it on its merits to the extent then available (a Claim Notice). The Claim must also set out in reasonable detail the fact, circumstance or matter giving rise to the Claim and the relevant provisions of this Agreement on which it is based, and specify the Purchaser's best estimate of its likely amount to the extent then available. Failure to comply with any of the requirements set forth in this Clause 8.3 shall not result in the Purchaser forfeiting its right to claim Damages for a Breach, but limit such right to the extent the liability of the Sellers would have been increased as a result thereof.
- 8.4** The Sellers will respond to the Claim Notice (a Claim Response) within twenty (20) Business Days (the Response Period) after the date that the Claim Notice is given.
- 8.5** In connection with any Claim made by the Purchaser against the Sellers, the Purchaser shall, and shall cause the Group Companies, to make available to the Sellers on an ongoing basis all such information as the Sellers may reasonably require for assessing, disputing, resisting, appealing, compromising, defending, remedying or mitigating the Claim. If and to the extent reasonably required for the purposes of assessing, disputing, resisting, appealing, compromising, defending, remedying or mitigating the Claim, the Purchaser shall, and shall cause the Group Companies, to grant reasonable access to the Group Companies' management and premises, provided that the obligations of the Purchaser under this Clause 8.5 are limited to information required for the Sellers' defence under the Claim (as the case may be a third party claim).
- 8.6** If the Sellers dispute the Claim, the Parties will meet promptly to try to amicably resolve the Claim. If the Parties fail to amicably resolve the Claim within twenty (20) Business Days of the Claim Response, then the Claim will be considered unresolved and will be resolved in accordance with Clause 26. The Purchaser will have until the later of (i) sixty (60) Business Days after giving the Claim Notice and (ii) two (2) years after the Closing Date to submit the Claim to arbitration in accordance with Clause 26. If the Purchaser fails to submit the Claim to arbitration within this period, the Claim will be deemed dismissed and resolved, and will not be thereafter reasserted.

- 8.7** If the Sellers elect not to dispute a Claim described in a Claim Notice, whether by failing to give a timely Claim Response or otherwise, then the Sellers will be deemed to have agreed to pay the amount of such Claim to the Purchaser. The Purchaser shall then be entitled to give notice to the Escrow Agent under the Escrow Agreement to release such amount from the Escrow Amount to the Purchaser, and to the extent that such Escrow Amount is not sufficient to satisfy the Claim, then the Sellers shall promptly pay such required balance of such Claim to the Purchaser.
- 8.8** If any amount is to be released from the Escrow Account to the Purchaser in respect of Damages incurred in EUR, in order to determine the amount of USD to be released from the Escrow Account, such Damages will be converted to USD at the relevant Spot Exchange Rate. If any Seller is to make a payment directly (as opposed to through a release of funds from the Escrow Account) to the Purchaser pursuant to such Seller's indemnification obligations under this Agreement, such payment shall be made in the currency of the relevant Damages incurred by the Purchaser or the relevant Group Company.
- 8.9** Any payment made by a Seller in respect of a Breach shall be deemed to be a reduction of the part of the Final Purchase Price that such Seller has received hereunder.
- 8.10** The Purchaser acknowledges that the right to claim indemnification in accordance with this Clause 8 (subject to the limitations set out in this Agreement) shall be the sole and exclusive remedy of the Purchaser in respect of any Breach under this Agreement. The Purchaser expressly and irrevocably waives to the fullest extent permitted by Law, all rights and remedies it might have under Belgian law or otherwise in respect of any Breach, including the right to seek the termination of this Agreement in court (at any time, including after Closing) pursuant to section 1184 of the Belgian Civil Code.
- 8.11** If the receipt of any amount of Damages results in an effective Tax payment by the Purchaser, the amount payable shall be grossed up by such amount as will ensure that after effective payment of such Tax there shall be left a sum equal to the amount which would otherwise be payable, it being understood that if at the time of payment of the Damages the exact amount of such Taxes cannot be determined, the Parties shall take into account a fair estimate of such Taxes in order to determine the amount of Damages. Such estimate shall be adjusted as soon as the actual amount of Taxes has been determined and paid.

9 Limitations on indemnification

9.1 Disclosure

Notwithstanding any other provisions of this Agreement, the Sellers shall not be in Breach (as defined above), and shall not be liable in respect of any Breach to the extent that, at Signing, the Purchaser was or should have been aware of such Breach, because the facts and circumstances giving rise thereto:

9.1.1 were Fairly Disclosed to the Purchaser on the basis of the Disclosed Information; or

9.1.2 have been Fairly Disclosed, or excepted, in the Sellers' Representations and Warranties themselves and/or otherwise in this Agreement and/or in the schedules hereto.

9.2 Minimum claims and basket

9.2.1 No indemnification shall be due for any individual Breach in respect of which the amount of the Damages to which the Purchaser would otherwise be entitled is less than USD 100,000 (USD hundred thousand); provided, that, for the purpose of determining if such threshold is exceeded, Damages incurred in EUR shall be converted into USD at the relevant Spot Exchange Rate. Claims arising from similar related facts, matters or circumstances shall be aggregated for the purposes of this Clause 9.2.1.

9.2.2 The Purchaser shall not be entitled to recover any Damages in respect of any Breach unless the aggregate amount of Damages in respect of all Breaches for which indemnification is owed exceeds USD 3,000,000 (USD three million); provided, that, for the purpose of determining if such threshold is exceeded, Damages incurred in EUR shall be converted into USD at the relevant Spot Exchange Rate (the Basket), it being understood that (i) in case the Basket is exceeded the full amount shall be due including the amount of the Basket and (ii) Breaches for which the Sellers are not held to indemnify the Purchaser pursuant to Clause 9.2.1 are not taken into account to calculate the Basket.

9.3 Maximum liability

The maximum aggregate liability of the Sellers under this Agreement shall not exceed USD 92,500,000 (USD ninety-two million five hundred thousand); provided, that, for the purpose of determining if such threshold is exceeded, Damages incurred in EUR shall be converted into USD at the relevant Spot Exchange Rate.

9.4 Time limitations

Without prejudice to Clause 8.3, the Sellers shall not be in Breach (as defined above), and shall not be liable in respect of any Breach unless a Claim is given:

- 9.4.1 for all Breaches other than for Breaches of the Title Warranties and the Tax Warranties, eighteen (18) months after Closing;
- 9.4.2 for Breaches of the Title Warranties, ten (10) years and three (3) months after Closing; and
- 9.4.3 for Breaches of the Tax Warranties, before or on the date on which the matter giving rise to the Claim is barred by applicable statute of limitation increased with three (3) months.

9.5 Contingent liabilities

The Sellers shall have no obligation to reimburse Damages to the Purchaser in respect of any liability which is contingent (voorwaardelijke of latente verbintenis / obligation conditionnelle ou éventuelle) unless and until such contingent liability has become an actual liability and is due and payable, provided, however, that this Clause 9.5 shall not have the effect of preventing the Purchaser from validly making a Claim in respect of a contingent liability within the time limit specified in Clause 9.4, even though it has not become an actual liability. For the avoidance of doubt, any Claim may validly be made in respect of a contingent liability if and only if (and to the extent only that) the Purchaser (i) has a present (but not yet due and payable) obligation (legal or constructive) as a result of a past event and (ii) it is probable (i.e., more likely than not) that an outflow of economic resources embodying economic benefits will be required to settle the obligation. To the extent reasonably possible at the time of making the Claim, the Purchaser shall include therein an estimate of the amount of the Damages, provided that the amount thus set forth shall not operate as a limitation on the right of the Purchaser to subsequently be indemnified for all Damages, even if higher.

9.6 Provisions for liabilities

The Sellers shall have no obligation to reimburse Damages to the Purchaser in respect of any Claim if and to the extent that the matter giving rise to the Claim is accounted or provided for in the Closing Accounts and was reflected in the calculation of the Final Purchase Price.

9.7 Insurance proceeds and recoveries from third parties

- 9.7.1 The Sellers shall have no obligation to reimburse the Purchaser in respect of any Claim if and to the extent that the Damages in respect of which the Claim is made (i) are covered by an insurance policy in force at the level of a Group Company at the Closing Date, (ii) would have been covered if such an insurance policy had been maintained beyond the Closing Date or (iii) are effectively recovered from any other third party.
- 9.7.2 The Purchaser shall use its Commercially Reasonable Efforts to obtain recovery in respect of any Damages from any third party indemnity which is available in respect of Damages as soon as possible. If the Purchaser receives such proceeds or indemnification recovery in connection with Damages for which it has been indemnified hereunder, the Purchaser shall notify the Sellers and refund to the Sellers the amount of such proceeds or indemnification recoveries when received.

9.8 Tax Savings

- 9.8.1 Any amount owed by the Sellers in respect of any Claim shall be reduced by the amount of any Tax Savings for the relevant Group Company arising from the Damages in respect of which the Claim has been made.
- 9.8.2 If the amount of the Tax Savings is determined after payment by the Sellers of any amount in discharge of the Claim, the Purchaser shall pay, or shall procure that the relevant Group Company pays, to the Sellers an amount equal to the difference between:
- (i) the amount paid by the Sellers to the Purchaser; and
 - (ii) the amount that the Purchaser would have received if such Tax Savings had been taken into account in determining the amount due by the Sellers in accordance with this Clause 9.8
- 9.8.3 For the purposes of this Clause 9.8, Tax Savings means the amount by which any Tax for which the relevant Group Company would otherwise have been liable is or could in the future be reduced as a result of such Damage.

9.9 Changes in Laws and practice

The Seller shall not be liable in respect of a Claim to the extent that the Claim arises or is increased as a result of:

- 9.9.1 any change in GAAP applicable to the relevant Group Company after the Closing Date;
- 9.9.2 any change in the accounting policies or practice of the Purchaser's Group or of a Group Company after the Closing Date, save where such change was required to remedy an illegality existing prior to Closing;
- 9.9.3 the passing of any Laws, or making of any subordinate Laws after the Closing Date; or
- 9.9.4 any change in the interpretation or application of any Laws or in the (administrative) practice after the Closing Date of any Regulatory Authority, including, for the avoidance of doubt and without limitation, the application of the Tax Laws.

9.10 Matters arising subsequent to Closing

The Sellers shall have no obligation to reimburse Damages to the Purchaser in respect of any Damages to the extent that the same would not have occurred but for any action or omission of a Group Company, the Purchaser or an Affiliate of the Purchaser, after Closing, nor in respect of any Damages resulting from or triggered by any investigation or claim initiated following any initiative taken by a Group Company, the Purchaser or an Affiliate of the Purchaser, after the Closing Date, unless such action, initiative or omission is an action, initiative or omission which a similarly situated internationally active industrial buyer, whether or not listed, engaging in a transaction of size and nature as the Transaction would as shareholder of the Group Companies undertake or omit to undertake or cause the Group Companies to undertake or omit to undertake with due regard for

the interests of such buyer as shareholder in preserving the value of its investment in the Group Companies and their assets.

9.11 No cumulation (non bis in idem)

If the same Damages can give rise to a Claim under several provisions of this Agreement, the Sellers shall only be required to reimburse such Damages once, subject to the limitations set out herein.

9.12 Mitigation

Without prejudice to section 1134, para. 3 of the Belgian Civil Code, the Purchaser shall procure that all reasonable steps are taken to avoid or mitigate any Damages which might give rise to a Claim against the Sellers.

9.13 Absence of Limitation of Liability

None of the limitations contained in Clause 9 (other than Clause 9.11) shall apply to and the Purchaser shall be entitled to full indemnification for any Damage resulting from any Breach which is the consequence of fraud (dol / bedrog) or wilful misconduct (opzet / faute intentionelle) by the Sellers or is the consequence of fraud (dol / bedrog) or wilful misconduct (opzet / faute intentionelle) by the Group Companies which was known to the Sellers at the Signing Date and not Fairly Disclosed to the Purchaser prior to the Signing Date, it being understood that in determining the amount of Damages due regard shall nevertheless be given to any insurance proceeds, recoveries from third parties and/or tax savings that would be unaffected by the foregoing.

10 Specific Indemnity

10.1 General

The Sellers agree to fully indemnify and hold the Purchaser harmless for any and all Damages incurred by the Purchaser and/or the Group Companies in respect thereof, resulting or arising from, to the extent not taken into account in the calculation of Net Working Capital or Net Debt:

- (A) (i) any and all Taxes imposed on or with respect to the Group Companies, or for which any of the Group Companies may otherwise be liable, for any tax period (or portion thereof) ending at Closing, (ii) any and all Taxes of any other person for which any of the Group Companies is or has been liable as a transferee or successor, where such liability results from circumstances existing prior to the Closing, and (iii) any obligation or other liability of any of the Group Companies to indemnify any other person in respect of or relating to Taxes or for any amounts calculated by reference to Taxes or to pay an amount pursuant to any Tax sharing or Tax allocation agreement entered into prior to the Closing Date (other than any such agreement solely among the Group Companies or that was entered into in the ordinary course of business and the principal purpose of which does not relate to Taxes);

excluding (i) any liability for Taxes due as a result of the Closing (including but not limited to stamp duties, real estate transfer taxes, etc.) and (ii) any liability for taxes in relation to the NMTC Loan Agreement resulting or arising from the Transaction or any actions or circumstances after Closing.

- (B) any environmental liabilities relating to the ownership or operation of the Business or any property by any of the Group Companies prior to Closing, including any release or presence of any Hazardous Substance in the Environment or in any structure prior to the Closing Date, and, without limiting the generality of the foregoing, including any liabilities or any remedial action (including, without limitation, soil investigations, clean-up and monitoring measures) relating to (known or unknown) soil or groundwater pollution existing prior to Closing which originated on the property owned, operated or leased by any of the Group Companies in Belgium, until the Flemish Soil Regulatory Authority (OVAM) confirms that no further remedial action is required because (i) the applicable standards for soil and groundwater are complied with; or (ii) the pollution no longer constitutes a risk for adverse effects on the environment or human health and safety;
- (C) the claims referred to in Schedule 12;
- (D) the fact that the provision accounted for in accounts no. 459620 and 459630 of Asco Industries NV/SA is insufficient to cover the risk for which it has been reserved up to Closing;
- (E) the operations of Asco Brazil;
- (F) (i) violations of certain transfer restrictions under foreign trade law committed by Asco Deutschland GmbH, as described in a voluntary self-denunciation declaration made by Asco Deutschland GmbH to the central custom office Gießen (Hauptzollamt Gießen) and (ii) the confirmation included in note 1.0 included in the Non-VDR USB Stick not being true and accurate;

(the Specific Indemnities).

10.2 Claims procedure

Clauses 8.2 through 8.11 and Clause 11 shall apply mutatis mutandis to any claim for Specific Indemnities.

10.3 Claims period

Without prejudice to Clause 10.2, the Sellers shall not be liable under this Clause 10.1 unless a Claim is given:

- 10.3.1 in relation to Clause 10.1(A), before or on the date on which on which the matter giving rise to the Claim is barred by applicable statute of limitation increased with three (3) months;
- 10.3.2 in relation to Clauses 10.1(B), 10.1(D), 10.1(E) and 10.1(F) five (5) years after Closing; or
- 10.3.3 in relation to Clause 10.1(C), until a final judgment that can no longer be appealed has been rendered or a final settlement has been reached with respect to the relevant claim.

10.4 Limitations on indemnification

The limitations to the Sellers' liability as set out in Clause 9 shall apply mutatis mutandis to the Specific Indemnities, except that (i) Clauses 9.1, 9.2, 9.4, 9.5 and 9.6 shall not apply and (ii) Clauses 9.9.3 and 9.9.4 shall apply, except in relation to Clause 10.1(B) to the extent it relates to soil or groundwater pollution.

11 Third Party Claims

- 11.1 Without prejudice to Clause 8.3, where a Claim of the Purchaser is based upon or relates to a claim by or a liability to a third party (a Third Party Claim), the Purchaser shall notify the Sellers of such Third Party Claim within five (5) Business Days after such Third Party Claim has been made, or sooner if this is reasonably required in order to properly prepare the defence against such Third Party Claim or if urgent actions may be required. Failure to comply with any of the requirements set forth in this Clause 11.1 shall not result in the Purchaser forfeiting its right to claim Damages for a Breach, but limit such right to the extent the liability of the Sellers would have been increased as a result thereof.
- 11.2 The Purchaser shall, or shall cause the relevant Group Company to, provide the Sellers with copies of all documents and correspondence from that third party, and all other documents and correspondence relating to the Third Party Claim as the Sellers may reasonably request, it being understood that the Sellers hereby agree (i) to keep all such information and documents confidential during a three (3) year period as of the receipt thereof, and (ii) to use such information only for the purpose of dealing with the Third Party Claim and the impact thereof on this Agreement.
- 11.3 The Sellers shall promptly and not later than twenty (20) Business Days after receipt of notice of the Third Party Claim notify to the Purchaser: (i) whether they dispute the Purchaser's or the relevant Group Company's right to indemnification from the Sellers with respect to such Third Party Claim; and (ii) if they do not dispute such right of indemnification, whether or not they desire to defend the Purchaser or the relevant Group Company against such Third Party Claim.

11.4 Notwithstanding the above notice periods, the Purchaser is allowed to take any reasonable provisional measures, to the extent necessary, subject to informing the Sellers promptly thereof.

11.5 If, within the 20 (twenty) Business Days' period provided for under Clause 11.2, the Sellers notify the Purchaser that they do not dispute the Purchaser's right to indemnification and desire to defend the Purchaser or the relevant Group Company against such Third Party Claim, the Sellers shall have the right to assume and control the defence of such Third Party Claim by appropriate proceedings with counsel reasonably acceptable to the Purchaser at the Sellers' sole cost and expense; provided, however, that, notwithstanding the foregoing, if the resolution of such Third Party Claim could have a material impact on Guarantor's reputation or materially interfere with Guarantor's business or its relationships with its key customers, the Sellers shall not have the right to assume the control and defence of such Third Party Claim, subject to any increase in the amount of Damages indemnifiable by the Sellers further to this Agreement as a result of such defence to the extent it would be different from the defence that would have been pursued by the Sellers, being disregarded for purposes of determining the amount of Damages indemnifiable. The Purchaser's approval of counsel proposed by the Sellers shall not be unreasonably withheld, delayed or conditioned. The Purchaser may retain separate co-counsel at its sole cost and expense and participate in, but not control, any such defence or settlement. Notwithstanding the foregoing, with respect to claims related to the matters listed in Schedule 12, the Purchaser and Christian Boas shall jointly control and direct the defence of such claims, it being understood that they shall, acting reasonably, (i) jointly select counsel with respect to each such claim and (ii) actively consult and cooperate with each other in directing the defence of such claims.

11.6 If the Sellers:

- (1) dispute the Purchaser's right to compensation with respect to a Third Party Claim; or
- (2) do not dispute such right to compensation but prefer not to assume the defence of such Third Party Claim; or
- (3) do not react within twenty (20) Business Days to the Purchaser's notification, and within ten (10) Business days after a second notice by the Purchaser, after expiration of said initial period, asserting the Purchaser's intention to assume control of the legal defence of the Third Party Claim if the Sellers do not respond; or
- (4) do not dispute such right to compensation but fail to timely assume and prosecute the defence of such Third Party Claim;

then the Purchaser shall assume and control the defence of such Third Party Claim, provided that the Sellers shall have the right to assume the defence against a Third Party Claim, if at any time the Purchaser is not conducting the defence against such Third Party Claim in a reasonably diligent manner.

- 11.7** The Party responsible for the defence of any Third Party Claim (the Responsible Party) shall, to the extent reasonably requested by the other Parties, keep informed and, when appropriate, consult with the other Parties, on the status of any Third Party Claim for which such Party is not the Responsible Party, including, without limitation, all proposed settlement negotiations. With respect to a Third Party Claim for which the Sellers are the Responsible Party, the Purchaser shall make or cause the relevant Group Company to make available to the Sellers and their representatives all books and records relating to such Third Party Claim and shall render to the Sellers such assistance and access to the relevant Group Company as may be necessary or useful for purposes of the defence, as provided in this Clause 11.
- 11.8** The Responsible Party shall promptly notify the other Parties of each settlement offer (including whether the Responsible Party is willing or not to accept the proposed settlement offer) with respect to a Third Party Claim. The other Parties agree to notify the Responsible Party in due course whether or not such Parties are willing to accept the proposed settlement offer. The Responsible Party shall not enter into any settlement of any Third Party Claim without the prior written consent of the other Parties, which consent shall not be unreasonably withheld or delayed.
- 11.9** If the Purchaser or the relevant Group Company does not consent to any settlement offer of a Third Party Claim (whether or not the Purchaser is the Responsible Party) that the Sellers agree to take responsibility for, the Purchaser or such Group Company may continue to contest or defend such Third Party Claim and, in such event, the maximum liability of the Seller with respect to such Third Party Claim shall not exceed the full amount of such settlement offer.
- 11.10** If the Sellers do not consent to any settlement offer of a Third Party Claim (whether or not the Sellers are the Responsible Party with respect to such Third Party Claim), the Sellers may continue to contest or defend such Third Party Claim and, in such event, the Sellers shall be liable to the Purchaser for the full amount of the Damage sustained by the Purchaser or the relevant Group Company as a result of such Third Party Claim (without prejudice, for the avoidance of doubt, to the limitations set forth in Clause 9, which continue to apply).

12 Purchaser's Warranties

- 12.1** The Purchaser represents and warrants to the Sellers that the statements set out in this Clause (the Purchasers' Representations and Warranties) are true and accurate (i) on the Signing Date and, (ii) unless the Purchasers' Representation or Warranty is given with reference to the Signing Date or any earlier date, on the Closing Date:

- 12.1.1 the Purchaser is a company duly organised and validly existing under the laws of Belgium;
- 12.1.2 the Purchaser has the capacity and power to execute this Agreement and to purchase the Shares;
- 12.1.3 the execution of this Agreement and the performance of the transactions contemplated therein by the Purchaser have been approved and authorised by all necessary corporate actions. No further action on the part of the Purchaser is necessary to authorise this Agreement or the performance of the transactions contemplated therein;
- 12.1.4 the obligations of the Purchaser under this Agreement and each document or instrument contemplated by this Agreement, constitute valid and legally binding obligations of the Purchaser, in each case enforceable against the Purchaser in accordance with their terms;
- 12.1.5 the execution of this Agreement and the performance of the transactions contemplated therein do not and will not (i) violate the articles of association or other constitutive documents of the Purchaser, or (ii) violate any agreement, obligation, law, regulation, rule, covenant, judgement, injunction, order, decree or permits to which the Purchaser is subject or party;
- 12.1.6 at Closing the Purchaser will have all funds available to pay the Best Estimate in full and in cash in accordance with the terms of this Agreement and to consummate the Transaction, it being understood that receipt of financing by the Purchaser is not a condition to consummation of the Transaction;
- 12.1.7 the Purchaser shall perform, observe and comply with all the obligations and conditions required by this Agreement to be performed; and
- 12.1.8 there are no actions, proceedings or claims pending (or, to the best of its knowledge, threatened) against the Purchaser or any of its Affiliates, the adverse determination of which may impair the validity or enforceability of this Agreement or any of its principal terms, materially adversely affect the financial condition of the Purchaser or otherwise negatively affect the Purchaser's ability to perform its obligations under this Agreement.
- 12.2** Without prejudice to Clause 25.1 and 25.2, the Purchasers' Representations and Warranties are the only representations or assurances of any kind given by or on behalf of the Purchaser. The Sellers acknowledge and agree that they have not entered into this Agreement in reliance on any representation or warranty other than the Purchasers' Representations and Warranties and waives to the fullest extent possible or permitted under any applicable law all rights and remedies which might otherwise be available to it in respect of any such representations, warranties, other assurances, statements, promises or forecasts (whether written or oral).

12.3 The Purchaser shall indemnify and hold the Sellers harmless from and against any loss, damage or expense suffered or incurred by the Sellers resulting from a breach of any of the Purchaser's Representations and Warranties or any other covenant or obligation of the Purchaser hereunder.

13 Guarantee By Guarantor

13.1 The Guarantor, as primary obligor, unconditionally and irrevocably guarantees, by way of continuing guarantee to the Sellers the payment and performance by the Purchaser, when due, of all amounts and obligations under this Agreement and the other Transaction Documents. This guarantee shall remain in full force and effect until all such amounts and obligations have been irrevocably paid and discharged in full.

13.2 The Guarantor's obligations under this Clause 14:

13.2.1 constitute direct, primary and unconditional obligations to pay on demand by the Sellers any sum which the Purchaser is liable to pay under this Agreement or any other Transaction Document and to perform on demand any obligation of the Purchaser under this Agreement or any other Transaction Document without requiring the Sellers to first take any steps against the Purchaser or any other person; and

13.2.2 shall not be affected by any matter or thing which but for this provision might operate to affect or prejudice those obligations, including:

- (i) any time or indulgence granted to, or composition with, the Purchaser or any other person; or
- (ii) the taking, variation, renewal or release of, or refusal or neglect to perfect or enforce, any right, remedy or security against the Purchaser or any other person; or
- (iii) any legal limitation, disability or other circumstance relating to the Purchaser or any unenforceability or invalidity of any obligation of the Purchaser under this Agreement or any other Transaction Document.

13.3 Any agreement, waiver, consent or release given by the Purchaser shall bind the Guarantor and in references to the Parties the Purchaser and the Guarantor shall be treated as being a single party.

14 Guarantor's Warranties

14.1 The Guarantor represents and warrants to the Sellers that the statements set out in this Clause (the Guarantors' Representations and Warranties) are true and accurate (i) on the Signing Date and, (ii) unless the Guarantors' Representation or Warranty is given with reference to the Signing Date or any earlier date, on the Closing Date:

- 14.1.1 the Guarantor is a company duly organised and validly existing under the laws of Delaware;
- 14.1.2 the Guarantor has the capacity and power to execute this Agreement;
- 14.1.3 the execution of this Agreement and the performance by the Guarantor of its obligations thereunder have been approved and authorised by all necessary corporate actions. No further action on the part of the Guarantor is necessary to authorise this Agreement or the performance by the Guarantor of its obligations thereunder;
- 14.1.4 the obligations of the Guarantor under this Agreement and under each document or instrument contemplated by this Agreement, constitute valid and legally binding obligations of the Guarantor, in each case enforceable against the Guarantor in accordance with their terms;
- 14.1.5 the execution of this Agreement and the performance by the Guarantor of its obligations thereunder do not and will not (i) violate the articles of association or other constitutive documents of the Guarantor, or (ii) violate any agreement, obligation, law, regulation, rule, covenant, judgement, injunction, order, decree or permits to which the Guarantor is subject or party;
- 14.1.6 the Guarantor has sufficient funds available to guarantee the payments of the Final Purchase Price in full and in cash by the Purchaser in accordance with the term of this Agreement;
- 14.1.7 the Guarantor shall perform, observe and comply with all the obligations and conditions required by this Agreement to be performed by it; and
- 14.1.8 there are no actions, proceedings or claims pending (or, to the best of its knowledge, threatened) against the Guarantor or any of its Affiliates, the adverse determination of which may impair the validity or enforceability of this Agreement or any of its principal terms, materially adversely affect the financial conditions of the Guarantor or otherwise negatively affect the Guarantors ability to perform its obligations under this Agreement.

15 Non-Competition

15.1 For the purposes of this Clause 15:

- 15.1.1 **"Business"** shall mean the production, distribution and wholesale of high lift devices and large structural parts or mechanical assemblies made out of aluminum, titanium and steel for aircrafts; and
- 15.1.2 **"Territory"** shall mean the entire territory of any country in which a Group Company has conducted Business during the past five (5) years.

15.2 For a period of three (3) years as of the Closing Date the Sellers shall not, on their own behalf or as owner, manager, shareholder, consultant, director, officer, partner or employee of any business entity or in any other capacity whatsoever (other than as the holder of not more than 1% of the combined voting power of the outstanding shares of a publicly held company), participate directly or indirectly, in any capacity, in any

business or activity which (i) is in direct competition with the Business (as conducted immediately prior to Closing) in the Territory or (ii) intends to compete directly with the Business (as conducted immediately prior to Closing) in the Territory.

- 15.3** For a period of two (2) years as of the Closing Date the Sellers shall not solicit, induce, and attempt to hire or entice away any Senior Employee of any Group Company, provided that (i) employing such person through general solicitations for employment not targeted to any Group Company by means of advertisements, public notices, or non-targeted searches placed on websites or job search engines, (ii) employing such person who has had his employment agreement with a Group Company terminated prior to the commencement of his/her employment discussions, or (iii) employing such person who has made an unsolicited approach at least 6 months following the Closing shall not be deemed to constitute a breach of this restriction.
- 15.4** Nothing in this Clause 15 shall prohibit the Sellers (or any Affiliate thereof) from acquiring and holding shares in Asco Brazil and Asco Finance USA NV.
- 15.5** The restrictions in this Clause 15 are regarded by the Sellers as fair and reasonable. If any of the restrictions of Clause 15 were deemed to exceed the time or other limitations provided by applicable Law, these shall not be null and void but shall be construed, reformed and replaced to conform to the maximum permitted by applicable Law.

16 Non-Disposal

The Purchaser undertakes within twelve (12) months from the Closing Date (i) not to transfer the Shares or any part thereof (or permit to be transferred) by any means, including merger and contribution, to a legal entity under the laws of, or established in, a jurisdiction outside the European Union, (ii) to maintain its principal seat of business in Belgium; (iii) to remain fully operational as a Belgian holding company; and (iv) not to proceed with dissolution or liquidation, failing which the Purchaser shall be fully liable for, and indemnify and hold each of the Sellers harmless from and against, any capital gains tax as may be imposed on the Sellers including any interest, penalties and other losses incurred by the Sellers in connection therewith.

17 Confidentiality

- 17.1** Subject to Clause 17.3, no Party shall make or permit any person connected with it to make any disclosure to a third party or any announcement concerning this Transaction or any ancillary matter prior to the Closing, save for the announcement that will be made upon Signing of this Agreement in accordance with the draft attached hereto as Schedule 10, the Parties' oral public comments following announcement of the Transaction subject to them being non inconsistent with the messages contained in said announcement, the Guarantor's filing pursuant to Form 8-K and the announcement that will be made upon Closing on the basis of wording to be agreed upon among the Parties in due course.

17.2 Each Party shall, and shall procure that:

17.2.1 prior to Closing each member of its Group from time to time shall keep confidential all information provided to it by or on behalf of any other Party or otherwise obtained by or in connection with this Agreement which relates to another Party or any member of any other Party's Group; and

17.2.2 if after Closing a Party or its Group holds Confidential Information relating to another Party or any person or entity Affiliated with that Party, it shall keep that information confidential and, to the extent reasonably practicable, shall return that information to each relevant Party or destroy it, in each case without retaining copies.

17.3 Nothing in this Clause 17 prevents any announcement being made or any Confidential Information being disclosed:

17.3.1 with the written approval of the other Parties, which in the case of any announcement shall not be unreasonably withheld or delayed; or

17.3.2 to the extent required by Law or a Regulatory Authority, provided that a Party required to disclose any Confidential Information shall promptly notify the other Parties, where practicable and lawful to do so, before disclosure occurs and co-operate with the other Parties regarding the timing and content of such disclosure or any action which the other Parties may reasonably elect to take to challenge the validity of such requirement.

17.4 Nothing in this Clause prevents disclosure of Confidential Information by any Party:

17.4.1 to the extent that the information is in or comes into the public domain other than as a result of a breach of any undertaking or duty of confidentiality by any person; or

17.4.2 to that Party's professional advisers, but before any disclosure to any such person the relevant Party shall procure that he is made aware of the terms of this Clause and shall use its best endeavours to procure that such person adheres to those terms as if he were bound by the provisions of this Clause.

17.5 Nothing in this Clause 17 shall prevent the Purchaser's Group from using Confidential Information relating to a Group Company after Closing as permitted by applicable Law or to enforce its remedies hereunder.

18 Sellers' Representative

18.1 Each of the Sellers, on behalf of itself and any of its successors and assigns, hereby irrevocably confirms, designates and appoints Christian Boas as its representative (the Sellers' Representative).

18.2 The Sellers' Representative shall be the agent and attorney-in-fact of each Seller with full power and authority to perform all actions required or permitted to be performed by the Sellers under this Agreement. A decision, act, consent or instruction of the Sellers' Representative shall constitute a decision, act, consent or instruction from all of the Sellers and shall be final, binding and conclusive upon each Seller.

19 Notices

19.1 Any notice or other formal communication given under this Agreement (which includes fax, but not email) must be in writing and may be delivered in person, or sent by post or fax to the Party to be served at its address appearing in this Agreement, as follows:

to the Sellers at:

Attn: Christian Boas (xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx)

Address: xxx xx xxxxxx xx, xxxx xx xxxx (xxxxxxx)

Attn: Emile Boas (xxxxxxxxxxxxxxxxxxxxxxxxxx)

Address: xxxxxx xx xxxx xxxxxxxx xx, xxxx xxxxxxxx (xxxxxxx)

Attn: Dreda / Sylvie Boas (xxxxxxxxxxxxxxxxxxxxxxxxxx)

Address: xxxxx xx xxx xxxxxxxxx xxx, xxxx xxxxxxxx-xxxxxxxxxx (xxxxxxx)

With a copy to: Eubelius CVBA

Attn: Marieke Wyckaert (xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx) and Matthias Wauters (xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx)

Fax: xxx xx xxx xx xx

Address: xxxxxx xxxxxx xx, xxxx xxxxxxxx (xxxxxxx)

to the Purchaser at:

Attn.: Paul Hechenberger (xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx)

Address: xxxx xxxxx xxxxxx, xxxxxxx, xx (xxx) xxxxx

With a copy to: Stibbe cvba/scrl

Attn: Jan Peeters (xxxxxxxxxxxxxxxxxxxxxxxxxx)

Fax: xxx x xxx xx xx

Address: xxxxxx xxxxx, xxxxxxxxxxxx xx xxx xx xxxxxx, xxxx xxxxxxxx (xxxxxxx)

With a copy to: Sullivan & Cromwell LLP

Attn: George Sampas (xxxxxxxxxxxxxxxxxxxxxx)

Fax: xx xxx xxx xxxx

Address: xxx xxxxx xxxxxx, xxx xxxx, xx (xxx) xxxxx

or at such other address or fax number as it may notify to the other Party under this Clause. Any notice or other document sent by post shall be sent by registered mail requesting a return receipt (if the place of destination is the same as its country of origin) or by overnight courier (if its destination is elsewhere).

19.2 Any notice or other communication shall be deemed to have been given:

19.2.1 if delivered in person, at the time of delivery; or

19.2.2 if sent by post at 10.00 a.m. (local time at the place of destination) on the second (2nd) Business Day after it was put into the post or at 10.00 a.m. (local time at the place of destination) on the fifth (5th) Business Day after it was put into the post by overnight courier; or

19.2.3 if sent by fax, on the date of transmission, if transmitted before 5.00 p.m. (local time at the place of destination) on any Business Day and in any other case on the Business Day following the date of transmission, provided the fax is confirmed by registered mail requesting a return receipt.

19.2.4 In proving the giving of a notice or other communication it shall be sufficient to prove that delivery in person was made or that the envelope containing the communication was properly addressed and posted, or that the fax was properly addressed and transmitted, as the case may be.

20 Further Assurances

On or after Closing each Party shall, at its own cost and expense, execute and do (or procure to be executed and done) all such deeds, documents, acts and things as the other Party may from time to time require in order to vest any of the Shares in the Purchaser or as otherwise may be necessary to give full effect to this Agreement.

21 Assignments

The Purchaser may not assign any of its rights, including the benefit of the Sellers' Representations and Warranties, or transfer any of the obligations under this Agreement without the prior written consent of the Sellers.

Notwithstanding the above, but without prejudice to Clause 16, the Purchaser may subject to informing the Sellers thereof, assign (in whole or in part) the benefit of this Agreement to any member of the Purchaser's Group, subject to such assignment not resulting in greater liability or additional obligations nor less rights for the Sellers under this Agreement. The Purchaser shall ensure that before any such assignee subsequently ceases to be a member of the Purchaser's Group it shall re-assign that benefit to the Purchaser or to another continuing member of the Purchaser's Group.

22 Payments

Save as otherwise specifically set out in this Agreement, if a Party defaults in the payment when due of any sum payable under this Agreement, it shall pay interest at an annual rate of three per cent (300 basis points) above EURIBOR three months (it being understood that if and to the extent the EURIBOR three months would be negative, it shall for purposes of this Agreement be considered as being equal to zero) on that sum from the date on which payment is due until the date of actual payment, which interest shall accrue from day to day, without the need for any specific notice, and be compounded annually.

23 Nature of the Obligations of the Sellers

- 23.1** Except as otherwise provided in this Agreement, each of the Sellers undertakes individually, for itself, the applicable obligations set forth in this Agreement and each of the Sellers may individually for itself enforce all its rights under this Agreement.
- 23.2** Further to Clause 23.1 above, where any obligation, representation, warranty or undertaking in this Agreement is expressed to be made, undertaken or given by the Sellers they shall be severally, not jointly, responsible in respect of it, in proportion to their respective holdings of Shares immediately before Closing as set out in Schedule 1. For the avoidance of doubt, no Seller can be held liable for a Breach by another Seller, save with respect to the obligation to deliver the Shares upon Closing.

24 Costs and Expenses

Each Party will pay the costs and expenses incurred by it in connection with the entering into, and completion of, this Agreement, including, without limitation, in respect of their obligations in satisfying the Conditions Precedent and the other requirements for transferring the Shares.

25 General Provisions

- 25.1** For the avoidance of doubt, none of the limitations set out in Clauses 7, 8 and 9 shall apply to a breach of any obligation of a Party resting on it further to this Agreement, other than a Breach, or in respect of any Specific Indemnity set out in Clause 10 to the extent applicable.
- 25.2** Save as explicitly provided in this Agreement, the Parties waive their rights, if any and whether in whole or in part, to annul, rescind, dissolve, terminate or cancel this Agreement, or to request such annulment, rescission, dissolution, termination or cancellation after Closing, including on the basis of general provisions of contract law (including section 1184 of the Belgian Civil Code). This Clause 25.2 shall not exclude

any liability for (or remedy in respect of) fraud nor prevent a party to seek enforcement in kind of any of its rights and/or indemnification in case of breach of an obligation by another Party.

- 25.3** The Purchaser shall not direct (and shall cause the Group Companies not to direct) any claim to any of the Resigning Directors or the Resigning Officers of the Group Companies referred to in Clause 5.2.3. The Purchaser shall exercise its rights as a direct or indirect shareholder of the Group Companies in a way that avoids any personal liability of the Resigning Directors and the Resigning Officers referred to in Clause 5.2.3. In particular, to the extent legally permissible, the Purchaser agrees to vote against the enforcement of claims of any Group Company against the Resigning Directors or Resigning Officers referred to in Clause 5.2.3. For the avoidance of doubt, the foregoing is without prejudice to the Purchaser's right to direct a claim against the Sellers in their capacity as Sellers under this Agreement (on the terms and subject to the conditions of this Agreement).
- 25.4** If any provision of this Agreement is held invalid or unenforceable by any court or arbitral tribunal of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. Any provision of this Agreement held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable. The Parties undertake to replace the invalid or unenforceable provision by a provision which achieves the original purpose and intention of the Parties to the fullest possible extent.
- 25.5** The nullity or non-applicability of any provision of this Agreement shall not affect the validity or applicability of other provisions of the Agreement, which shall remain in full force and effect.
- 25.6** No Party shall be deemed to have waived any rights or remedies arising out of this Agreement or out of any default or breach hereunder unless such Party executes the waiver in writing. If a Party waives a right or remedy arising out of this Agreement or out of any default or breach hereunder, such waiver shall not be construed to constitute a waiver of any other rights or remedies.
- 25.7** This Agreement supersedes all prior agreements among the Parties with respect to its subject matter and constitutes a complete and exclusive statement of the terms of the agreement among the Parties with respect to its subject matter, except for the confidentiality agreement dated 3 July 2017 among Asco Industries NV and Spirit Aerosystems, Inc. (the Confidentiality Agreement), as amended by (i) an agreement entered into by and among the Company, Asco Industries NV and Spirit Aerosystems, Inc. on 14 November 2017 (the First Addendum), (ii) an agreement entered into by and among the Company, Asco Industries NV and Spirit Aerosystems, Inc. on 12 March 2018 (the Second Addendum), (iii) an agreement entered into by and among the Company, Asco Industries NV and Spirit Aerosystems, Inc. on 26 February 2018 (the Third Addendum), and (iii) an agreement entered into by and among the Company, Asco Industries NV and Spirit Aerosystems, Inc. on 26 April 2018 (the Fourth Addendum) and which will remain in full force up until Closing.

25.8 This Agreement may not be amended except by a written agreement by and among the Parties.

26 Governing Law and Competent Courts

26.1 This Agreement is governed by and shall be construed in accordance with the laws of Belgium, without giving effect to its principles or rules of conflict of laws, to the extent such principles or rules would permit or require the application of the laws of another jurisdiction.

26.2 Any disputes in connection with or arising out of this Agreement that are not settled amicably shall be conclusively settled by way of arbitration under the Rules of Conciliation and Arbitration of the International Chamber of Commerce (ICC) (the Rules) by three arbitrators, whereby each Party shall appoint one (1) arbitrator in accordance with said Rules as in force at the time of the request for arbitration and the two (2) arbitrators so appointed shall jointly appoint a third arbitrator, who shall act as chairman, in accordance with said Rules. If the Party-appointed arbitrators do not agree on the identity of the third arbitrator he shall be appointed in accordance with said Rules. The place of the arbitration shall be London. The arbitral proceedings and all documents delivered to or by the arbitrators shall be conducted in English. The arbitrators' decision shall be final and binding on the Parties. The arbitrators must decide on which share of the costs each Party shall bear, which shares may not be equal as a consequence of the respective responsibility of each Party in the origin of the dispute or its continuation. For the avoidance of doubt, the foregoing is without prejudice to the right of a Party to seek injunctive relief in summary proceedings before any competent court and to submit a dispute in relation to the Price Adjustment to an Independent Auditor in accordance with Clauses 3.3.4 and 3.4.

This Agreement has been signed in six (6) counterparts, which is as many counterparts as the number of Parties to it, and each party acknowledges receipt of one such counterpart.

Each of the Sellers hereby gives proxy to any lawyer of Eubelius CVBA and the Purchaser and the Guarantor hereby give proxy to any lawyer of Stibbe CVBA to initial on its behalf the pages of this Agreement.

SELLERS

/s/ Christian Boas

/s/ Emile Boas

Christian Boas

Emile Boas

/s/ Sylvie Boas

Dreda general partnership

Sylvie Boas

/s/ Sylvie Boas

Sylvie Boas Director

PURCHASER

Spirit AeroSystems Belgium Holdings BVBA

/s/ Sam J. Marnick

Sam J. Marnick
Managing Director

GUARANTOR

Spirit AeroSystems Holdings, Inc.

/s/ Sam J. Marnick

Sam J. Marnick
Chief Administration Officer

Section 3: EX-10.4 (EXHIBIT 10.4)

EXHIBIT 10.4

Confidential portions of this exhibit have been omitted pursuant to a request for confidential treatment filed separately with the Securities and Exchange Commission. Omissions are designated by the symbol [*****].

Amendment 35
TO
Special Business Provisions MS-65530-0016
BETWEEN
THE BOEING COMPANY
AND
SPIRIT AEROSYSTEMS, INCORPORATED

This Amendment Number 35 ("Amendment No. 35") to Special Business Provisions MS-65530-0016 is entered into as of the date of last signature below (the "Effective Date") between Spirit AeroSystems, Inc., a Delaware Corporation ("Seller") and The Boeing Company, a Delaware Corporation ("Boeing"). Hereinafter, the Seller and Boeing may be referred to jointly as "Parties" hereto. All capitalized terms used and not defined herein shall have the meanings assigned thereto in the SBP (as defined below).

Now, therefore, in consideration of the mutual covenants set forth herein, the Parties agree as follows:

RECITALS

- A. Boeing and Seller are Parties to the Special Business Provisions MS-65530-0016, dated June 16, 2005 (the "SBP"), and the General Terms Agreement BCA-65530-0016, dated June 17, 2005 (the "GTA") (collectively, The "Sustaining Agreement"), and including any Amendments to the GTA and the SBP.
- B. Boeing and Seller wish to amend the SBP as contemplated by this Amendment No. 35 to establish a [*****] amount for 737-9 Rate Tooling in accordance with SBP Attachment 27.
- C. For purposes of this Amendment No. 35, "737-9 Rate Tooling" is defined as such Rate Tooling as is necessary to support 737-9 production rate up to [*****] Airplanes per Month ("APM") in accordance with SBP Attachment 27.
- D. The Parties now desire to amend the SBP as contemplated below.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, and for other good and valuable consideration, the value, receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AGREEMENTS

- A. The Parties agree to a [*****] value of \$[*****] for 737-9 Rate Tooling.
- B. The Parties agree there will be [*****] associated with 737-9 Rate Tooling.

AMENDMENTS

The list of “Amendments” within the sustaining SBP is hereby deleted and replaced in its entirety as follows:

Amend Number	Description	Effective Date	Approval
1	Revise Company name from Mid-Western Aircraft Systems Incorporated to Spirit AeroSystems throughout document. Update Attachments 1, 2, 4, 14 and 16.	2/23/2006	H. McCormick R. Stone
2	Incorporate CCNs as listed in Amendment 2 Attachment A, includes addition of new section 12.19, modification to sections 3.4.9, 12.16 and 32.0, updates to Attachments 1, 2, 6, 7, 15, 16, 19 and 20.	4/11/2007	H. McCormick J. Edwards
3	Incorporate CCNs as listed in Amendment 3 Attachment A, updates to Attachments 1, 2, 7, 14, 15, 16 and 22.	11/28/2007	H. McCormick J. Edwards
4	Incorporate CCNs as listed in Amendment 4 Attachment A. Updates to Attachments 1, 2, 7, 14, 15, 16. Incorporate Attachment 1A per CCN 508, 1328.	7/8/2008	S.Hu W. Wallace
5	Incorporate CCNs as listed in Amendment 5 Attachment A, includes addition of new section 12.3.1.1 Updates to Attachments 1, 2, 7, 14, 15, 16, 20.	6/22/2009	S. Hu R. Stone
6	Incorporate CCNs as listed in Amendment 6 Attachment A. Updates to Attachments 1, 2, 4, 7, 9, 10, 14, 16. Incorporate Attachment 9 per CCN 2385.	11/23/2010	S. Hu M. Milan
7	Incorporate CCNs as listed in Amendment 7 Attachment A, includes addition of new section 12.13.3.1. Updates to Attachments 1, 2, 4, 7, 9, 14, 16. Incorporate Attachment 1B per CCN 4212 and Attachment 23 per the 767-2C MOA.	7/29/2011	S. Hu M. Milan
8	Incorporate CCNs as listed in Amendment 8 Attachment A, includes revisions to section 7.9 and 12.13.1.1. Updates to Attachments 1, 2, 4, 7, 9, 14, 15, 16.	2/6/2013	C. Howell M. Milan
9	Incorporate Attachment 25 - 737 Max Titanium Inner Wall Agreement.	9/4/2014	E. Flagel M. Milan
10	Incorporate Attachment 26-737 Derailment.	9/2/2014	B. Folden R. Ast
11	Incorporate Attachment 27 -737-MAX Non-Recurring Agreement, and Attachment 28 737/747/767/777 Pricing Agreement. Updates Section 4.1, Attachment 4 Section B.1., Attachments 9 and 15.	3/10/2015	C.Howell R. Ast
12	Delete and replace Attachment 25 Section 3.0	4/9/2015	K. Drawsky R. Ast
13	Incorporate CCNs as listed in Amendment 13 Attachment A, updates to Attachments 1, 2, 7, 9, 14, and 16.	1/4/2016	L. Taylor K. Leyba

14	Incorporate Attachment 25, Addendum 1.	4/21/2015	D. Blaylock R. Grant
15	NULL		
16	NULL		
17	Incorporate Attachment 29, 777X Non-Recurring Agreement	12/23/2015	A. Lucker E. Bauer
18	NULL		
19	NULL		
20	737 MAX Inner Wall	12/17/2015	S. Garcia-Deleone J.Reed
21	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement	5/9/2016	D. Blaylock R.Grant
22	737 MAX Composite Inner Wall Line Movement	11/2/2016	D. Blaylock E. Bossler
23	737 MAX 9 INITIAL and CIW Line [*****] Tooling Incentive AGREEMENT	12/16/2016	D. Blaylock E. Bossler
24	Incorporate CCNs as listed in Amendment 23 Attachment A, updates to Attachments 1, 2, 7, 9, and 14.	12/20/2016	L. Taylor K. Leyba
25	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement	3/17/2017	D. Blaylock E. Bossler
26	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement: 737-10X Pre Implementation Integration Tool	3/23/2017	D. Blaylock E. Bossler
27	Incorporate Attachment 30, 737 NG / MAX Vapor Barrier Agreement, updates to Attachments 1 and 9	3/31/2017	B. Edwards K. Clark
28	Revisions to Attachment 29, 777X NRE Agreement	6/23/2017	K. O'Connell C. Green
29	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement	7/20/2017	D. Blaylock E. Bossler
30	Delete and Replace SBP Sections 4.1, 4.1.1, 5.1.1, 5.2.1, 7.2, 8.0, 12.11, and 12.13.1.1 and SBP Attachments 1, 1B, 10 Section A10.2.10, 15, 16, 22, 27, and 29. Delete and Reserve SBP Attachments 1C, 20, and 28. Incorporate SBP Attachment 1D and 31.	9/22/2017	B. Edwards

31	Revisions to Attachment 27: 737-8 Rate Tooling Incentive Agreement	10/18/2017	D.Blalock E. Bossler
32	Revisions to Attachment 27, 737-8 Rate Tooling Incentive Agreement. Delete and Replace Tool List from Amd 31	11/15/2017	D.Blalock E.Bossler
33	Revisions to Attachment 27, 737 MAX Composite Inner Wall Rate Tooling NTE and Incentive Agreement supporting [*****] APM	11/30/2017	D.Blalock E.Bossler
34	Revisions to Attachment 27, 737-10 Non-Recurring Non-Tooling	2/23/2018	D.Blalock E.Bossler
35	Revisions to Attachment 27, 737-9 Rate Tooling [*****]	4/18/18	D.Blalock J.O'Crowley

1. The 737-9 [*****] Amount table within SBP Attachment 27 Exhibit A - "Tooling [*****] Amounts" is hereby deleted and replaced with the following:

737-9 [*****] Amounts	Fuselage, Wing, and Propulsion End Items (All SOW excluding CIW)
Initial Tooling [*****] Amount	#[*****]
Rate Tooling [*****] Amount to support up to and including [*****] APM	#[*****]

2. SBP Attachment 27 Exhibit C "Tooling Lists" is updated with the 737-9 Rate Tool list as provided in Exhibit 1 to this Amendment No. 35.
3. Section 6.3 of SBP Attachment 27 is updated to include purchase orders for 737-9 Rate Tooling as follows:

"737-9 Fuselage Rate Tools PO 860487 item 04
 737-9 Pylon Rate Tools PO XXXXX item XX
 737-9 Thrust Reverser Rate Tools PO XXXXXXX item XX
 737-9 Wing Rate Tools PO 860488 item 03"

4. SBP Attachment 27 is hereby amended by adding a new Section 6.4.7 as follows:

“6.4.7 For the purposes of 737-9 Rate Tooling, Boeing [*****] to Seller. The Parties agree that nothing in this Section 6.4.7 shall have the effect of establishing any precedent with respect to the calculation of any future incentive fee, whether via this SBP Attachment 27 or otherwise.”

5. SBP Attachment 9 is updated to include reference to this Amendment No. 35.

Miscellaneous

- a. Except as specifically set forth herein, all provisions of the SBP shall remain unchanged and in full force and effect.
- b. In the event of a conflict between the terms of this Amendment No. 35 (including the Exhibit 1 hereto), and provisions of the SBP, GTA or the Administrative Agreement, this Amendment No. 35 and the Exhibit 1 hereto shall take precedence.

This Amendment No. 35 shall be governed by the internal laws of the State of Washington without reference to any rules governing conflict of laws.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have executed this Amendment No. 35 as of the date of last signature below.

The Boeing Company

by and through its division
Boeing Commercial Airplanes

By: /s/ David Blaylock
Name: David Blaylock
Title: Procurement Agent
Date: April 18, 2018

Spirit AeroSystems, Inc

By: /s/ John O'Crowley
Name: John O'Crowley
Title: Contract Administrator
Date: April 18, 2018

Now, therefore, in consideration of the mutual covenants set forth herein, the Parties agree as follows:

RECITALS

- A. Boeing and Seller are parties to the Special Business Provisions MS-65530-0016, dated June 16, 2005 (the "SBP"), and the General Terms Agreement BCA-65530-0016, dated June 17, 2005 (the "GTA") (collectively, the "Sustaining Agreement"), and including any Amendments to the GTA and the SBP.
- B. SBP Amendment Number 34 added 737-10 Non-Recurring Non-Tooling for Fuselage, Thrust Reverser, and Pylon Statements of Work to SBP Attachment 27. 737-10 Wing Non-Recurring Non-Tooling SOW was excluded from Amendment 34 because the full scope of work was not matured at the time the amendment was executed.
- C. Boeing and Seller wish to amend SBP Attachment 27, as contemplated below, to include the 737-10 Non-Recurring Non-Tooling Wing Define and Build Statements of Work.

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, and for other good and valuable consideration, the value, receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

AMENDMENTS

- 1. The list of "Amendments" within the sustaining SBP is hereby deleted and replaced in its entirety as follows:

Amend Number	Description	Effective Date	Approval
1	Revise Company name from Mid-Western Aircraft Systems Incorporated to Spirit AeroSystems throughout document. Update Attachments 1, 2, 4, 14 and 16.	2/23/2006	H. McCormick R. Stone

2	Incorporate CCNs as listed in Amendment 2 Attachment A, includes addition of new section 12.19, modification to sections 3.4.9, 12.16 and 32.0, updates to Attachments 1, 2, 6, 7, 15, 16, 19 and 20.	4/11/2007	H. McCormick J. Edwards
3	Incorporate CCNs as listed in Amendment 3 Attachment A, updates to Attachments 1, 2, 7, 14, 15, 16 and 22.	11/28/2007	H. McCormick J. Edwards
4	Incorporate CCNs as listed in Amendment 4 Attachment A. Updates to Attachments 1, 2, 7, 14, 15, 16. Incorporate Attachment 1A per CCN 508, 1328.	7/8/2008	S.Hu W. Wallace
5	Incorporate CCNs as listed in Amendment 5 Attachment A, includes addition of new section 12.3.1.1 Updates to Attachments 1, 2, 7, 14, 15, 16, 20.	6/22/2009	S. Hu R. Stone
6	Incorporate CCNs as listed in Amendment 6 Attachment A. Updates to Attachments 1, 2, 4, 7, 9, 10, 14, 16. Incorporate Attachment 9 per CCN 2385.	11/23/2010	S. Hu M. Milan
7	Incorporate CCNs as listed in Amendment 7 Attachment A, includes addition of new section 12.13.3.1. Updates to Attachments 1, 2, 4, 7, 9, 14, 16. Incorporate Attachment 1B per CCN 4212 and Attachment 23 per the 767-2C MOA.	7/29/2011	S. Hu M. Milan
8	Incorporate CCNs as listed in Amendment 8 Attachment A, includes revisions to section 7.9 and 12.13.1.1. Updates to Attachments 1, 2, 4, 7, 9, 14, 15, 16.	2/6/2013	C. Howell M. Milan
9	Incorporate Attachment 25 - 737 Max Titanium Inner Wall Agreement.	9/4/2014	E. Flagel M. Milan
10	Incorporate Attachment 26-737 Derailment.	9/2/2014	B. Folden R. Ast
11	Incorporate Attachment 27 -737-MAX Non-Recurring Agreement, and Attachment 28 737/747/767/777 Pricing Agreement. Updates Section 4.1, Attachment 4 Section B.1., Attachments 9 and 15.	3/10/2015	C.Howell R. Ast

12	Delete and replace Attachment 25 Section 3.0	4/9/2015	K. Drawsky R. Ast
13	Incorporate CCNs as listed in Amendment 13 Attachment A, updates to Attachments 1, 2, 7, 9, 14, and 16.	1/4/2016	L. Taylor K. Leyba
14	Incorporate Attachment 25, Addendum 1.	4/21/2015	D. Blaylock R. Grant
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23	737 MAX 9 INITIAL and CIW Line [*****] Tooling Incentive AGREEMENT	12/16/2016	D. Blaylock E. Bossler
24	Incorporate CCNs as listed in Amendment 23 Attachment A, updates to Attachments 1, 2, 7, 9, and 14.	12/20/2016	L. Taylor K. Leyba
25	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement	3/17/2017	D. Blaylock E. Bossler
26	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement: 737-10X Pre Implementation Integration Tool	3/23/2017	D. Blaylock E. Bossler

27	Incorporate Attachment 30, 737 NG / MAX Vapor Barrier Agreement, updates to Attachments 1 and 9	3/31/2017	B. Edwards K. Clark
28	Revisions to Attachment 29, 777X NRE Agreement	6/23/2017	K. O'Connell C. Green
29	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement	7/20/2017	D. Blaylock E. Bossler
30	Delete and Replace SBP Sections 4.1, 4.1.1, 5.1.1, 5.2.1, 7.2, 8.0, 12.11, and 12.13.1.1 and SBP Attachments 1, 1B, 10 Section A10.2.10, 15, 16, 22, 27, and 29. Delete and Reserve SBP Attachments 1C, 20, and 28. Incorporate SBP Attachment 1D and 31.	9/22/2017	B. Edwards W. Wilson
31	Revisions to Attachment 27: 737-8 Rate Tooling Incentive Agreement	10/18/2017	D. Blaylock E. Bossler
32	Revisions to Attachment 27, 737-8 Rate Tooling Incentive Agreement. Delete and Replace Tool List from Amd 31	11/15/2017	D. Blaylock E. Bossler
33	Revisions to Attachment 27, 737 MAX Composite Inner Wall Rate Tooling NTE and Incentive Agreement supporting [*****] APM	11/30/2017	D. Blaylock E. Bossler
34	Revisions to Attachment 27, 737-10 Non-Recurring Non-Tooling (excluding Wing NRE SOW)	2/23/2018	D. Blaylock E. Bossler
35	Revisions to Attachment 27, 737-9 Rate Tooling [*****]	4/18/18	D. Blaylock J. O'Crowley
36	Revisions to Attachment 27, 737-10 Non-Recurring Non-Tooling Wing Define and Build SOW	6/20/2018	D. Blaylock E. Bossler

2. Paragraph 3.3 of SBP Attachment 27 is amended in its entirety and is replaced with the following:
“The Parties agree the documents set forth in this Section 3 are the versions existing as of the date of SBP Amendment 36.”

3. Paragraph 5.1.2 of SBP Attachment 27 is amended in its entirety and is replaced with the following:
“Seller will invoice its costs incurred less any rebates and discounts in performance of the Non-Recurring Non-Tooling Work up to Amended Type Certification for 737-7 (7150), 737-8, 737-9, 737-8200, 737-10, BBJ8, BBJ7, and BBJ9 [*****], for the [*****] period preceding the month of invoice, and for other agreed to costs that have not been previously invoiced. ([*****] invoice to be submitted upon signature of the MOA that is now this SBP Attachment 27).

Purchase orders will be released in the following manner to enable invoicing of the Non-Recurring Non-Tooling Define statements of work.

- 737-8 Fuselage Non-Recurring Non-Tooling Define PO 843948 item 05
- 737-8 Wing Non-Recurring Non-Tooling Define PO 843951 item 03
- 737-8 Pylon Non-Recurring Non-Tooling Define PO 849241 item 11
- 737-8 Thrust Reverser Non-Recurring Non-Tooling Define PO 849241 item 08

- 737-9 Fuselage Non-Recurring Non-Tooling Define PO 843948 item 06
- 737-9 Wing Non-Recurring Non-Tooling Define PO 843951 item 04
- 737-9 Pylon Non-Recurring Non-Tooling Define PO 849241 item 12
- 737-9 Thrust Reverser Non-Recurring Non-Tooling Define PO 849241 item 09

- 737-7 (7150) Fuselage Non-Recurring Non-Tooling Define PO 843948 item 07
- 737-7 (7150) Wing Non-Recurring Non-Tooling Define PO 843951 item 05
- 737-7 (7150) Pylon Non-Recurring Non-Tooling Define PO 849241 item 13
- 737-7 (7150) Thrust Reverser Non-Recurring Non-Tooling Define PO 849241 item 10

- 737-8200 Fuselage Non-Recurring Non-Tooling Define PO 843948 item 16
- 737-8200 Wing Non-Recurring Non-Tooling Define - Presently Not Applicable
- 737-8200 Pylon Non-Recurring Non-Tooling Define - Presently Not Applicable
- 737-8200 Thrust Reverser Non-Recurring Non-Tooling Define - Presently Not Applicable

- MAX BBJ8 Fuselage Non-Recurring Non-Tooling Define PO 843948 item 09
- MAX BBJ8 Wing Non-Recurring Non-Tooling Define - Presently Not Applicable
- MAX BBJ8 Pylon Non-Recurring Non-Tooling Define - Presently Not Applicable
- MAX BBJ8 Thrust Reverser Non-Recurring Non-Tooling Define - Presently Not Applicable

- MAX BBJ7 Fuselage Non-Recurring Non-Tooling Define PO 843948 item 13
- MAX BBJ7 Wing Non-Recurring Non-Tooling Define - Presently Not Applicable
- MAX BBJ7 Pylon Non-Recurring Non-Tooling Define - Presently Not Applicable
- MAX BBJ7 Thrust Reverser Non-Recurring Non-Tooling Define - Presently Not Applicable

- MAX BBJ9 Fuselage Non-Recurring Non-Tooling Define PO 843948 item 14
- MAX BBJ9 Wing Non-Recurring Non-Tooling Define - Presently Not Applicable
- MAX BBJ9 Pylon Non-Recurring Non-Tooling Define - Presently Not Applicable
- MAX BBJ9 Thrust Reverser Non-Recurring Non-Tooling Define - Presently Not Applicable

- 737-10 Fuselage Non-Recurring Non-Tooling Define PO 218903 item 01
- 737-10 Thrust Reverser Non-Recurring Non-Tooling Define PO 218904 item 01
- 737-10 Pylon Non-Recurring Non-Tooling Define PO 218904 item 02
- 737-10 Wing Non-Recurring Non-Tooling Define PO 282640 item 01

- 737 MAX CIW Non-Recurring Non-Tooling Define and Build PO 218899 item 01

Purchase orders will be released in the following manner to enable invoicing of the Non-Recurring Non-Tooling Build statements of work.

- 737-8 Fuselage Non-Recurring Non-Tooling Build PO 843949 item 01
 - 737-8 Wing Non-Recurring Non-Tooling Build PO 843952 item 01
 - 737-8 Pylon Non-Recurring Non-Tooling Build PO 849242 item 04
 - 737-8 Thrust Reverser Non-Recurring Non-Tooling Build PO 849242 item 01

 - 737-9 Fuselage Non-Recurring Non-Tooling Build PO 843949 item 02
 - 737-9 Wing Non-Recurring Non-Tooling Build PO 843952 item 02
 - 737-9 Pylon Non-Recurring Non-Tooling Build PO 849242 item 05
 - 737-9 Thrust Reverser Non-Recurring Non-Tooling Build PO 849242 item 02

 - 737-7 (7150) Fuselage Non-Recurring Non-Tooling Build PO 843949 item 03
 - 737-7 (7150) Wing Non-Recurring Non-Tooling Build PO 843952 item 03
 - 737-7 (7150) Pylon Non-Recurring Non-Tooling Build PO 849242 item 06
 - 737-7 (7150) Thrust Reverser Non-Recurring Non-Tooling Build PO 849242 item 03

 - 737-10 Fuselage Non-Recurring Non-Tooling Build PO 282634 item 01
 - 737-10 Thrust Reverser Non-Recurring Non-Tooling Build - Presently Not Applicable
 - 737-10 Pylon Non-Recurring Non-Tooling Build - Presently Not Applicable
 - 737-10 Wing Non-Recurring Non-Tooling Build PO 282641 item 01

 - 737-8200 Fuselage Non-Recurring Non-Tooling Build PO 843949 item 04
 - 737-8200 Wing Non-Recurring Non-Tooling Build - Presently Not Applicable
 - 737-8200 Pylon Non-Recurring Non-Tooling Build - Presently Not Applicable
 - 737-8200 Thrust Reverser Non-Recurring Non-Tooling Build - Presently Not Applicable”
4. SBP Attachment 9 is updated to include reference to this Amendment No. 36.

MISCELLANEOUS

- A. Except as specifically set forth herein, all provisions of the SBP shall remain unchanged and in full force and effect.
- B. In the event of a conflict between the terms of this Amendment No. 36 and provisions of the SBP, GTA or the Administrative Agreement, this Amendment No. 36 hereto shall take precedence.
- C. This Amendment No. 36 shall be governed by the internal laws of the State of Washington without reference to any rules governing conflict of laws.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have executed this Amendment as of the date of last signature below.

The Boeing Company
by and through its division
Boeing Commercial Airplanes

Spirit AeroSystems, Inc

By: /s/ David Blaylock
Name: David Blaylock
Title: Procurement Agent
Date: June 20, 2018

By: /s/ Eric S. Bossler
Name: Eric S. Bossler
Title: Contracts Specialist
Date: June 20, 2018

SBP Amendment No. 36 Page 7 of 7

[\(Back To Top\)](#)

Section 5: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

**CERTIFICATION PURSUANT TO
RULE 13a/15d OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Thomas C. Gentile III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spirit AeroSystems Holdings, Inc. (“registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our

supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Thomas C. Gentile III

Thomas C. Gentile III

President and Chief Executive Officer

Date: August 1, 2018

[\(Back To Top\)](#)

Section 6: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO
RULE 13a/15d OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sanjay Kapoor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Spirit AeroSystems Holdings, Inc. ("registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the

effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Sanjay Kapoor

Sanjay Kapoor

Executive Vice President and Chief Financial Officer

Date: August 1, 2018

[\(Back To Top\)](#)

Section 7: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Spirit AeroSystems Holdings, Inc. (the "Company") on Form 10-Q for the period ended June 28, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas C. Gentile III, as President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas C. Gentile III

Thomas C. Gentile III

President and Chief Executive Officer

Date: August 1, 2018

[\(Back To Top\)](#)

Section 8: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Spirit AeroSystems Holdings, Inc. (the "Company") on Form 10-Q for the period ended June 28, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Sanjay Kapoor, as Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Sanjay Kapoor

Sanjay Kapoor

Executive Vice President and Chief Financial Officer

Date: August 1, 2018

[\(Back To Top\)](#)