

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 September 26, 2019

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
Class A common stock, par value \$0.01 per share	SPR	New York Stock Exchange

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging Growth
Company

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 October 24, 2019, the registrant had 103,517,451 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	35
Item 3. Quantitative and Qualitative Disclosures About Market Risk	46
Item 4. Controls and Procedures	46

PART II — OTHER INFORMATION

Item 1. Legal Proceedings	47
Item 1A. Risk Factors	47
Item 6. Exhibits	48
Signatures	49

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 Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
	(\$ in millions, except per share data)			
Revenue	\$ 1,919.9	\$ 1,813.7	\$ 5,903.8	\$ 5,386.7
Operating costs and expenses				
Cost of sales	1,647.6	1,543.1	5,029.1	4,601.3
Selling, general and administrative	53.6	37.3	173.6	154.5
Research and development	12.6	10.8	36.0	31.3
Total operating costs and expenses	1,713.8	1,591.2	5,238.7	4,787.1
Operating income	206.1	222.5	665.1	599.6
Interest expense and financing fee amortization	(23.6)	(24.2)	(66.1)	(60.3)
Other (expense) income, net	(9.5)	7.4	(11.9)	(0.8)
Income before income taxes and equity in net income of affiliate	173.0	205.7	587.1	538.5
Income tax provision	(41.7)	(36.9)	(124.7)	(99.7)
Income before equity in net income of affiliate	131.3	168.8	462.4	438.8
Equity in net income of affiliate	—	—	—	0.6
Net income	\$ 131.3	\$ 168.8	\$ 462.4	\$ 439.4
Earnings per share				
Basic	\$ 1.27	\$ 1.61	\$ 4.46	\$ 4.02
Diluted	\$ 1.26	\$ 1.59	\$ 4.41	\$ 3.98

See notes to condensed consolidated financial statements (unaudited)

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

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
	(\$ in millions)			
Net income	\$ 131.3	\$ 168.8	\$ 462.4	\$ 439.4
Changes in other comprehensive gain (loss), net of tax:				
Pension, SERP, and Retiree medical adjustments, net of tax effect of \$(11.4) and \$0.1 for the three months ended, respectively, and \$(11.2) and \$0.3 for the nine months ended, respectively	36.9	(0.6)	36.2	(1.8)
Unrealized foreign exchange loss on intercompany loan, net of tax effect of \$0.2 and zero for the three months ended, respectively, and \$0.3 and \$0.3 for the nine months ended, respectively	(1.1)	—	(1.3)	(1.3)
Unrealized loss on interest rate swaps, net of tax effect of \$(0.3) for the three and nine months ended	(1.5)	—	(1.5)	—
Foreign currency translation adjustments	\$ (12.8)	\$ —	\$ (16.7)	\$ (13.4)
Total other comprehensive gain (loss)	21.5	(0.6)	16.7	(16.5)
Total comprehensive income	\$ 152.8	\$ 168.2	\$ 479.1	\$ 422.9

See notes to condensed consolidated financial statements (unaudited)

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

	<u>September 26, 2019</u>	<u>December 31, 2018</u>
	(\$ in millions)	
Assets		
Cash and cash equivalents	\$ 1,477.3	\$ 773.6
Restricted cash	0.3	0.3
Accounts receivable, net	708.6	545.1
Contract assets, short-term	579.0	469.4
Inventory, net	1,015.2	1,012.6
Other current assets	58.3	48.3
Total current assets	3,838.7	2,849.3
Property, plant and equipment, net	2,199.8	2,167.6
Right of use assets	49.7	—
Contract assets, long-term	9.7	54.1
Pension assets	385.3	326.7
Other assets	218.4	288.2
Total assets	\$ 6,701.6	\$ 5,685.9
Liabilities		
Accounts payable	\$ 1,140.5	\$ 902.6
Accrued expenses	319.8	313.1
Profit sharing	55.9	68.3
Current portion of long-term debt	37.6	31.4
Operating lease liabilities, short-term	6.2	—
Advance payments, short-term	19.8	2.2
Contract liabilities, short-term	170.5	157.9
Forward loss provision, short-term	37.2	12.4
Deferred revenue and other deferred credits, short-term	17.2	20.0
Deferred grant income liability - current	5.6	16.0
Other current liabilities	55.4	58.2
Total current liabilities	1,865.7	1,582.1
Long-term debt	2,132.2	1,864.0
Operating lease liabilities, long-term	43.6	—
Advance payments, long-term	335.1	231.9
Pension/OPEB obligation	32.6	34.6
Contract liabilities, long-term	340.4	369.8
Forward loss provision, long-term	161.9	170.6
Deferred revenue and other deferred credits	32.4	31.2
Deferred grant income liability - non-current	28.0	28.0
Other liabilities	112.7	135.6
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, 104,888,051 and 105,461,817 shares issued and outstanding, respectively	1.0	1.1
Additional paid-in capital	1,113.4	1,100.9
Accumulated other comprehensive loss	(188.1)	(196.6)
Retained earnings	3,146.2	2,713.2
Treasury stock, at cost (41,515,847 and 40,719,438 shares, respectively)	(2,456.0)	(2,381.0)
Total stockholders' equity	1,616.5	1,237.6
Noncontrolling interest	0.5	0.5
Total equity	1,617.0	1,238.1
Total liabilities and equity	\$ 6,701.6	\$ 5,685.9

Spirit AeroSystems Holdings, Inc.
Condensed Consolidated Statements of Changes in Stockholders' Equity
(unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
(\$ in millions, except share data)							
Balance — December 31, 2018	105,461,817	\$ 1.1	\$ 1,100.9	\$ (2,381.0)	\$ (196.6)	\$ 2,713.2	\$ 1,237.6
Net income	—	—	—	—	—	331.1	331.1
Adoption of ASU 2018-02	—	—	—	—	(8.3)	8.3	—
Dividends Declared ^(a)	—	—	—	—	—	(25.3)	(25.3)
Employee equity awards	392,933	—	15.1	—	—	—	15.1
Stock forfeitures	(97,154)	—	—	—	—	—	—
Net shares settled	(126,808)	—	(11.8)	—	—	—	(11.8)
ESPP shares issued	14,617	—	1.3	—	—	—	1.3
SERP shares issued	6,214	—	—	—	—	—	—
Treasury shares	(796,409)	(0.1)	—	(75.0)	—	—	(75.1)
Other comprehensive loss	—	—	—	—	(4.7)	—	(4.7)
Balance — June 27, 2019	104,855,210	\$ 1.0	\$ 1,105.5	\$ (2,456.0)	\$ (209.6)	\$ 3,027.3	\$ 1,468.2
Net income	—	—	—	—	—	131.3	131.3
Dividends Declared ^(a)	—	—	—	—	—	(12.4)	(12.4)
Employee equity awards	37,841	—	8.2	—	—	—	8.2
Stock forfeitures	(2,568)	—	—	—	—	—	—
Net shares settled	(2,432)	—	(0.3)	—	—	—	(0.3)
Other comprehensive gain	—	—	—	—	21.5	—	21.5
Balance — September 26, 2019	104,888,051	\$ 1.0	\$ 1,113.4	\$ (2,456.0)	\$ (188.1)	\$ 3,146.2	\$ 1,616.5

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
(\$ in millions, except share data)							
Balance — December 31, 2017	114,447,605	\$ 1.1	\$ 1,086.9	\$ (1,580.9)	\$ (128.5)	\$ 2,422.4	\$ 1,801.0
Net income	—	—	—	—	—	270.6	270.6
Adoption of ASC 606	—	—	—	—	—	(276.3)	(276.3)
Dividends Declared ^(a)	—	—	—	—	—	(24.2)	(24.2)
Employee equity awards	412,247	—	13.6	—	—	—	13.6
Stock forfeitures	(41,135)	—	—	—	—	—	—
Net shares settled	(173,799)	—	(15.4)	—	—	—	(15.4)
Treasury shares	(8,157,287)	—	(108.6)	(691.4)	—	—	(800.0)
Other comprehensive loss	—	—	—	—	(15.9)	—	(15.9)
Balance — June 28, 2018	106,498,050	\$ 1.1	\$ 977.3	\$ (2,272.3)	\$ (144.4)	\$ 2,392.5	\$ 954.2
Net income	—	\$ —	\$ —	\$ —	\$ —	\$ 168.8	\$ 168.8
Dividends Declared ^(a)	—	—	—	—	—	(12.6)	(12.6)
Employee equity awards	1,409	—	6.3	—	—	—	6.3
Stock forfeitures	(3,378)	—	—	—	—	—	—
Net shares settled	(2,155)	—	(0.2)	—	—	—	(0.2)
Other comprehensive loss	—	—	—	—	(0.6)	—	(0.6)
Balance — September 27, 2018	106,493,926	\$ 1.1	\$ 983.4	\$ (2,272.3)	\$ (145.0)	\$ 2,548.7	\$ 1,115.9

(a) Cash dividends declared per common share were \$0.12 for the three months ended September 26, 2019, June 27, 2019, and March 28, 2019. Cash dividends declared per common share were \$0.12 for the three months ended September 27, 2018 and June 28, 2018, and \$0.10 for the three months ended March 29, 2018.

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

	For the Nine Months Ended	
	September 26, 2019	September 27, 2018
	(\$ in millions)	
Operating activities		
Net income	\$ 462.4	\$ 439.4
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation expense	186.9	171.3
Amortization expense	0.1	0.4
Amortization of deferred financing fees	2.6	17.3
Accretion of customer supply agreement	3.3	3.0
Employee stock compensation expense	22.6	19.9
Loss from derivative instruments	8.1	3.4
Gain from foreign currency transactions	17.2	0.8
Loss on disposition of assets	0.7	1.7
Deferred taxes	29.4	(37.8)
Pension and other post-retirement benefits, net	(9.7)	(25.1)
Grant liability amortization	(13.8)	(15.9)
Equity in net income of affiliate	—	(0.6)
Forward loss provision	(7.5)	(134.0)
Changes in assets and liabilities		
Accounts receivable	(167.8)	(122.3)
Inventory, net	(3.3)	26.7
Contract assets	(67.5)	(50.4)
Accounts payable and accrued liabilities	149.3	279.9
Profit sharing/deferred compensation	(12.2)	(67.4)
Advance payments	120.8	(73.2)
Income taxes receivable/payable	4.9	(28.3)
Contract liabilities	(16.7)	188.0
Deferred revenue and other deferred credits	6.2	(1.1)
Other	2.6	(28.3)
Net cash provided by operating activities	<u>718.6</u>	<u>567.4</u>
Investing activities		
Purchase of property, plant and equipment	(118.8)	(170.9)
Other	0.1	2.8
Net cash used in investing activities	<u>(118.7)</u>	<u>(168.1)</u>
Financing activities		
Proceeds from issuance of debt	250.0	1,300.0
Proceeds from revolving credit facility	100.0	—
Principal payments of debt	(8.5)	(4.9)
Payments on term loan	(5.2)	(256.3)
Payments on revolving credit facility	(100.0)	—
Payments on bonds	—	(300.0)
Taxes paid related to net share settlement awards	(12.1)	(15.5)
Proceeds from issuance of ESPP stock	1.3	—
Debt issuance and financing costs	—	(23.2)
Purchase of treasury stock	(75.0)	(805.8)
Dividends paid	(37.8)	(35.4)
Other	0.8	—
Net cash provided by (used in) financing activities	<u>113.5</u>	<u>(141.1)</u>
Effect of exchange rate changes on cash and cash equivalents	(13.5)	0.2
Net increase in cash, cash equivalents, and restricted cash for the period	<u>699.9</u>	<u>258.4</u>

Cash, cash equivalents, and restricted cash, beginning of period	794.1	445.5
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 1,494.0</u>	<u>\$ 703.9</u>

Reconciliation of Cash, Cash Equivalents, and Restricted Cash:

	For the Nine Months Ended	
	September 26, 2019	September 27, 2018
Cash and cash equivalents, beginning of the period	\$ 773.6	\$ 423.3
Restricted cash, short-term, beginning of the period	0.3	2.2
Restricted cash, long-term, beginning of the period	20.2	20.0
Cash, cash equivalents, and restricted cash, beginning of the period	<u>\$ 794.1</u>	<u>\$ 445.5</u>
Cash and cash equivalents, end of the period	\$ 1,477.3	\$ 683.4
Restricted cash, short-term, end of the period	0.3	0.3
Restricted cash, long-term, end of the period	16.4	20.2
Cash, cash equivalents, and restricted cash, end of the period	<u>\$ 1,494.0</u>	<u>\$ 703.9</u>

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; Saint-Nazaire, France; and San Antonio, Texas.

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 nine months ended September 26, 2019, are not necessarily indicative of the results that may be expected for the year ending December 31, 2019.

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 2018 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on February 8, 2019 (the “2018 Form 10-K”).

2. Adoption of New Accounting Standards

Adoption of ASU 2016-02

In February 2016, the Financial Accounting Standards Board (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. The Company adopted ASU 2016-02 as of January 1, 2019 using the modified retrospective transition approach, with the cumulative effect of the initial application recognized at the date of adoption. Under this effective date method, financial results reported prior to the first quarter of 2019 are unchanged. The Company also chose to adopt the package of practical expedients.

The Company has reviewed all of its current active leases and has implemented the necessary processes and systems to comply with the requirements of ASU 2016-02. Upon adoption of ASU 2016-02, the Company recognized a Right of Use (“ROU”) asset on its books for the net present value of all of its active leases with terms greater than 12 months, with an offsetting lease liability. The ROU asset and corresponding lease liability will be amortized over the course of the lease term, which includes all options that the Company expects it will exercise.

The Consolidated Balance Sheet impact of the adoption of ASU 2016-02 was an increase to both assets and liabilities of \$52.7. The adoption of ASU 2016-02 did not have any material impact to net income or cash flows.

Adoption of ASU 2018-02

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

Spirit AeroSystems Holdings, Inc.

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

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. As a result of the adoption of ASU 2018-02 in the first quarter of 2019, the Company reclassified \$8.3 from accumulated other comprehensive income into retained earnings on the condensed consolidated balance sheet.

3. New Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans-General (Topic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans* (“ASU 2018-14”), which modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* (“ASU 2018-13”), which modifies the disclosure requirements on fair value measurements by removing, modifying, or adding certain disclosures. Certain disclosures in ASU 2018-13 are required to be applied on a retrospective basis and others on a prospective basis. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit losses (Topic 326)* (“ASU 2016-13”), which requires the immediate recognition of management's estimates of current expected credit losses. ASU 2016-13 is effective for fiscal years and interim reporting periods within those years beginning after December 15, 2019. Early adoption is permitted after fiscal years beginning December 15, 2018. The Company does not expect the adoption of this standard to have a material effect to the Company's consolidated financial statements.

4. 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. The quarterly and year-to-date forward losses relate primarily to negative changes in estimates on the B787 program due to Boeing's publicly announced rate reduction from 14 aircraft per month to 12 aircraft per month on October 23, 2019 .

Changes in estimates are summarized below:

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 Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Changes in Estimates				
<u>(Unfavorable) Favorable Cumulative Catch-up Adjustment by Segment</u>				
<i>Fuselage</i>	\$ (14.4)	\$ (12.0)	\$ (2.0)	\$ (3.0)
<i>Propulsion</i>	1.8	(2.4)	(1.5)	0.9
<i>Wing</i>	(0.4)	1.4	1.7	0.9
Total (Unfavorable) Favorable Cumulative Catch-up Adjustment	\$ (13.0)	\$ (13.0)	\$ (1.8)	\$ (1.2)
<u>Changes in Estimates on Loss Programs (Forward Loss) by Segment</u>				
<i>Fuselage</i>	\$ (18.8)	\$ —	\$ (13.8)	\$ (1.5)
<i>Propulsion</i>	(4.0)	(0.8)	(3.1)	—
<i>Wing</i>	(6.0)	0.3	(4.9)	(0.2)
Total Changes in Estimates (Forward Loss) on Loss Programs	\$ (28.8)	\$ (0.5)	\$ (21.8)	\$ (1.7)
Total Change in Estimate	\$ (41.8)	\$ (13.5)	\$ (23.6)	\$ (2.9)
EPS Impact (diluted per share based upon statutory rates)	\$ (0.31)	\$ (0.10)	\$ (0.18)	\$ (0.02)

5. 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. Unbilled receivables are reflected under contract assets on the balance sheet. 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:

	September 26, 2019	December 31, 2018
Trade receivables	\$ 680.3	\$ 527.9
Other	29.2	17.9
Less: allowance for doubtful accounts	(0.9)	(0.7)
Accounts receivable, net	\$ 708.6	\$ 545.1

The Company has entered into agreements (the "Receivable Sales Agreements") to sell, on a revolving basis, certain trade accounts receivable balances to a third party financial institution. Transfers under these agreements are accounted for as sales of receivables resulting in the receivables being de-recognized from the balance sheet. The Receivable Sales Agreements provide for the continuing sale of certain receivables on a revolving basis until terminated by any involved party. The receivables under the Receivable Sales Agreements are sold without recourse to the third party financial institution. During 2019, \$4,378.3 of accounts receivable have been sold via these arrangements. 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 \$18.7 for the nine months ended September 26, 2019 and is included in Other income and expense. See Note 21, *Other Income (Expense), Net*.

6. 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 that are expected to be billed to our customer within 12 months. Contract assets, long-term are those that are expected to be billed to our customer over periods greater than 12 months. No impairments to contract assets were recorded for the period ended September 26, 2019.

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

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.

	December 31, 2018		September 26, 2019		Change
Contract assets	\$	523.5	\$	588.7	\$ 65.2
Contract liabilities		(527.7)		(510.9)	16.8
Net contract assets (liabilities)	\$	(4.2)	\$	77.8	\$ 82.0

The increase in contract assets reflects the net impact of additional revenue recognized in excess of billed revenues during the period. The decrease in contract liabilities reflects the net impact of less deferred revenue recorded in excess of revenue recognized during the period. For the period ended September 26, 2019, the Company recognized \$109.7 of revenue that was included in the contract liability balance at the beginning of the period.

7. Revenue Disaggregation and Outstanding Performance Obligations
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, based upon major customer, and based upon the location where products and services are transferred to the customer. Additionally, the Company's principal operating segments and related revenue are noted in Note 22, *Segment Information*.

The following tables show disaggregated revenues for the three and nine months ended September 26, 2019 and September 27, 2018:

Revenue	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Contracts with performance obligations satisfied over time	\$ 1,466.9	\$ 1,456.7	\$ 4,491.8	\$ 4,212.6
Contracts with performance obligations satisfied at a point in time	453.0	357.0	1,412.0	1,174.1
Total Revenue	\$ 1,919.9	\$ 1,813.7	\$ 5,903.8	\$ 5,386.7

The following table disaggregates revenue by major customer:

Customer	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Boeing	\$ 1,542.0	\$ 1,465.5	\$ 4,705.1	\$ 4,262.2
Airbus	284.1	263.8	934.0	869.0
Other	93.8	84.4	264.7	255.5
Total Revenue	\$ 1,919.9	\$ 1,813.7	\$ 5,903.8	\$ 5,386.7

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

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

Location	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
United States	\$ 1,620.6	\$ 1,534.0	\$ 4,935.8	\$ 4,460.8
International				
United Kingdom	177.4	184.4	577.6	574.1
Other	121.9	95.3	390.4	351.8
Total International	299.3	279.7	968.0	925.9
Total Revenue	\$ 1,919.9	\$ 1,813.7	\$ 5,903.8	\$ 5,386.7

Remaining 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 2019	2020	2021	2022 and After
Unsatisfied performance obligations	\$ 1,728.6	\$ 6,344.5	\$ 5,933.8	\$ 1,002.7

8. 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 net realizable value. 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.

	September 26, 2019	December 31, 2018
Raw materials	\$ 242.4	\$ 240.4
Work-in-process ⁽¹⁾	731.9	727.8
Finished goods	11.0	7.1
Product inventory	985.3	975.3
Capitalized pre-production	29.9	37.3
Total inventory, net	\$ 1,015.2	\$ 1,012.6

(1) 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 periods ended September 26, 2019 and December 31, 2018, work-in-process inventory includes \$149.0 and \$151.6, respectively, of costs incurred in anticipation of specific contracts and no impairments were recorded in the period.

Product inventory, summarized in the table above, is shown net of valuation reserves of \$36.3 and \$55.2 as of September 26, 2019 and December 31, 2018, respectively.

9. Property, Plant and Equipment, net

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

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

	September 26, 2019	December 31, 2018
Land	\$ 14.7	\$ 15.0
Buildings (including improvements)	905.0	822.7
Machinery and equipment	1,888.8	1,697.0
Tooling	1,047.1	1,032.3
Capitalized software	275.5	269.2
Construction-in-progress	144.8	227.8
Total	4,275.9	4,064.0
Less: accumulated depreciation	(2,076.1)	(1,896.4)
Property, plant and equipment, net	\$ 2,199.8	\$ 2,167.6

Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs of \$32.9 and \$31.3 for the three months ended September 26, 2019 and September 27, 2018, respectively, and \$102.7 and \$99.0 for the nine months ended September 26, 2019 and September 27, 2018, 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 \$4.3 and \$4.1 for the three months ended September 26, 2019 and September 27, 2018, respectively, and \$13.3 and \$12.7 for the nine months ended September 26, 2019 and September 27, 2018, 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 September 26, 2019.

10. Leases

The Company determines if an arrangement is a lease at the inception of a signed agreement. Operating leases are included in ROU assets (long-term), short-term operating lease liabilities, and long-term operating lease liabilities on the Company's consolidated balance sheet. Finance leases are included in Property, Plant and Equipment, current maturities of long-term debt, and long-term debt.

ROU assets represent the right of the Company to use an underlying asset for the length of the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

To determine the present value of lease payments, the Company uses its estimated incremental borrowing rate or the implicit rate, if readily determinable. The estimated incremental borrowing rate is based on information available at the lease commencement date, including any recent debt issuances and publicly available data for instruments with similar characteristics. The ROU asset also includes any lease payments made and excludes lease incentives.

The Company's lease terms may include options to extend or terminate the lease and, when it is reasonably certain that an option will be exercised, those options are included in the net present value calculation. Leases with a term of 12 months or less, which are primarily related to automobiles and manufacturing equipment, are not recorded on the balance sheet. The aggregate amount of lease cost for leases with a term of 12 months or less is not material.

The Company has lease agreements that include lease and non-lease components, which are generally accounted for separately. For certain leases (primarily related to IT equipment), the Company does account for the lease and non-lease components as a single lease component. A portfolio approach is applied to effectively account for the ROU assets and liabilities for those specific leases referenced above. The Company does not have any material leases containing variable lease payments or residual value guarantees. The Company also does not have any material subleases.

The Company currently has operating and finance leases for items such as manufacturing facilities, corporate offices, manufacturing equipment, transportation equipment, and vehicles. The Company's active leases have remaining lease terms that range between less than one year to 18 years, some of which include options to extend the leases for up to 30 years, and some of which include options to terminate the leases within

one year.

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

Comparable information presented in the financial statements for periods prior to January 1, 2019 represent legacy GAAP treatment of leases. For more information on the effective date and transition approach for implementation, see Note 2, *Adoption of New Accounting Standards*.

For the three months ended September 26, 2019, total net lease cost was \$6.0. This was comprised of \$2.4 of operating lease costs, \$2.9 amortization of assets related to finance leases, and \$0.7 interest on finance lease liabilities. For the nine months ended September 26, 2019, total net lease cost was \$15.5. This was comprised of \$6.7 of operating lease costs, \$7.1 amortization of assets related to finance leases, and \$1.7 interest on finance lease liabilities.

Supplemental cash flow information related to leases was as follows:

	For the Three Months Ended	For the Nine Months Ended
	September 26, 2019	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2.4	\$ 6.7
Operating cash flows from finance leases	\$ 0.8	\$ 1.7
Financing cash flows from finance leases	\$ 3.4	\$ 7.2

ROU assets obtained in exchange for lease obligations:

Operating leases	\$ 0.9	\$ 1.6
Finance leases	\$ —	\$ —

Supplemental balance sheet information related to leases:

	September 26, 2019
Finance leases:	
Property and equipment, gross	\$ 90.2
Accumulated amortization	(17.5)
Property and equipment, net	<u>\$ 72.7</u>

The weighted average remaining lease term as of September 26, 2019 for operating and finance leases was 10.31 years and 7.35 years, respectively. The weighted average discount rate as of September 26, 2019 for operating and finance leases was 5.6% and 4.5%, respectively. See Note 15, *Debt*, for current and non-current finance lease obligations.

As of September 26, 2019, remaining maturities of lease liabilities were as follows:

	2019	2020	2021	2022	2023	2024 and thereafter	Total Lease Payments	Less: Imputed Interest	Total Lease Obligations
Operating Leases	\$ 2.3	\$ 8.6	\$ 7.3	\$ 7.0	\$ 5.9	\$ 35.2	\$ 66.3	\$ (16.5)	\$ 49.8
Financing Leases	\$ 3.8	\$ 15.2	\$ 14.9	\$ 11.4	\$ 9.5	\$ 28.6	\$ 83.4	\$ (11.9)	\$ 71.5

As of September 26, 2019, the Company had additional operating and financing lease commitments that have not yet commenced of approximately \$2.6 and \$151.8 for manufacturing equipment and facilities which are in various phases of construction or customization for the Company's ultimate use, with lease terms between 3 and 15 years. The Company's involvement in the construction and design process for these assets is generally limited to project management.

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:

	September 26, 2019	December 31, 2018
Intangible assets		
Patents	\$ 2.0	\$ 2.0
Favorable leasehold interests	6.3	6.2
Total intangible assets	8.3	8.2
Less: Accumulated amortization - patents	(1.9)	(1.9)
Accumulated amortization - favorable leasehold interest	(5.1)	(4.9)
Intangible assets, net	1.3	1.4
Deferred financing		
Deferred financing costs	41.7	41.7
Less: Accumulated amortization - deferred financing costs	(36.6)	(35.6)
Deferred financing costs, net	5.1	6.1
Other		
Goodwill - Europe	2.3	2.4
Supply agreements ⁽¹⁾	11.8	14.6
Restricted cash - collateral requirements	16.4	20.2
Deferred tax asset - non-current	146.7	205.0
Other	34.8	38.5
Total	\$ 218.4	\$ 288.2

(1) Certain payments accounted for as consideration paid by the Company to a customer 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 Special Business Provisions and General Terms Agreement (collectively, 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 initially 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 that otherwise would have become due during such twelve-month period will offset the purchase price for shipsets 1,001 through 1,120. On December 21, 2018, the Company signed the 2018 MOA with Boeing that again suspended the advance repayments beginning with line unit 818. The advance repayments will resume at a lower rate of \$450,319 per shipset, in whole dollars, at line number 1135 and continue through line number 1605.

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 September 26, 2019, the amount of advance payments received by us from Boeing under the B787 Supply Agreement and not yet repaid was approximately \$231.9.

Spirit AeroSystems Holdings, Inc.

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

Advances on the B737 Program. On April 12, 2019, Boeing and the Company executed a Memorandum of Agreement (the “MOA”) relating to Spirit's production of aircraft with respect to the B737 program. In an effort to minimize the disruption to Spirit's operations and its supply chain, the MOA included the terms and conditions for an advance payment to be made from Boeing to Spirit in the amount of \$123.0, which was received during the third quarter. Advance repayment will occur over deliveries in future years.

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:

- 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.

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:

	September 26, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior unsecured term loan A (including current portion)	\$ 449.8	\$ 450.7 ⁽²⁾	\$ 204.7	\$ 197.8 ⁽²⁾
Floating Rate Notes	298.9	299.0 ⁽¹⁾	298.5	292.9 ⁽¹⁾
Senior unsecured notes due 2023	298.2	309.0 ⁽¹⁾	297.9	297.5 ⁽¹⁾
Senior unsecured notes due 2026	297.7	306.0 ⁽¹⁾	297.5	274.5 ⁽¹⁾
Senior unsecured notes due 2028	693.9	750.3 ⁽¹⁾	693.5	663.0 ⁽¹⁾
Total	\$ 2,038.5	\$ 2,115.0	\$ 1,792.1	\$ 1,725.7

(1) Level 1 Fair Value hierarchy

(2) Level 2 Fair Value hierarchy

14. Derivative and Hedging Activities

The Company has traditionally 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.

Spirit AeroSystems Holdings, Inc.

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

The Company has historically entered into derivative instruments covered by master netting arrangements whereby, in the event of a default as defined by the 2018 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.

Derivatives Not Accounted for as Hedges

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 of the interest rate swaps, using Level 2 inputs, was a liability of \$0.1 as of September 26, 2019 and an asset of \$2.2 as of December 31, 2018. The Company recorded a loss related to swap activity of \$0.3 and \$2.3 for the three and nine months ended September 26, 2019, respectively.

Foreign Currency Forward Contract

On May 1, 2018, the Company and its wholly-owned subsidiary Spirit AeroSystems Belgium Holdings BVBA ("Spirit Belgium") entered into a definitive agreement (as amended, 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"), subject to certain customary closing adjustments, including foreign currency adjustments. A significant portion of the purchase price in the Asco acquisition is payable in Euros and, accordingly, movements in the Euro exchange rate could cause the purchase price to fluctuate, affecting our cash flows.

To minimize the risk of currency exchange rate movements on the Company's cash flows, the Company entered into foreign currency forward contracts; however the Company has not designated these forward contracts as a hedge and has not applied hedge accounting to them. During the second quarter of 2018, to reduce the Euro exchange rate exposure of the purchase of Asco, the Company entered into a foreign currency forward contract in the amount of \$580.0; this foreign currency forward contract was net settled in the third quarter of 2018 and a new contract was entered into in the amount of \$568.3; this contract was net settled and a third contract was entered into with a settlement date in the first quarter of 2019 in the amount of \$547.7. The third contract was net settled at the end of the first quarter of 2019 and a fourth contract was entered into in the amount of \$542.1 and settled early in the second quarter of 2019. There is no remaining asset or liability as of September 26, 2019 related to the foreign currency forward contract. The Company recorded a net loss related to foreign currency forward contract activity of \$16.7 for the nine months ended September 26, 2019.

Derivatives Accounted for as Hedges

Cash Flow Hedges

During the third quarter of 2019 the Company entered into two interest rate swap agreements with a combined notional value of \$450.0. These derivatives have been designated as cash flow hedges by the Company. The fair value of these hedges was a liability of \$2.0 as of September 26, 2019.

Changes in the fair value of cash flow hedges are recorded in Accumulated Other Comprehensive Income ("AOCI") and recorded in earnings in the period in which the hedged transaction occurs. The loss recognized in AOCI was \$2.0 for both the three and nine months ended September 26, 2019. For the three and nine months ended September 26, 2019, nothing was reclassified from AOCI to earnings. Within the next 12 months, the Company does not expect to recognize earnings related to these hedged contracts. As of September 26, 2019, the maximum term of hedged forecasted transactions was 3 years.

15. Debt

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

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

	September 26, 2019		December 31, 2018	
	Current	Noncurrent	Current	Noncurrent
Senior unsecured term loan A	\$ 22.7	\$ 427.1	\$ 22.7	\$ 182.0
Floating Rate Notes	—	298.9	—	298.5
Senior notes due 2023	—	298.2	—	297.9
Senior notes due 2026	—	297.7	—	297.5
Senior notes due 2028	—	693.9	—	693.5
Present value of capital lease obligations	13.2	58.3	7.1	35.3
Other	1.7	58.1	1.6	59.3
Total	\$ 37.6	\$ 2,132.2	\$ 31.4	\$ 1,864.0

2018 Credit Agreement

On July 12, 2018, the Company entered into a \$1,260.0 senior unsecured Second 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 “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 \$3.1, subject to adjustments for any extension of the availability period of the Delayed Draw Term Loan, commencing with the fiscal quarter ending June 27, 2019, and with the balance due at maturity of the Delayed Draw Term Loan.

In March 2019 the Company drew \$250.0 on the Delayed Draw Term Loan and \$100.0 on the 2018 Revolver. During the second quarter of 2019, the \$100.0 drawn on the 2018 Revolver was repaid, resulting in a remaining unutilized amount of \$800.0 as of September 26, 2019.

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.

As of September 26, 2019, the outstanding balance of the 2018 Term Loan was \$451.1 and the carrying value was \$449.8.

Senior Notes**Floating Rate, 2023, and 2028 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

Spirit AeroSystems Holdings, Inc.

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

Notes” and, together with the Floating Rate Notes and the 2023 Notes, the “New Notes”). The Company guaranteed Spirit’s obligations under the New 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 outstanding balance of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$300.0, \$300.0, and \$700.0 as of September 26, 2019, respectively. The carrying value of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$298.9, \$298.2, and \$693.9 as of September 26, 2019, respectively.

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. As of September 26, 2019, the outstanding balance of the 2026 Notes was \$300.0 and the carrying value was \$297.7. The Company guarantees Spirit’s obligations under the 2026 Notes on a senior unsecured basis.

16. Pension and Other Post-Retirement Benefits

Components of Net Periodic Pension Expense/(Income)	Defined Benefit Plans			
	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Service cost	\$ 0.3	\$ 0.2	\$ 1.0	\$ 0.6
Interest cost	10.0	9.2	30.0	27.4
Expected return on plan assets	(16.6)	(17.4)	(50.0)	(52.3)
Amortization of net loss	0.1	—	0.5	—
Curtailement gain	—	—	(0.1)	—
Special termination benefits ⁽¹⁾	(5.5)	—	9.7	—
Net periodic pension (income) expense	\$ (11.7)	\$ (8.0)	\$ (8.9)	\$ (24.3)

(1) Special termination benefits for the three and nine months ending September 26, 2019 is a combination of pension value plan, postretirement medical plan, and settlement accounting changes offset by a reduction in the Company’s net benefit obligation. Due to settlement accounting, the Company remeasured the pension assets and obligations which resulted in a \$48.8 impact to OCI that is included in the Company’s Condensed Consolidated Statements of Comprehensive Income. The Company expects to record an additional change during the fourth quarter of 2019 related to settlement accounting tied to cash payments made.

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

Components of Other Benefit Expense	Other Benefits			
	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Service cost	\$ 0.2	\$ 0.3	\$ 0.7	\$ 0.8
Interest cost	0.3	0.3	1.0	0.8
Amortization of prior service cost	(0.2)	(0.2)	(0.7)	(0.7)
Amortization of net gain	(0.6)	(0.6)	(1.8)	(1.7)
Net periodic other benefit (income) expense	\$ (0.3)	\$ (0.2)	\$ (0.8)	\$ (0.8)

Employer Contributions

The Company expects to contribute zero dollars to the U.S. qualified pension plan and a combined total of approximately \$6.9 for the Supplemental Executive Retirement Plan (“SERP”) and post-retirement medical plans in 2019. The Company’s projected contributions to the U.K. pension plan for 2019 are \$1.7. The entire amount contributed can vary based on exchange rate fluctuations.

17. Stock Compensation

The Company recognized a net total of \$7.5 and \$6.3 of stock compensation expense for the three months ended September 26, 2019 and September 27, 2018, respectively, and a net total of \$22.6 and \$19.9 of stock compensation expense, for the nine months ended September 26, 2019 and September 27, 2018, respectively.

During the nine months ended September 26, 2019, 287,174 shares, 55,882 shares, and 71,920 shares of class A common stock (the “Common Stock”) with aggregate grant date fair values of \$25.9, \$6.8 and \$6.5 were granted under the service-based, market-based, and performance based portions of the Company’s LTAs, respectively. During the nine months ended September 26, 2019, 15,798 shares of Common Stock with aggregate grant date fair values of \$1.4 were granted to the Board of Directors. Additionally, 383,121 shares of Common Stock with an aggregate grant date fair value of \$23.2 that were LTAs vested during the nine months ended September 26, 2019.

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

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

September 26, 2019, and December 31, 2018, was \$134.4 and \$204.2, respectively. The difference is primarily due to the creation of deductible temporary differences and 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.

The 21.2% effective tax rate for the nine months ended September 26, 2019 differs from the 18.5% effective tax rate for the same period of 2018 primarily due to the current year impact of a reduction in state tax credits, a reduction in the federal R&D tax credit, decreased benefit for share based compensation excess tax benefit, offset by a decreased impact for Global Intangible Low-Taxed Income ("GILTI"). Additionally, there were discrete items reported in the quarter resulting in additional income tax in the current year related to the finalization of the 2018 amounts related to GILTI and the federal R&D tax credit reported in the tax return as agreed upon with the Internal Revenue Service ("IRS") in the course of the Company's participation in the IRS's Compliance Assurance Process ("CAP") program.

The Company's federal audit is effectively complete under the CAP program for the 2018 tax year. The Company will continue to participate in the CAP program for the 2019 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.

19. Equity
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 September 26, 2019, no treasury shares have been reissued or retired.

During the nine month period ended September 26, 2019, the Company repurchased 0.8 million shares of its Common Stock for \$75.0. As a result, the total authorization amount remaining under the current share repurchase program is approximately \$925.0.

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

	For the Three Months Ended					
	September 26, 2019			September 27, 2018		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common stockholders	\$ 131.2	103.5	\$ 1.27	\$ 168.7	105.1	\$ 1.61
Income allocated to participating securities	0.1	0.1		0.1	0.1	
Net income	<u>\$ 131.3</u>			<u>\$ 168.8</u>		
Diluted potential common shares		1.0			0.9	
Diluted EPS						
Net income	\$ 131.3	104.6	\$ 1.26	\$ 168.8	106.1	\$ 1.59
	For the Nine Months Ended					
	September 26, 2019			September 27, 2018		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount

Basic EPS						
Income available to common stockholders	\$	462.1	103.6	\$	4.46	\$ 439.1 109.3 \$ 4.02
Income allocated to participating securities		0.3	0.1		0.3	0.1
Net income	\$	<u>462.4</u>		\$	<u>439.4</u>	
Diluted potential common shares			1.1			0.9
Diluted EPS						
Net income	\$	462.4	104.8	\$	4.41	\$ 439.4 110.3 \$ 3.98

Included in the outstanding common shares were 1.4 million of issued but unvested shares at September 26, 2019 and September 27, 2018, which are excluded from the basic EPS calculation.

Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss is summarized by component as follows:

	As of	
	September 26, 2019	December 31, 2018
Pension ⁽¹⁾	\$ (90.7)	\$ (116.7)
Hedges	(1.5)	—
SERP/Retiree medical ⁽¹⁾	19.0	17.2
Foreign currency impact on long term intercompany loan	(18.6)	(17.4)
Currency translation adjustment	(96.3)	(79.7)
Total accumulated other comprehensive loss	<u>\$ (188.1)</u>	<u>\$ (196.6)</u>

(1) September 26, 2019 balances include the reclass of the stranded tax effects related to Pension and SERP/Retiree medical to retained earnings of \$12.0 and (\$3.7), respectively, as a result of adopting ASU 2018-02. See Note 2, *Adoption of New Accounting Standards*.

20. Commitments, Contingencies and Guarantees

Litigation

From time to time, the Company is subject to, and is presently involved in, litigation, legal proceedings, or other claims 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, the Company believes that, on a basis of information presently available, 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.

Customer and Vendor Claims

Spirit AeroSystems Holdings, Inc.

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

From time to time the Company receives, or is subject to, customer and vendor claims arising in the ordinary course of business, including, but not limited to, those related to product quality and late delivery. The Company accrues for matters when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we take into consideration multiple factors including without limitation our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of an unfavorable outcome, and the severity of any potential loss. Any accruals deemed necessary are reevaluated at least quarterly and updated as matters progress over time.

While the final outcome of these types of matters cannot be predicted with certainty, considering, among other things, the factual and legal defenses available, it is the opinion of the Company that, when finally resolved, no current claims will have a material adverse effect on the Company's long-term financial position or liquidity. However, it is possible that the Company's results of operations in a period could be materially affected by one or more of these other matters.

Guarantees

Outstanding guarantees were \$20.6 and \$27.3 at September 26, 2019 and December 31, 2018, respectively.

Restricted Cash - Collateral Requirements

The Company was required to maintain \$16.4 and \$20.2 of restricted cash as of September 26, 2019 and December 31, 2018, respectively, 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

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

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 \$8.1 and \$41.0 as of September 26, 2019, and December 31, 2018, respectively. These specific provisions represent the Company's best estimate of probable warranty claims. 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 reasonably possible disputed warranty claims in excess of the specific warranty provision was \$12.1 as of September 26, 2019, and \$34.0 as of December 31, 2018.

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

The following is a roll forward of the service warranty and extraordinary rework balance at September 26, 2019:

Balance, December 31, 2018	\$	104.8
Charges to costs and expenses		(9.9)
Payouts		(1.1)
Impact of TGI Settlement ⁽¹⁾		(25.0)
Exchange rate		(0.3)
Balance, September 26, 2019	\$	<u>68.5</u>

(1) Due to a settlement on outstanding warranty issues in the first quarter of 2019, \$25.0 of warranty provision was reclassified to accounts payable and was paid in the second quarter of 2019.

21. Other (Expense) Income, Net

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

	For the Three Months Ended		For the Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Kansas Development Finance Authority bond	\$ 0.8	\$ 0.8	\$ 2.8	\$ 2.9
Rental and miscellaneous income	—	0.6	0.1	(0.7)
Interest income	2.6	2.1	8.8	5.0
Foreign currency losses ⁽¹⁾	(17.9)	(1.8)	(9.9)	(3.3)
Loss on foreign currency contract and interest rate swaps	(0.5)	1.1	(18.3)	(18.1)
Litigation settlement	—	—	13.5	—
Loss on sale of accounts receivable	(6.5)	(4.0)	(18.7)	(12.3)
Pension income ⁽²⁾	12.0	8.6	9.8	25.7
Total	<u>\$ (9.5)</u>	<u>\$ 7.4</u>	<u>\$ (11.9)</u>	<u>\$ (0.8)</u>

(1) Foreign currency gains and 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 cash and both trade and intercompany receivables/payables that are denominated in a currency other than the entity's functional currency.

(2) Pension expense for the three and nine months ended September 26, 2019 includes \$5.5 and \$(9.7) of income/(expenses), respectively, related to a voluntary retirement program offered by the Company in the second quarter of 2019.

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 September 26, 2019, 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

Spirit AeroSystems Holdings, Inc.

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

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; Kinston, North Carolina; St. Nazaire, France; and Subang, Malaysia.

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 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 nine months ended September 26, 2019 and September 27, 2018:

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

	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
Segment Revenues				
Fuselage Systems	\$ 1,005.3	\$ 991.0	\$ 3,171.7	\$ 2,983.4
Propulsion Systems	520.9	442.4	1,525.5	1,259.6
Wing Systems	391.0	378.6	1,197.4	1,138.6
All Other	2.7	1.7	9.2	5.1
	<u>\$ 1,919.9</u>	<u>\$ 1,813.7</u>	<u>\$ 5,903.8</u>	<u>\$ 5,386.7</u>
Segment Operating Income (Loss)				
Fuselage Systems	\$ 105.8	\$ 134.8	\$ 380.5	\$ 417.7
Propulsion Systems	111.7	76.2	304.9	203.9
Wing Systems	53.9	58.6	177.1	166.1
All Other	1.3	1.3	2.5	0.3
	<u>272.7</u>	<u>270.9</u>	<u>865.0</u>	<u>788.0</u>
SG&A	(53.6)	(37.3)	(173.6)	(154.5)
Research and development	(12.6)	(10.8)	(36.0)	(31.3)
Unallocated cost of sales	(0.4)	(0.3)	9.7	(2.6)
Total operating income	<u>\$ 206.1</u>	<u>\$ 222.5</u>	<u>\$ 665.1</u>	<u>\$ 599.6</u>

23. Asco Acquisition

On May 1, 2018, the Company and 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 subject to certain customary closing adjustments, including foreign currency adjustments (the "Acquisition"). The Purchase Agreement is subject to customary closing conditions, including regulatory approvals. On October 28, 2019, the Company and Spirit Belgium entered into an agreement to amend and restate (the "Amendment") the Purchase Agreement. The Amendment incorporates amendments to the Purchase Agreement agreed among the Parties to date.

The Amendment was primarily entered into in order to extend the long-stop date (the date upon which the Purchase Agreement will automatically terminate in the event that conditions to the Acquisition are not satisfied or waived) from October 29, 2019 to April 4, 2020 and to further address the previously disclosed large-scale ransomware attack that disabled Asco's IT systems and forced a substantial portion of Asco's production to be suspended (the "Cyberattack"). In addition to extending the long-stop date to April 4, 2020, the Amendment reduces the purchase price for the Acquisition from \$604 million to \$420 million, reduces the Sellers' indemnification obligations under the Purchase Agreement to \$80 million (except with respect to damages resulting or arising from the termination of certain commercial agreements), provides that closing will occur on April 3, 2020, and removes the closing condition precedent that a "Material Adverse Change" in Asco's business has not occurred since May 1, 2018.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, which is filed as an exhibit hereto.

Acquisition-related expenses were \$8.4 for the nine months ended September 26, 2019 and are included in selling, general and administrative costs on the condensed and consolidated statements of operations.

24. Condensed Consolidating Financial Information

The Floating Rate Notes, 2023 Notes, 2026 Notes, and 2028 Notes (collectively, the "Notes") are fully and unconditionally guaranteed on a senior unsecured basis by Holdings. No subsidiaries are guarantors to any of the Notes.

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

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 guarantor of the Notes, as further detailed in Note 15, *Debt*;
- (ii) Spirit, as issuer of the 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 September 26, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$ —	\$ 1,747.5	\$ 314.7	\$ (142.3)	\$ 1,919.9
Operating costs and expenses					
Cost of sales	—	1,511.6	278.3	(142.3)	1,647.6
Selling, general and administrative	2.6	46.4	4.6	—	53.6
Research and development	—	11.0	1.6	—	12.6
Total operating costs and expenses	2.6	1,569.0	284.5	(142.3)	1,713.8
Operating (loss) income	(2.6)	178.5	30.2	—	206.1
Interest expense and financing fee amortization	—	(23.6)	(0.9)	0.9	(23.6)
Other income (expense), net	—	(12.1)	3.5	(0.9)	(9.5)
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(2.6)	142.8	32.8	—	173.0
Income tax benefit (provision)	0.6	(36.9)	(5.4)	—	(41.7)
(Loss) income before equity in net income of affiliate and subsidiaries	(2.0)	105.9	27.4	—	131.3
Equity in net income of affiliate	—	—	—	—	—
Equity in net income of subsidiaries	133.3	27.4	—	(160.7)	—
Net income	131.3	133.3	27.4	(160.7)	131.3
Other comprehensive (loss) income	21.5	21.5	(13.9)	(7.6)	21.5
Comprehensive income (loss)	\$ 152.8	\$ 154.8	\$ 13.5	\$ (168.3)	\$ 152.8

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 Operations
For the Three Months Ended September 27, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$ —	\$ 1,636.1	\$ 305.6	\$ (128.0)	\$ 1,813.7
Operating costs and expenses					
Cost of sales	—	1,395.9	275.2	(128.0)	1,543.1
Selling, general and administrative	2.3	31.4	3.6	—	37.3
Research and development	—	9.2	1.6	—	10.8
Total operating costs and expenses	2.3	1,436.5	280.4	(128.0)	1,591.2
Operating (loss) income	(2.3)	199.6	25.2	—	222.5
Interest expense and financing fee amortization	—	(24.2)	(1.2)	1.2	(24.2)
Other income (expense), net	—	9.6	(1.0)	(1.2)	7.4
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(2.3)	185.0	23.0	—	205.7
Income tax benefit (provision)	0.4	(33.7)	(3.6)	—	(36.9)
(Loss) income before equity in net income of affiliate and subsidiaries	(1.9)	151.3	19.4	—	168.8
Equity in net income of affiliate	—	—	—	—	—
Equity in net income of subsidiaries	170.7	19.4	—	(190.1)	—
Net income	168.8	170.7	19.4	(190.1)	168.8
Other comprehensive (loss) income	(0.6)	(0.6)	0.1	0.5	(0.6)
Comprehensive income (loss)	\$ 168.2	\$ 170.1	\$ 19.5	\$ (189.6)	\$ 168.2

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 Nine Months Ended September 26, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$ —	\$ 5,346.5	\$ 1,062.2	\$ (504.9)	\$ 5,903.8
Operating costs and expenses					
Cost of sales	—	4,592.5	941.5	(504.9)	5,029.1
Selling, general and administrative	9.6	149.5	14.5	—	173.6
Research and development	—	31.3	4.7	—	36.0
Total operating costs and expenses	9.6	4,773.3	960.7	(504.9)	5,238.7
Operating (loss) income	(9.6)	573.2	101.5	—	665.1
Interest expense and financing fee amortization	—	(65.9)	(3.0)	2.8	(66.1)
Other income (expense), net	—	(13.7)	4.6	(2.8)	(11.9)
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(9.6)	493.6	103.1	—	587.1
Income tax benefit (provision)	2.2	(110.2)	(16.7)	—	(124.7)
(Loss) income before equity in net income of affiliate and subsidiaries	(7.4)	383.4	86.4	—	462.4
Equity in net income of affiliate	—	—	—	—	—
Equity in net income of subsidiaries	469.8	86.4	—	(556.2)	—
Net income	462.4	469.8	86.4	(556.2)	462.4
Other comprehensive (loss) income	16.7	16.7	(18.0)	1.3	16.7
Comprehensive income (loss)	\$ 479.1	\$ 486.5	\$ 68.4	\$ (554.9)	\$ 479.1

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 Nine Months Ended September 27, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenue	\$ —	\$ 4,831.3	\$ 1,017.6	\$ (462.2)	\$ 5,386.7
Operating costs and expenses					
Cost of sales	—	4,147.8	915.7	(462.2)	4,601.3
Selling, general and administrative	8.0	133.1	13.4	—	154.5
Research and development	—	27.8	3.5	—	31.3
Total operating costs and expenses	8.0	4,308.7	932.6	(462.2)	4,787.1
Operating (loss) income	(8.0)	522.6	85.0	—	599.6
Interest expense and financing fee amortization	—	(60.1)	(4.0)	3.8	(60.3)
Other income (expense), net	—	6.6	(3.6)	(3.8)	(0.8)
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(8.0)	469.1	77.4	—	538.5
Income tax benefit (provision)	1.5	(88.6)	(12.6)	—	(99.7)
(Loss) income before equity in net income of affiliate and subsidiaries	(6.5)	380.5	64.8	—	438.8
Equity in net income of affiliate	0.6	—	0.6	(0.6)	0.6
Equity in net income of subsidiaries	445.3	64.8	—	(510.1)	—
Net income	439.4	445.3	65.4	(510.7)	439.4
Other comprehensive (loss) income	(16.5)	(16.5)	(14.7)	31.2	(16.5)
Comprehensive income (loss)	\$ 422.9	\$ 428.8	\$ 50.7	\$ (479.5)	\$ 422.9

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
September 26, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 1,343.5	\$ 133.8	\$ —	\$ 1,477.3
Restricted cash	—	0.3	—	—	0.3
Accounts receivable, net	—	711.5	316.1	(319.0)	708.6
Contract assets, short-term	—	519.9	59.1	—	579.0
Inventory, net	—	704.0	311.2	—	1,015.2
Other current assets	—	46.4	11.9	—	58.3
Total current assets	—	3,325.6	832.1	(319.0)	3,838.7
Property, plant and equipment, net	—	1,724.7	475.1	—	2,199.8
Right of use assets	—	42.6	7.1	—	49.7
Contract assets, long-term	—	9.7	—	—	9.7
Pension assets, net	—	365.3	20.0	—	385.3
Investment in subsidiary	1,617.0	766.7	—	(2,383.7)	—
Other assets	—	299.4	110.3	(191.3)	218.4
Total assets	\$ 1,617.0	\$ 6,534.0	\$ 1,444.6	\$ (2,894.0)	\$ 6,701.6
Liabilities					
Accounts payable	\$ —	\$ 1,053.1	\$ 407.8	\$ (320.4)	\$ 1,140.5
Accrued expenses	—	292.3	26.1	1.4	319.8
Profit sharing	—	51.7	4.2	—	55.9
Current portion of long-term debt	—	36.5	1.1	—	37.6
Operating lease liabilities, short-term	—	5.4	0.8	—	6.2
Advance payments, short-term	—	19.8	—	—	19.8
Contract liabilities, short-term	—	170.5	—	—	170.5
Forward loss provision, long-term	—	37.2	—	—	37.2
Deferred revenue and other deferred credits, short-term	—	16.9	0.3	—	17.2
Deferred grant income liability - current	—	—	5.6	—	5.6
Other current liabilities	—	48.8	6.6	—	55.4
Total current liabilities	—	1,732.2	452.5	(319.0)	1,865.7
Long-term debt	—	2,125.3	97.6	(90.7)	2,132.2
Operating lease liabilities, long-term	—	37.3	6.3	—	43.6
Advance payments, long-term	—	335.1	—	—	335.1
Pension/OPEB obligation	—	32.6	—	—	32.6
Contract liabilities, long-term	—	340.4	—	—	340.4
Forward loss provision, long-term	—	161.9	—	—	161.9
Deferred grant income liability - non-current	—	9.4	18.6	—	28.0
Deferred revenue and other deferred credits	—	30.1	2.3	—	32.4
Other liabilities	—	192.8	20.5	(100.6)	112.7
Total equity	1,617.0	1,536.9	846.8	(2,383.7)	1,617.0
Total liabilities and stockholders' equity	\$ 1,617.0	\$ 6,534.0	\$ 1,444.6	\$ (2,894.0)	\$ 6,701.6

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, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$ —	\$ 705.0	\$ 68.6	\$ —	\$ 773.6
Restricted cash	—	0.3	—	—	0.3
Accounts receivable, net	—	593.0	310.2	(358.1)	545.1
Inventory, net	—	696.0	316.6	—	1,012.6
Contract assets, short-term	—	420.8	48.6	—	469.4
Other current assets	—	45.3	3.0	—	48.3
Total current assets	—	2,460.4	747.0	(358.1)	2,849.3
Property, plant and equipment, net	—	1,670.8	496.8	—	2,167.6
Contract assets, long-term	—	54.1	—	—	54.1
Pension assets, net	—	307.0	19.7	—	326.7
Investment in subsidiary	1,238.0	699.0	—	(1,937.0)	—
Other assets	—	357.1	127.5	(196.4)	288.2
Total assets	\$ 1,238.0	\$ 5,548.4	\$ 1,391.0	\$ (2,491.5)	\$ 5,685.9
Liabilities					
Accounts payable	\$ —	\$ 855.2	\$ 405.6	\$ (358.2)	\$ 902.6
Accrued expenses	—	276.7	36.3	0.1	313.1
Profit sharing	—	62.6	5.7	—	68.3
Current portion of long-term debt	—	30.5	0.9	—	31.4
Advance payments, short-term	—	2.2	—	—	2.2
Contract liabilities, short-term	—	157.3	0.6	—	157.9
Forward loss provision, long-term	—	12.4	—	—	12.4
Deferred revenue and other deferred credits, short-term	—	19.5	0.5	—	20.0
Deferred grant income liability - current	—	—	16.0	—	16.0
Other current liabilities	—	52.4	5.8	—	58.2
Total current liabilities	—	1,468.8	471.4	(358.1)	1,582.1
Long-term debt	—	1,856.6	103.2	(95.8)	1,864.0
Advance payments, long-term	—	231.9	—	—	231.9
Pension/OPEB obligation	—	34.6	—	—	34.6
Contract liabilities, long-term	—	369.8	—	—	369.8
Forward loss provision, long-term	—	170.6	—	—	170.6
Deferred grant income liability - non-current	—	5.9	22.1	—	28.0
Deferred revenue and other deferred credits	—	28.8	2.4	—	31.2
Other liabilities	—	223.3	12.9	(100.6)	135.6
Total equity	1,238.0	1,158.1	779.0	(1,937.0)	1,238.1
Total liabilities and stockholders' equity	\$ 1,238.0	\$ 5,548.4	\$ 1,391.0	\$ (2,491.5)	\$ 5,685.9

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 Nine Months Ended September 26, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities					
Net cash provided by operating activities	\$ —	\$ 571.3	\$ 147.3	\$ —	\$ 718.6
Investing activities					
Purchase of property, plant and equipment	—	(94.0)	(24.8)	—	(118.8)
Other	—	0.1	—	—	0.1
Net cash used in investing activities	—	(93.9)	(24.8)	—	(118.7)
Financing activities					
Proceeds from issuance of debt	—	250.0	—	—	250.0
Proceeds from revolving credit facility	—	100.0	—	—	100.0
Principal payments of debt	—	(7.8)	(0.7)	—	(8.5)
Payments on term loan	—	(5.2)	—	—	(5.2)
Payments on revolving credit facility	—	(100.0)	—	—	(100.0)
Proceeds (payments) from intercompany debt	—	56.1	(56.1)	—	—
Taxes paid related to net share settlement of awards	—	(12.1)	—	—	(12.1)
Proceeds (payments) from subsidiary for purchase of treasury stock	75.0	(75.0)	—	—	—
Purchase of treasury stock	(75.0)	—	—	—	(75.0)
Proceeds (payments) from subsidiary for dividends paid	37.8	(37.6)	(0.2)	—	—
Dividends Paid	(37.8)	—	—	—	(37.8)
Proceeds from issuance of ESPP stock	—	1.3	—	—	1.3
Other	—	0.8	—	—	0.8
Net cash provided by (used in) financing activities	—	170.5	(57.0)	—	113.5
Effect of exchange rate changes on cash and cash equivalents	—	(13.2)	(0.3)	—	(13.5)
Net increase in cash and cash equivalents for the period	—	634.7	65.2	—	699.9
Cash, cash equivalents, and restricted cash, beginning of period	—	725.5	68.6	—	794.1
Cash, cash equivalents, and restricted cash, end of period	\$ —	\$ 1,360.2	\$ 133.8	\$ —	\$ 1,494.0

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 Cash Flows
For the Nine Months Ended September 27, 2018

	Holdings	Spirit	Non- Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities					
Net cash provided by operating activities	—	486.1	81.3	—	567.4
Investing activities					
Purchase of property, plant and equipment	—	(142.9)	(28.0)	—	(170.9)
Other	—	2.3	0.5	—	2.8
Net cash used in investing activities	—	(140.6)	(27.5)	—	(168.1)
Financing activities					
Proceeds from issuance of bonds	—	1,300.0	—	—	1,300.0
Principal payments of debt	—	(4.3)	(0.6)	—	(4.9)
Payments on term loan	—	(256.3)	—	—	(256.3)
Payments on bonds	—	(300.0)	—	—	(300.0)
Proceeds (payments) from intercompany debt	—	49.7	(49.7)	—	—
Debt issuance and financing costs	—	(23.2)	—	—	(23.2)
Taxes paid related to net share settlement of awards	—	(15.5)	—	—	(15.5)
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	35.4	(35.4)	—	—	—
Dividends Paid	(35.4)	—	—	—	(35.4)
Net cash provided by (used in) financing activities	—	(90.8)	(50.3)	—	(141.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	0.2	—	0.2
Net increase in cash and cash equivalents for the period	—	254.7	3.7	—	258.4
Cash, cash equivalents, and restricted cash, beginning of period	—	387.3	58.2	—	445.5
Cash, cash equivalents, and restricted cash, end of period	—	642.0	61.9	—	703.9

Spirit AeroSystems Holdings, Inc.

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

25. Subsequent Event

On October 31, 2019, Spirit and Spirit AeroSystems Global Holdings Limited, a wholly owned indirect subsidiary of the Company (“Spirit UK”), entered into a definitive agreement (the “Purchase Agreement”) with Bombardier Inc., Bombardier Aerospace Limited, Bombardier Finance Inc. and Bombardier Services Corporation (collectively, the “Sellers”) pursuant to which, subject to the satisfaction or waiver of certain conditions, Spirit UK will acquire the outstanding equity of Short Brothers plc (“Shorts”) and Bombardier Aerospace North Africa SAS, and Spirit will acquire substantially all the assets of the maintenance, repair and overhaul business in Dallas, Texas (collectively, the “Acquired Business”) for cash consideration of \$500 million (the “Acquisition”).

The Company, acting through certain of its subsidiaries, has agreed to procure payment of a special contribution of £100 million (approximately \$130 million) to the Shorts pension scheme at the time of closing and will assume additional net pension liabilities of approximately \$170 million. In addition, Shorts is a party to a repayable investment agreement with the Department for Business, Energy and Industrial Strategy of the Government of the United Kingdom, and Spirit will, at closing, assume, directly or indirectly, Shorts’ financial payment obligations under this agreement, which are approximately \$290 million.

The Acquisition, which is expected to close in the first half of 2020, is subject to certain consents, regulatory approvals and customary closing conditions. Closing conditions include, but are not limited to, (i) the absence of certain legal impediments to the consummation of the Acquisition, (ii) the receipt of specified third party consents and approvals, including consents from Airbus SE and its subsidiaries, (iii) the receipt of applicable regulatory approvals, and (iv) the absence of a material adverse change to the Acquired Business. The Purchase Agreement contains customary representations, warranties and covenants among the parties, including, among others, certain covenants by the Sellers regarding the operation of the Acquired Business during the interim period between the execution of the Purchase Agreement and the consummation of the Acquisition. The Acquisition is not conditioned upon the Company’s receipt of debt financing.

The Purchase Agreement provides Spirit, Spirit UK and the Sellers with certain termination rights, including if the consummation of the Acquisition has not occurred on or prior to October 31, 2020.

The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Purchase Agreement, which will be filed as an exhibit to the Company’s Annual Report on Form 10-K for 2019.

The representations and warranties and covenants set forth in the Purchase Agreement have been made only for the purposes of the Purchase Agreement and solely for the benefit of the parties to the Purchase Agreement, may be subject to limitations agreed upon by the parties, including being qualified by confidential disclosures made between the parties, and may be subject to standards of materiality applicable to the parties that differ from those applicable to investors. In addition, such representations and warranties were made only as of the dates specified in the Purchase Agreement.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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 reflect our current expectations or forecasts of future events. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “aim,” “anticipate,” “believe,” “could,” “continue,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “might,” “objective,” “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, including, but not limited to, those described in the “Risk Factors” section of our Annual Report on Form 10-K, as updated by the Company’s Quarterly Report on Form 10-Q for the first quarter of 2019. 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

Table of Contents

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, including our ability to meet contractually required production rate increases; 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 and other programs; 4) margin pressures and the potential for additional forward losses on new and maturing programs; 5) our ability and our suppliers' ability to accommodate, and the cost of accommodating, announced increases in the build rates of certain aircraft and expanding model mixes; 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; 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 any required regulatory or other third party approvals for the consummation of our announced acquisitions of Asco and select Bombardier operations, 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, including our ability to timely deliver quality products, under existing supply contracts with our two major customers, Boeing and Airbus, and other customers, and the risk of non-payment 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, acts of terrorism, or government action such as mandatory aircraft fleet grounding; 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; 18) competition from or in-sourcing by commercial aerospace original equipment manufacturers and competition from 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, including our ability to avoid labor disputes and work stoppages with respect to our union 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) our exposure to potential product liability and warranty claims; 31) the consummation of our announced acquisition of select Bombardier operations in a timely fashion and the realization of the expected revenues of the acquired Bombardier operations, 32) our ability to effectively assess, manage and integrate acquisitions that we pursue, including our ability to successfully integrate the Asco business and select Bombardier operations, and generate synergies and other cost savings therefrom; 33) the consummation of our announced acquisition of Asco while avoiding any unexpected costs, charges, expenses, and adverse changes to business relationships and other business disruptions for ourselves and Asco as a result of the acquisition; 34) our ability to continue selling certain receivables through our supplier financing programs; 35) the risks of doing business internationally, including fluctuations in foreign currency exchange rates, impositions of tariffs or embargoes, trade restrictions, compliance with foreign laws, and domestic and foreign government policies; 36) prolonged periods of inflation where we do not have adequate inflation protection in our customer contracts, among other things; and 37) the timing and conditions surrounding the return to service of the 737 MAX fleet and related impacts on our production rate.

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 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 2018 Form 10-K and the Company's Quarterly Report on Form 10-Q for the first quarter of 2019 for a more complete discussion of these and other factors that may affect our business.

Management's Focus

Our 2019 focus continues to revolve around our operational execution, with a focus on safety and quality, and managing through the issues presented by the B737 MAX grounding. In addition, we will continue to pursue organic and inorganic options for growth as the global market continues to evolve.

B737 Program

Throughout 2018 and in to the first quarter of 2019, the B737 program increased in production rate to meet increased demand. As we worked to meet these increasing rates we experienced production challenges, including supplier disruption, model mix changes, and other challenges that resulted in additional production costs recognized throughout 2018. A recovery plan was implemented in the first half of 2018 and we were able to recover to schedule during the fourth quarter of 2018.

At the outset of 2019, we expected to increase production of B737 aircraft to a production rate of 57 aircraft per month in 2019. In March 2019, the B737 MAX fleet was grounded in the U.S. and internationally following the 2018 and 2019 accidents involving two B737 MAX aircraft. On April 5, 2019, Boeing announced that it would make a temporary adjustment in the production rate of the B737 MAX aircraft from 52 to 42 aircraft per month. Subsequent to Boeing's announcement, and pursuant to a Memorandum of Agreement executed with Boeing (the "MOA"), we announced that Spirit would maintain a B737 delivery rate of 52 shipsets per month in an effort to minimize supply chain disruptions. The MOA established that all B737 shipsets produced in excess of Boeing's production rate (collectively, the "incremental shipsets") will be deemed to be delivered to Boeing "FOB" at Spirit's facilities, which will trigger Boeing's payment obligations for the incremental shipsets.

To improve quality and cost efficiencies, we slowed down production temporarily in June 2019, and, as a result, we delivered fewer shipsets per month during the month of June. We expect that the annualized average monthly shipset deliveries over the course of the year to be at rate 52 subject to any reductions that Boeing may decide to implement.

We continue to work very closely with Boeing and our supply base to minimize the disruption to our operations as a result of the grounding of the B737 MAX fleet as much as possible. The change from the planned rate of 57 aircraft per month to 52 aircraft per month created significant disruption in a complex production system and resulted in increased costs and impacted program margins. During the second quarter of 2019, we implemented many cost reducing efforts to mitigate the impact from the B737 MAX grounding, including reducing overtime and the use of contractors, offering an early retirement program, and reducing other operating expenses.

The B737 MAX fleet has now been grounded for over six months. For so long as the grounding of the B737 MAX fleet continues, there may be further reductions in the production rate, including a temporary shutdown in production. To the extent that the grounding of the B737 MAX fleet continues for an extended period of time and Spirit is required to further reduce its production rate on the B737 MAX aircraft, Spirit's business, financial condition, results of operations and cash flows could be materially adversely impacted.

Results of Operations

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

	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
	(\$ in millions)		(\$ in millions)	
Revenue	\$ 1,919.9	\$ 1,813.7	\$ 5,903.8	\$ 5,386.7
Cost of sales	1,647.6	1,543.1	5,029.1	4,601.3
Gross profit	272.3	270.6	874.7	785.4
Selling, general and administrative	53.6	37.3	173.6	154.5
Research and development	12.6	10.8	36.0	31.3
Operating income	206.1	222.5	665.1	599.6
Interest expense and financing fee amortization	(23.6)	(24.2)	(66.1)	(60.3)
Other (expense) income, net	(9.5)	7.4	(11.9)	(0.8)
Income before income taxes and equity in net income of affiliate	173.0	205.7	587.1	538.5
Income tax provision	(41.7)	(36.9)	(124.7)	(99.7)
Income before equity in net income of affiliate	131.3	168.8	462.4	438.8
Equity in net income of affiliate	—	—	—	0.6
Net income	\$ 131.3	\$ 168.8	\$ 462.4	\$ 439.4

Comparative shipset deliveries by model are as follows:

Model	Three Months Ended		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
B737	154	160	453	457
B747	2	1	5	4
B767	9	8	25	23
B777	15	11	44	32
B787	40	33	124	108
Total Boeing	220	213	651	624
A220 ⁽¹⁾	8	6	26	6
A320 Family	160	165	510	488
A330	9	13	27	46
A350	23	19	81	71
A380	—	1	1	4
Total Airbus	200	204	645	615
Business and Regional Jets ⁽¹⁾	17	14	43	56
Total	437	431	1,339	1,295

(1) Airbus acquired the majority ownership in the C-Series program (subsequently renamed as the A220 program) in July 2018; all C-Series deliveries prior to the third quarter 2018 are included in the Business and Regional Jets and all A220 deliveries subsequent to the acquisition are included in A220.

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

[Table of Contents](#)

the same aircraft shipsets could be produced or shipped in earlier or later accounting periods than the components used to measure 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		Nine Months Ended	
	September 26, 2019	September 27, 2018	September 26, 2019	September 27, 2018
	(\$ in millions)		(\$ in millions)	
Boeing	\$ 1,542.0	\$ 1,465.5	\$ 4,705.1	\$ 4,262.2
Airbus	284.1	263.8	934.0	869.0
Other	93.8	84.4	264.7	255.5
Total net revenues	\$ 1,919.9	\$ 1,813.7	\$ 5,903.8	\$ 5,386.7

Changes in Estimates

During the third quarter of 2019, we recognized total changes in estimates of \$(41.8) million, which included net forward losses of \$28.8 million, and unfavorable cumulative catch-up adjustments related to periods prior to the third quarter of 2019 of \$13.0 million. During the same period in the prior year, we recognized total changes in estimates of \$(13.5) million, which included net forward loss charges of \$(0.5) million, and unfavorable cumulative catch-up adjustments related to periods prior to the third quarter of 2018 of \$(13.0) million.

Three Months Ended September 26, 2019 as Compared to Three Months Ended September 27, 2018

Revenue. Revenues for the three months ended September 26, 2019 were \$1,919.9 million, an increase of \$106.2 million, or 5.9%, compared to revenues of \$1,813.7 million for the same period in the prior year. Higher revenues were recorded for all segments during the third quarter of 2019 compared to the same period in the prior year. The increase in revenues was primarily due to higher production activity on the B777, B787, and A350 XWB programs, favorable model mix on the B737, increased Global Customer Support and Services (“GCS&S”) activity, and increased revenue recognized on the B787 due to contractual terms agreements, partially offset by decreased production activity on the B737 program and decreased revenue from certain non-recurring Boeing programs. Approximately 95% of Spirit’s net revenues for the third quarter of 2019 came from our two largest customers, Boeing and Airbus.

Total production deliveries to Boeing increased to 220 shipsets during the third quarter of 2019, compared to 213 shipsets delivered in the same period of the prior year, primarily driven by increased production on the B777 and B787 programs, partially offset by decreased production on the B737 program. Total production deliveries to Airbus decreased slightly to 200 shipsets during the third quarter of 2019, compared to 204 shipsets delivered in the same period of the prior year, primarily driven by decreased production of the A320 and A330 programs, partially offset by increased A350 XWB deliveries. Total production deliveries of business/regional jet wing and wing components increased to 17 shipsets during the third quarter of 2019, compared to 14 shipsets delivered in the same period of the prior year. In total, production deliveries increased slightly to 437 shipsets during the third quarter of 2019, compared to 431 shipsets delivered in the same period of the prior year.

Gross Profit. Gross profit was \$272.3 million for the three months ended September 26, 2019, compared to \$270.6 million for the same period in the prior year. This increase was driven by increased margins recognized on the B737 and B777 programs and favorable model mix on the B737, partially offset by decreased non-recurring activity and net forward losses of \$32.6 million recognized on the B787 program due to publicly announced rate reductions. In the third quarter of 2019, we recognized \$13.0 million of unfavorable cumulative catch-up adjustments related to periods prior to the third quarter of 2019, and \$28.8 million of net forward loss charges. In the same period of 2018, we recorded \$13.0 million of unfavorable cumulative catch-up adjustments related to periods prior to the third quarter of 2018, and \$0.5 million of net forward loss charges.

SG&A and Research and Development. SG&A expense was \$16.3 million higher for the three months ended September 26, 2019, compared to the same period in the prior year due to an increase in bid & proposal related expenses and the absence of the recovery of legal fees related to a court decision recorded in the third quarter of 2018. Research and development expense was \$1.8 million higher for the three months ended September 26, 2019, compared to the same period in the prior year.

Table of Contents

Operating Income. Operating income for the three months ended September 26, 2019 was \$206.1 million, a decrease of \$16.4 million, or (7.4)% compared to operating income of \$222.5 million for the same period in the prior year. The decrease in operating income was primarily driven by increased SG&A and research and development expenses.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the three months ended September 26, 2019 includes \$19.9 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, compared to \$16.5 million of interest and fees paid or accrued in connection with long-term debt and \$6.2 million in amortization of deferred financing costs and original issue discount for the same period in the prior year. During the third quarter of 2018, we redeemed the remaining portion of the \$300.0 million outstanding Senior Notes due in 2022 (following a tender offer for such notes) and replaced our prior credit agreement with the 2018 Credit Agreement. As a result, we recognized a loss on extinguishment of existing bonds and revolver of \$5.4 million.

Other (Expense) Income, net. Other expense, net for the three months ended September 26, 2019 was \$9.5 million, compared to Other income, net of \$7.4 million for the same period in the prior year. Other expense, net during the third quarter of 2019 was primarily driven by losses on foreign currency revaluation as well as net losses on the sale of receivables, partially offset by recurring pension income and the partial reversal of expenses related to a voluntary retirement program recorded in the second quarter of 2019. Other income, net during the third quarter of 2018 was primarily driven by recurring pension income, partially offset by net losses on the sale of receivables.

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 September 26, 2019 includes \$39.5 million for federal taxes, (\$2.7) million for state taxes, and \$4.9 million for foreign taxes. The income tax provision for the three months ended September 27, 2018 includes \$35.3 million for federal taxes, (\$1.5) million for state taxes, and \$3.1 million for foreign taxes. The effective tax rate for the three months ended September 26, 2019 was 24.1% as compared to 17.9% for the same period in 2018. The difference in the effective tax rate recorded for 2019 as compared to 2018 is related primarily to the current year impact of a reduction in state tax credits, a reduction in the federal R&D tax credit, decreased benefit for share based compensation excess tax benefit, decreased impact for GILTI. Additionally, there were discrete items reported in the current quarter resulting in additional income tax in the current year related to the finalization of the 2018 amounts related to GILTI and the federal R&D tax credit reported in the tax return as agreed upon with the IRS in the course of the Company's participation in the CAP program. The decrease from the U.S. statutory tax rate is attributable primarily to the generation of state income tax and federal research credits, share based compensation excess tax benefit, GILTI inclusion, and foreign tax rates lower than the U.S. rate.

Segments. The following table shows segment revenues and operating income for the three months ended September 26, 2019 and September 27, 2018:

	Three Months Ended	
	September 26, 2019	September 27, 2018
(\$ in millions)		
Segment Revenues		
Fuselage Systems	\$ 1,005.3	\$ 991.0
Propulsion Systems	520.9	442.4
Wing Systems	391.0	378.6
All Other	2.7	1.7
	\$ 1,919.9	\$ 1,813.7
Segment Operating Income		
Fuselage Systems	\$ 105.8	\$ 134.8
Propulsion Systems	111.7	76.2
Wing Systems	53.9	58.6
All Other	1.3	1.3
	272.7	270.9
SG&A	(53.6)	(37.3)
Research and development	(12.6)	(10.8)
Unallocated cost of sales ⁽¹⁾	(0.4)	(0.3)
Total operating income	\$ 206.1	\$ 222.5

(1) Includes \$0.4 million and \$0.9 million of warranty expense for the three months ended September 26, 2019 and September 27, 2018, respectively.

Fuselage Systems, Propulsion Systems, Wing Systems, and All Other represented approximately 52%, 27%, 20% and less than 1%, respectively, of our net revenues for the three months ended September 26, 2019.

Fuselage Systems. Fuselage Systems segment net revenues for the three months ended September 26, 2019 were \$1,005.3 million, an increase of \$14.3 million, or 1%, compared to the same period in the prior year. The increase was primarily due to higher production activity on the B777, B787, and A350 XWB programs, increased GCS&S activity, and increased revenue recognized on the B787 program due to contractual terms agreements, partially offset by decreased production on the B737 program and lower revenue recognized on certain non-recurring programs. Fuselage Systems segment operating margins were 11% for the three months ended September 26, 2019, compared to 14% for the same period in the prior year, primarily due to lower margins recognized on the B737 program and net forward loss charges recorded in the third quarter of 2019, partially offset by increased profit on GCS&S activity. In the third quarter of 2019, the segment recorded unfavorable cumulative catch-up adjustments of \$14.4 million and net forward loss charges of \$18.8 million. In comparison, during the third quarter of 2018, the segment recorded unfavorable cumulative catch-up adjustments of \$12.0 million.

Propulsion Systems. Propulsion Systems segment net revenues for the three months ended September 26, 2019 were \$520.9 million, an increase of \$78.5 million, or 18%, compared to the same period in the prior year. The increase was primarily due to increased production activity on the B777 and B787 programs, favorable model mix on the B737, and increased revenue recognized on the B787 program due to contractual terms agreements, partially offset by decreased activity on non-recurring programs. Propulsion Systems segment operating margins were 21% for the three months ended September 26, 2019, compared to 17% for the same period in the prior year. This increase was primarily driven by favorable model mix on the B737 program, partially offset by net forward loss charges recorded in the third quarter of 2019. The segment recorded favorable cumulative catch-up adjustments of \$1.8 million and net forward losses of \$4.0 million for the three months ended September 26, 2019. In comparison, during the same period of the prior year, the segment recorded unfavorable cumulative catch-up adjustments of \$2.4 million and net forward loss charges of \$0.8 million.

Wing Systems. Wing Systems segment net revenues for the three months ended September 26, 2019 were \$391.0 million, an increase of \$12.4 million, or 3%, compared to the same period in the prior year. The increase was primarily due to increased production activity on the B737, B777, B787 and A350 programs and increased revenue recognized on the B787 program due to contractual terms agreements; partially offset by decreased production on the A320 program. Wing Systems segment operating

[Table of Contents](#)

margins were 14% for the three months ended September 26, 2019, compared to 15% for the same period in the prior year. In the third quarter of 2019, the segment recorded unfavorable cumulative catch-up adjustments of \$0.4 million and net forward losses of \$6.0 million. In comparison, during the third quarter of 2018, the segment recorded \$0.3 million of favorable changes in estimates on loss programs as well as favorable cumulative catch-up adjustments of \$1.4 million.

All Other. All Other segment net revenues consist of sundry sales of miscellaneous services and natural gas revenues from the Kansas Industrial Energy Supply Company ("KIESC"), a tenancy in common with other Wichita companies established to purchase natural gas where we are a major participant. In the three months ended September 26, 2019, All Other segment net revenues were \$2.7 million, an increase of \$1.0 million compared to the same period in the prior year, primarily due to non-recurring revenue.

Nine Months Ended September 26, 2019 as Compared to Nine Months Ended September 27, 2018

Net Revenues. Net revenues for the nine months ended September 26, 2019 were \$5,903.8 million, an increase of \$517.1 million, or 10%, compared to net revenues of \$5,386.7 million for the same period in the prior year. Higher revenues were recorded for all segments during the first nine months of 2019 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, B777, B787, and A350 XWB programs, increased GCS&S activity, and increased revenue recognized on the B787 due to contractual terms agreements, partially offset by decreased work on certain non-recurring Boeing programs. Approximately 96% of Spirit's net revenues for the first nine months of 2019 came from our two largest customers, Boeing and Airbus.

Production deliveries to Boeing increased to 651 shipsets during the first nine months of 2019, compared to 624 shipsets delivered in the same period of the prior year, primarily driven by increased production on the B777 and B787 programs. Production deliveries to Airbus increased to 645 shipsets during the first nine months of 2019, compared to 615 shipsets delivered in the same period of the prior year, primarily driven by higher production of the A320 and A350 XWB programs and the transfer of the A220 program to total Airbus deliveries starting in the third quarter of 2018, partially offset by lower A330 deliveries. Production deliveries of business/regional jet wing and wing components decreased to 43 shipsets during the first nine months of 2019, compared to 56 shipsets delivered in the same period of the prior year as a result of the transfer of the A220 program to total Airbus deliveries starting in the third quarter of 2018. In total, production deliveries increased by 3% to 1,339 shipsets during the first nine months of 2019, compared to 1,295 shipsets delivered in the same period of the prior year.

Gross Profit. Gross profit was \$874.7 million for the nine months ended September 26, 2019, as compared to \$785.4 million for the same period in the prior year. The increase in gross profit was primarily driven by increased margins recorded on the B737, B777, and A350 XWB programs, partially offset by lower margins recognized on the A320 program and net forward loss charges of \$32.6 million recognized on the B787 program due to publicly announced rate reductions.

SG&A and Research and Development. SG&A expense was \$19.1 million higher for the nine months ended September 26, 2019, compared to the same period in the prior year primarily due to an increase in bid & proposal related expenses and the absence of the recovery of legal fees related to a court decision recorded in the third quarter of 2018. Research and development expense was \$4.7 million higher for the nine months ended September 26, 2019, compared to the same period in the prior year primarily due to more internal projects underway.

Operating Income. Operating income for the nine months ended September 26, 2019 was \$665.1 million, an increase of \$65.5 million, or 10.9%, compared to operating income of \$599.6 million for the same period in the prior year.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the nine months ended September 26, 2019 includes \$57.4 million of interest and fees paid or accrued in connection with long-term debt and \$2.7 million in amortization of deferred financing costs and original issue discount, compared to \$37.9 million of interest and fees paid or accrued in connection with long-term debt and \$17.6 million in amortization of deferred financing costs and original issue discount for the same period in the prior year. During the third quarter of 2018, we redeemed the remaining portion of the \$300.0 million outstanding Senior Notes due in 2022 (following a tender offer for such notes) and replaced our prior credit agreement with the 2018 Credit Agreement. As a result, we recognized a loss on extinguishment of \$14.4 million.

Other (Expense) Income, net. Other expense for the nine months ended September 26, 2019 was \$11.9 million, compared to Other expense of \$0.8 million for the same period in the prior year. Other expense during 2019 was primarily driven by losses on foreign currency as the U.S. Dollar strengthened against the Euro, net losses on sales of receivables, and expenses related to a voluntary retirement program offered by the Company in the second quarter of 2019, partially offset by a gain on proceeds from a litigation settlement and recurring pension income. Other expense for the nine months ended September 27, 2018 was primarily

[Table of Contents](#)

driven by losses on foreign currency forward contracts as the U.S. Dollar strengthened against the Euro and net losses on sales of receivables, partially offset by recurring 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 nine months ended September 26, 2019 includes \$112.7 million for federal taxes, (\$2.8) million for state taxes, and \$14.7 million for foreign taxes. The income tax provision for the nine months ended September 27, 2018 included \$89.2 million for federal taxes, (\$0.1) million for state taxes, and \$10.6 million for foreign taxes. The effective tax rate for the nine months ended September 26, 2019 was 21.2% as compared to 18.5% in 2018. The difference in the effective tax rate recorded for 2019 as compared to 2018 is related primarily to the current year impact of a reduction in state tax credits, a reduction in the federal R&D tax credit, decreased benefit for share based compensation excess tax benefit, decreased impact for GILTI. Additionally, there were discrete items reported in the quarter resulting in additional income tax in the current year related to the finalization of the 2018 amounts related to GILTI and the federal R&D tax credit reported in the tax return as agreed upon with the IRS in the course of the Company's participation in the CAP program. The decrease from the U.S. statutory tax rate is attributable primarily to the generation of state income tax and federal research credits, share based compensation excess tax benefit, GILTI inclusion, and foreign tax rates lower than the U.S. rate.

Segments. The following table shows segment revenues and operating income for the nine months ended September 26, 2019 and September 27, 2018:

	Nine Months Ended	
	September 26, 2019	September 27, 2018
(\$ in millions)		
Segment Revenues		
Fuselage Systems	\$ 3,171.7	\$ 2,983.4
Propulsion Systems	1,525.5	1,259.6
Wing Systems	1,197.4	1,138.6
All Other	9.2	5.1
	<u>\$ 5,903.8</u>	<u>\$ 5,386.7</u>
Segment Operating Income		
Fuselage Systems	\$ 380.5	\$ 417.7
Propulsion Systems	304.9	203.9
Wing Systems	177.1	166.1
All Other	2.5	0.3
	<u>865.0</u>	<u>788.0</u>
Corporate SG&A	(173.6)	(154.5)
Research and development	(36.0)	(31.3)
Unallocated cost of sales ⁽¹⁾	9.7	(2.6)
Total operating income	<u>\$ 665.1</u>	<u>\$ 599.6</u>

(1) Includes \$10.1 million reversal of warranty expense and \$2.0 million of warranty expense for the nine months ended September 26, 2019 and September 27, 2018, respectively.

Fuselage Systems. Fuselage Systems segment net revenues for the nine months ended September 26, 2019 were \$3,171.7 million, an increase of \$188.3 million, or 6%, compared to the same period in the prior year. The increase was primarily due to increased production activities on the B737, B777, B787, and A350 XWB programs, favorable model mix on the B737 program, increased GCS&S work, and increased revenue recognized on the B787 program due to contractual terms agreements, partially offset by decreased revenue recognized on certain non-recurring Boeing programs. Fuselage Systems segment operating margins

[Table of Contents](#)

were 12% for the nine months ended September 26, 2019, compared to 14% for the same period in the prior year. The decrease was primarily driven by decreased margins recognized on the B737 program and additional net forward losses recognized on the B787 program. In the first nine months of 2019, the segment recorded unfavorable cumulative catch-up adjustments of \$2.0 million and net forward losses of \$13.8 million. In comparison, during the first nine months of 2018, the segment recorded net forward loss charges of \$1.5 million and unfavorable cumulative catch-up adjustments of \$3.0 million.

Propulsion Systems. Propulsion Systems segment net revenues for the nine months ended September 26, 2019 were \$1,525.5 million, an increase of \$265.9 million, or 21%, compared to the same period in the prior year. The increase is primarily related to increased production on the B777, B787, and A220 programs, favorable model mix on the B737 program, and increased revenue recognized on the B787 program due to contractual terms agreements. Propulsion Systems segment operating margins were 20% for the nine months ended September 26, 2019, compared to 16% for the same period in the prior year. The increase in margins was primarily driven by an increase in margins recognized on the B737 program, partially offset by net forward losses recorded on the B787 program. In the first nine months of 2019, the segment recorded unfavorable cumulative catch-up adjustments of \$1.5 million and net forward loss charges of \$3.1 million. In comparison, during the first nine months of 2018, the segment recorded favorable cumulative catch-up adjustments of \$0.9 million.

Wing Systems. Wing Systems segment net revenues for the nine months ended September 26, 2019 were \$1,197.4 million, an increase of \$58.8 million, or 5%, compared to the same period in the prior year. The increase was primarily due to increased production on the B737, B777, B787, A320, and A350 programs and increased revenue recognized on the B787 program due to contractual terms agreements, partially offset by foreign exchange losses, decreased revenue recognized on the A320 program, and net forwarded losses recognized on the B787 program. Wing Systems segment operating margins were 15% for both the nine months ended September 26, 2019 and September 27, 2018. In the first nine months of 2019, the segment recorded favorable cumulative catch-up adjustments of \$1.7 million and net forward losses of \$4.9 million. In comparison, during the first nine months of 2018, the segment recorded favorable cumulative catch-up adjustments of \$0.9 million and net forward loss charges of \$0.2 million.

All Other. All Other segment net revenues consist of sundry sales of miscellaneous services and natural gas revenues from KIESC. In the nine months ended September 26, 2019, All Other segment net revenues were \$9.2 million, an increase of \$4.1 million compared to the same period in the prior year, primarily due to increased non-recurring revenue. The All Other segment recorded 27% operating margins for the nine months ended September 26, 2019.

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, such as the Asco acquisition and other acquisitions we may pursue in the future.

As of September 26, 2019, we had \$1,477.3 million of cash and cash equivalents on the balance sheet. In addition we have \$800.0 million of available borrowing capacity under our 2018 Revolver. There were no borrowings or outstanding balances under our 2018 Revolver as of September 26, 2019.

On October 24, 2018, the Board of Directors approved an increase to the existing share repurchase program of approximately \$800.0 million, resulting in a total program authorization of \$1.0 billion. As of September 26, 2019, we had approximately \$925.0 million remaining in our share repurchase program. Beginning in the second quarter of 2019, we temporarily paused our share repurchases pending further clarity on the B737 MAX return to service.

At the outset of 2019, we expected to increase production of B737 aircraft to a production rate of 57 aircraft per month in 2019. On April 5, 2019, we agreed to maintain the B737 delivery rate at 52 aircraft per month rather than accelerating in rate as was planned. The change from the planned rate of 57 aircraft per month to 52 aircraft per month created significant disruption in a complex production system and resulted in increased costs and impacted program margins. To improve quality and cost efficiencies, we slowed down production temporarily in June 2019 and, as a result, delivered fewer B737 MAX shipsets during the month of June. We expect that the annualized average monthly shipset deliveries over the course of the year to be at rate 52,

[Table of Contents](#)

subject to any reductions that Boeing may decide to implement. As compared to a planned rate of 57 aircraft per month, lower monthly rate production will negatively affect our cash flows from continuing operations and, thus, our liquidity for such period of time that we remain at such rate, or a lower rate. To the extent that the grounding of the B737 MAX fleet continues for an extended period of time, or that Boeing further reduces our production rate of the B737 MAX aircraft, Spirit's liquidity could be materially adversely impacted.

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 our 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 nine months ended September 26, 2019 and September 27, 2018:

	For the Nine Months Ended	
	September 26, 2019	September 27, 2018
	(\$ in millions)	
Net cash provided by operating activities	\$ 718.6	\$ 567.4
Net cash used in investing activities	(118.7)	(168.1)
Net cash provided/(used) in financing activities	113.5	(141.1)
Effect of exchange rate change on cash and cash equivalents	(13.5)	0.2
Net increase in cash, cash equivalents and restricted cash for the period	699.9	258.4
Cash, cash equivalents, and restricted cash beginning of period	794.1	445.5
Cash, cash equivalents, and restricted cash, end of period	\$ 1,494.0	\$ 703.9

Nine Months Ended September 26, 2019 as Compared to Nine Months Ended September 27, 2018

Operating Activities. For the nine months ended September 26, 2019, we had a net cash inflow of \$718.6 million from operating activities, an increase of \$151.2 million compared to a net cash inflow of \$567.4 million for the same period in the prior year. The increase in net cash provided by operating activities was primarily due to higher revenues.

Investing Activities. For the nine months ended September 26, 2019, we had a net cash outflow of \$118.7 million for investing activities, a decrease in outflow of \$49.4 million compared to a net cash outflow of \$168.1 million for the same period in the prior year. The decrease in cash outflow is due to decreased capital expenditures during the first nine months of 2019.

Financing Activities. For the nine months ended September 26, 2019, we had a net cash inflow of \$113.5 million for financing activities, an increase in inflow of \$254.6 million, compared to a net cash outflow of \$141.1 million for the same period in the prior year. This increase in cash inflow is due to a Delayed Draw Term Loan of \$250.0 million, which was drawn during the first quarter of 2019. During the nine months ended September 26, 2019, we repurchased 796,409 shares of our Common Stock for \$75.0 million, compared to 8,157,287 shares repurchased for \$805.8 million during the same period in the prior year. Additionally, during the nine months ended September 26, 2019, we paid a dividend of \$37.8 million to our stockholders of record, compared to a dividend of \$35.4 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 September 26, 2019, and we anticipate non-cash pension income for 2019 to remain at or near the same level as 2018. 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 16, *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%.

[Table of Contents](#)

The fair value of the interest rate swaps, net was a liability of \$0.1 million as of September 26, 2019. For the nine months ended September 26, 2019, the Company recorded a loss related to swap activity of \$2.3 million.

Foreign Currency Risks

A significant portion of the purchase price in the Asco acquisition is payable in Euros and, accordingly, movements in the Euro exchange rate could cause the purchase price to fluctuate, affecting our cash flows. To minimize the risk of currency exchange rate movements on the Company's cash flows, the Company entered into foreign currency forward contracts; however the Company has not designated these forward contracts as a hedge and has not applied hedge accounting to them. During the second quarter of 2018, the Company entered into a foreign currency forward contract in the amount of \$580.0 million; this foreign currency forward contract was net settled in the third quarter of 2018 and a new contract was entered during the fourth quarter of 2018 in the amount of \$568.3 million; this contract was net settled and a third contract was entered into with a settlement date in the first quarter of 2019 in the amount of \$547.7 million. The third contract was settled at the end of the first quarter of 2019 and a fourth contract was entered into in the amount of \$542.1 million and settled in the second quarter of 2019. There is no remaining asset or liability as of September 26, 2019 related to the foreign currency forward contract. The Company recorded a net loss related to this activity of \$16.7 million for the nine months ended September 26, 2019.

Debt and Other Financing Arrangements

During the first quarter of 2019, we drew \$250.0 million on the Delayed Draw Term Loan. As of September 26, 2019, the outstanding balance of the term loans under the 2018 Credit Agreement was \$451.1 million and the carrying value was \$449.8 million.

The carrying value of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$298.9 million, \$298.2 million, and \$693.9 million as of September 26, 2019, respectively.

The carrying value of the 2026 Notes was \$297.7 million as of September 26, 2019.

See Note 15, *Debt*, to our condensed consolidated financial statements included in Part I of this Quarterly Report for more information.

Advance Payments

Advances on the B737 Program. Boeing has made advance payments to Spirit under the B737 Supply Agreement that are required to be repaid at a future date that has yet to be determined. As of September 26, 2019, the amount of advance payments received by us from Boeing under the B737 Supply Agreement and not yet repaid was approximately \$123.0 million. Advance repayment will occur over deliveries in future years.

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 September 26, 2019, the amount of advance payments received by us from Boeing under the B787 Supply Agreement and not yet repaid was approximately \$231.9 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 2018 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 2018 Form 10-K.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures as of September 26, 2019 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

There were no changes in our internal control over financial reporting during the quarter ended September 26, 2019, 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 2018 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 2018 Form 10-K, as updated in our Form 10-Q for the first quarter of 2019, 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 2018 Form 10-K, as updated in our Form 10-Q for the first quarter of 2019.

Item 5. *Other Information*

Asco

On October 28, 2019, the Company and Spirit Belgium entered into the Amendment. The Amendment was primarily entered into in order to extend the long-stop date (the date upon which the Purchase Agreement will automatically terminate in the event that conditions to the Acquisition are not satisfied or waived) from October 29, 2019 to April 4, 2020 and to further address the previously disclosed large-scale ransomware attack that disabled Asco’s IT systems and forced a substantial portion of Asco’s production to be suspended (the “Cyberattack”). In addition to extending the long-stop date to April 4, 2020, the Amendment reduces the purchase price for the Acquisition to \$420 million, reduces the Sellers’ indemnification obligations under the Purchase Agreement to \$80 million (except with respect to damages resulting or arising from the termination of certain commercial agreements), provides that closing will occur on April 3, 2020, and removes the closing condition precedent that a “Material Adverse Change” in Asco’s business has not occurred since May 1, 2018. . The Amendment incorporates other amendments to the Purchase Agreement agreed among the Parties to date.

The foregoing description of the Amendment does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, which is filed as an exhibit hereto.

Issuance Ratification

On March 1, 2019, the Company issued 11,959 share of its Common Stock to a participant in its Long-Term Incentive Plan (the "LTIP"), which shares were putative stock for purposes of Delaware law that the Board of Directors failed to validly authorize the issuance thereof prior to such issuance. On October 23, 2019, the Board of Directors adopted resolutions approving the ratification of the issuance of such shares of Common Stock pursuant to Section 204 of the Delaware General Corporation Law (the "Ratification"). Any claim that any defective corporate act of putative stock ratified pursuant to the Ratification is void or voidable due to the failure of authorization, or that the Delaware Court of Chancery should declare in its discretion that the Ratification is accordance with Section 204 of the Delaware General Corporation Law not be effective or be effective only on certain conditions, must be brought before the Delaware Court of Chancery within 120 days from the later of (i) the validation effective time (which was October 23, 2019) and (ii) the giving of this notice (which is deemed given on the date that this Form 10-Q is filed with the SEC).

[Table of Contents](#)

Item 6. Exhibits

Exhibit Number	Exhibit
10.1*††	Amendment 44 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of July 19, 2019.
10.2*††	Amendment No. 30 to B787 Special Business Provisions (CBP) BCA-MS-65530-0019, between the Boeing Company and Spirit AeroSystems, Inc., dated as of August 12, 2019.
10.3*	Amended and Restated Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V., dated October 28, 2019 (as amended), by and between Christian Boas, Emilie Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA, and Spirit AeroSystems Holdings, Inc.
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.
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*	Inline XBRL Instance Document- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)
†	Indicates management contract or compensation plan or arrangement.
††	Indicates that confidential portions of the exhibit have been omitted in accordance with the rules of the Securities and Exchange Commission.
*	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/ Jose Garcia</u> Jose Garcia	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	October 31, 2019

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ John Gilson</u> John Gilson	Vice President and Corporate Controller (Principal Accounting Officer)	October 31, 2019

Section 2: EX-10.1 (EXHIBIT 10.1)

EXHIBIT 10.1

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD BE LIKELY TO CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED. SUCH EXCLUDED INFORMATION IS DENOTED BY ASTERISKS IN BRACKETS [***].**

AMENDMENT 44
TO
SBP MS-65530-0016
BETWEEN
THE BOEING COMPANY
AND
SPIRIT AEROSYSTEMS, INC.

This Amendment 44 (“Amendment”) to Special Business Provisions MS-65530-0016 is entered into as of the date of last signature below 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 Sustaining Agreement (as defined below).

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

RECITALS

- A. The Parties entered into 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”), and including any amendments to the SBP and GTA (collectively the “Sustaining Agreement”).
- B. The most recent amendment to the SBP is Amendment 43, entered into May 22, 2019.
- C. The Parties wish to confirm that Seller has authority to procure [*****] TMX raw material for itself [*****] in supporting Boeing statements of work [*****].
- D. [*****]
- E. The Parties wish to amend the SBP as set forth herein.

AGREEMENT

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:

1. The list of “AMENDMENTS” within the Sustaining SBP is hereby deleted and replaced in its entirety as follows:

“Amendments

Amendment Number	Description	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, and 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, and 16. Incorporate Attachment 1B per CCN 4212 and Attachment 23 per the 767-2C MOA.	7/28/2011	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, and 16.	8/16/2013	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.	9/26/2014	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	NULL	NULL
16	NULL	NULL	NULL
17	Incorporate Attachment 29 - 777X Non-Recurring Agreement.	12/23/2015	A. Lucker E. Bauer
18	NULL	NULL	NULL
19	NULL	NULL	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.	3/16/2017	D. Blaylock E. Bossler
26	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement.	3/23/2017	D. Blaylock E. Bossler
27	Incorporate Attachment 30, "737 NG / MAX Vapor Barrier Agreement", updates to Attachment 1 and 9.	3/31/2017	B. Edwards K. Clark
28	Revisions to Attachment 29, 777X NRE Agreement.	6/22/2017	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 MAX Non-Recurring Agreement.	11/15/2017	D. Blaylock E. Bossler
33	Revisions to Attachment 27, 737 MAX Non-Recurring Agreement.	11/30/2017	D. Blaylock E. Bossler
34	Revisions to Attachment 27, 737-10 Non-Recurring Non-Tooling.	2/23/2018	D. Blaylock E. Bossler
35	Revisions to Attachment 27, 737-9 Rate Tooling [*****].	4/18/2018	D. Blaylock J. O'Crowley
36	Revisions to Attachment 27, 737-10 Wing NRE.	6/20/2018	D. Blaylock E. Bossler
37	Incorporation of new Sections: 3.3.4.10 767 One Piece SOW Tooling, 3.3.7 767 One Piece SOW NonRecurring Pricing, 3.4.2.2 Delivery Point and Schedule for 767 One Piece SOW and 3.8 767 One Piece Statement of Work Special Provisions. Updates to Sections 7.1, Attachment 1 and 9.	8/17/2018	H. Langowski R. Grant
38	Revisions to Attachment 27, 737 MAX BBJ8, BBJ7, and 737-10 SOW	11/1/2018	T. Willis E. Bossler
39	4.1.1 is altered. A new section 4.7 is added. Attachment 1 (excluding the Exhibits) is deleted and replaced in its entirety. A new Attachment 32 "737 Value Engineering Cost Sharing" is added. Attachment 1 Exhibits B, B.1, B.2, C, C.1, C.2, D, D.1, D.2, E.1, E.2, F, F.1, and F.2 are deleted and replaced in their entirety. A new Attachment 1 Exhibit C.3 is added. Attachment 1B is deleted in its entirety.	11/2/2018	K. Shipley E. Bossler

40	<p>SBP Section 4.7 is deleted and replaced in its entirety. SBP Section 7.2 is deleted and replaced in its entirety. A new SBP Section 7.5.3 is added. SBP Attachment 1 (including Exhibits B, B.1, B.2, D, D.1, D.2, F, F.1, F.2, and G) is deleted and replaced in its entirety. SBP Attachment 1B is added and marked "Reserved". SBP Attachment 15 is deleted and replaced in its entirety. SBP Attachment 16 (including its Exhibit) is deleted and replaced in its entirety. SBP Attachment 31 is deleted, replaced in its entirety, and marked "Reserved". SBP Attachment 32 (including its Exhibit A) is deleted and replaced in its entirety.</p> <p>All of the above is accordance with the agreements as set forth in the Collective Resolution 2.0 Memorandum of Agreement (the "CR 2.0 MOA"), dated December 21, 2018</p> <p>Concurrently with the CR 2.0 MOA, the Parties also executed that certain Settlement and Release Agreement, dated December 21, 2018, pertaining to the release and settlement of warranty and various other claims</p>	1/29/2019	<p>T. McGuigan</p> <p>E. Bossler</p>
41	Revisions to Attachment 29 777-9 Rate Tooling	3/27/2019	<p>R. Velau</p> <p>D. Currie</p>
42	TBD	TBD	<p>TBD</p> <p>TBD</p>
43	Revisions to Attachment 1 Product Pricing	5/22/2019	<p>K. Doolin</p> <p>R. Grant</p>
44	Section 12.13.2 is deleted and replaced in its entirety	7/19/2019	<p>B. Nix</p> <p>E Bossler</p>

2. SBP Section 12.13.2 "Boeing Raw Material Strategy" is deleted in its entirety and replaced with the following:

12.13.2 Boeing Raw Material Strategy

- A) During the term of this SBP, Seller shall procure from Boeing (or its designated service provider who will act on behalf of Boeing) all raw material of the commodity type specified on the SBP Attachment entitled "Commodity Listing and Terms of Sale" (SBP Attachment 21) necessary to support any Order issued pursuant to this SBP. From time to time, Boeing may amend the SBP Attachment entitled "Commodity Listing and Terms of Sale" by adding or deleting commodity types. Any such amendment, or revisions to the raw material pricing, shall be subject to adjustment under SBP Section 7.0, provided that Seller shall take no action to terminate its existing supply agreements when such termination would result in an assertion for an adjustment until the Seller has received approval from Boeing. The provision of any raw material by Boeing to Seller shall be according to Boeing's standard terms of sale, the text of which is included in the SBP Attachment entitled "Commodity Listing and Terms of Sale". Boeing shall advise Seller of any designated service provider to be used at the time the Order is issued. Upon request by Boeing, Seller must provide to Boeing documentation (e.g.,

packing slips, invoices) showing Seller's full compliance with the obligations under this SBP Section. If requested by Boeing or its designated service provider, Seller will provide an annual forecast of demand for the applicable commodity. If Seller reasonably believes that Boeing or its designated service provider cannot support Seller requirements to fulfill an Order issued pursuant to this SBP, then Seller shall have the right to procure raw materials from other sources and shall notify Boeing prior to such procurement. The provisions of this Section 12.13.2 will only apply to that portion of Seller contracts that support Boeing Statement of Work.

- B) Seller has authority to procure [*****] raw material [*****]. Seller will procure TMX raw material through Boeing's raw materials aggregation system portal.
- C) Seller will provide its TMX raw material forecast on a monthly basis. The Parties agree that submittal of its TMX material forecast does not guarantee supply of raw materials to Seller by Boeing, which is contingent on a correct and valid order. Seller agrees to place TMX raw material orders in accordance with the applicable lead times.
- D) The TMX raw materials provided pursuant to this Section 12.13.2 are not for resale or distribution to any other company or person [*****]. Seller hereby grants Boeing the first right of refusal to purchase or repurchase, at the same unit price paid to Boeing by Seller, any applicable materials, in the form or condition as purchased. Except for income taxes (national, regional, or local), Boeing will be responsible for and will pay, where required by applicable law, all taxes related to the exercise of Boeing's rights in the previous sentence.
- E) [*****]
- F) [*****]
- G) [*****]
 - 1) [*****]
 - 2) [*****]
 - 3) [*****]
 - 4) [*****]

3. All other provisions of the SBP shall remain unchanged and in full force and effect.
4. This Amendment constitutes the complete and exclusive agreement between the Parties with respect to the subject matter set forth herein and supersedes all previous agreements between the Parties relating thereto, whether written or oral.
5. This Amendment shall be governed by the internal laws of the State of Washington without reference to any rules governing conflict of laws.
6. In the event of a conflict between the terms of this Amendment and either the SBP or GTA, the terms of this Amendment shall have precedence with respect to the subject matter of this Amendment.

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

The Boeing Company **Spirit AeroSystems, Inc.**

Acting by and through its division
Boeing Commercial Airplanes

By: /s/Baily M Nix By: /s/Eric S Bossler
Name: Baily M Nix Name: Eric S Bossler
Title: Procurement Agent Title: Contracts Specialist
Date: July 19, 2019 Date: July 18, 2019

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

Section 3: EX-10.2 (EXHIBIT 10.2)

EXHIBIT 10.2

CERTAIN IDENTIFIED INFORMATION HAS BEEN EXCLUDED FROM THIS EXHIBIT BECAUSE IT IS BOTH (i) NOT MATERIAL AND (ii) WOULD BE LIKELY TO CAUSE COMPETITIVE HARM TO THE COMPANY IF PUBLICLY DISCLOSED. SUCH EXCLUDED INFORMATION IS DENOTED BY ASTERISKS IN BRACKETS [***].**

AMENDMENT NUMBER 30

TO

Special Business Provisions (SBP) BCA-MS-65530-0019

BETWEEN

THE BOEING COMPANY

AND

SPIRIT AEROSYSTEMS, INC.

THIS AMENDMENT NUMBER 30 ("Amendment No. 30") to Special Business Provisions BCA-MS-65530-0019 is made as of the last date executed below (the "Effective Date") by and between Spirit AeroSystems, Inc., a Delaware corporation having its principal office in Wichita, Kansas ("Spirit") and The Boeing Company, a Delaware corporation, acting by and through its division, Boeing Commercial Airplanes ("Boeing"). Hereinafter, Spirit and Boeing may be referred to jointly as the "Parties".

BACKGROUND

- A. The Parties have entered into the General Terms Agreement, GTA BCA-65520-0032, dated June 16, 2005 as amended from time to time (the "GTA") and the Special Business Provisions, BCA-MS-65530-0019, dated June 16, 2005 as amended from time to time (the "SBP") and now desire to again amend the SBP.

B. This Amendment No. 30 incorporates the CY2018 Annual Shipset Price Adjustments for changes committed on and before December 31, 2018 and which are effective on or before Shipset Line Number [****] and the annual update of the traveled work cost estimating relationship values.

AGREEMENT

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:

1. The SBP is hereby amended by adding the SBP Table of Amendments Page 5, attached hereto as Exhibit 1.

2. The SBP is hereby amended by deleting SBP Attachment 1 “Work Statement and Pricing” and replacing it in its entirety with a new SBP Attachment 1, attached hereto as Exhibit 2. The “*Annual Price Adjustment Line Number [*****] Nonrecurring Allocation through [*****]*” table therein contains the following CY2018 delta updates:

[*****]

3. The SBP is hereby amended by deleting SBP Attachment 2 “Production Article Definition and Contract Change Notices” and replacing it in its entirety with a new SBP Attachment 2, attached hereto as Exhibit 3.
4. The SBP is hereby amended by deleting SBP Attachment 16 “Pricing Methodologies” Section A “Boeing Performed Repair and Rework” and replacing it in its entirety with a new SBP Attachment 16 Section A, attached hereto as Exhibit 4.
5. Entire Agreement. Except as otherwise indicated in this Amendment No. 30, all terms defined in the GTA or SBP shall have the same meanings when used in this Amendment No. 30. This Amendment No. 30 constitutes the complete and exclusive agreement between the Parties with respect to the subject matter of this Amendment No. 30, and this Amendment No. 30 supersedes all previous agreements between the Parties relating to the subject matter of Amendment No. 30, whether written or oral. The GTA and SBP shall remain in full force and effect and are not modified, revoked, or superseded except as specifically stated in this Amendment No. 30.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties have executed this Amendment No. 30 as of the last date of execution set forth below.

The Boeing Company Spirit AeroSystems Inc.

Acting by and through its division

Boeing Commercial Airplanes

By: /s/Helena Langowski By: /s/Ryan Grant

Name: Helena Langowski Name: Ryan Grant

Title: Procurement Agent Title: Contracts

Date: August 12, 2019 Date: August 9, 2019

AMENDMENTS
Page 5

<u>Number</u>	<u>Description</u>	<u>Date</u>	<u>Approval</u>
30	Annual Shipset Price Adjustment thru Line Number [*****] Updated SBP Attachments 1 and 2 Boeing Performed Rework and Repair Updated SBP Attachment 16 Section A	8/9/2019	H. Langowski R. Grant

WORK STATEMENT AND PRICING

Recurring Shipset Price -8

[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

Recurring Shipset Price -9

[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

Recurring Shipset Price -10

[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

[*****]

[*****]

[*****]

[*****]

[*****] [*****]

SBP BCA-MS-65530-0019, Amendment No. 30 Exhibit 3

SBP ATTACHMENT 2 TO
SPECIAL BUSINESS PROVISIONS

PRODUCTION ARTICLE DEFINITION AND CONTRACT CHANGE NOTICES
(Reference SBP Sections 3.3.2.1, 3.3.2.2, 3.3.4.6, 3.4.1; GTA Section 1.0N,
1.0.P)

A. Configuration

The configuration of each Production Article shall be as described in the Integrated Control Station Plan revision identified below, and in the Contract Change Notices listed in Paragraph B below as such Contract Change Notices relate to the configuration of any Production Article

Type	Product Number	Name	Manufacturing Change Level	Current Mfg Frozen LN	Extended Eff (Usage)
[*****]	[*****]	[*****]	[*****]	[*****]	[*****]

SBP ATTACHMENT 2 TO
SPECIAL BUSINESS PROVISIONS**PRODUCTION ARTICLE DEFINITION AND CONTRACT CHANGE NOTICES**
(cont.)**B. Contract Change Notices**

The following Contract Change Notices (CCN's) are hereby incorporated into this SBP.

B.1 Non-D/MI Contract Change Notices:

A. All CCN's listed in this Section B.1 are inclusive of all revisions and cancellations issued on or before December 21, 2010:

CCN 1 through 318, 320 through 542, 544 through 762, 764 through 766, 768 through 779, 781 through 871, 873 through 889, 891 through 984, 986 through 990, 992 through 1024, 1028 through 1100, 1102 through 1142, 1144 through 1148, 1150 through 1162, 1164 through 1170, 1172 through 1240, 1242 through 1295, 1298 through 1420, 1422 through 1440, 1442 through 1452, 1454 through 1461, 1463 through 1472, 1474 through 1503, 1505 through 1564, 1566 through 1593, 1595 through 1611, 1613 through 1616, 1618 through 1623, 1625 through 1633, 1635 through 1658, 1661 through 1671, 1673 through 1686, 1688 through 1696, 1698, 1700 through 1709, 1710, 1712 through 1716, 1718 through 1748, 1750, 1751, 1753 through 1763, 1765 through 1810, 1814 through 1833, 1837 through 1844, 1846 through 1856, 1858 through 1866, 1868 through 1895, 1897, 1898, 1901, 1904 through 1906, 1908, 1909, 1911 through 1914, 1919, 1921 through 1925, 1928, 1933 through 1937, 1940 through 1943, 1946 through 1950, 1952 through 1963, 1968, 1973 through 1976, 1980, 1982, 1984, 1985, 1988 through 1993, 1995, 1999, 2000, 2004, 2005, 2007, 2014 through 2019, 2021.

SBP ATTACHMENT 2 TO
SPECIAL BUSINESS PROVISIONS**PRODUCTION ARTICLE DEFINITION AND CONTRACT CHANGE NOTICES**
(cont.)

B. All CCN's listed in this Section B1.B. are inclusive of all revisions committed on and before December 31, 2011 and which are effective on or before Shipset Line Number [*****]:

CCN 319, 543, 763, 767, 780, 991, 1025 through 1027, 1101, 1143, 1149, 1171, 1296, 1297, 1421, 1441, 1473, 1504, 1565, 1594, 1617, 1624, 1634, 1659, 1660, 1687, 1697, 1699, 1717, 1749, 1752, 1764, 1770, 1834, 1836, 1926, 1927, 1929 through 1932, 1938, 1939, 1945, 1951, 1966, 1967, 1969, 1971, 1972, 1977 through 1979, 1981, 1983, 1986, 1987, 1994, 1996 through 1998, 2002, 2003, 2006, 2008 through 2013, 2020, 2022 through 2037, 2039 through 2058, 2060 through 2073, 2075 through 2111, 2113, 2115, 2116, 2118, 2120 through 2108, 2130 through 2135, 2137 through 2139, 2141, 2143, 2145 through 2157, 2160, 2161, 2162.

C. All CCN's listed in this Section B1.C. are inclusive of all revisions committed on and before December 31, 2012 and which are effective on or before Shipset Line Number [*****]:

CCN 1835, 1899, 1902, 1903, 1944, 1965, 1970, 2038, 2074, 2112, 2114, 2117, 2142, 2144, 2178.

D. All CCN's listed in this Section B.1.D are inclusive of all revisions committed on and before December 31, 2013 and which are effective on or before Shipset Line Number [*****]:

CCN 2001, 2059, 2129, 2140, 2172, 2197

E. All CCN's listed in this Section B.1.E are inclusive of all revisions committed on and before December 31, 2014 and which are effective on or before Shipset Line Number [*****]:

CCN 2171, 2173, 2200

F. CCN 2207 is inclusive of all revisions committed on and before December 31, 2015 and which are effective on or before Shipset Line Number [*****].

SBP ATTACHMENT 2 TO
SPECIAL BUSINESS PROVISIONS

PRODUCTION ARTICLE DEFINITION AND CONTRACT CHANGE NOTICES
(cont.)

G. CCN 2233 is inclusive of all revisions committed on and before December 31, 2016 and which are effective on or before Shipset Line Number [*****].

H. CCN 2248 is inclusive of all revisions committed on and before December 31, 2017 and which are effective on or before Shipset Line Number [*****].

I. CCN 2267 is inclusive of all revisions committed on and before December 31, 2018 and which are effective on or before Shipset Line Number [*****].

B.2 D/MI PtP Contract Change Notices:

Section 41 D/MI CCN's: 1163, 1241, 1915, 1916, 2158, 2159, 2168, 2170R2, 2179, 2198, 2201

Pylon D/MI CCN's: 1811, 1812, 2166, 2179, 2198, 2201, 2208

Wing LE D/MI CCN's: 2167, 2170R2, 2198, 2201

CCN's listed above are inclusive of any numerical formatting convention, i.e. CCN 1 is the same as CCN-00001 or CCN 0001.

B. 3 Price Agreement Contract Change Notices (beginning 05/01/2018):

2246, 2249, 2250, 2251, 2254, 2256, 2264

B. 4 Other Contract Change Notices (beginning 05/01/2018):

2247, 2248, 2252, 2253, 2255, 2257, 2258, 2259, 2260, 2261, 2262 2263, 2265, 2266,
2267, 2268

SBP ATTACHMENT 16 TO
SPECIAL BUSINESS PROVISIONS**PRICING METHODOLOGIES**

(Reference SBP Sections 7.8.1, 11.1, 12.10.1)

A. Boeing Performed Repair and Rework

Prices for Boeing performed repair and rework (including traveled or incomplete work) shall utilize the following methodology

- A.1 Price for non-conformance and traveled work identified in Spirit Generated Line Unit OSSN EPD (Open Ship Short Notification Emergent Process Document)

Definitions for Traveled Work Nomenclature:

SOI-A = All Traveled Work other than SOI-B

SOI-B = Traveled work resulting from PMI delivery delays that are the responsibility of Boeing or written instructions by Boeing to not complete certain Spirit responsible work.

Upon delivery of any Product by Spirit, all exceptions to defined configuration are documented by Spirit in a product known as a OSSN EPD or through other approved processes. Upon analysis by Boeing of such OSSN EPDs or other Spirit documented product, Boeing will establish incomplete work, repair and rework to be accomplished at Boeing's facility. Incomplete Spirit work shall be comprised of incomplete work that is 1) due to Spirit (SOI-A) and 2) due to Boeing (SOI-B). The definition of this incomplete work will be documented in a product known as a "Closure Report", or through other approved processes. Upon release of a line number Closure Report, or other documentation through approved processes, Boeing shall notify Spirit of the total quantity of SOL's planned by Boeing for such Shipset multiplied by the prices per unit in table A.1.

SBP ATTACHMENT 16 TO
SPECIAL BUSINESS PROVISIONS

PRICING METHODOLOGIES (cont.)

Boeing shall notify Spirit of the total number of Line Unit OSSN EPDs due to traveled non-conformances. These shall be multiplied by the prices per unit in table A.1. The resulting values shall be the costs and expenses incurred by Boeing for such repair or rework as provided in SBP Section 11.1.

Table A.1

Traveled Work Nomenclature	Price Per Unit
SOI-A	\$[*****]
SOI-B	\$[*****]
Non-conformance EPD	\$[*****]

A.2 Price for non-conformance, repair or rework identified at Boeing

Boeing shall consolidate and notify Spirit in a timely manner of all non-conformance EPDs identified at Boeing deemed to be Spirit responsibility. Spirit shall notify Boeing in a timely manner of any exceptions to the assignment of responsibility of any non-conformance EPD. The Parties shall work in good faith to resolve such exceptions.

Upon delivery of an Aircraft to Boeing's customer, Boeing shall notify Spirit of all non-conformance EPDs identified at Boeing for such Shipset multiplied by the prices per unit in table A.1. The resulting value shall be the costs and expenses incurred by Boeing for such repair or rework as provided in SBP Section 11.1.

A.3 Other incomplete work, repair or rework

For any other incomplete work, repair or rework, including such work performed at a consuming partner/supplier, Boeing shall notify Spirit of the costs and expenses incurred by Boeing for such repair and rework.

SBP ATTACHMENT 16 TO
SPECIAL BUSINESS PROVISIONS**PRICING METHODOLOGIES (cont.)****A.4 Process for updating prices for Boeing performed traveled work, repair and rework**

In the third calendar quarter of each year, the fixed prices for traveled work, repair and rework shall be updated.

The value for SOI-A shall be updated based on the following:

The total quantity of Boeing direct factory labor hours expended from January 1 through June 30 (occurring in the same year the third quarter update is being calculated) for those SOI's completed by Boeing in those calendar months, shall be divided by the total quantity of the same SOI's used to establish the total quantity of Boeing direct factory labor hours. The quantity of SOI's shall be determined on a per unit basis. The result shall be the average direct factory labor hours per SOI-A. [*****] additional [*****] shall be added to this average to account for additional support labor (M.E. Planning) not included in the above calculation or the Boeing wrap rate. The sum of the average hours per SOI-A plus [*****] shall be multiplied by the Boeing developed wrap rates. Boeing developed wrap rates shall reflect any annual changes in Boeing rates utilized for traveled work, repair and rework. The result shall be the fixed dollars per SOI-A per unit for such work.

The value for SOI-B's shall be updated based on the following:

The average direct labor hours per SOI-A described above shall be divided by [*****] and multiplied by the Spirit developed wrap rate as calculated in SBP Attachment 16, Paragraph B. This calculation shall exclude the additional [*****] incorporated in to the SOI-A calculation.

The value for Non-conformance EPD's shall be updated based on the following:

The total quantity of Boeing direct factory labor hours expended from January 1 through June 30 (occurring in the same year the third quarter update is being calculated) for those EPD's completed by Boeing in those calendar months, shall be divided by the total quantity of the same EPD's used to establish the total quantity of Boeing direct factory labor hours. The quantity of EPD's shall be determined on a per unit basis. The result shall be the average direct factory labor hours per EPD. [****] additional [****] shall be added to this average to account for additional overhead not included in the above calculation or the Boeing wrap rate. The sum of the average hours per EPD plus [****] additional [****] shall be multiplied by the Boeing developed wrap rates for EPD work. Boeing developed wrap rates shall reflect any annual changes in Boeing rates utilized for traveled work, repair and rework. The result shall be the fixed dollars per EPD per unit for such work.

SBP BCA-MS-65530-0019, Amendment No. 30 Exhibit 4

SBP ATTACHMENT 16 TO
SPECIAL BUSINESS PROVISIONS

PRICING METHODOLOGIES (cont.)

During any update, the Parties may review the relationship of the Boeing direct factory labor hours and the hours of Boeing support to total rework hours and adjust the CER accordingly.

These updated values shall be effective beginning October 1st of each year and shall be in effect until the subsequent annual update.

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

Section 4: EX-10.3 (EXHIBIT 10.3)

Execution Version

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

Amended and Restated Effective October 28, 2019

1	Definition and Interpretation	5
2	Sale and Purchase	21
3	Purchase Price Mechanism	21
4	Conditions Precedent	26
5	Closing	29
6	Pre-Closing Covenant	32
7	Sellers' Warranties	38
8	Indemnification	39
9	Limitations on indemnification	41
10	Specific Indemnity	45
11	Third Party Claims	47
12	Purchaser's Warranties	50
13	Guarantee By Guarantor	51
14	Guarantor's Warranties	52
15	Non-Competition	52
16	Non-Disposal	53
17	Confidentiality	54
18	Sellers' Representative	55
19	Notices	55
20	Further Assurances	56
21	Assignments	57
22	Payments	57
23	Nature of the Obligations of the Sellers	57
24	Costs and Expenses	57
25	General Provisions	58
26	Governing Law and Competent Courts	59
	Schedule 1: THE SELLERS	61
	Schedule 2: SELLERS' REPRESENTATIONS AND WARRANTIES	62
	Schedule 3: DISCLOSED INFORMATION	83
	Schedule 4: FURTHER EXCEPTIONS TO INTERIM COVENANTS	85
	Schedule 5: DEBT TO BE REPAYED AT CLOSING	86
	Schedule 6: NET DEBT	87
	Schedule 7: NET WORKING CAPITAL	88
	Schedule 8: RESIGNING DIRECTORS AND RESIGNING OFFICERS	89
	Schedule 9: AGREED FORM OF ESCROW AGREEMENT	95
	Schedule 10: ANNOUNCEMENT TO BE MADE UPON SIGNING	105
	Schedule 11: THIRD PARTY CONSENTS	108
	Schedule 12: PENDING CLAIMS SUBJECT TO A SPECIFIC INDEMNITY	110
	Schedule 13: EXISTING OPERATIONAL HEDGES	112
	Schedule 14: CHECKLIST	114

THIS AGREEMENT is amended and restated effective October 28, 2019

AMONG:

- (1) **Christian Boas**, having his domicile at XXXXXXXX ("**Christian Boas**"),
- (2) **Emile Boas**, having his domicile at XXXXXXXX ("**Emile Boas**"),
- (3) **DREDA**, a general partnership without legal personality under Belgian law, having its seat at XXXXXXXX, represented by Sylvie Boas ("**Dreda**"),
- (4) **Sylvie Boas**, having her domicile at XXXXXXXX ("**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.
- (D) Prior to October 28, 2019, the Parties entered into amendments to the Agreement dated March 19, 2019, March 27, 2019, May 3, 2019, May 14, 2019, June 3, 2019 and July 14, 2019. Effective October 28, 2019, the Parties have entered into an amended and restated version of this Agreement to reflect such prior amendments.

THE PARTIES HAVE AGREED AS FOLLOWS:

1 DEFINITION AND INTERPRETATION

3.1 In this Agreement:

2018 Financial Statements has the meaning set out in Clause 6.8.1;

2019 Financial Statements has the meaning set out in Clause 6.8.1;

Airbus means Airbus SE and its Affiliates;

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 420,000,000;

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;

Arbitration Agreement means the arbitration agreement dated March 12, 2019 signed by Asco Industries NV and Sonaca;

Asco Brazil means PRAGMATA DO BRASIL REPRESENTACAO COMERCIAL DE MAQUINAS E EQUIPAMENTOS LTDA (formerly named Asco Aerospace Serviços de Representação Ltda.);

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;

Best Estimate Spot Exchange Rate means 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 the Sellers provide a draft of the Best Estimate pursuant to Clause 3.3.1, as published on the website of the European Central Bank;

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 Amount means the Best Estimate less the Escrow Amount and the Holdback Amount (it being understood that no portion of the Holdback Amount is to be included in the Escrow Amount for purposes of determining the Closing Amount);

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;

Commitments means the commitments offered by the Guarantor and Asco Industries NV to the European Commission dated March 8, 2019 attached to the European Commission's decision dated 20 March 2019 in case COMP/M.8948-Spirit/Asco;

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;

Customer Claim Form has the meaning set out in Clause 6.6.2;

Cyberattack means the large scale compromise of the Group's information technology systems resulting in the ransomware attack on or about June 7, 2019 and the following inoperability of and/or damage to and/or non-connectivity of the Group's information technology systems and industrial production systems and the resulting operational and production impacts;

Cyber Adjustments has the meaning set out in Clause 3.3.1;

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 a form substantially in line with the escrow arrangements included in the draft agreement 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 into and from the account of the Escrow Agent;

Escrow Amount means the amount equal to the sum of (a) USD 80,000,000 (USD eighty million) paid in escrow into the account of the Escrow Agent pursuant to the Escrow Agreement and (b) the portion of the Holdback Amount which is distributed by the Escrow Agent from the Holdback Account into the Escrow Account pursuant to Clause 3.3.5;

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 Adjusted Closing Amount means the Final Purchase Price less the Holdback Amount and the Escrow Amount (it being understood that no portion of the Holdback Amount is to be included in the Escrow Amount for purposes of determining the Final Adjusted Closing Amount);

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

Holdback Agreement means the agreement in a form substantially in line with the holdback arrangements included in the draft agreement 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 Holdback Amount into and from the account of the Escrow Agent;

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 Holdback 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;

Interim Financial Statements has the meaning set out in Clause 6.8.1;

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 4, 2020;

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;

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.*

- xii. **Belfius factoring** - The Parties have agreed that, to the extent the anticipated payment for such accounts receivable has not resulted in a decrease of Net Working Capital, Net Debt shall be increased by any accounts receivable for which the Group Companies have received anticipated payment from Belfius Commercial Finance pursuant to the Full Service Factoring Agreement, dated December 15, 2015 (and as the same may be amended from time to time), among Belfius Commercial Finance, Belairbus SA, Sonaca, Asco Industries NV and BMT Eurair NV and for which Belfius Commercial Finance prior to Closing has not received payment from Airbus SE.

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;

Objection has the meaning set out in Clause 3.3.3;

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

OVAM has the meaning set out in Clause 10.1(B);

Overall Indemnification Cap has the meaning set out in Clause 9.3;

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;

Post-Closing Adjustment has the meaning set out in Clause 3.3.4;

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);

Purchaser's 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 18;

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 May 1, 2018;

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;

Sonaca means Société national de Construction Aérospatiale SA, a Belgian public limited liability company, with registered office at Route Nationale 5 SN 6041 Charleroi (Belgium), registered with the Crossroads Bank of Enterprises under number 0418.217.577;

Sonaca Protocol means the Protocol Relating to Sonaca Confidential Information dated March 12, 2019 signed by the Guarantor, Asco Industries NV and Sonaca;

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), the Holdback Agreement 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.

- 1.2 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.
- 1.3 References to EUR mean the Euro currency. References to USD mean the US Dollar currency.
- 1.4 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.
- 1.5 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.
- 1.6 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).
- 1.7 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.
- 1.8 A reference in this Agreement to the singular shall, unless the context otherwise requires, include a reference to the plural and vice versa.
- 1.9 The words “include”, “including” and all forms and derivations thereof shall mean including but not limited to.
- 1.10 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 420,000,000 (four hundred and twenty million US dollars), reflecting the Agreed Enterprise Value on a fully consolidated basis (the "**Initial Purchase Price**"). The Initial Purchase Price has been revised twice by the Parties (i.e., in their letter agreement dated March 19, 2019 and by means of their entry into this amended and restated version of the Agreement, effective October 28, 2019).

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 Best Estimate Spot 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 Best Estimate Spot Exchange Rate;

- 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 Best Estimate Spot Exchange Rate; and
- The Initial Purchase Price will be decreased by the amount, to the extent not included in the calculation of Net Debt and converted into USD at the Best Estimate Spot Exchange Rate, of all liabilities of the Group (but not of the Purchaser or the Guarantor), resulting or arising from the Cyberattack, incurred (but not paid) prior to Closing (even if such liability will not become due until after the Closing, to the extent that such liability is certain and of a fixed amount as of the Closing (collectively, the “Cyber Adjustments”). The Cyber Adjustments shall include (but not be limited to):
 - i. all costs for support from IT or other experts and advisors and measures taken or to be taken (i) to restore the IT systems and the operations of the Group and (ii) to mitigate the impact of the Cyberattack on the business activities of the Group in general, in each case up to the status that existed prior to the Cyberattack. For the avoidance of doubt, such costs do not include any costs incurred as a result of enhancing the IT systems and the operations of the Group, (i.e. costs relating to improving the network architecture from a security perspective, upgrading to a significantly enhanced system and network administration framework, and increased security monitoring and alerting, including advanced threat protection);
 - ii. all liabilities of the Group towards the Group’s employees, consultants, customers, suppliers or third parties (including, for the avoidance of doubt, Airbus) or towards any Regulatory Authority, whether arising contractually, in connection with a Proceeding, or otherwise, resulting or arising from the Cyberattack or the suspension of its production as a result thereof or any costs or expenses (including legal fees) of the Group incurred in connection with the negotiation on and/or defence against such liabilities; and
 - iii. all liabilities of the Group and loss of revenue of the Group resulting from or in relation to any amendment or termination of, or exercise of any rights under, any commercial agreement entered into by the Group or termination of any existing business relationship of the Group (including, for the avoidance of doubt, Airbus), in each case resulting or arising from the Cyberattack or the suspension of its production as a result thereof;

provided that (a) to the extent any of the Cyber Adjustments would be included in the calculation of Net Working Capital, they shall be disregarded for such purpose and shall instead be deducted from the Initial Purchase Price as a Cyber Adjustment and (b) 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 consolidated balance sheet of the Group as of December 31, 2019 (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 ten (10) Business Days prior to Closing and take into consideration all reasonable comments of the Purchaser prior to Closing. The Price Adjustment shall initially be calculated in EUR and then converted into USD using the Best Estimate Spot Exchange Rate.

In addition, both the Closing Amount and any Post-Closing Adjustment to be paid to Sellers shall be converted to EUR at the Best Estimate Spot Exchange Rate and paid to Sellers in EUR.

- 3.3.2 Within one hundred eighty days (180) 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, Net Working Capital or the Cyber Adjustments, if any, shall be expressed in USD using the Best Estimate Spot 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 one hundred eighty (180) 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 sixty (60) 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 sixty (60) 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 sixty (60) 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 Closing Amount paid by the Purchaser to the Sellers at Closing is higher than the Final Adjusted Closing Amount, then the difference, converted into USD at the Best Estimate Spot 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. The Sellers and the Purchaser shall take all actions and execute and deliver all documents to the Escrow Agent reasonably required pursuant to the Holdback Agreement to effect any release from the Holdback Account pursuant to the preceding sentence. If the Closing Amount paid by the Purchaser to the Sellers at Closing is lower than the Final Adjusted Closing Amount, 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. Any amount paid pursuant to this Clause 3.3.4 shall be referred to a "**Post-Closing Adjustment**".
- 3.3.5 If all or any portion of the Holdback Amount is not distributed to the Purchaser by the Escrow Agent pursuant to Clause 3.3.4 (whether because the Final Adjusted Closing Amount exceeded the Closing Amount or because the Closing Amount exceeded the Final Adjusted Closing Amount by an amount less than the Holdback Amount), then the Sellers and the Purchaser shall take all actions and execute and deliver all documents to the Escrow Agent reasonably required pursuant to the Holdback Agreement to effect the distribution by the Escrow Agent of the remainder of the Holdback Amount from the Holdback Account to the Escrow Account and such funds shall thereafter be included in the Escrow Amount and shall be available for the satisfaction of Claims pursuant to Clause 8, subject to the limitations of Clause 9.

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;
 - in connection with an engagement pursuant to Clause 3.3.3, 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. In connection with an engagement pursuant to Clause 3.3.3, 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, it being understood that the Purchaser and Guarantor have waived this condition precedent to the extent as set forth in the letter agreement between the Parties dated March 19, 2019; and
- 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 4.4.4), 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**"). For the avoidance of doubt and consistent with the Letter Agreement between the Parties dated March 19, 2019, the Competition Condition shall only be satisfied with respect to the European Union to the extent that the European Commission has (a) issued a clearance decision for the Transaction under conditions materially in line with those offered by Guarantor and Asco in the Commitments and (b) granted approval under paragraph 7(c) of those Commitments.

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 (the "**FPIM Condition**"), it being understood that the Parties acknowledge that FPIM NV / SFPI SA and the Company have already agreed to such purchase under the condition precedent of Closing, so that the FPIM Condition is to be considered as satisfied for purposes of determining when Closing shall take place in accordance with Clause 5; and

4.2.2 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, it being understood that the Purchaser has partially waived the fulfilment of this condition precedent in the letter agreement between the Parties dated March 19, 2019, by limiting it to Airbus SE, on behalf of itself and its subsidiaries, having provided its consent to the Transaction, as the case may be by means of a consent provided by Airbus SAS and Airbus Military SL.

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 or 4.2.2, 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 4.6.1 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

Provided that all of the Conditions Precedent are satisfied or, where permitted, waived and the Parties have notified each other thereof prior to April 3, 2020, the Closing shall take place at the offices of Eubelius CVBA, Louizalaan 99, 1050 Brussels on April 3, 2020, or at such other place and time and on such other date as the Parties may agree; provided, however, that the Purchaser and the Guarantor shall have no obligation to consummate the Closing prior to the date that the Sellers provide the 2019 Financial Statements pursuant to Clause 6.8.1.

5.2. Sellers' 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 Closing 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 and the Holdback 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 and the Holdback Agreement;
- 5.3.2 transfer the Closing 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 and the Holdback 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 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 Sellers' 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 COVENANTS

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.

6.6 **Asco Cyberattack**

- 6.6.1 The Sellers shall, to the extent permissible under applicable Law, including Antitrust Laws, cause the Group Companies to, as promptly as practicable after such information becomes available to the Sellers or the Group Companies, provide to the Purchaser, the Guarantor, and their advisors all information in the Group's possession relating to the Cyberattack and its potential consequences, including status updates and all other information and data relating to the Cyberattack.
- 6.6.2 The Sellers shall, and shall cause the Group Companies to, provide updates to the Purchaser of the Group Companies' customer claim exposure relating to the Cyberattack and its potential consequences on the form previously shared between the Parties (the "**Customer Claim Form**"), on the 20th day of each month and for the last time together with the Best Estimate; provided, that at any time the Sellers or the Group Companies become aware of a material change to the Group Companies' customer claim exposure relating to the Cyberattack and its potential consequences, the Sellers shall, and shall cause the Group Companies to, as promptly as practicable provide the Purchaser with an update regarding such customer claim exposure on the form set forth on the Claim Form.

- 6.6.3 As part of the assessment above, the Parties shall work together to address the Cyberattack's impact on the Group's financial systems and financial controls, with a view to providing the Purchaser to the extent possible with adequate answers, prior the Closing, to the questions set out in Schedule 14, that shall serve as a basis for such analysis. The Purchaser acknowledges that, in view of the limited resources available within the Group (a.o. because the Group Companies' employees necessary are heavily involved in (i) Cyberattack remediation workstreams, (ii) the year end closings and related financial reporting and (iii) Closing workstreams, along with their existing day-to-day tasks), such impact analysis will be limited to what is strictly required for the ability of the Purchaser to comply with its financial reporting obligations immediately post Closing.
- 6.6.4 Prior to Closing, the Sellers shall engage in continued dialogue with the Purchaser regarding efforts to restore the IT systems and the operations of the Group and to mitigate the impact of the Cyberattack on the business activities of the Group and the effects of the Cyberattack on (i) Asco's IT systems and the operations of the Group and (ii) on the business activities of the Group in general, in each case up to the status that existed prior to the Cyberattack as provided in Clause 3.3.1. The Sellers shall cause the Group Companies to implement the Purchaser's reasonable suggestions in connection with such remediation efforts, provided, however, (a) that such suggestions shall not violate the Commitments or Sonaca Protocol and (b) the costs incurred by the Sellers for any products or services as a result of such reasonable suggestions that are certain and of a fixed amount as of the Closing shall, if unpaid prior to Closing, be included in the Cyber Adjustments.
- 6.6.5 The Sellers' obligations pursuant to Clauses 6.6.1 through 6.6.4 shall not require the Sellers or the Group Companies to provide any information to the Purchaser, the Guarantor or their advisors, or allow the Purchaser, the Guarantor or their advisors to access any information, to the extent that the providing or allowing access to such information would violate applicable Law, including Antitrust Laws, in each case unless appropriate protective measures have been taken (for example, by entering into clean team arrangements). The Parties agree to enter into any clean team arrangements necessary in order to comply with Clauses 6.6.1 through 6.6.4.

6.7 Airbus Claims

Prior to the Closing, the Sellers' Representative and certain representatives of the Guarantor shall use their reasonable best efforts to meet with representatives of Airbus to discuss, to the extent permitted by applicable Law, including Antitrust Laws, whether Airbus intends to assert any claims against the Group and/or the Purchaser with respect to liabilities resulting or arising from a termination or default under any agreement due to the Cyberattack or the suspension of the Group's production as a result thereof, or whether Airbus intends to terminate or exercise any rights under any commercial agreement entered into with the Group, or terminate or any existing business relationship with the Group, in each case arising or resulting from the Cyberattack or the suspension of the Group's production as a result thereof.

6.8 Financial Statements

6.8.1 The Sellers shall provide to the Purchaser:

- prior to the Closing, (a) the audited balance sheet of the Group as of December 31, 2018, the related audited consolidated statements of income (loss) and consolidated statements of stockholders' equity, and the unaudited consolidated statements of cash flows for the twelve (12) month period then ended (the "**2018 Financial Statements**") and (b) the unaudited sub-consolidated balance sheet and statement of income (loss) of Asco Industries NV as of December 31, 2019 (the "**2019 Financial Statements**"), it being understood however that the 2019 Financial Statements cannot be provided prior to February 14, 2020; and
- prior to December 1, 2019, the unaudited sub-consolidated statement of income (loss) of Asco Industries NV as of September 30, 2019 under the format of the management reporting as prepared in the usual course of business on month-ends during the year, it being understood that such statement does not include all entries that are usually performed on a year-end when producing the detailed consolidated statements for statutory audit purposes;

(collectively, the "**Interim Financial Statements**").

6.8.2 The 2018 Financial Statements and the 2019 Financial Statements (including the related notes and schedules thereto, when available) provided to the Purchaser pursuant to Clause 6.8.1 shall have been prepared in accordance with Belgian GAAP and the valuation rules applied to the consolidated audited annual accounts of the Company for the financial year ending on December 31, 2017 (with the exception of any valuation rules that have changed for reasons as communicated in writing to the Purchaser) and present a true and fair view of the financial position, assets, liabilities, and results of operations of the Group for the periods set forth therein, in each case consistently applied in accordance with Belgian GAAP during the periods involved. The 2018 Financial Statements and the 2019 Financial Statements shall reflect all material liabilities, either accrued or contingent, that should be reflected therein in accordance with Belgian GAAP and the valuation rules applied to the consolidated audited annual accounts of the Company for the financial year ending on December 31, 2016 (with the exception of any valuation rules that have changed for reasons as communicated in writing to the Purchaser).

6.9 Asco Brazil

Prior to the Closing, no Group Company shall acquire or reacquire any shares or other securities issued by Asco Brazil.

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 Signing Date 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 or Clause 6.8.2 (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).

For the avoidance of doubt, the Purchaser acknowledges and agrees that it is not entitled to any indemnification pursuant to this Clause 8 in relation to the termination of the A380 program by Airbus and, to the extent applicable, waives any rights in that respect it might have.

- 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 Escrow Agent shall release such amount from the Escrow Amount to the Purchaser pursuant to the terms of the Escrow Agreement, 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.
- 8.12 The Sellers and the Purchaser shall take all actions and execute and deliver all documents to the Escrow Agent reasonably required pursuant to the Escrow Agreement to effect any release from the Escrow Account contemplated by this Agreement.

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 1,000,000 (USD one 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 80,000,000 (USD eighty million) (the "**Overall Indemnification Cap**"); 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; and provided, further, that the Overall Indemnification Cap shall not apply to any liability pursuant to Clause 10.1(H) if the Overall Indemnification Cap has been exceeded. For the avoidance of doubt, any liability of the Sellers pursuant to Clause 10.1(H) shall be taken into account to determine whether the Overall Indemnification Cap has been exceeded, and if so, the Sellers shall only be held liable under this Agreement for any liability pursuant to Clause 10.1(H).

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, two (2) years 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 verbintenissen*” / “*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 intentionnelle*") by the Sellers or is the consequence of fraud ("*dol*" / "*bedrog*") or wilful misconduct ("*opzet*" / "*faute intentionnelle*") 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;
- G. the Cyberattack (including, for the avoidance of doubt, any additional Damages incurred by the Group following Closing with respect to matters that were taken into account for purposes of calculating the Cyber Adjustments), but only to the extent such Damages have not been taken into account for purposes of determining the Price Adjustment in accordance with Clause 3.3.1; and
- H. the termination of any agreement between Airbus and any Group Company due to the Cyberattack, but only to the extent such Damages have not been taken into account for purposes of determining the Price Adjustment in accordance with Clause 3.3.1.

(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.

10.3.4. in relation to Clauses 10.1(G) and 10.1(H), two (2) years after Closing.

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 to any of the Specific Indemnities; 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 12 (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 13:

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 14 (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 17 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 17 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.

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 (XXXXXXX)

Address: XXXXXXX

Attn: Emile Boas (XXXXXXX)

Address: XXXXXXX

Attn: Dreda / Sylvie Boas (XXXXXXX)

Address: XXXXXXX

With a copy to: Eubelius CVBA

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

Fax: XXXXXXX

Address: XXXXXXX

to the Purchaser at:

Attn.: Paul Hechenberger (XXXXXXX)

Address: XXXXXXX

With a copy to: Stibbe cvba/scri

Attn: Jan Peeters (XXXXXXX)

Fax: XXXXXXX

Address: XXXXXXX

With a copy to: Sullivan & Cromwell LLP

Attn: George Sampas (XXXXXXX)

Fax: XXXXXXX

Address: XXXXXXX

or at such other address or fax number as it may notify to the other Party under this Clause 19. 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.

This amended and restated version of this Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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

Christian Boas

/s/ Christian Boas

Dreda general partnership

/s/ Sylvie Boas

Emile Boas

/s/ Emile Boas

Sylvie Boas

/s/ Sylvie Boas

PURCHASER

Spirit AeroSystems Belgium Holdings BVBA

/s/ Kelly Gaide

Kelly Gaide

Special proxyholder

GUARANTOR

Spirit AeroSystems Holdings, Inc.

/s/ Sam J. Marnick

Sam J. Marnick

Chief Administration Officer

Page 60 of 60

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

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: October 31, 2019

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

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, Jose Garcia, 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/ Jose Garcia

Jose Garcia

Senior Vice President and Chief Financial Officer

Date: October 31, 2019

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

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 September 26, 2019, 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: October 31, 2019

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

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 September 26, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jose Garcia, as Senior 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/ Jose Garcia

Jose Garcia

Senior Vice President and Chief Financial Officer

Date: October 31, 2019

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