

# ▶▶ ANNUAL REPORT





# ▶▶ LETTER TO STOCKHOLDERS

In 2019, Spirit's focus included two things: execute and win. While we made progress towards our objective of long-term strategic growth, it was during an unprecedented and difficult year for the aerospace industry due to the events surrounding the 737 MAX. The 737 MAX program is Spirit's largest program. We started 2019 making 52 of the 737 aircraft per month (APM), and planned to increase to 57 APM by mid-year. In December, Boeing suspended production of the MAX and directed Spirit to cease deliveries effective January 1, 2020. Spirit entered 2019 with the expectation that it would be a banner year for the MAX and for Spirit; instead Spirit ended the year in a much different position.

Despite the 737 MAX challenges, what our Spirit teams accomplished in 2019 was inspiring. They proved to be flexible and agile and worked hard to meet goals in spite of the challenges.

Revenue for the full year increased to \$7.9 billion, primarily due to higher production volumes on the Boeing 777, 787, and Airbus A350 programs, higher revenue recognized on the Boeing 787 program, increased Global Customer Support and Services (GCS&S) activity, and a favorable model mix on the Boeing 737 program. Full-year earnings per share (EPS) was \$5.06, down compared to \$5.65 in 2018. Full-year adjusted EPS\* was \$5.54, excluding the impacts of planned acquisitions and the voluntary retirement program (VRP) offered during the second quarter of 2019, down compared to \$6.26 in 2018, adjusted to exclude the impact of the planned Asco acquisition and debt financing costs.

Operating income for the full-year was \$761 million, down compared to \$843 million in 2018, primarily due to higher acquisition-related expenses, reduced profitability on the Boeing 737 program largely resulting from the 737 MAX grounding, and the forward losses recognized in the third and fourth quarter driven by Boeing's



*\*Non-GAAP measure. Please see page 11 for reconciliation and explanation.*

announcements to decrease the 787 production rate, partially offset by higher production volume on the Boeing 737 and 777 programs.

2019 cash from operations (GAAP cash from operating activities) was \$923 million, up compared to \$770 million last year. Full-year adjusted free cash flow\* was \$723 million, up compared to \$565 million in 2018. The Company fully drew its \$800 million revolver at the end of 2019 in light of the uncertainty surrounding the Boeing 737 MAX production suspension, and the proceeds of that draw are included in the total cash balance as of December 31, 2019. Cash balance at the end of 2019 was \$2.4 billion.

After Boeing directed Spirit to suspend deliveries on the 737 MAX, we took several actions to lower costs and preserve liquidity. We directed our 737 MAX suppliers to halt incoming deliveries, implemented a workforce reduction of 2,800 employees in Wichita and 400 employees in Oklahoma, and initiated a VRP for hourly and salaried workers. We reduced capital expenditures, deferring all but the most necessary spending, and reduced our dividend. We also negotiated an amendment to our credit facility providing for covenant relief into 2021 and secured a \$375 million short-term delayed draw term loan facility.

Spirit remains a proud partner on the MAX program and we look forward to working with Boeing to ensure the long-term success of the program. The Boeing MAX

backlog remains strong at approximately 4,400 aircraft, and there have been no significant cancellations.

Despite starting 2019 with the disappointing news that the A380 program production will sunset in 2021, the Prestwick team focused on execution of their targets. On deliveries, the Prestwick team delivered 100 percent of their major products on-time to Airbus. This is a great accomplishment, and one to be proud of.

On the A320 program, Prestwick manufactures the leading edge and trailing edge of the wing. On the A350 program, Prestwick takes the composite spar, which our Kinston team fabricates, and finalizes the fixed leading edge of the A350 wing. The team had very strong quality performance in 2019.

More will come from the Prestwick team in 2020, as they lead the way on innovation of wing design and manufacturing technologies. Our new 85,000-square-foot Aerospace Innovation Center (AIC) is set to open this fall.

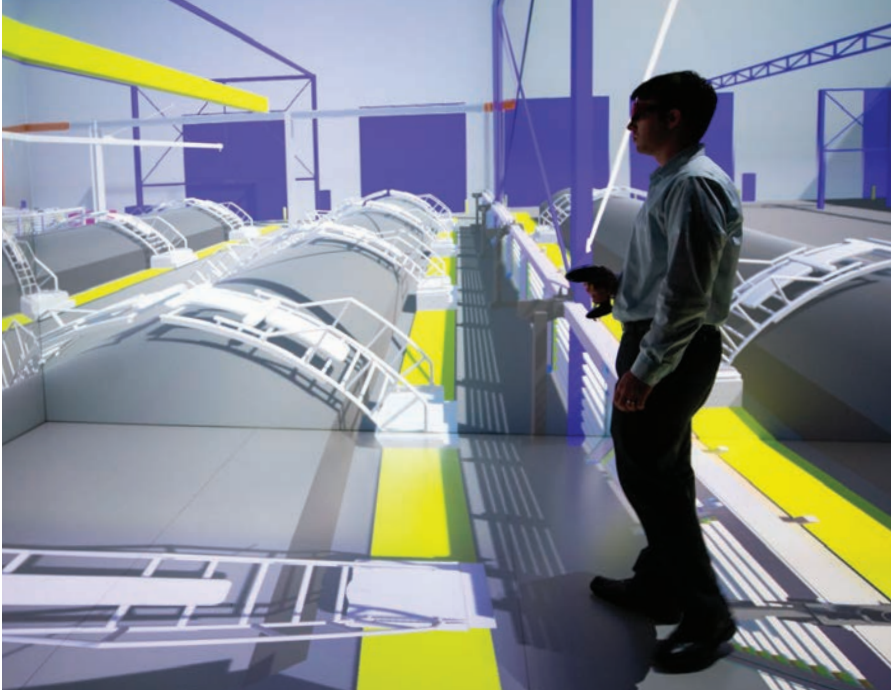
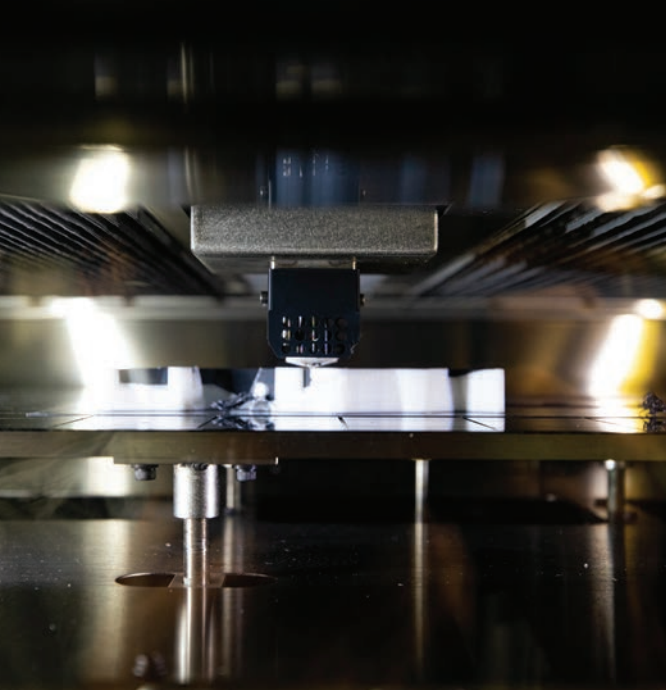
At the beginning of last year, we outlined several priorities for Spirit. One was execution of performance targets for productivity, quality, and safety. We made some progress on these areas of focus for the operations team. We also made significant progress on our growth priority in 2019. It will remain a priority in 2020 as well.

*\*Non-GAAP measure. Please see page 11 for reconciliation and explanation.*

"Leadership should be about bringing out the best in the people who work for you, building a team that is cohesive and functional, and doing things better together than you would apart. It's up to the leader to set that focus."

— Cindy Hoover, Spirit AeroSystems'  
Vice President and Chief Engineer for Operations





We announced our plan to acquire Asco in 2018, and the acquisition was conditionally cleared by the European Commission in 2019. While we experienced delays because of the cyberattack Asco experienced, we are working to close as soon as possible. Asco aligns well with our growth strategies in both fabrication and defense. Asco's existing portfolio is an excellent fit with Spirit's, and their capabilities, including highly automated fabrication facilities and specialty complex machining, will help us achieve build rate and support growth.

In 2019, we announced a transformative acquisition to purchase select assets of the Bombardier aerostructures business and aftermarket services in Belfast, Northern Ireland, Casablanca, Morocco, and Dallas. This brings additional world-class engineering expertise to Spirit and adds to a strong track record of innovation, especially in advanced composites. The work at this site includes business jet fuselage production, as well as the world-acclaimed fully integrated A220 composite wing. This acquisition is in line with our growth strategy of increasing Airbus content, developing our low-cost country footprint, and growing our aftermarket business.

We have made good initial progress in developing the relationships and internal capabilities needed for

sustained growth in Defense and Fabrication. Spirit has a strong value proposition for military customers, including competitive cost manufacturing, application of commercial best practices, and design-build capabilities.

In January 2020, Spirit closed on its purchase of Fiber Materials Inc., an industry-leading technology company specializing in high-temperature materials and composites primarily for defense. Their unique capabilities have positioned them as a leader in 3D woven carbon-carbon high-temperature materials for hypersonic missiles, which the U.S. Department of Defense has identified as a national priority.

## INNOVATION

As I noted earlier, work continues on the AIC in Prestwick. This facility will include a training area and will grow Spirit's research and development footprint in Prestwick. We look forward to celebrating the grand opening in 2020.

We launched Concierge Primary Care in Wichita in 2019, a program already in use at our Tulsa site. This health care model provides more personalized health care for employees, offering appointments within 24 hours, and many prescriptions and tests available – for free – at the doctors' office.

We also celebrated wins in other areas during the year.

The Advanced Structures Technology and Revolutionary Architectures (ASTRA) panel was created by our Research and Technology team. This new proprietary architecture for carbon fiber materials allows lower costs and higher production volumes for future aircraft components. We introduced the panel at the Paris Air Show with a well-attended media event at the State of Kansas booth, where U.S. Sen. Jerry Moran and Kansas Gov. Laura Kelly spoke. Spirit received numerous mentions in a variety of media following this event. The ASTRA panel was also recognized at the Composites and Advanced Materials Expo with the Award for Composite Excellence (ACE) in Manufacturing: Material and Process Innovation.

Research and Technology continues to grow their relationship in Wichita with the National Institute for Aviation Research, and last fall we celebrated the opening of the Spirit AeroSystems Research Collaboration Center on the Wichita State University

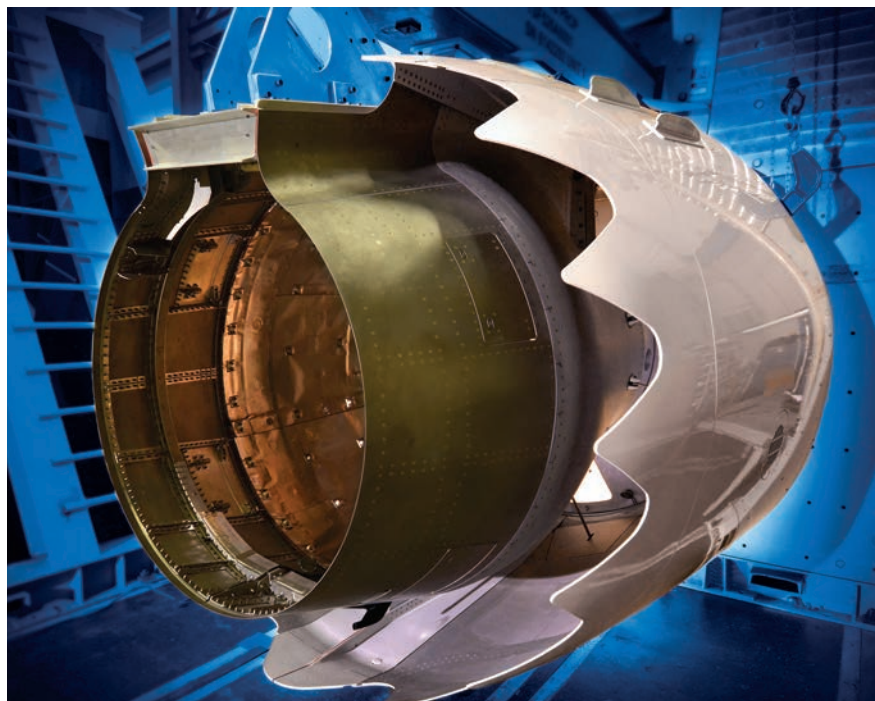
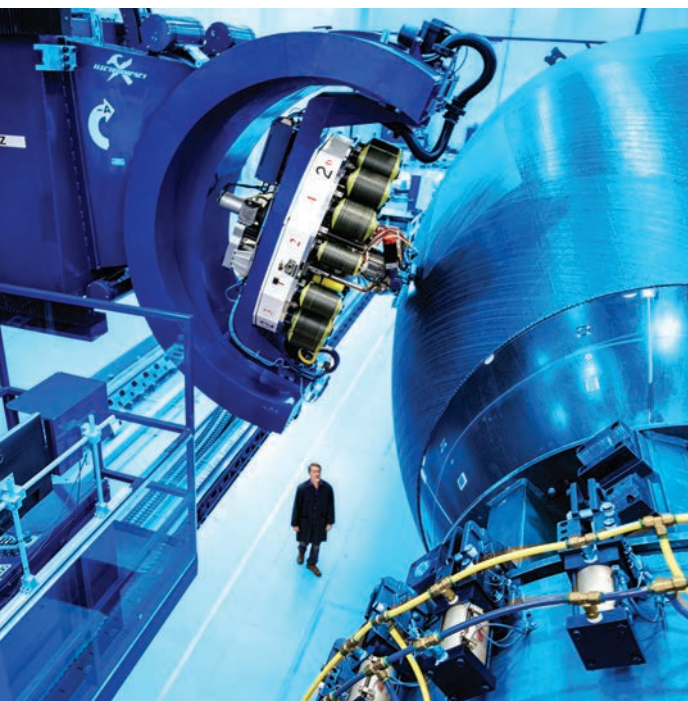
Innovation Campus. Engineers and students are working side by side on projects that will one day change the way we build aerostructures.

Spirit was selected in February to be part of a collaboration agreement with Aerion Corporation for the preliminary design of the AS2's forward, pressurized fuselage. This is a key area for Spirit, opening the door to a variety of aerospace development and manufacturing opportunities in the future.

## MANUFACTURING INNOVATION

In 2019, Spirit successfully delivered the first fully integrated 767 forward section to Boeing while opening a new factory-of-the-future facility that showcases the very latest innovative manufacturing technologies. The all-new 144,000-square-foot facility at our Wichita site was built for assembly of the integrated forward fuselage and other components of the Boeing 767 cargo freighter and its military derivative, the KC-46A Pegasus.

Spirit's Global Digital Logistics Center (GDLC) also opened in 2019, giving the company a dedicated







150,000-square-foot facility to increase efficiency in parts handling. The GDLC will improve Spirit's overall ability to meet the high demand for parts movement for all program manufacturing in Wichita. Spirit works closely with the communities we operate in, especially when it comes to building a workforce pipeline for the future. We collaborate with state and local leaders to create partnerships that help us and our regional suppliers ensure we have a robust talent pipeline to meet our workforce needs.

## 2020

Improving quality while managing costs and ramping to higher rates of 737 production will be our number one priority in 2020. Production on the MAX will begin in March and we expect to deliver 216 total MAX aircraft to Boeing this year.

In February, we celebrated the delivery of the 1,000th 787 shipset to Boeing. Spirit's work on the fully-integrated forward section was the inspiration for the company's growth on the 767 program.

After a challenging 2019, we took a lot of actions to position Spirit for the future. As the MAX returns safely to service in 2020, our goal is to build on these actions to ensure that we emerge a better, more diversified company that continues to deliver high quality aerostructures to meet the rapidly growing long term demand for air traffic.

Thomas C. Gentile III, President and CEO, Spirit AeroSystems

# ▶▶ SPIRIT 2019 HIGHLIGHTS

## COMMERCIAL PROGRAMS

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- Delivered the first integrated Boeing 767 fuselage
- Announced intent to acquire select assets of Bombardier Aerostructures, including Airbus A220 and A320neo work, along with aftermarket services business
- Joined collaborative team for Airbus Wing of Tomorrow program

## DEFENSE AND FABRICATION

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- Delivered first integrated KC-46A forward fuselage from new advanced manufacturing facility
- Entered into an agreement to acquire FMI (the acquisition closed in January 2020), an industry-leading technology company specializing in high-temperature materials and composites primarily for aerospace and defense applications
- Delivered two CH-53K line units to Sikorsky

## INNOVATION AND EXPANSION

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- Opened new 150,000-square-foot GDLC to better manage rapid storage and retrieval of parts
- Opened new 144,000-square-foot 767 manufacturing space at Wichita site
- Developed new composite-structure manufacturing processes to pioneer new automation systems for auto-fastening and large-scale composite manufacturing





**SUSTAINABILITY** Spirit AeroSystems is committed to working as a responsible citizen in the communities in which we live and work. This commitment drives us to continually improve operations through innovation, while seeking to work in harmony with the environment. We strive to enhance the overall wellbeing of our employees and the communities around us.

## COMMUNITY

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- Named a DiversityInc Noteworthy Company, being recognized for our efforts in talent and pipeline development, leadership accountability, and supplier diversity
- Spirit donated nearly \$2.43 million in corporate grants and in-kind contributions
- Spirit's employees contributed more than \$2.83 million to non-profit organizations globally
- Nearly 5,200 Spirit employees volunteered more than 17,200 hours in the communities where they live and work
- Named a DiversityInc top five company for Veterans

## OUR PEOPLE

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- Reduced employee injury rates by 19% and lost time incident rates by 35% globally from 2018-2019
- Signed the Pledge to American Workers, committing to invest in the advancement of our current and future workforce
- Implemented Concierge Primary Care, an innovative healthcare model where patients receive more comprehensive and complete care

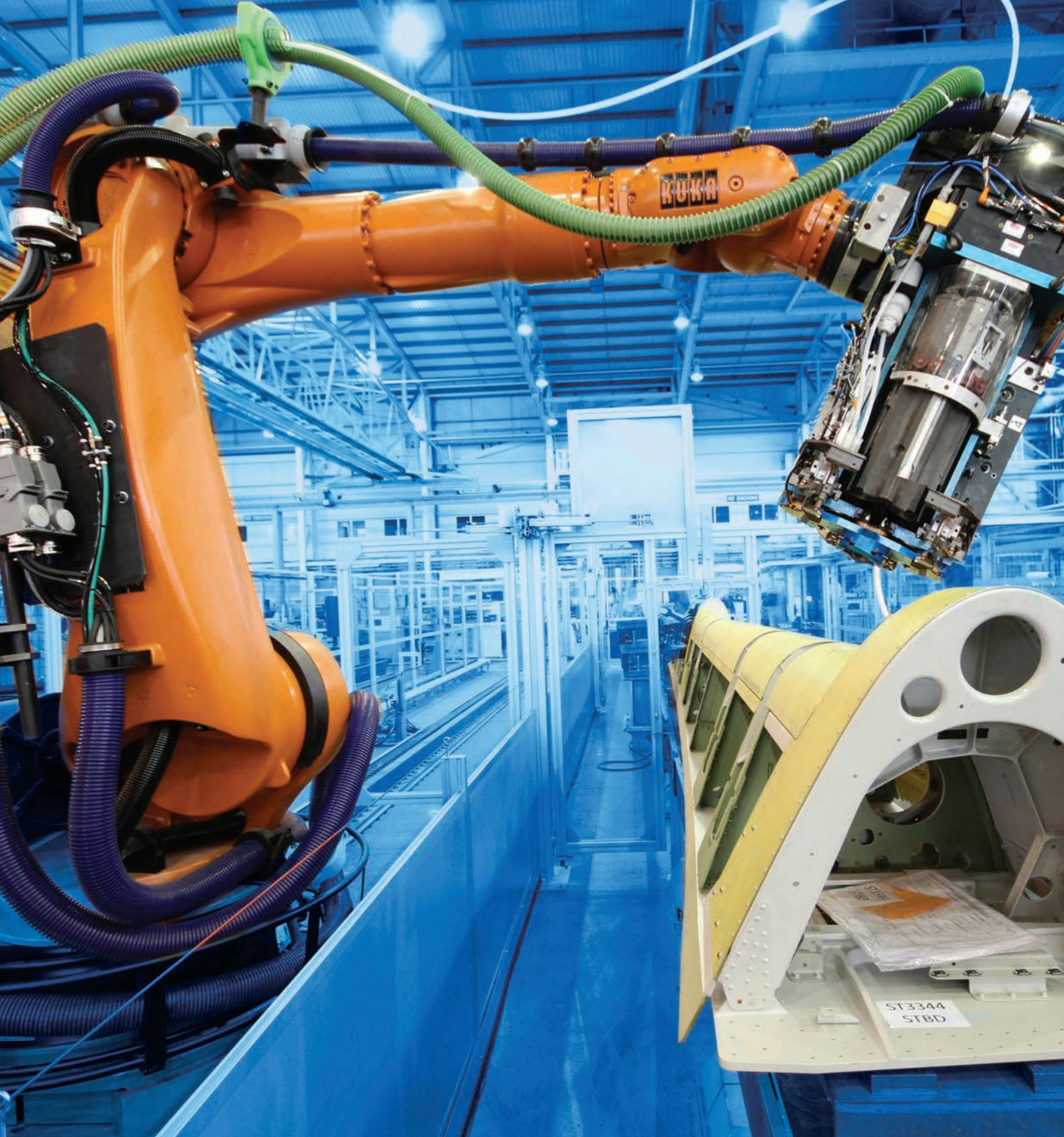
## ENVIRONMENT

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- Recycled 1 billion+ gallons of water in addition to purchasing 241 million gallons of grey water, significantly reducing potable water usage in 2019
- Initiated Compressed Air Sustainability Program, which includes leak detection and air compressor control systems
- Recycled 70% of total non-hazardous waste generated at the Wichita site in 2019







"Smart automation enables Spirit to deliver processing more efficiently and effectively. It's simply more affordable for everyone."

— Kevin Matthies, Senior V.P., Quality



# ▶▶ BOARD OF DIRECTORS



## **Spirit AeroSystems Board of Directors**

*Pictured left to right:*

Charles L. Chadwell  
Ronald T. Kadish  
Irene M. Esteves  
Thomas C. Gentile III

Robert D. Johnson  
Stephen A. Cambone  
John L. Plueger

Laura H. Wright  
Richard A. Gephardt  
Paul E. Fulchino



# ▶▶ PERFORMANCE

## AND RECONCILIATION OF NON-GAAP METRICS

ADJUSTED EPS	TWELVE MONTHS	
	2019	2018
GAAP Diluted Earnings Per Share	\$5.06	\$5.65
Costs Related to Planned Acquisitions	0.43 <sup>1</sup>	0.50 <sup>2</sup>
Q2 2019 VRP	0.05 <sup>3</sup>	—
2018 Debt Financing Costs	—	0.11 <sup>4</sup>
Adjusted Diluted Earnings Per Share	\$5.54	\$6.26
Diluted Shares (in millions)	104.7	109.1
FREE CASH FLOW	TWELVE MONTHS	
	2019	2018
	IN MILLIONS	
Cash from Operations	\$923	\$770
Capital Expenditures	(232)	(271)
Free Cash Flow	691	499
Costs Related to Planned Acquisitions	32 <sup>5</sup>	66 <sup>6</sup>
Adjusted Free Cash Flow	\$723	\$565

\*Management believes that the non-GAAP (Generally Accepted Accounting Principles) measures used in this report provide important perspectives into the Company's ongoing business performance. The Company uses the following non-GAAP measures in this report: free cash flow, adjusted free cash flow, and adjusted earnings per share, and these measures are indicated by \* in this report. Management uses adjusted earnings per share to measure the Company's performance in the ordinary course (removing items from the measure that are outside of the ordinary course). Management believes free cash flow and adjusted free cash flow provide investors with an important perspective on the cash available for stockholders, debt repayment, and acquisitions after making the capital investments required to support ongoing business operations and long-term value creation and, with respect to adjusted free cash flow, adjusting for certain items that are outside of the ordinary course. The Company does not intend for the information to be considered in isolation or as a substitute for related GAAP measures. Other companies may define and calculate the measures differently.

<sup>1</sup> Represents the twelve months ended Q4 2019 net EPS impact of \$0.43 per share, which includes: loss related to foreign currency forward contract of \$0.13 (included in Other income), loss related to foreign currency fluctuation on Euro account of \$0.04 (included in Other income), and transaction costs of \$0.26 (included in SG&A).

<sup>2</sup> Represents the twelve months ended Q4 2018 net EPS impact of \$0.50 comprised of the following: loss related to foreign currency forward contract of \$0.27 (included in Other income), transaction costs of \$0.12 (included in SG&A), and interest expense on new debt related to Asco of \$0.11 (included in Interest expense).

<sup>3</sup> Represents the three and twelve months ended Q4 2019 retirement incentive expenses resulting from the VRP offered during the second quarter of 2019 (included in Other income).

<sup>4</sup> Represents the twelve months ended Q4 2018 debt financing costs resulting from debt financing activity occurring in 2018 (included in Interest expense).

<sup>5</sup> Represents the twelve months ended Q4 2019 acquisition impact of \$32 million comprised of: cash paid on foreign currency forward contract of \$11 million, transaction payments of \$15 million, and cash loss from conversion of Asco funds account from Euro to USD of \$6 million.

<sup>6</sup> Represents the twelve months ended Q4 2018 Asco acquisition impact of \$66 million comprised of: cash paid on foreign currency forward contract of \$41 million, transaction payments of \$10 million, and interest paid on proportion of new debt related to Asco of \$15 million.



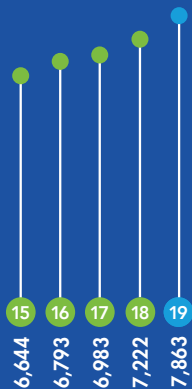
### REVENUE BY CUSTOMER IN MILLIONS

Boeing	●	\$6,237
Airbus	●	\$1,251
All Other	●	\$375

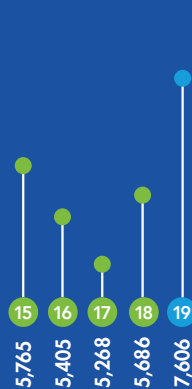
### REVENUE BY SEGMENT IN MILLIONS

Fuselage	●	\$4,206
Propulsion	●	\$2,058
Wing	●	\$1,588
All Other	●	\$11

### REVENUE IN MILLIONS



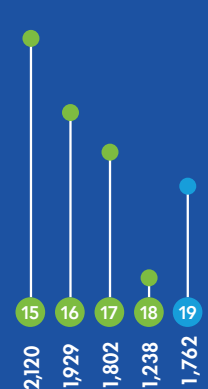
### TOTAL ASSETS IN MILLIONS



### TOTAL DEBT IN MILLIONS



### TOTAL EQUITY IN MILLIONS



"Working at Spirit has been a great experience. There are a lot of things going on at one time and it all comes together because of the incredible teamwork between people and departments."

— Rocky Glenn, Senior Manager, Systems Integration







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

**FORM 10-K**

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2019

☐ OR  
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

(State or other jurisdiction of incorporation or organization)	(Exact name of registrant as specified in its charter) (Address of principal executive offices and zip code) Registrant's telephone number, including area code:	Commission File Number	(I.R.S. Employer Identification No.)
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Delaware	<b>SPIRIT AEROSYSTEMS HOLDINGS, INC.</b>  3801 South Oliver Wichita, Kansas 67210 (316) 526-9000	001-33160	20-2436320
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SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:		
Title of each class	Trading symbol	Name of each exchange on which registered
Class A common stock, par value \$0.01 per share	SPR	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:	
None	

Indicate by check mark	YES	NO
• if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• 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).	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• 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 <input checked="" type="checkbox"/> Accelerated filer <input type="checkbox"/> Non-accelerated filer <input type="checkbox"/> Smaller reporting company <input type="checkbox"/> Emerging growth company <input type="checkbox"/>		
• If an emerging growth company, indicate by check mark whether the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of Exchange Act.		<input type="checkbox"/>
• whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).	<input type="checkbox"/>	<input checked="" type="checkbox"/>

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing price of the class A common stock on June 27, 2019, as reported on the New York Stock Exchange was approximately \$8,226,337,100.

As of February 24, 2020, the registrant had outstanding 104,777,766 shares of class A common stock, \$0.01 par value per share.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for the 2020 Annual Meeting of Stockholders to be filed not later than 120 day after the end of the fiscal year covered by this Report are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

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# Cautionary Statement Regarding Forward-Looking Statements

This annual report includes “forward-looking statements.” Forward-looking statements generally can be identified by the use of forward-looking terminology such as “aim,” “anticipate,” “believe,” “could,” “continue,” “estimate,” “expect,” “goal,” “forecast,” “intend,” “may,” “might,” “objective,” “outlook,” “plan,” “predict,” “project,” “should,” “target,” “will,” “would,” and other similar words, or phrases, or the negative thereof, unless the context requires otherwise. These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties, both known and unknown. Our actual results may vary materially from those anticipated in forward-looking statements. We caution investors not to place undue reliance on any forward-looking statements.

Important factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook include, but are not limited to, the following: 1) the timing and conditions surrounding the return to service of the B737 MAX, the B737 MAX production rates under the 2020 MOA and other agreements with Boeing, future demand for the aircraft, and any residual impacts of the grounding on production rates for the aircraft; 2) our reliance on Boeing for a significant portion of our revenues; 3) our ability to continue to grow our business and execute our growth strategy including our ability to enter into profitable supply arrangements with additional customers; 4) the business condition and liquidity of Boeing and Airbus and their ability to satisfy their contractual obligations to the Company; 5) demand for our products and services and the effect of economic and geopolitical conditions in the industries and markets in which we operate in the U.S. and globally; 6) the certainty of our backlog, including the ability of customers to cancel or delay orders prior to shipment; 7) our ability to accurately estimate and manage performance, cost, margins, and revenue under our contracts, and the potential for additional forward losses on new and maturing programs; 8) our ability and our suppliers’ ability to accommodate, and the cost of accommodating, announced increases in the build rates of certain aircraft; 9) competitive conditions in the markets in which we operate, including in-sourcing by commercial aerospace original equipment manufacturers; 10) our ability to successfully negotiate, or re-negotiate, future pricing under our supply agreements with Boeing, Airbus and other customers; 11) the success and timely execution of key milestones, such as the receipt of necessary regulatory approvals and satisfaction of closing conditions, in our announced acquisitions of Asco and select Bombardier assets, and our ability to effectively assess, manage, close, and integrate such acquisitions along with others that we pursue, and generate synergies and other cost savings therefrom, while avoiding unexpected costs, charges, expenses, and adverse changes to

business relationships and business disruptions; 12) the possibility that our cash flows may not be adequate for our additional capital needs; 13) our ability to avoid or recover from cyber-based or other security attacks and other operations disruptions; 14) legislative or regulatory actions, both domestic and foreign, impacting our operations; 15) the effect of changes in tax laws and the Company’s ability to accurately calculate and estimate the effect of such changes; 16) any reduction in our credit ratings; 17) our dependence on our suppliers, as well as the cost and availability of raw materials and purchased components; 18) our ability to recruit and retain a critical mass of highly skilled employees; 19) 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; 20) spending by the U.S. and other governments on defense; 21) pension plan assumptions and future contributions; 22) the effectiveness of our internal control over financial reporting; and any difficulties or delays that could affect the Company’s ability to effectively implement the remediation plan, in whole or in part, to address the material weakness identified in the Company’s internal control over financial reporting, as described in Item 9A. “Controls and Procedures”; 23) the outcome or impact of ongoing or future litigation, claims, and regulatory actions, including our exposure to potential product liability and warranty claims; 24) our ability to continue selling certain receivables through our supplier financing programs; 25) our ability to access the capital markets to fund our liquidity needs, and the costs and terms of any additional financing; 26) any regulatory or legal action arising from the review of our accounting processes; and 27) 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.

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 this Annual Report for a more complete discussion of these and other factors that may affect our business.



# PART I

## Item 1. Business

### Our Company

Unless the context otherwise indicates or requires, as used in this Annual Report, references to “we,” “us,” “our,” and the “Company” refer to Spirit AeroSystems Holdings, Inc. and its consolidated subsidiaries. References to “Spirit” refer only to our subsidiary, Spirit AeroSystems, Inc., and references to “Spirit Holdings” or “Holdings” refer only to Spirit AeroSystems Holdings, Inc.

The Company, with its headquarters in Wichita, Kansas, is one of the largest independent non-Original Equipment Manufacturer (“OEM”) commercial aerostructures designers and manufacturers in the world. We design, engineer, and manufacture large, complex, and highly engineered commercial aerostructures such as fuselages, nacelles (including thrust

reversers), struts/pylons, wing structures, and flight control surfaces. In addition to supplying commercial aircraft structures, we also design, engineer, and manufacture structural components for military aircraft and other applications. A portion of our defense business is classified by the U.S. Government and cannot be specifically described; however, it is included in our consolidated financial statements. We are a critical partner to our commercial and defense customers due to the broad range of products we currently supply to them and our leading design and manufacturing capabilities using both metallic and composite materials. For the twelve months ended December 31, 2019, we generated net revenues of \$7,863.1 million and had net income of \$530.1 million.

### Operating Segments and Products

We operate in three principal segments: Fuselage Systems, Propulsion Systems, and Wing Systems. Our largest customer, The Boeing Company (“Boeing”), represents a substantial portion of our revenues in all segments. Further, our second largest customer, Airbus S.A.S., a division of Airbus Group SE (“Airbus”), represents a substantial portion of revenues in the Wing Systems segment. We serve customers in addition to Boeing and

Airbus across our three principal segments; however, these customers currently do not represent a significant portion of our revenues and are not expected to in the near future. 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.

Segment	Percentage of Net Revenues for the Twelve Months Ended December 31, 2019		Locations	Commercial Programs	Non-Classified Defense Programs
Fuselage Systems	54%		McAlester, Oklahoma; Wichita, KS; Kinston, NC; San Antonio, TX; St.-Nazaire, France; Subang, Malaysia	B737, B747, B767, B777, B787, A350 XWB	Sikorsky CH-53K
Propulsion Systems	26%		Wichita, KS; San Antonio, TX	B737, B747, B767, B777, B787, Rolls-Royce BR725 Engine, Mitsubishi Regional Jet, A220 (formerly Bombardier CSeries)	
Wing Systems	20%		Tulsa and McAlester, Oklahoma; Prestwick, Scotland; San Antonio, TX; Subang, Malaysia; Kinston, North Carolina	B737, B747, B767, B777, B787, A320 family, A330, A350 XWB	Various

## Fuselage Systems

The Fuselage Systems segment includes development, production, and marketing of the following:

- The forward section of the aerostructure, which houses the flight deck, passenger cabin, and cargo area;
- The mid and rear fuselage sections;
- Other structure components of the fuselage, including floor beams; and
- Related spares and maintenance, repair, and overhaul (“MRO”) services.

Net revenue in the Fuselage Systems Segment amounted to \$4,206.2 million, \$4,000.8 million, and \$3,730.8 million in 2019, 2018, and 2017, respectively.

## Propulsion Systems

The Propulsion Systems Segment includes development, production, and marketing of the following:

- Nacelles (including thrust reversers) - aerodynamic structure surrounding engines;
- Struts/pylons - structure that connects the engine to the wing;

- Other structural engine components; and
- Related spares and MRO services.

Net revenue in the Propulsion Systems Segment amounted to \$2,057.8 million, \$1,702.5 million, and \$1,666.2 million in 2019, 2018, and 2017, respectively.

## Wing Systems

The Wing Systems Segment includes development, production, and marketing of the following:

- Flaps and slats - flight control surfaces;
- Wing structures - framework that consists mainly of spars, ribs, fixed leading edge, stringers, trailing edges, and flap track beams; and
- Related spares and MRO services.

Net revenue in the Wing Systems Segment amounted to \$1,588.3 million, \$1,513.0 million, and \$1,578.8 million in 2019, 2018, and 2017, respectively.

## Our Manufacturing, Engineering, and Support Services

### Manufacturing

Our expertise is in designing, engineering, and manufacturing large-scale, complex aerostructures. As of December 31, 2019, we maintain eight state-of-the-art manufacturing facilities in Wichita, Kansas; Tulsa, Oklahoma; McAlester, Oklahoma; Kinston, North Carolina; San Antonio, Texas; Prestwick, Scotland; Saint-Nazaire, France; and Subang, Malaysia.

Our core manufacturing competencies include:

- composites design and manufacturing processes;
- leading mechanized and automated assembly and fastening techniques;
- large-scale skin fabrication using both metallic and composite materials;
- chemical etching and metal bonding expertise;
- monolithic structures technology; and
- precision metal forming producing complex contoured shapes in sheet metal and extruded aluminum.

Our manufacturing expertise is supported by our state-of-the-art equipment. We have thousands of major pieces of equipment installed in our customized manufacturing facilities. For example, for the manufacture of the B787 composite forward fuselage and Defense, we installed two of the largest autoclaves in the world in our Wichita, KS facility. An autoclave is an enclosure device used in

the manufacture of composite structures that generates controlled internal heat and pressure conditions used to cure and bond certain resins. We installed two autoclaves as well as other specialized machines in Kinston, North Carolina to support our work on the A350 XWB. We intend to continue to make the appropriate investments in our facilities to support and maintain our industry-leading manufacturing expertise.

### Engineering

The Company is an industry leader in aerospace engineering with access to talent across the globe. The purpose of the engineering organization is to provide continuous support for new and ongoing designs, technology innovation, development for customer advancements, and production-related process improvements. We possess a broad base of engineering skills for design, analysis, test, certification, tooling, and support of major fuselage, wing, and propulsion assemblies using both metallic and composite materials. In addition, our regulatory certification expertise helps ensure associated designs and design changes are compliant with applicable regulations.

Our industry-leading engineering capabilities are key strategic factors differentiating us from our competitors.

## Global Customer Support & Services (“GCS&S”)

Through GCS&S, we provide rotatable assets, components, repair solutions, and engineering services. Our inventory of rotatable assets is available for lease, exchange, and purchase. Additionally, our global repair stations

are staffed with technicians specializing in advanced composite repair techniques. We provide MRO services for both metallic and composite components, either on site or at certified MRO stations. We are equipped with original production manufacturing tooling and specialize in service bulletin maintenance for Spirit nacelle components.

Product	Description	Aircraft Program
MRO	Certified repair stations that provide complete on-site repair and overhaul; maintains global partnerships to support MRO services	B737, B747, B767, B777, B787 and Rolls-Royce BR725
Rotable Assets	Maintain a pool of rotatable assets for sale, exchange, and/or lease	B737, B747, B767, B777
Engineering Services	Engineering, tooling, and measurement services. On-call field service representatives.	Multiple programs

## Business Development

The Company’s core products include fuselages, struts/pylons, nacelles, and wing components, and we continue to focus on business growth through the application of key strengths, including design for manufacturability, materials utilization expertise, targeted automation, advanced tooling and testing concepts, and determinate assembly to enable cost-effective, highly efficient production. We invest in new technology to bring the most advanced techniques, manufacturing, and automation to our customers.

The Company applies extensive experience in advanced material systems, manufacturing technologies, and prototyping to continually invent and patent new technologies that improve quality, lower costs, and increase production capabilities. Our business growth is focused on application of these strengths to expand into new addressable commercial and defense markets and customers.

### Defense Business Growth

In addition to providing aerostructures for commercial aircraft, we also design, engineer and manufacture structural components for military aircraft. We have been awarded a significant amount of work for Boeing’s P-8, C40, and KC-46 Tanker. The Boeing P-8, C40, and KC-46 Tanker are commercial aircraft modified for military use. Other military programs for which we provide products include the development of the Sikorsky CH-53K, and B-21 Raider. A portion of our defense business is classified by the U.S. Government, including the B-21 Raider program, and cannot be specifically described. The operating results of these classified contracts are included in our consolidated financial statements. The business risks associated with classified contracts historically have not differed materially from those of our other U.S. Government contracts. Our internal controls addressing the financial reporting of classified contracts are consistent with our internal controls for our non-classified contracts.

The following table summarizes by product and military program the major non-classified military programs that we currently have under contract.

Product	Applicable Segment	Description	Military Program
Low Observables	Wing Systems	Radar absorbent and translucent materials	Various
Rotorcraft	Fuselage Systems	Forward cockpit and cabin, fuselage	Sikorsky CH-53K
Other Military	Wing Systems	Fabrication, bonding, assembly, testing, tooling, processing, engineering analysis, and training	Various

### Fabrication Business Growth

The Company offers customers a wide range of solutions including machining, skin and sheet metal fabrication, and chemical processing. These capabilities are utilized for both internal and external sourcing and include the following:

Fabrication	Description
Machine Fabrication	5-axis machining capabilities: high-speed aluminum fabrication up to 23 feet, seat track machining, and extensive hard metal capabilities 3- and 4-axis machining capabilities: range of hard metal capabilities, multi-spindle machines, and manufactured parts
Sheet Metal Fabrication	Includes stretch and hydro forming, roll, hammer, profiling, gauge reduction of extrusions and aluminum heat treat, as well as subassemblies
Chemical Processing	Includes a range of hard and soft metals with one of the largest automated lines in the industry
Skin Fabrication	Include skin stretch forming up to 1,500 tons, laser scribe, trim and drill, and chemical milling



## Our Customers

Our revenues are substantially dependent on Boeing and Airbus. The loss of either of these customers would have a material adverse effect on the Company. For the twelve months ended December 31, 2019 and December 31, 2018, approximately 79% and 16% of our net revenues were generated from sales to Boeing and Airbus, respectively. We are currently the sole-source supplier for nearly all of the products we sell to Boeing and Airbus.

### Boeing

We are the largest independent supplier of aerostructures to Boeing and manufacture aerostructures for every Boeing commercial aircraft currently in production, including the majority of the airframe content for the Boeing B737, and the Boeing B787, Boeing's next generation twin aisle composite aircraft. We supply these products through long-term supply agreements that cover the life of these programs, including any commercial derivative models. These supply agreements are described in more detail under "Our Relationship with Boeing" below. We believe our relationship with Boeing will allow us to continue to be an integral partner with Boeing in the designing, engineering, and manufacturing of complex aerostructures.

### Airbus

We originally became a supplier to Airbus in April 2006 through the acquisition of BAE Aerostructures (the "BAE Acquisition") and subsequently won additional work packages with Airbus. We are one of the largest content suppliers of wing systems for the Airbus A320 family

and a significant supplier for the Airbus A350 XWB. Under our supply agreement with Airbus for the A320 and A330, we supply products for the life of the aircraft program. For the A350 XWB program, we have long-term requirement contracts with Airbus. We believe we can leverage our relationship with Airbus and our history of delivering high-quality products to further increase our sales to Airbus and continue to partner with Airbus on new programs going forward. Upon the closure of the Asco Acquisition and Bombardier Acquisition (as such terms are defined below), we will have additional work packages with Airbus, including the A220 wing and A320 thrust reverser.

### Other Customers

Other customers include Lockheed Martin, Northrop Grumman, Sikorsky, Rolls-Royce, and Mitsubishi Aircraft Corporation.

### U.S. and International Customer Mix

Although most of our revenues are obtained from sales inside the U.S., we generated \$1,296.8 million, \$1,254.9 million, and \$1,260.1 million in sales to international customers for the twelve months ended December 31, 2019, 2018, and 2017, respectively, primarily to Airbus. The international revenue is included primarily in the Wing Systems segment. All other segment revenues are primarily from U.S. sales. Approximately 5% of our long-lived assets based on book value are located in the U.K. with approximately another 3% of our long-lived assets located in countries outside the U.S. and the U.K.

## Our Relationship with Boeing

A significant portion of Spirit's operations related to Boeing aerostructures was owned and controlled by Boeing until 2005. On February 7, 2005, Spirit Holdings became a standalone Delaware company, and commenced operations on June 17, 2005 through the acquisition of Boeing's operations in Wichita, Kansas, Tulsa, Oklahoma, and McAlester, Oklahoma (the "Boeing Acquisition") by an investor group led by Onex Partners LP and Onex Corporation (together with its affiliates, "Onex"). As of August 2014, Onex no longer held any investment in the Company. Boeing's commercial aerostructures manufacturing operations in Wichita, Kansas and Tulsa and McAlester, Oklahoma, are referred to in this Report as "Boeing Wichita."

In connection with the Boeing Acquisition, we entered into long-term supply agreements under which we are Boeing's exclusive supplier for substantially all of the products and services provided by Boeing Wichita to Boeing prior to the Boeing acquisition. These supply agreements include products for Boeing's B737, B747, B767, and B777 commercial aircraft programs, as well as for certain products for Boeing's B787 program. These supply agreements cover the life of these programs, including any commercial derivative models.

### Supply Agreement with Boeing for B737, B747, B767, and B777 Programs ("Sustaining Programs")

#### Overview

Two documents effectively comprise the Sustaining Programs' supply contract: (1) the Special Business Provisions ("Sustaining SBP"), which sets forth the specific terms of the Sustaining Programs' supply arrangement, and (2) the General Terms Agreement ("Sustaining GTA," and, together with the Sustaining SBP (and any related purchase order or contract), as amended, the "Sustaining Agreement"), which sets forth other general contractual provisions, including provisions relating to termination, events of default, assignment, ordering procedures, inspections, and quality controls.

The Sustaining Agreement is a requirements contract that covers certain products, including fuselages, struts/pylons, and nacelles (including thrust reversers), wings and wing components, as well as tooling, for the Sustaining Programs for the life of these programs, including any commercial derivative models. During the term of the Sustaining Agreement, and absent default by Spirit, Boeing is obligated to purchase from Spirit all of its requirements for products covered by the Sustaining

Agreement. Although Boeing is not required to maintain a minimum production rate, Boeing is subject to a maximum production rate above which it must negotiate with us regarding responsibility for recurring and non-recurring expenditures related to a capacity increase. Boeing owns substantially all of the tooling used in production or inspection of products covered by the Sustaining Agreement.

## Pricing

On September 22, 2017, Boeing and Spirit entered into Amendment 30 to the Sustaining SBP (“Sustaining Amendment #30”). Sustaining Amendment #30 generally established pricing terms for the Sustaining Program models (excluding the B777X) through December 31, 2022 (with certain limited exceptions) and provided that Boeing and Spirit would negotiate follow-on pricing for periods beyond January 1, 2023 beginning 24 months prior to January 1, 2023. In addition, Sustaining Amendment #30 provided that the parties would make certain investments for rate increases on the B737 program and implemented industry standard payment terms.

On December 21, 2018, Boeing and Spirit executed a Collective Resolution 2.0 Memorandum of Agreement (the “2018 MOA”). The 2018 MOA established, among other items, pricing for certain programs through December 31, 2030, including the B737NG (including the P8), B737 MAX, B767 (but excluding 767-2C for which pricing is separately established), and the B777 freighters and 777-9 (pricing for the B777 300ER and 200LR was previously established and pricing for the B777-8 is subject to future negotiation). In addition, the 2018 MOA established B737 pricing based on production rates above and below current production levels, investments for tooling and capital for certain B737 rate increases, a joint cost reduction program for the B777X (a joint cost reduction program for the B737 is separately established), and the release of certain liabilities and claims asserted by both parties, including the B737 disruption activity claim. The parties further agreed to reconvene in 2028 to negotiate pricing beyond 2030. Consistent with the 2018 MOA, on January 30, 2019, Boeing and Spirit executed SBP Amendment #40 (“Sustaining Amendment #40”) to implement the December 2018 MOA terms and conditions applicable to the Sustaining Programs.

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 reduce its production rate of the B737 MAX aircraft from 52 to 42 aircraft per month. As a result of Boeing’s announcement, on April 12, 2019, Boeing and Spirit executed a Memorandum of Agreement (the “2019 MOA”) relating to Spirit’s production of aircraft with respect to the B737 MAX program. Under the 2019 MOA, Spirit was to maintain its delivery rate of 52 shipsets per month with respect to the B737 MAX program following Boeing’s announced temporary adjustment in the production rate from 52 to 42 aircraft per month. The 2019 MOA established that all B737 MAX shipsets produced in excess of Boeing’s production rate (collectively, the “excess shipsets”) would be deemed to be delivered to Boeing “FOB” at Spirit’s facilities, which would trigger Boeing’s payment obligations for the excess shipsets. Pursuant to the 2019 MOA, if requested by Boeing and if Spirit had available storage space, Spirit would maintain the excess shipsets at Spirit’s facilities; however, title to and risk of any loss of or damage to the excess shipsets would be transferred to Boeing except to the extent loss or damage results

from Spirit’s fault or negligence. Pursuant to the 2019 MOA, Spirit agreed to be responsible for any incremental costs associated with storage of the excess shipsets.

On December 19, 2019, Boeing directed Spirit to stop all B737 MAX deliveries to Boeing effective January 1, 2020, due to Boeing’s announced temporary suspension of B737 MAX production. Accordingly, Spirit suspended all B737 MAX production beginning on January 1, 2020. On February 6, 2020, Boeing and Spirit entered into a Memorandum of Agreement (the “2020 MOA”) superseding the 2019 MOA between the parties (except for Sections 15 and 16). The 2020 MOA provides for Spirit to deliver to Boeing 216 B737 MAX shipsets in 2020. The production rate agreed for 2020 represents less than half of Spirit’s B737 MAX annualized production rate in 2019. The Company currently does not expect to be back at a production rate of 52 aircraft per month until late 2022. The 2020 MOA also extended B737 MAX pricing terms through 2033 (previously, the pricing was through December 31, 2030).

## Advances on the B737 Program

Under the 2019 MOA, the Company received an advance payment from Boeing in the amount of \$123.0 million during the third quarter of 2019. The 2020 MOA provided that the \$123.0 million advance would be repaid by offset against the purchase price for year 2022 shipset deliveries. In addition, the 2020 MOA provided that Boeing will pay \$225 million to Spirit in the first quarter of 2020, consisting of (i) \$70 million in support of Spirit’s inventory and production stabilization, of which \$10 million will be repaid by Spirit in 2021, and (ii) \$155 million as an incremental pre-payment for costs and shipset deliveries over the next two years.

## Termination of Airplane Program

If Boeing decides not to initiate or continue production of a Sustaining Program model or commercial derivative because it determines there is insufficient business basis for proceeding, Boeing may terminate such model or derivative, including any order therefore, by written notice to Spirit. In the event of such a termination, Boeing will be liable to Spirit for any orders issued prior to the date of the termination notice and may also be liable for certain termination costs.

## Events of Default and Remedies

Events of default under the Sustaining Agreement include Spirit’s failure to deliver products when and as required, and failure to maintain a required system of quality assurance, among other things. Certain events of default may allow Boeing to cancel orders under or terminate the Sustaining Agreement.

## Intellectual Property

All technical work product and works of authorship produced by or for Spirit with respect to any work performed by or for Spirit pursuant to the Sustaining Agreement are the exclusive property of Boeing. All inventions conceived by or for Spirit with respect to any work performed by or for Spirit pursuant to the Sustaining Agreement and any patents claiming such inventions are the exclusive property of Spirit, except that Boeing will own any such inventions that Boeing reasonably believes are applicable to the B787 Program, and Boeing may seek patent protection for such B787 inventions or hold them as trade secrets, provided that, if Boeing does not seek patent protection, Spirit may do so.

## B787 Supply Agreement with Boeing ("B787 Program")

### Overview

Two documents effectively comprise the B787 Program supply contract: (1) the Special Business Provisions ("787 SBP"), which sets forth the specific terms of the B787 Program's supply arrangement and (2) the General Terms Agreement ("787 GTA," and, together with 787 SBP and (any related purchase order or contract), as amended, the "B787 Agreement"), which sets forth other general contractual provisions, including provisions relating to termination, events of default, assignment, ordering procedures, inspections, and quality controls. The B787 Agreement is a requirements contract pursuant to which Spirit is Boeing's exclusive supplier for the forward fuselage, fixed, and movable leading wing edges, engine pylons, and related tooling for the B787.

### Pricing

On September 22, 2017, Boeing and Spirit entered into Amendment #25 to the B787 Agreement (the "787 Amendment #25"). 787 Amendment #25 established pricing terms for the B787-8, -9, and -10 models through line unit 1405 and provided that Boeing and Spirit would negotiate follow-on pricing for line units 1406 and beyond beginning 24 months prior to the scheduled delivery date for line unit 1405. 787 Amendment #25 also implemented industry standard payment terms and required the Company to repay Boeing \$236.0 million less certain adjustments, as a retroactive adjustment for payments that were based on interim pricing. This amount was repaid in October 2017.

On December 21, 2018, Boeing and Spirit executed the 2018 MOA, which also established, among other things, pricing for the B787 for line unit 1004 through line unit 2205, and established a joint cost reduction program for the B787. Consistent with the 2018 MOA, on January 30, 2019, Boeing and Spirit executed Amendment #28 to the B787 Agreement (the "787 Amendment #28") to implement the 2018 MOA terms and conditions applicable to the B787 Program.

### Advance Payments

Boeing has made advance payments to Spirit under the B787 Agreement, which are required to be repaid to Boeing by way of offset against the purchase price for future shipset deliveries. Advance repayments were scheduled to be spread evenly over the remainder of the first 1,000 B787 shipsets delivered to Boeing, except that pursuant to an amendment to the B787 Agreement entered into in April 2014, advance repayments were suspended from April 1, 2014 through March 31, 2015, and any repayments that otherwise would have become due during such 12-month period will be made by offset against the purchase price for shipset 1,001 through 1,120. Repayments resumed in 2015. The 2018 MOA also provided for the suspension of advance repayments with respect to the B787 beginning with line number 818; to resume at a lower rate of \$450,319 per shipset 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 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 million due on December 15th of each year until the advance payments have been fully recovered by Boeing. Accordingly, portions of the advance repayment liability are included as current and long-term liabilities in our balance sheet. As of December 31, 2019, the amount of advance payments received by us from Boeing not yet repaid was \$231.9 million.

### Termination of Airplane Program

If Boeing decides not to continue production of the B787 Program because it determines, after consultation with Spirit, that there is an insufficient business basis for proceeding, Boeing may terminate the B787 Program, including any orders, by written notice to Spirit. In the event of such a termination, Boeing will be liable to Spirit for costs incurred in connection with any orders issued prior to the date of the termination notice and may also be liable for certain termination costs and for compensation for any tools, raw materials or work-in-process requested by Boeing in connection with the termination.

### Events of Default and Remedies

Events of default under the B787 Agreement include Spirit's failure to deliver products when and as required, and failure to maintain a required system of quality assurance, among other things. Certain events of default may allow Boeing to cancel orders under or terminate the B787 Agreement.

### Intellectual Property

The B787 Agreement established three classifications for patented invention and proprietary information: (1) intellectual property developed by Spirit during activity under the B787 Agreement ("Spirit IP"); (2) intellectual property developed jointly by Boeing and Spirit during that activity ("Joint IP"); and (3) all other intellectual property developed during activity under the B787 Agreement ("Boeing IP").

Boeing may use Spirit IP for work on the B787 Program and Spirit may license it to third parties for work on such program. Each party is free to use Joint IP in connection with work on the B787 Program and other Boeing programs, but each must obtain the consent of the other to use it for other purposes. Spirit is entitled to use Boeing IP for the B787 Program, and may require Boeing to license it to subcontractors for the same purpose.

The foregoing descriptions of the various agreements between Spirit and Boeing do not purport to be complete and are qualified in their entirety by reference to the full text of each agreement as filed with the Securities and Exchange Commission (the "SEC"), subject to certain omissions of confidential portions pursuant to requests for confidential treatment filed separately with the SEC. The full text of the 2020 MOA will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the first quarter of 2020, subject to certain omissions of confidential portions.



## Intellectual Property

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We have several patents pertaining to our processes and products. While our patents, in the aggregate, are of material importance to our business, no individual patent or group of patents is of material importance. We also rely on trade secrets, confidentiality agreements, unpatented knowledge, creative products development, and continuing technological advancement to maintain our competitive position.

## Competition

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Although we are one of the largest independent non-OEM aerostructures suppliers based on annual revenues, with an estimated 20% share of the global non-OEM aerostructures market, this market remains highly competitive and fragmented. Our primary competition currently comes from either work performed internally by OEMs or other tier-one suppliers, and direct competition continues to grow.

Our principal competitors among OEMs include Boeing, Airbus (including its wholly-owned subsidiaries Stelia Aerospace and Premium Aerotec GmbH), Embraer Brazilian Aviation Co., Leonardo, and United Technologies Corporation. Our principal competitors among non-OEM tier-1 aerostructures suppliers include Aernnova, GKN Aerospace, Kawasaki Heavy Industries, Inc., Mitsubishi Heavy Industries, Safran Nacelles, Sonaca, Subaru Corporation, Triumph Group, Inc. ("Triumph"), and Latecoere S.A.

## Expected Backlog

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As of December 31, 2019, our expected backlog associated with large commercial aircraft, business and regional jets, and military equipment deliveries through 2023, calculated based on contractual and historical product prices and expected delivery volumes, was approximately \$42.5 billion. This is a decrease of \$5.9 billion from our corresponding estimate as of the end of 2018. The B737 MAX backlog is approximately 60% of our total backlog. Backlog is calculated based on the number of units Spirit is under contract to produce on our fixed quantity contracts, and Boeing's and Airbus' announced backlog on our supply agreements (which are based on orders from customers). The number of units may be subject to cancellation or

delay by the customer prior to shipment, depending on contract terms. For example, on December 19, 2019, Boeing directed Spirit to stop all B737 MAX deliveries to Boeing effective January 1, 2020, due to Boeing's announced temporary suspension of B737 MAX production. The level of unfilled orders at any given date during the year may be materially affected by the timing of our receipt of firm orders and additional airplane orders, and the speed with which those orders are filled. Accordingly, our expected backlog as of December 31, 2019 may not necessarily represent the actual amount of deliveries or sales for any future period.

## Suppliers and Materials

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The principal raw materials used in our manufacturing operations are aluminum, titanium, steel, and carbon fiber. We also purchase metallic parts, non-metallic parts, and machined components. In addition, we procure subassemblies from various manufacturers that are used in the final aerostructure assembly. From time to time, we also review our make versus buy strategy to determine whether it would be beneficial to us to outsource work that we currently produce in-house or vice versa.

We have long-standing relationships with hundreds of manufacturing suppliers. Our strategy is to enter into long-term contracts with suppliers to secure competitive pricing. Our exposure to rising costs of raw material is limited to some extent through leveraging relationships with our OEM customers' high-volume contracts.

We continue to seek and develop sourcing opportunities in North America, Europe, and Asia to achieve a competitive global cost structure. Over 25 countries are represented in our international network of suppliers.

## Research and Development

We believe that a world-class research and development focus helps maintain our position as an advanced partner to our OEM customers' new product development teams. As a result, our research and development spend is \$54.5 million for the year ended December 31, 2019, \$42.5 million for the year ended December 31, 2018, and \$31.2 million for the year ended December 31, 2017. Through our research, we strive to develop unique intellectual property and technologies that will improve our products and our customers' products and, at the same time, position us to win work on new products. Our development effort primarily focuses on preparing for the initial production of new products and improving manufacturing processes on our current work. It also serves as an ongoing process that helps develop ways to reduce production costs and streamline manufacturing processes.

Our research and development is geared toward the architectural design of and manufacturing processes for our principal products: fuselage systems, propulsion systems, and wing systems. We are currently focused on research in areas such as advanced metallic joining, low-cost composites, acoustic attenuation, efficient structures,

systems integration, advanced design and analysis methods, and new material systems. Other items that are expensed relate to research and development that is not funded by the customer. We collaborate with universities, research facilities, and technology partners in our research and development.

## Regulatory Matters

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### Environmental

Our operations and facilities are subject to various environmental, health, and safety laws and regulations, including federal, state, local, and foreign government requirements governing, among other matters, the emission, discharge, handling, and disposal of regulated materials, the investigation and remediation of contaminated sites, and permits required in connection with our operations. We continually monitor our operations and facilities to ensure compliance with these laws and regulations; however, management cannot provide assurance that future changes in such laws or their enforcement, or the nature of our operations will not require us to make significant additional expenditures to ensure continued compliance. Further, we could incur substantial costs, including costs to reduce air emissions, clean-up costs, fines and sanctions, and third-party property damage, or personal injury claims as a result of violations of or liabilities under environmental laws, relevant common law or the environmental permits required for our operations. It is reasonably possible that costs incurred to ensure continued environmental compliance could have a material impact on our results of operations, financial condition, or cash flows if additional work requirements or more stringent clean-up standards are imposed by regulators, new areas of soil, air, and groundwater contamination are discovered, and/or expansions of work scope are prompted by the results of investigations.

### Government Contracts

Companies engaged in supplying defense-related equipment and services to U.S. Government agencies, either directly or by subcontract, are subject to business risks specific to the defense industry. These risks include the ability of the U.S. Government to unilaterally terminate existing contracts, suspend, or debar us from receiving new prime contracts or subcontracts, reduce the value of existing contracts, audit our contract-related costs and fees, including allocated indirect costs, and control and potentially prohibit the export of our products, among other things. If a contract was terminated for convenience, we could recover the costs we have incurred or committed, settlement expenses, and profit on the work completed prior to termination. However, if the termination is a result of our failure to perform, we may be liable for excess costs incurred by the prime contractor in procuring undelivered items from

another source. In addition, failure to follow the requirements of the National Industrial Security Program Operating Manual (“NISPOM”) or any other applicable U.S. Government industrial security regulations could, among other things, result in termination of Spirit’s facility clearance, which in turn would preclude us from being awarded classified contracts or, under certain circumstances, performing on our existing classified contracts.

### Commercial Aircraft

The commercial aircraft component industry is highly regulated by the FAA, the European Aviation Safety Agency (“EASA”), and other agencies throughout the world. The military aircraft component industry is governed by military quality specifications. We, and the components we manufacture, are required to be certified by one or more of these entities or agencies, and, in some cases, by individual OEMs, to engineer and service parts and components used in specific aircraft models. In addition, the FAA requires that various maintenance routines be performed on aircraft components. We believe that we currently satisfy or exceed these maintenance standards in our repair and overhaul services.

### Export Control

The technical data and components used in the design and production of our products, as well as many of the products and technical data we export, either as individual items or as components incorporated into aircraft, are subject to compliance with U.S. export control laws. Collaborative agreements that we may have with foreign persons, including manufacturers or suppliers, are also subject to U.S. export control laws.

### Health and Safety

Our operations are also subject to a variety of worker and community safety laws. The Occupational Safety and Health Act (“OSHA”) mandates general requirements for safe workplaces for all employees. In addition, OSHA provides special procedures and measures for the handling of certain hazardous and toxic substances. Our management believes that our operations are in material compliance with OSHA’s health and safety requirements.

## Employees

At December 31, 2019, we had approximately 18,200 employees: 15,900 located in our four U.S. facilities, 1,100 located at our U.K. facility, 1,100 located in our Malaysia facility and 100 in our France facility. The Company has announced that it will be reducing its workforce in connection with the B737 MAX production suspension and future production rate uncertainty.

The numbers reflected for December 31, 2019, do not reflect the work force actions the Company took beginning in January 2020 related to B737 MAX production.

Our principal U.S. collective bargaining agreements were with the following unions as of December 31, 2019:

Union	Percent of our U.S. Employees Represented	Status of the Agreements with Major Union
The International Association of Machinists and Aerospace Workers (IAM)	62%	We have two major agreements - one expires in June 2023 and one expires in December 2024.
The Society of Professional Engineering Employees in Aerospace (SPEEA)	17%	We have two major agreements - one expires in December 2024 and one expires in January 2026.
The International Union, Automobile, Aerospace and Agricultural Implement Workers of America (UAW)	9%	We have one major agreement expiring in December 2025.
The International Brotherhood of Electrical Workers (IBEW)	1%	We have one major agreement expiring in September 2020.

As noted above, one of the IAM agreements was set to expire in June 2020. In January 2020, the IAM and Spirit agreed to a three-year extension of the contract expiring on June 24, 2023.

Approximately 64% of our U.K. employees are represented by one union, Unite (Amicus Section). In 2013, the Company negotiated two separate ten-year pay agreements with the Manual Staff bargaining and the Monthly Staff bargaining groups of the Unite union. These agreements fundamentally cover basic pay and variable at risk pay, while other employee terms and conditions generally remain the same from year to year until both parties agree to change them. The current pay agreements expire December 31, 2022.

In France, our employees are represented by CFTC (“Confédération Française des Travailleurs Chrétiens or French Confederation of Christian Workers”) and FO (“Force Ouvrière or Labor Force”). The Company negotiates yearly on compensation and once every four years on issues related to gender equality and work-life balance. The next election to determine union representation will occur in July 2023.

None of our Malaysia employees are currently represented by a union.

We consider our relationships with our employees to be satisfactory.

## Available Information

Our Internet address is <http://www.spiritaero.com>. The content on our website is available for information purposes only. It should not be relied upon for investment purposes, nor is it incorporated by reference into this Annual Report.

We make available through our Internet website, under the heading “Investors,” our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements, and amendments to those reports after we electronically file such materials with the SEC. Copies of our key corporate governance documents, including our Bylaws, Corporate Governance Guidelines, Code of

Business Conduct, Transactions with Related Persons Policy, Finance Code of Professional Conduct, and charters for our Audit Committee, Risk Committee, Compensation Committee, and Corporate Governance and Nominating Committee are also available on our website.

The SEC maintains an Internet site at <http://www.sec.gov> that contains reports, proxy information statement, and other information regarding issuers that file electronically with the SEC. Our filed Annual and Quarterly Reports, Current Reports, Proxy Statement and other reports previously filed with the SEC are available through the SEC’s website.



## Item 1A. Risk Factors

An investment in our securities involves risks and uncertainties. The risks and uncertainties set forth below are those that we currently believe may materially and adversely affect us, our future business or results of operations, our industry, or investments in our securities. Additional risks and uncertainties that we are unaware of or that we currently deem immaterial may also materially and adversely affect us, our future business or results of operations, or investments in our securities.

*Our business depends, in large part, on sales of components for a single aircraft program, the B737 MAX. A continued grounding of the B737 MAX fleet and related suspensions or reductions in the B737 MAX production rate may have a material adverse impact on Spirit's business, financial condition, results of operations, and cash flows. Furthermore, the low rate of production creates financial and disruption risks for Spirit's suppliers on the B737 MAX program, which, may in turn, affect Spirit's ability to comply with contractual obligations.*

For the twelve months ended December 31, 2019, approximately 53% of our net revenues were generated from sales of components to Boeing for the B737 aircraft. While we have entered into long-term supply agreements with Boeing to continue to provide components for the B737 for the life of the aircraft program, including commercial and the military P-8 derivatives, Boeing does not have any obligation to purchase components from us for any replacement for the B737 that is not a commercial derivative model as defined by the Sustaining Agreement. The contract is a requirements contract and Boeing can reduce the purchase volume at any time.

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 reduce its production rate of the B737 MAX aircraft from 52 to 42 aircraft per month. Subsequent to Boeing's announcement, we announced that, to minimize supply chain disruption, Spirit would maintain a B737 delivery rate of 52 shipsets per month, rather than proceeding to a rate of 57 shipsets per month during the 2019 year. All shipsets produced by Spirit in excess of Boeing's production rate would be deemed to be delivered to Boeing "FOB" at Spirit's facilities, which would trigger Boeing's payment obligations for the incremental shipsets.

On December 19, 2019, Boeing directed Spirit to stop all B737 MAX deliveries to Boeing effective January 1, 2020, due to Boeing's announced temporary suspension of B737 MAX production. Accordingly, Spirit suspended all B737 MAX production beginning on January 1, 2020.

On February 6, 2020, Boeing and Spirit entered into the 2020 MOA superseding the 2019 MOA between the parties (except for Sections 15 and 16). The 2020 MOA provides for Spirit to deliver to Boeing 216 B737 MAX shipsets in 2020. The production rate agreed for 2020 represents less than half of Spirit's B737 MAX annualized production rate in 2019. The Company does not expect to be back at a production rate of 52 aircraft per month until late 2022.

While Spirit has taken actions to align its cost structure to the production suspension and 2020 production rate, including instructing its suppliers to stop delivering B737 MAX products throughout the suspension, implementing workforce actions, and reducing its quarterly dividend, the B737 MAX situation presents challenges to Spirit's liquidity. Spirit has fully drawn all \$800 million of the Revolver (as defined below) to address critical issues that may arise and agreed to maintain minimum liquidity levels as required by the Company's Credit Agreement (as defined below) through the first quarter of 2021. If Boeing is unable to return the B737 MAX to service in one or more jurisdictions, begin timely deliveries to customers, or if production levels are reduced beyond current expectations due to depressed demand or otherwise, or if Spirit has difficulties in managing its cost structure to take into account changes in production schedules or to accommodate a ramp-up in production, Spirit's liquidity position may worsen absent Spirit's ability to procure additional financing, Spirit may trigger an event of default under its credit facilities, and Spirit's business, financial condition, results of operations and cash flows could be materially adversely impacted. The need to fund the Asco Acquisition and the Bombardier Acquisition and related expenses could also adversely affect our liquidity.

Furthermore, due to the production suspension and cost pressures, Spirit's suppliers may encounter financial difficulty and, absent financial support, may not be able to continue meeting commitments under their agreements with Spirit. If any of such suppliers supply critical parts to Spirit and Spirit is not able to secure timely and adequate replacement parts, Spirit may breach its obligations to Boeing under the Sustaining Agreement. In the event of a significant breach, Boeing has the ability to terminate the Sustaining Agreement and, in such an event, Spirit's business, financial condition, results of operations and cash flows could be materially adversely impacted.

Based on Boeing's public statements, we have assumed that regulatory approval will enable B737 MAX deliveries to resume no earlier than mid-2020. In the event of delays to this timeline and corresponding changes to our production rate, the Company may be required to take actions with longer-term impact, such as further changes to our production plans, employment reductions and/or the expenditure of significant resources to support our supply chain and/or Boeing. In addition, a delay to that timeline and corresponding changes to our production rate may cause us to default under our credit agreement.

We have made significant assumptions with respect to the B737 program regarding the number of units to be delivered in 2020 (216 units), the period during which those units are likely to be produced, and the units' expected sales prices, production costs, program tooling and other non-recurring costs, and routine warranty costs. In addition, we have made assumptions regarding estimated costs expected to be incurred until resuming a normal production rate consistent with 2019 production levels to determine which costs should be (i) included in program inventory and (ii) expensed when incurred as abnormal production costs. Any changes in these estimates and/or assumptions with respect to the B737 program could have a material adverse impact on our financial position, results of operations, and/or cash flows.

*Because we depend on Boeing and, to a lesser extent, Airbus, as our largest customers, our sales, cash flows from operations, and results of operations will be negatively affected if either Boeing or Airbus reduces the number of products it purchases from us or if either experiences business difficulties or breaches its obligations to us.*

Currently, Boeing is our largest customer and Airbus is our second-largest customer. For the twelve months ended December 31, 2019 and December 31, 2018, approximately 79% and 16% of our net revenues were generated from sales to Boeing and Airbus, respectively. Although our strategy is, in part, to diversify our customer base by entering into supply arrangements with additional customers, we cannot give any assurance that we will be successful in doing so. Even if we are successful in obtaining and retaining new customers, we expect that Boeing and, to a lesser extent, Airbus, will continue to account for a substantial portion of our sales for the foreseeable future. If either of these customers reduces the requirements under our agreements (as Boeing did in December 2019 when it directed Spirit to stop all B737 MAX deliveries to Boeing effective January 1, 2020), terminates or breaches our agreements, experiences a major disruption in its business, such as a strike, work stoppage, slowdown, or a supply chain problem, or experiences a deterioration in its business, financial condition, or liquidity, our business, financial condition, and results of operations could be materially adversely affected.

Requirement contracts with Airbus and Boeing generally do not require specific minimum purchase volumes and Boeing or Airbus, as applicable, can reduce the purchase volume at any time. In addition, if we breach or are unable to perform certain obligations under these supply agreements, Boeing or Airbus may terminate such agreements and/or seek damages from us, which could materially adversely affect our business. Boeing and Airbus also have the contractual right to cancel their supply agreements with us for convenience, which could include the termination of one or more aircraft models or programs for which we supply products. Although Boeing and Airbus would be required to reimburse us for certain expenses, there can be no assurance these payments would adequately cover our expenses or lost profits resulting from the termination. In addition, we have agreed to a limitation on recoverable damages if Boeing wrongfully terminates our main supply agreement with respect to any model or program. If this occurs, we may not be able to recover the full amount of our actual damages.

*Our business depends, in part, on securing work for replacement programs.*

While we have entered into long-term supply agreements with respect to the Sustaining Programs, Boeing does not have any obligation to purchase components from us for any subsequent variant of these aircraft that is not a commercial derivative as defined by the Sustaining Agreement. If we are unable to obtain significant aerostructures supply business for any aircraft program for which we provide significant content, such as the B737 MAX, our business, financial condition, and results of operations could be materially adversely affected.

*We operate in a very competitive business environment.*

As Spirit seeks to further diversify its program portfolio and product offerings and expand its customer base, we face substantial competition from both OEMs and non-OEM aerostructures suppliers. OEMs may choose not to outsource production of aerostructures due to, among other things, their own direct labor and other overhead considerations and capacity utilization at their own facilities. Consequently, traditional factors affecting competition, such as price and quality of service, may not be significant determinants when OEMs decide whether to produce a part in-house or to outsource.

Further, some of our non-OEM competitors have greater resources than we do and, therefore, may be able to adapt more quickly to new or emerging technologies and changes in customer requirements, or devote greater resources to the promotion and sale of their products than we can. Providers of aerostructures have traditionally competed on the basis of cost, technology, quality, and service. We believe that developing and maintaining a competitive advantage will require continued investment in product development, engineering, supply-chain management, and sales and marketing, and we may not have enough resources to make such investments.

Further, it is very difficult for new aerostructures suppliers to compete against incumbent suppliers for work under an existing contract. Once a contract is awarded, the OEM and the supplier are typically required to spend significant amounts of time and capital on design, manufacture, testing, and certification of tooling and other equipment. A supplier change would require further testing and certification and the expensive movement of existing tooling or the development of new tooling, and would likely result in production delays and additional costs to both the OEM and the new supplier. These high switching costs may make it more difficult for us to bid competitively against existing suppliers and less likely that an OEM will be willing to switch suppliers during the life of an aircraft program, which could materially adversely affect our ability to obtain new work on existing aircraft programs.

For these reasons, we may not be able to compete successfully in this market or against our competitors, which could have a material adverse effect on our business, financial condition and results of operations.

*Our business depends on our ability to maintain a healthy supply chain, meet production rate requirements, and timely deliver products that meet or exceed stringent quality standards.*

Our business depends on our ability to maintain a healthy supply chain, achieve planned production rate targets, and meet or exceed stringent performance and reliability standards. The supply chain for large commercial aerostructures is complex and involves hundreds of suppliers and their technical employees from all over the world.

Operational issues, including delays or defects in supplier components, could result in significant out-of-sequence work and increased production costs, as well as delayed deliveries to customers. Our suppliers' failure to provide parts that meet our technical specifications could materially adversely affect production schedules and contract profitability. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs for us and possible forward losses on certain contracts. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business and might lead to termination of our supply agreements with our customers.

In order for us to keep the supply chain healthy, we must minimize disruption and production changes. The B737 MAX program has experienced significant disruption due to the production suspension. Many suppliers are distressed. If these suppliers cannot timely deliver components to us at the cost and rates necessary to achieve our targets, we may be unable to meet delivery schedules and/or the financial performance of the B737 MAX program may suffer.

The Company's ability to meet production rate increases is dependent upon several factors, including without limitation, expansion and alignment of its production facilities, tooling, and equipment; improved efficiencies in its production line; on-time delivery of component parts from the Company's suppliers; adequate supply of skilled labor; and implementation of customer customizations upon demand. If the Company fails to meet the quality or delivery expectations or requirements of its customers, disruptions in manufacturing lines could result, which could have a material adverse impact on the Company's ability to meet commitments to its customers and on its future financial results.

In some cases, in order to meet these increases in production rates, we will need to make significant capital expenditures to expand our capacity and improve our performance or find alternative solutions such as outsourcing some of our existing work to free up additional capacity. While some of these expenditures will be reimbursed by our customers, we could be required to bear a significant portion of the costs. In addition, the increases in production rates could cause disruptions in our manufacturing lines, which could materially adversely impact our ability to meet our commitments to our customers, and have a resulting adverse effect on our financial condition and results of operations.

*Interruptions in deliveries of components or raw materials, or increased prices for components or raw materials used in our products could delay production and/or materially adversely affect our financial performance, profitability, margins, and revenues.*

We are highly dependent on the availability of essential materials and purchased components from our suppliers, some of which are available only from a sole source or limited sources. Our dependency upon regular deliveries from particular suppliers of components and raw materials means that interruptions or stoppages in such deliveries could materially adversely affect our operations until arrangements with alternate suppliers, to the extent alternate suppliers exist, could be made. If any of our suppliers were unable or were to refuse to deliver materials to us for an extended period of time, or if we were unable to negotiate acceptable terms for the supply of materials with these or alternative suppliers, our business could suffer and be materially affected.

Our continued supply of materials is subject to a number of risks including:

- the destruction of or damage to our suppliers' facilities or their distribution infrastructure;
- embargoes, force majeure events, domestic or international acts of hostility, terrorism, or other events impacting our suppliers' ability to perform;

- a work stoppage or strike by our suppliers' employees;
- the failure of our suppliers to provide materials of the requisite quality or in compliance with specifications;
- the failure of essential equipment at our suppliers' plants;
- the failure of our suppliers to satisfy U.S. and international import and export control laws for goods that we purchase from such suppliers;
- the failure of our suppliers to meet regulatory standards;
- the failure, shortage, or delay in the delivery of raw materials to our suppliers;
- imposition of tariffs and similar import limitations on us or our suppliers;
- contractual amendments and disputes with our suppliers; and
- the inability of our suppliers to perform as a result of global economic conditions or otherwise.

In addition, our profitability is affected by the prices of the components and raw materials, such as titanium, aluminum, steel, and carbon fiber, used in the manufacturing of our products. These prices may fluctuate based on a number of factors beyond our control, including world oil prices, changes in supply and demand, general economic conditions, labor costs, competition, import duties, tariffs, currency exchange rates and, in some cases, government regulation. Although our supply agreements with Boeing and Airbus allow us to pass on to our customers certain unusual increases in component and raw material costs in limited situations, we may not be fully compensated by the customers for the entirety of any such increased costs.

*Our operations depend on our ability to maintain continuing, uninterrupted production at our manufacturing facilities and our suppliers' facilities. Our production facilities and our suppliers' facilities are subject to physical and other risks that could disrupt production.*

Our manufacturing facilities or our suppliers' manufacturing facilities could be damaged or disrupted by a natural disaster, war, terrorist activity, interruption of utilities, public health crises, or sustained mechanical failure. Although we have obtained property damage and business interruption insurance where appropriate, a sustained mechanical failure of a key piece of equipment, major catastrophe (such as a fire, flood, tornado, hurricane, major snow storm, or other natural disaster), war, or terrorist activities in any of the areas where we or our suppliers conduct operations could result in a prolonged interruption of all or a substantial portion of our business. Any disruption resulting from these events could cause significant delays in shipments of products and the loss of sales and customers and we may not have insurance to adequately compensate us for any of these events. A large portion of our operations takes place at one facility in Wichita, Kansas and any significant damage or disruption to this facility in particular would materially adversely affect our ability to service our customers.

The Company maintains broad insurance coverage for both property damage and business interruption where appropriate. While the Company expects the insurance proceeds would be sufficient to cover most of the business interruption expenses, certain deductibles and limitations will apply and no assurance can be made that all recovery costs will be covered.



*Our commercial business is cyclical and sensitive to commercial airlines' profitability.*

We compete in the aerostructures segment of the aerospace industry. Our customers' business, and therefore our own, is directly affected by the financial condition of commercial airlines and other economic factors, including global economic conditions and geopolitical considerations that affect the demand for air transportation. Specifically, our commercial business is dependent on the demand from passenger airlines and cargo carriers for the production of new aircraft. Accordingly, demand for our commercial products is tied to the worldwide airline industry's ability to finance the purchase of new aircraft and the industry's forecasted demand for seats, flights, routes, and cargo capacity. Availability of financing to non-U.S. customers depends in part on the continued operations of the U.S. Export-Import Bank. Additionally, the size and age of the worldwide commercial aircraft fleet affects the demand for new aircraft and, consequently, for our products. Such factors, in conjunction with evolving economic conditions, cause the market in which we operate to be cyclical to varying degrees, thereby affecting our business and operating results.

*Legal or regulatory proceedings related to the review of accounting process compliance may result in significant costs and expenses and divert resources from our operations and therefore could have a material adverse effect on our business, financial condition, results of operations or cash flows.*

On January 30, 2020, the Company issued a press release regarding an independent review by our audit committee of our accounting process compliance (the "Accounting Review"). As a result of the Accounting Review, the Company determined that it did not comply with its established accounting processes with respect to certain potential contingent liabilities received by the Company after the end of the third quarter of 2019. The Accounting Review is now substantially complete.

After conducting the appropriate accounting processes with respect to the potential contingent liabilities, the Company concluded that it should have recorded an incremental contingent liability of less than \$8.0 million for the three month period ending September 26, 2019. We do not believe this amount is material, either quantitatively or qualitatively, to our consolidated financial statements as of and for the three-month period ending September 26, 2019. Although this matter did not result in a material misstatement of the Company's third quarter 2019 consolidated financial statements or any other previously issued financial statements, the non-compliance led us to conclude that a material weakness in our internal control existed as of December 31, 2019. Additional information on this material weakness is described under Item 9A "Controls and Procedures" of this Annual Report on Form 10-K.

Prior to the Company's January 30, 2020 announcement, the Company voluntarily reported the Accounting Review to the SEC. The Company has communicated to the SEC that the Accounting Review is substantially complete. In the event the SEC commences an investigation with respect to these matters, the Company intends to cooperate fully.

Two private securities class action lawsuits relating to these matters were filed against the Company, its Chief Executive Officer and former officers in February 2020. There may be additional lawsuits filed, including shareholder derivative actions, purportedly in the name and for the benefit of the Company. The Company intends to vigorously defend the existing lawsuits, and any other related litigation against the Company.

As a result of any legal or regulatory proceedings related to the Accounting Review, we may incur significant professional fees and other costs. If we are unsuccessful in any action related to this matter, we may be required to pay a significant amount of monetary damages that may be in excess of our insurance coverage. The SEC also could impose other sanctions against us or our directors and officers, including injunctions, a cease and desist order, fines and other equitable remedies. In addition, our Board of Directors, management and employees may expend a substantial amount of time on these legal and regulatory proceedings and investigations, diverting resources and attention that would otherwise be directed toward our operations and implementation of our business strategy. Any of these events could have a material adverse effect on our business, financial condition, results of operations or cash flows.

*Our management has concluded that our disclosure controls and procedures and internal control over financial reporting were not effective as of December 31, 2019, and that we have a material weakness in our internal control over financial reporting. If not remediated, our failure to establish and maintain effective disclosure controls and procedures and internal control over financial reporting could result in a material misstatement in our financial statements or a failure to meet our reporting and financial obligations, each of which could have a material adverse effect on our financial condition and the trading price of our common stock.*

In connection with the Accounting Review discussed herein, the Company concluded that a material weakness existed in its internal control over financial reporting. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. See Item 9A "Controls and Procedures" of this Annual Report on Form 10-K.

Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX") and the related SEC rules requires management to assess the effectiveness of the design and operation of our disclosure controls and procedures and to include in this Annual Report on Form 10-K a management report on that assessment. An evaluation was performed under the supervision and with the participation of our audit committee and management, including our President and Chief Executive Officer (principal executive officer) and Senior Vice-President and Chief Financial Officer (principal financial officer), on the design and operating effectiveness of our disclosure controls and procedures, and based on this evaluation, our

Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2019, our disclosure controls and procedures were not effective at a reasonable assurance level as a result of a material weakness we identified with respect to our internal control over financial reporting.

As a result, we have taken steps to improve our internal control over financial reporting and our disclosure controls and procedures, including through (i) management changes, (ii) enhanced training, and , and (iii) validation regarding the application of existing policies and procedures, including direct and timely confirmation and consideration of outstanding claims by key customers. Although we have taken such steps, there can be no assurance that we will be successful in making the improvements necessary to remediate our material weakness or disclosure control and procedure ineffectiveness, that we will do so in a timely manner, or that we will not identify additional control deficiencies or material weaknesses in the future. We expect the remediation plan to extend over multiple financial reporting periods in 2020. If we are not successful in making the improvements, or if we have additional control deficiencies, we may not be able to report our financial results accurately, prevent fraud, or file our periodic reports with the SEC in a timely manner, which may expose us to legal and regulatory liabilities and may cause investors to lose confidence in our reported financial information and may lead to a decline in the market price of our common stock. In addition, implementing any appropriate changes to our internal controls may distract our officers and employees and/or entail substantial costs.

*The Company's results could be adversely affected by economic and geopolitical considerations.*

The commercial airline industry is impacted by the strength of the global economy and the geopolitical events around the world. Possible exogenous shocks such as expanding conflicts or political unrest in the Middle East or Asia, renewed terrorist attacks against the industry, or pandemic health crises (such as the Coronavirus or viruses similar to SARs and MERS) have the potential to cause precipitous declines in air traffic. Any protracted economic slump, adverse credit market conditions, future terrorist attacks, war, or health concerns could cause airlines to cancel or delay the purchase of additional new aircraft, which could result in a deterioration of commercial airplane backlogs. If demand for new aircraft decreases, there would likely be a decrease in demand for our commercial aircraft products, and our business, financial condition, and results of operations could be materially adversely affected.

Changes in the United Kingdom's economic and other relationships with the European Union could adversely affect the Company. There continues to be substantial uncertainty regarding the economic impact of the United Kingdom's departure from the European Union ("EU") on January 31, 2020 (referred to as "Brexit"). The UK and EU are currently in a transition (implementation) period that is due to end on December 31, 2020. The ultimate effects of Brexit on the Company (currently, and as expanded upon completion of the Bombardier Acquisition) are difficult to predict, but because the Company currently operates and conducts business in the United Kingdom and in Europe, potential adverse consequences of Brexit such as global market uncertainty, volatility in currency exchange rates, greater restrictions on imports and exports between the UK and other countries and increased regulatory complexities could have a negative impact on our business, financial condition, and results of operations. Adverse economic conditions may

decrease our customers' demand for our products and services or impair the ability of our customers to pay for products and services they have purchased. As a result, our sales could decrease and reserves for our credit losses and write-offs of receivables may increase. In addition, Brexit could result in legal uncertainty and potentially divergent national laws and regulations as new legal relationships between the United Kingdom and the European Union are established. The ultimate effects of Brexit on the Company will also depend on the terms of any agreements the United Kingdom and the European Union make to retain access to each other's respective markets either during a transitional period or more permanently.

We are pursuing growth opportunities in a number of newly developed and emerging markets. These investments may expose us to heightened risks of economic, geopolitical, or other events, including governmental takeover (i.e., nationalization) of our manufacturing facilities or intellectual property, restrictive exchange or import controls, disruption of operations as a result of systemic political or economic instability, outbreak of war or expansion of hostilities, and acts of terrorism, each of which could have a substantial adverse effect on our financial condition and results of operations. Further, the U.S. government, other governments, and international organizations could impose additional sanctions that could restrict us from doing business directly or indirectly in or with certain countries or parties, which could include affiliates.

*We face risks as we work to successfully execute on new or maturing programs.*

New or maturing programs with new technologies typically carry risks associated with design responsibility, development of new production tools, hiring and training of qualified personnel, increased capital and funding commitments, ability to meet customer specifications, delivery schedules, and unique contractual requirements, supplier performance, ability of the customer to meet its contractual obligations to us, and our ability to accurately estimate costs associated with such programs. In addition, any new or maturing aircraft program may not generate sufficient demand or may experience technological problems or significant delays in the regulatory certification or manufacturing and delivery schedule. If we were unable to perform our obligations under new or maturing programs to the customer's satisfaction or manufacture products at our estimated costs, if we were to experience unexpected fluctuations in raw material prices or supplier problems leading to cost overruns, if we were unable to successfully perform under revised design and manufacturing plans or successfully resolve claims and assertions, or if a new or maturing program in which we had made a significant investment was terminated or experienced weak demand, delays or technological problems could result and our business, financial condition, and results of operations could be materially adversely affected. Some of these risks have affected our maturing programs to the extent that we have recorded significant forward losses and maintain certain of our maturing programs at zero or low margins due to our inability to overcome the effects of these risks. We continue to face similar risks as well as the potential for default, quality problems, or inability to meet weight requirements and these could result in continued zero or low margins or additional forward losses, and the risk of having to write-off additional inventory if it were deemed to be unrecoverable over the life of the program. In addition, beginning new work on existing programs also carries risks associated with the transfer of technology, knowledge, and tooling.

In order to perform on new or maturing programs we may be required to construct or acquire new facilities requiring additional up-front investment costs. In the case of significant program delays and/or program cancellations, we could be required to bear certain unrecoverable construction and maintenance costs and incur potential impairment charges for the new facilities. Also, we may need to expend additional resources to determine an alternate revenue-generating use for the facilities. Likewise, significant delays in the construction or acquisition of a plant site could impact production schedules.

*We use estimates in accounting for revenue and cost for our contracts. Changes in our estimates could adversely affect our future financial performance.*

The Company recognizes revenue using the principles of Accounting Standards Codification Topic 606 and estimates revenue and cost for contracts that span a period of multiple years. This method of accounting requires judgment on a number of underlying assumptions to develop our estimates such as favorable trends in volume, learning curve efficiencies, and future pricing from suppliers that reduce our production costs. However, several factors may cause the costs we incur in fulfilling these contracts to vary substantially from our original estimates such as technical problems, delivery reductions, materials shortages, supplier difficulties, and multiple other events. Other than certain increases in raw material costs that can generally be passed on to our customers, in most instances we must fully absorb cost overruns. Due to the significant length of time over which some revenue streams are generated, the variability of future period estimated revenue and cost may be adversely affected if circumstances or underlying assumptions change. If our estimated costs exceed our estimated revenues under a fixed-price contract, we will be required to recognize a forward loss on the affected program, which could have a material adverse effect on our results of operations. The risk particularly applies to products such as the B787 and A350, in that our performance at the contracted price depends on our being able to achieve production cost reductions as we gain production experience.

Further, some of our long-term supply agreements, such as the Sustaining Agreement and the B787 Agreement, provide for the re-negotiation of established pricing terms at specified times in the future. If such negotiations result in costs that exceed our revenue under a fixed-price contract, or operating margins that are lower than our current margins, we may need to recognize a forward loss on the affected program, which could have a material adverse effect on our results of operations.

Additionally, variability of future period estimated revenue and cost may result in recording additional valuation allowances against future deferred tax assets, which could adversely affect our future financial performance.

*Prolonged periods of inflation where we do not have adequate inflation protections in our customer contracts could have a material adverse effect on our results of operations.*

A majority of our sales are conducted pursuant to long-term contracts that set fixed unit prices. Certain, but not all, of these contracts provide for price adjustments for inflation or abnormal escalation. Although we have attempted to minimize the effect of inflation on our business

through contractual protections, the presence of longer pricing periods within our contracts increases the likelihood that there will be sustained or higher than anticipated increases in costs of labor or material. Furthermore, if one of the raw materials on which we are dependent (e.g. aluminum, titanium, or composite material) were to experience an isolated price increase without inflationary impacts on the broader economy, we may not be entitled to inflation protection under certain of our contracts. If our contractual protections do not adequately protect us in the context of substantial cost increases, it could have a material adverse effect on our results of operations.

*Our business could be materially adversely affected by product warranty obligations or defective product claims.*

We are exposed to liabilities that are unique to the products and services we provide. Our operations expose us to potential liabilities for warranty or other claims with respect to aircraft components that have been designed, manufactured, or serviced by us or our suppliers. We maintain insurance for certain risks. The amount of our insurance coverage may not cover all claims or liabilities and we may be forced to bear substantial costs. Material obligations in excess of our insurance coverage (or other third party indemnification) could have a material adverse effect on our business, financial condition, and results of operations.

In addition, if our products are found to be defective and lacking in quality, or if one of our products causes an accident, our reputation could be damaged and our ability to retain and attract customers could be materially adversely affected.

*In order to be successful, we must attract, retain, train, motivate, develop and transition key employees, and failure to do so could harm our business.*

In order to be successful, we must attract, retain, train, motivate, develop, and transition qualified executives and other key employees, including those in managerial, manufacturing, and engineering positions. Competition for experienced employees in the aerospace industry, and in particular in Wichita, Kansas, where the majority of our manufacturing and executive offices are located, is intense. The failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations. Further, changes in our management team may be disruptive to our business and any failure to successfully transition and assimilate key new hires or promoted employees could adversely affect our business and results of operations.

Further, in January 2020, the Company announced significant workforce reductions to assist with alleviating costs relating to B737 MAX production. The Company's ability to ramp up in rate on the B737 MAX program after re-certification will depend, in part, on the Company's ability to hire key employees to fill any gaps left by the workforce reductions. If the Company is unable to hire such key employees, B737 MAX production could be adversely impacted.

In addition, the Company's operations and strategy require that we employ a critical mass of highly skilled employees with industry experience and engineering, technical, or mechanical skills. As the Company experiences an increase in retirements, the level of skill replacing our experienced workers is being impacted due to the availability of skilled labor in the market and low unemployment rates. Talent is being



replaced with less experienced talent and the organization is having to develop internal resources to meet the talent gap. We continue to work with learning institutions to develop programs to attract and train new talent. Our inability to attract and retain skilled employees may adversely impact our ability to meet our customers' expectations, the cost and schedule of development projects, and the cost and efficiency of existing operations.

*The profitability of certain programs depends significantly on the assumptions surrounding satisfactory settlement of customer claims and assertions.*

For certain of our programs, we regularly commence work or incorporate customer requested changes prior to negotiating pricing terms for engineering work or the product that has been modified. We typically have the contractual right to negotiate pricing for customer directed changes. In those cases, we assert to our customers our contractual rights to obtain the additional revenue or cost reimbursement we expect to receive upon finalizing pricing terms. An expected recovery value of these assertions is incorporated into our contract profitability estimates. Our inability to recover these expected values, among other factors, could result in the recognition of a forward loss on these programs and could have a material adverse effect on our results of operations.

*The Company's proposed and future acquisitions expose us to risks, including the risk that we may not be able to successfully integrate these businesses or achieve expected operating synergies.*

The Company is currently pursuing the following acquisitions: (i) on May 1, 2018, the Company and its wholly-owned subsidiary Spirit AeroSystems Belgium Holdings BVBA ("Spirit Belgium") entered into a definitive 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, for cash consideration (as amended) of \$420 million (the "Asco Acquisition"); and (ii) on October 31, 2019, Spirit and Spirit AeroSystems Global Holdings Limited ("Spirit UK"), wholly owned subsidiaries of the Company, entered into a definitive agreement with Bombardier Inc., Bombardier Aerospace UK Limited, Bombardier Finance Inc., and Bombardier Services Corporation pursuant to which, subject to the satisfaction or waiver of certain conditions, Spirit UK will acquire the outstanding equity of Short Brothers plc 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 "Bombardier Acquired Businesses") for cash consideration of \$500 million (the "Bombardier Acquisition").

The Asco Acquisition, the Bombardier Acquisition, and any future acquisitions are subject to numerous risks and uncertainties, including, but not limited to, the following:

- we may not obtain required regulatory approvals or receipt of regulatory approvals may take longer than expected, regulators may impose conditions to the proposed acquisitions that are not presently anticipated or cannot be met;

- conditions precedent to the proposed acquisitions may not be fulfilled in a timely manner or at all; and
- unforeseen events and events beyond our control.

We have incurred and expect to incur transaction and acquisition-related costs associated with these acquisitions. These, as well as other unanticipated costs and expenses, could have an impact on our financial condition and operating results. Combining our businesses may be more difficult, costly, or time consuming than expected. In addition, events outside of our control, including changes in regulation and laws as well as economic trends, could adversely affect our ability to realize the expected benefits from the acquisition. Further, the Asco Acquisition and the Bombardier Acquisition are not subject to financing contingencies. To the extent the Company is unable to raise additional financing to fund the acquisitions, or negotiate alternative arrangements, the Company's ability to consummate the acquisitions could be hindered. In addition, the need to fund these acquisitions and related expenses may adversely affect our liquidity.

The success of the proposed acquisitions will depend on, among other things, our ability to realize the anticipated benefits and cost savings from combining our and Asco's and Bombardier's businesses in a manner that facilitates growth opportunities and realizes anticipated synergies and cost savings. These anticipated benefits and cost savings may not be realized fully or at all, or may take longer to realize than expected or could have other adverse effects that we do not currently foresee. Further, the integration of these companies involves a number of risks, including, but not limited to the diversion of management's attention from the management of daily operations to the integration of operations, difficulties in the assimilation of different cultures and practices, as well as in the assimilation of geographically dispersed operations and personnel, who may speak different languages, difficulties in the integration of departments, systems (including accounting, production, ERP, and IT systems), technologies, books and records and procedures, as well as in maintaining uniform standards, controls (including internal accounting controls), procedures, and policies and compliance with the Foreign Corrupt Practices Act, the U.K. Bribery Act and other applicable anti-bribery laws.

As part of the Bombardier Acquisition, the Company has agreed to assume net pension liabilities of approximately \$300 million as reflected at the date of the Purchase Agreement. The downgrades to the Company's credit ratings and liquidity pressures referenced herein may result in the pension liabilities being recalculated prior to the closing of the Bombardier Acquisition. If the liabilities are recalculated, the assumed liability amount could increase.

*We do not own most of the intellectual property and tooling used in our business.*

Our business depends on using certain intellectual property and tooling that we have rights to use under license grants from our customers. If these licenses are terminated due to a default or otherwise, our business may be materially affected. In addition, we license some of the intellectual property needed for performance under some of our supply contracts from our customers under those supply agreements. We must honor our contractual commitments to our customers related to intellectual property and comply with infringement laws governing our use of

intellectual property. In the event we obtain new business from new or existing customers, we will need to pay particular attention to these contractual commitments and any other restrictions on our use of intellectual property to make sure that we will not be using intellectual property improperly in the performance of such new business. In the event we use any such intellectual property improperly, we could be subject to an infringement or misappropriation claim by the owner or licensee of such intellectual property.

In the future, our entry into new markets may require obtaining additional license grants from our customers. If we are unable to negotiate additional license rights on acceptable terms (or at all) from these customers, our ability to enter new markets may be restricted. In addition, we may be subject to restrictions in future licenses granted to us that may materially restrict our use of third party intellectual property.

***Our success depends in part on the success of our research and development initiatives.***

In order for us to remain competitive, we will need to expend significant capital to research and develop technologies, purchase new equipment and machines, or to train our employees in the new methods of production and service. We spent \$54.5 million on research and development during the twelve months ended December 31, 2019. Our expenditures on our research and development efforts may not create any new sales opportunities or increases in productivity that are commensurate with the level of resources invested.

We are in the process of developing specific technologies and capabilities in pursuit of new business and in anticipation of customers going forward with new programs. If any such programs do not go forward or are not successful, or if we are unable to generate sufficient new business, we may be unable to recover the costs incurred in anticipation of such programs or business and our profitability and revenues may be materially adversely affected.

While the Company intends to continue committing financial resources and effort to the development of innovative new technologies, any strain on the Company's liquidity, such as the strain caused by the B737 MAX production suspension and lower 2020 production rate, will reduce the Company's ability to expend capital to develop such technologies.

***We could be required to make future contributions to our defined benefit pension and post-retirement benefit plans as a result of adverse changes in interest rates and the capital markets.***

Our estimates of liabilities and expenses for pensions and other post-retirement benefits incorporate significant assumptions including the rate used to discount the future estimated liability, the long-term rate of return on plan assets, and several assumptions relating to the employee workforce (salary increases, medical costs, retirement age, and mortality). A dramatic decrease in the fair value of our plan assets resulting from movements in the financial markets or a decrease in discount rates may cause the status of our plans to go from an over-funded status to an under-funded status and result in cash funding requirements to meet any minimum required funding levels. Our

results of operations, liquidity, or shareholders' equity in a particular period could be affected by a decline in the rate of return on plan assets, the rate used to discount the future estimated liability, or changes in employee workforce assumptions.

***We derive a significant portion of our net revenues from direct and indirect sales outside the U.S. and are subject to the risks of doing business in foreign countries.***

We derive a significant portion of our revenues from sales by Boeing and Airbus to customers outside the U.S. In addition, for the twelve months ended December 31, 2019, direct sales to our non-U.S. customers accounted for approximately 16% of our net revenues. We expect that our and our customers' international sales will continue to account for a significant portion of our net revenues for the foreseeable future. As a result, we are subject to risks of doing business internationally, including:

- changes in regulatory requirements;
- domestic and foreign government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements;
- fluctuations in foreign currency exchange rates;
- compliance with foreign labor laws, which generally provide for increased notice, severance and consultation requirements compared to U.S. laws;
- difficulties enforcing intellectual property and contractual rights in certain jurisdictions;
- the complexity and necessity of using foreign representatives and consultants;
- uncertainties and restrictions concerning the availability of funding credit or guarantees;
- tariffs (imposed or threatened) on imports, including tariffs imposed in a retaliatory manner on U.S. exports, embargoes, export controls, and other trade restrictions or barriers;
- potential or actual withdrawal or modification of international trade agreements;
- modifications to sanctions imposed on other countries;
- changes to immigration policies that may present risks to companies that rely on foreign employees or contractors;
- compliance with antitrust and competition regulations;
- differences in business practices;
- the difficulty of management and operation of an enterprise spread over various countries;
- compliance with a variety of foreign laws, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act, the U.K. Bribery Act and other applicable anti-bribery laws; and
- economic and geopolitical developments and conditions, including domestic or international hostilities, acts of terrorism and governmental reactions, inflation, trade relationships, and military and political alliances.

While these factors and the effect of these factors are difficult to predict, adverse developments in one or more of these areas could materially adversely affect our business, financial condition, and results of operations in the future.

*The outcome of litigation and of government inquiries and investigations involving our business is unpredictable and an adverse decision in any such matter could have a material effect on our financial position and results of operations.*

We are involved in a number of litigation matters. These claims may divert financial and management resources that would otherwise be used to benefit our operations. No assurances can be given that the results of these matters will be favorable to us. An adverse resolution of any of these lawsuits could have a material impact on our financial position and results of operations. In addition, we are sometimes subject to government inquiries and investigations of our business due, among other things, to the heavily regulated nature of our industry and our participation on government programs. Any such inquiry or investigation could potentially result in an adverse ruling against us, which could have a material impact on our financial position and operating results.

*Increases in labor costs, potential labor disputes, and work stoppages at our facilities or the facilities of our suppliers or customers could materially adversely affect our financial performance.*

Our financial performance is affected by the availability of qualified personnel and the cost of labor. A majority of our workforce is represented by unions. If our workers were to engage in a strike, work stoppage, or other slowdown, we could experience a significant disruption of our operations, which could cause us to be unable to deliver products to our customers on a timely basis and could result in a breach of our supply agreements. This could result in a loss of business and an increase in our operating expenses, which could have a material adverse effect on our business, financial condition, and results of operations. In addition, our non-unionized labor force may become subject to labor union organizing efforts, which could cause us to incur additional labor costs and increase the related risks that we now face.

Due to the receipt of occasional government incentives, we have certain commitments to keep our programs in their current locations. This may prevent us from being able to offer our products at prices that are competitive in the marketplace and could have a material adverse effect on our ability to generate new business.

In addition, many aircraft manufacturers, airlines, and aerospace suppliers have unionized work forces. Any strikes, work stoppages, or slowdowns experienced by aircraft manufacturers, airlines, or aerospace suppliers could reduce our customers' demand for additional aircraft structures or prevent us from completing production of our aircraft structures.

*The U.S. Government is a significant customer of certain of our customers and we and they are subject to specific U.S. Government contracting rules and regulations.*

We provide aerostructures to defense aircraft manufacturers ("defense customers"). Our defense customers' businesses, and by extension, our business, is affected by the U.S. Government's continued commitment

to programs under contract with our customers. Contracts with the U.S. Government generally permit the government to terminate contracts partially or completely, with or without cause, at any time. An unexpected termination of a significant government contract, a reduction in expenditures by the U.S. Government for aircraft using our products, lower margins resulting from increasingly competitive procurement policies, a reduction in the volume of contracts awarded to us, or substantial cost overruns could materially reduce our cash flow and results of operations. We bear the potential risk that the U.S. Government may unilaterally suspend our defense customers or us from new contracts pending the resolution of alleged violations of procurement laws or regulations.

A decline in the U.S. defense budget or change of funding priorities may reduce demand for our defense customers' aircraft and reduce our sales of defense products. The U.S. defense budget has fluctuated in recent years, at times resulting in reduced demand for new aircraft. Changes in military strategy and priorities, or reductions in defense spending, may affect current and future funding of these programs and could reduce the demand for our defense customers' products, and thereby reduce sales of our defense products, which could adversely affect our financial position, results of operations, and cash flows.

*Our business may be materially adversely affected if we lose our government, regulatory or industry approvals, if we lose our facility security clearances, if more stringent government regulations are enacted, or if industry oversight is increased.*

The FAA prescribes standards and qualification requirements for aerostructures, including virtually all commercial airline and general aviation products, and licenses component repair stations within the U.S. comparable agencies, such as the EASA in Europe, regulate these matters in other countries. If we fail to qualify for or obtain a required license for one of our products or services or lose a qualification or license previously granted, the sale of the subject product or service would be prohibited by law until such license is obtained or renewed and our business, financial condition, and results of operations could be materially adversely affected. In addition, designing new products to meet existing regulatory requirements and retrofitting installed products to comply with new regulatory requirements can be expensive and time consuming.

A facility security clearance ("FCL") is required for a company to be awarded and perform on classified contracts for the Department of Defense ("DOD") and certain other agencies of the U.S. Government. If we were to violate the terms and requirements of the NISPOM or any other applicable U.S. Government industrial security regulations, we could lose our FCLs. We cannot give any assurance that we will be able to maintain our FCLs. If for some reason our FCLs is invalidated or terminated, we may not be able to continue to perform under our classified contracts in effect at that time, and we would not be able to enter into new classified contracts, which could adversely affect our revenues.

From time to time, government agencies propose new regulations or changes to existing regulations. These changes or new regulations generally increase the costs of compliance. To the extent the agencies implement regulatory changes, we may incur significant additional costs to achieve compliance.



In addition, certain aircraft repair activities we intend to engage in may require the approval of the aircraft's OEM. Our inability to obtain OEM approval could materially restrict our ability to perform such aircraft repair activities.

***Our business is subject to regulation in the U.S. and internationally.***

The manufacturing of our products is subject to numerous federal, state, and foreign governmental regulations. The number of laws and regulations that are being enacted or proposed by various governmental bodies and authorities are increasing. Compliance with these regulations is difficult and expensive. If we fail to adhere, or are alleged to have failed to adhere, to any applicable federal, state, or foreign laws or regulations, or if such laws or regulations negatively affect sales of our products, our business, prospects, results of operations, financial condition, or cash flows may be adversely affected. In addition, our future results could be adversely affected by changes in applicable federal, state, and foreign laws and regulations, or the interpretation or enforcement thereof, including those relating to manufacturing processes, product liability, government contracts, trade rules and customs regulations, intellectual property, consumer laws, privacy laws, as well as accounting standards and taxation requirements (including tax-rate changes, new tax laws, or revised tax law interpretations).

***We are subject to environmental, health, and safety regulations and our ongoing operations may expose us to related liabilities.***

Our operations are subject to extensive regulation under environmental, health, and safety laws and regulations in the U.S. and other countries in which we operate. We may be subject to potentially significant fines or penalties, including criminal sanctions, if we fail to comply with these requirements. We have made, and will continue to make, significant capital and other expenditures to comply with these laws and regulations. We cannot predict with certainty what environmental legislation will be enacted in the future or how existing laws will be administered or interpreted. Our operations involve the use of large amounts of hazardous substances and regulated materials and generate many types of wastes, including emissions of hexavalent chromium and volatile organic compounds, and greenhouse gases such as carbon dioxide. Spills and releases of these materials may subject us to clean-up liability for remediation and claims of alleged personal injury, property damage, and damage to natural resources, and we may become obligated to reduce our emissions of hexavalent chromium, volatile organic compounds and/or greenhouse gases. We cannot give any assurance that the aggregate amount of future remediation costs and other environmental liabilities will not be material.

In connection with prior acquisitions, we are indemnified or insured, subject to certain contractual limitations and conditions, for certain clean-up costs and other losses, liabilities, expenses, and claims related to existing environmental conditions on the acquired properties. If indemnification or insurance is not sufficient to cover any potential environmental liability, we may be required to make material expenditures.

In the future, contamination may be discovered at or emanating from our facilities or at off-site locations where we send waste. The remediation of such newly discovered contamination, related claims for personal injury

or damages, or the enactment of new laws or a stricter interpretation of existing laws, may require us to make additional expenditures, some of which could be material. See "Business - Regulatory Matters."

In addition, increased concern over climate change has led to new and proposed legislative and regulatory initiatives. New or revised laws and regulations in this area could directly and indirectly affect the Company, its customers, or its suppliers by increasing production costs or otherwise impacting operations. Compliance with any new or more stringent laws or regulations, or stricter interpretations of existing laws, could require additional expenditures by the Company and could have an adverse effect on our business, financial condition, and results of operations.

***We are subject to regulation of our technical data and goods under U.S. export control laws.***

As a manufacturer and exporter of defense and dual-use technical data and commodities, we are subject to U.S. laws and regulations governing international trade and exports, including, but not limited to, the International Traffic in Arms Regulations, administered by the U.S. Department of State, and the Export Administration Regulations, administered by the U.S. Department of Commerce. Collaborative agreements that we may have with foreign persons, including manufacturers and suppliers, are also subject to U.S. export control laws. In addition, we are subject to trade sanctions against embargoed countries, which are administered by the Office of Foreign Assets Control within the U.S. Department of the Treasury.

A determination that we have failed to comply with one or more of these export controls or trade sanctions could result in civil or criminal penalties, including the imposition of fines upon us as well as the denial of export privileges and debarment from participation in U.S. government contracts. Additionally, restrictions may be placed on the export of technical data and goods in the future as a result of changing geopolitical conditions. Any one or more of such sanctions could have a material adverse effect on our business, financial condition, and results of operations.

***We are required to comply with "conflict minerals" rules promulgated by the SEC, which impose costs on us, may make our supply chain more complex, and could adversely impact our business.***

We are subject to annual due diligence, disclosure, and reporting requirements as a company that manufactures or contracts to manufacture products that contain certain minerals and metals known as "conflict minerals." We have, and expect to continue to, incur additional costs and expenses, in order to comply with these rules, including for due diligence to determine whether conflict minerals are necessary to the functionality or production of any of our products and, if so, to verify the sources of such conflict minerals; and to implement any changes we deem necessary to our products, processes, or sources of supply as a result of such diligence and verification activities. Compliance with these rules could adversely affect the sourcing, supply, and pricing of materials used in certain of our products. As there may be only a limited number of suppliers offering conflict minerals from sources outside of the Democratic Republic of Congo or adjoining countries, or that have been independently verified as not funding armed conflict in those countries, we cannot assure that we will be able to obtain such verified minerals from such suppliers in sufficient quantities or at competitive

prices. Since our supply chain is complex, we may not ultimately be able to sufficiently verify the origin of the conflict minerals used in our products through the due diligence procedures that we implement, which may adversely affect our reputation with our customers, stockholders, and other stakeholders. In such event, we may also face difficulties in satisfying customers who require that all of the components in our products be certified as “conflict free.” If we are not able to meet such requirements, customers may choose to disqualify us as a supplier, which may require us to write off inventory that cannot be sold. Any one or a combination of these factors could harm our business, reduce market demand for our products, and adversely affect our profit margins, net sales, and overall financial results. We may face similar risks in connection with any other regulations focusing on social responsibility or ethical sourcing that may be adopted in the future.

*We could be materially adversely affected by high fuel prices.*

Due to the competitive nature of the airline industry, airlines are often unable to pass on increased fuel prices to customers by increasing fares. Fluctuations in the global supply of crude oil and the possibility of changes in government policy on jet fuel production, transportation, and marketing make it difficult to predict the future availability and price of jet fuel. In the event there is an outbreak or escalation of hostilities or other conflicts, or significant disruptions in oil production or delivery in oil-producing areas or elsewhere, there could be reductions in the production or importation of crude oil and significant increases in the cost of fuel. If there were major reductions in the availability of jet fuel or significant increases in its cost, the airline industry and, as a result, our business, could be materially adversely affected.

*Our operations could be negatively impacted by service interruptions, data corruption or misuse, cyber-based attacks, or network security breaches.*

We rely on information technology networks and systems to manage and support a variety of business activities, including procurement and supply chain, engineering support, and manufacturing. These networks and systems, some of which are managed by third-parties, are susceptible to damage, disruptions, or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers or insiders, telecommunication failures, user errors, or catastrophic events. If these networks and systems suffer severe damage, disruption, or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our manufacturing process could be disrupted, resulting in late deliveries or even no deliveries if there is a total shutdown. This could have a material adverse effect on our reputation and we could face financial losses.

The General Data Protection Regulation (“GDPR”) went into effect in the EU on May 25, 2018. The GDPR creates a range of compliance obligations applicable to the collection, use, retention, security, processing, and transfer of personally identifiable information of EU residents. Violations of the GDPR may result in significant fines and sanctions. Any failure, or perceived failure, by us to comply with the GDPR, or any other privacy, data protection, information security, or consumer protection-related privacy laws and regulations could result in financial losses and have an adverse effect on our reputation.

Further, we routinely experience cyber security threats and attempts to gain access to sensitive information, as do our customers, suppliers, and other third parties with which we work. We have established threat detection, monitoring, and mitigation processes and procedures and are continually exploring ways to improve these processes and procedures. However, we cannot provide assurance that these processes and procedures will be sufficient to prevent cyber security threats from materializing. If threats do materialize, we could experience significant financial or information losses and/or reputational harm. If we are unable to protect sensitive or confidential information from these threats, our customers or governmental authorities could question the adequacy of our threat mitigation and detection processes and procedures and, as a result, our present and future business could be negatively impacted.

*We are subject to financial maintenance covenants in our credit agreement and any failure to comply with such covenants, or obtain waivers in the event of non-compliance, could result in acceleration of outstanding indebtedness. Any additional issues related to B737 MAX production could cause us to breach our financial maintenance covenants.*

As of December 31, 2019, we had total debt of \$3,034.3 million, including \$438.5 million of borrowings under our term loan facility, \$800.0 million under our revolving credit facility, \$1,589.3 million of bonds, and \$206.5 million of finance lease and other obligations. In addition to our debt, as of December 31, 2019, we had \$21.5 million of letters of guarantee outstanding.

On February 24, 2020, we entered into an amendment (the “2020 Amendment”) to our 2018 Credit Agreement (as defined under *Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*, below). Prior to entering into the 2020 Amendment, the 2018 Credit Agreement required the Company to maintain as of the end of each fiscal quarter a total leverage ratio not exceeding 3.50:1.00, and an interest coverage ratio that is not less than 4.00:1.00, each based on a test period that is the most recent four quarters then ended. Given the production suspension and 2020 production rate for the B737 MAX, absent entering into 2020 Amendment, the Company was expected to breach the total leverage ratio beginning with the quarter ending March 31, 2020 continuing into 2021. The 2020 Amendment waived or modified the testing of the ratios set forth in the 2018 Credit Agreement until the commencement of the second fiscal quarter of 2021 (the “Reversion Date”) and put the following financial ratios and tests in place for such time period:

- Senior Secured Leverage Ratio: Commencing with the first fiscal quarter of 2020, the ratio of senior secured debt to consolidated EBITDA over the last twelve months shall not, as of the end of the applicable fiscal quarter, be greater than: (i) 3.00:1.00, with respect to the first fiscal quarter of 2020; (ii) 4.25:1.00, with respect to the second fiscal quarter of 2020; (iii) 5.50:1.00, with respect to the third fiscal quarter of 2020; (iv) 5.00:1.00, with respect to the fourth fiscal quarter of 2020; and (v) 3.00:1.00, with respect to the first fiscal quarter of 2021.
- Interest Coverage Ratio: Commencing with the first fiscal quarter of 2020, the interest coverage ratio as of the end of the applicable fiscal quarter shall not be less than: (i) 4.00:1.00, with respect to the

first fiscal quarter of 2020; (ii) 3.75:1.00, with respect to the second fiscal quarter of 2020; (iii) 2.50:1.00, with respect to the third fiscal quarter of 2020; (iv) 2.25:1.00, with respect to the fourth fiscal quarter of 2020; and (v) 3.75:1.00, with respect to the first fiscal quarter of 2021.

- **Minimum Liquidity:** As of the end of each fiscal month, commencing with the first fiscal month ending after entering into the 2020 Amendment, the Company shall have minimum liquidity of not less than: (i) \$1,000 million through, and including, the last fiscal month ending in the third fiscal quarter of 2020; (ii) \$850 million, as of the end of each fiscal month ending in the fourth fiscal quarter of 2020; and (iii) \$750 million, as of the end of each fiscal month ending in the first fiscal quarter of 2021; provided, however, that if the Company receives proceeds of at least \$750 million from the issuance of indebtedness before the Reversion Date, the minimum liquidity requirement shall remain at \$1,000 million. Liquidity includes cash and cash equivalents and amounts available to be drawn under the Revolver and the 2020 DDTL (as defined below).

Upon the Reversion Date, the ratios will revert back to the ratios in the 2018 Credit Agreement except that the total leverage ratio will be 4.00:1.00, with respect to the second fiscal quarter of 2021, returning to 3.50:1.00 thereafter. The Senior Secured Leverage Ratio and minimum liquidity covenants will no longer be applicable following the Reversion Date. The Credit Agreement is further described under *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources*, below.

There can be no assurance that we will be able to comply with the financial and other covenants in the 2018 Credit Agreement as amended by the 2020 Amendment (the "Credit Agreement"). Among other things, any delays or adverse changes to the B737 MAX production schedule or other program, on which we rely to generate revenue, or difficulties in managing our cost structure to take into account changes in production schedules to accommodate a ramp-up in production, could significantly adversely affect our operating income and materially adversely affect our liquidity. The need to fund our pending acquisitions and associated expenses could also adversely affect our liquidity. Our failure to comply with these covenants could cause us to be unable to borrow under the agreement and may constitute an event of default that, if not cured or waived, could result in the acceleration of the maturity of any indebtedness then outstanding under the agreement, which would require us to pay all amounts outstanding. As of December 31, 2019, we had \$1,239.7 million in indebtedness outstanding under the Credit Agreement. The occurrence of an event of default, or the acceleration of indebtedness under the Credit Agreement, could result in an event of default under other indebtedness we have outstanding as a result of cross-acceleration or cross default provisions, which would also entitle the creditors under those instruments to seek remedies, including requiring us to pay all amounts outstanding. There can be no assurance, in light of the B737 MAX grounding and resulting impacts on demand for the aircraft that, absent new debt or equity financing, the Company would have the funds to repay indebtedness that becomes due as a result of acceleration of the maturity in the future. Failure to maintain compliance with these covenants could (absent a further amendment or waiver)

have a material adverse effect on our financial position, operations, and solvency, and could adversely affect the market price for our common stock and our ability to obtain financing in the future.

The 2020 DDTL is subject to substantially the same financial and other covenants as the Credit Agreement, except with respect to any covenants or events of default relating to security.

*A decline in the Company's financial performance or outlook, or the financial markets generally, could negatively impact the Company's access to the global capital markets, reduce the Company's liquidity and increase its borrowing costs.*

We may periodically need to obtain additional financing in order to meet our debt obligations as they come due, to support our operations and/or to make acquisitions. Our access to the debt capital markets and the cost of borrowings are affected by a number of factors including market conditions and the strength of our credit ratings. A decline in the Company's financial performance or outlook due to internal or external factors, such as the B737 MAX grounding, could affect the Company's access to, and the availability or cost of financing on acceptable terms and conditions. There can be no assurance that the Company will have access to the global capital market on terms the Company finds acceptable. Limitations on the Company's ability to access the global capital markets, a reduction in the Company's liquidity or an increase in borrowing costs could materially and adversely affect the Company's ability to maintain or grow its business, which in turn may adversely affect its financial condition and results of operations.

*Our debt could adversely affect our financial condition and our ability to operate our business. The terms of our Credit Agreement impose significant operating and financial restrictions on our company and our subsidiaries, which could also adversely affect our operating flexibility and put us at a competitive disadvantage by preventing us from capitalizing on business opportunities.*

As of December 31, 2019, we had total debt of \$3,034.3 million, including \$1,238.5 million of borrowings under our Credit Agreement, \$1,589.3 million of long-term bonds, \$147.1 million of finance lease obligations, and approximately \$59.4 million in other debt obligations. In addition to our debt, as of December 31, 2019, we had \$21.5 million of letters of credit and letters of guarantee outstanding.

The terms of our Credit Agreement impose significant operating and financial restrictions on us, which limit our ability, among other things, to:

- incur additional debt or issue preferred stock with certain terms;
- pay dividends or make distributions to our stockholders over certain amounts;
- repurchase or redeem our capital stock;
- make investments;



- incur liens;
- enter into transactions with our stockholders and affiliates;
- sell certain assets;
- acquire the assets of, or merge or consolidate with, other companies (the Asco Acquisition and the Bombardier Acquisition are permitted thereunder);
- incur restrictions on the ability of our subsidiaries to make distributions or transfer assets to us; and
- consider strategic transactions.

These restrictions could have consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, strategic acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our financial flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors;
- having a material adverse effect on us if we fail to comply with the covenants in the Credit Agreement or in the indentures governing our long-term bonds or in the instruments governing our other debt; and
- increasing our cost of borrowing.

The terms of our Credit Agreement became significantly more restrictive as a result of the 2020 Amendment. We cannot assure you that we will be able to maintain compliance with the covenants in the agreements governing our indebtedness in the future or, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

In addition, despite the restrictions and limitations described above, subject to the limits contained in the agreements governing our indebtedness, we may be able to incur additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. The terms of any future indebtedness we may incur could include more restrictive covenants. If we incur additional debt, the risks related to our high level of debt could intensify.

In addition, if we are unable to generate sufficient cash flow to service our debt and meet our other commitments, we may need to refinance all or a portion of our debt, sell material assets or operations, or raise additional debt or equity capital. We cannot provide assurance that we could affect any of these actions on a timely basis, on commercially reasonable terms or at all, or that these actions would be sufficient to meet our capital requirements. In addition, the terms of our existing or future debt agreements may restrict us from effecting certain or any of these alternatives.

*Any reduction in our credit ratings could limit the Company's ability to obtain future financing, increase its borrowing costs, increase the pricing of its credit facilities, adversely affect the market price of its securities, or otherwise impair its business, financial condition, and results of operations.*

As of December 31, 2019, our corporate credit ratings were BBB- by Standard & Poor's Global Ratings ("S&P"), and Baa3 by Moody's Investors Service, Inc. ("Moody's"). On January 13, 2020, Moody's downgraded the Company's credit rating from Baa3 to Ba2, and the Company continues to be under review for a possible downgrade. On January 31, 2020, S&P downgraded the Company's credit rating from BBB- to BB.

The ratings reflect the agencies' assessment of our ability to pay interest and principal on our debt securities and credit agreements. A rating is not a recommendation to purchase, sell, or hold securities. Each rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating agency has its own methodology for assigning ratings and, accordingly, each rating should be considered independently of all other ratings. Lower ratings would typically result in higher interest costs of debt securities when they are sold, could make it more difficult to issue future debt securities, could require us to provide creditors with more restrictive covenants, which would limit our flexibility and ability to pay dividends and may require us to pledge additional collateral under our credit facility. Any downgrade in our credit ratings could thus have a material adverse effect on our business or financial condition.

*Our delayed draw term loan facility has a short maturity and as a result only potentially would provide liquidity for a brief period.*

The 2020 DDTL is intended to function as a short-term liquidity facility, if needed. The 2020 DDTL is available to be drawn until August 15, 2020, and matures and shall be repaid in full (if drawn) on the earlier to occur of (a) September 15, 2020 and (b) the date that is 45 days after the date on which the Federal Aviation Administration re-certifies the B737 MAX program. The commitments and loans under the 2020 DDTL are subject to mandatory reduction or prepayment, as applicable, with 100% of the net cash proceeds from issuances of indebtedness and equity interests, subject to certain exceptions. As a result, if Spirit receives net cash proceeds from issuances of indebtedness or equity that exceed the amount of the 2020 DDTL, the commitments under that facility will be canceled and any amounts outstanding prepaid.

*We may sell more equity and reduce your ownership in Spirit Holdings.*

Our business plan may require the investment of new capital, which we may raise by issuing additional equity (including equity interests that may have a preference over shares of our Common Stock). However, this capital may not be available at all, or when needed, or upon terms and conditions favorable to us. The issuance of additional equity in

Spirit Holdings may result in significant dilution of shares of our Common Stock. We may issue additional equity in connection with or to finance acquisitions and to enhance our liquidity in connection to the B737 MAX grounding. Further, our subsidiaries could issue securities in the future to persons or entities (including our affiliates) other than us or another subsidiary. This could materially adversely affect your investment in us because it would dilute your indirect ownership interest in our subsidiaries.

*Spirit Holdings' certificate of incorporation and by-laws and our supply agreements with Boeing contain provisions that could discourage another company from acquiring us and may prevent attempts by our stockholders to replace or remove our current management.*

Provisions of Spirit Holdings' certificate of incorporation and by-laws may discourage, delay, or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders

might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our current board of directors. These provisions include:

- advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- the authority of the board of directors to issue, without stockholder approval, up to 10 million shares of preferred stock with such terms as the board of directors may determine.

In addition, our supply agreements with Boeing include provisions giving Boeing the ability to terminate the agreements in the event any of certain disqualified persons acquire a majority of Spirit's direct or indirect voting power or all or substantially all of Spirit's assets. See "Business - Our Relationship with Boeing."

## Item 1B. Unresolved Staff Comments

None.

## Item 2. Significant Properties

The location, primary use, approximate square footage and ownership status of our principal properties as of December 31, 2019 are set forth below:

Location	Primary Use	Approximate Square Footage	Owned/Leased
<b>United States</b>			
Wichita, Kansas <sup>(1)</sup>	Primary Manufacturing Facility/Offices/Warehouse	12.8 million	Owned/Leased
Tulsa, Oklahoma	Manufacturing Facility	1.73 million	Leased
McAlester, Oklahoma	Manufacturing Facility	139,000	Owned
Kinston, North Carolina	Primary Manufacturing/Office/Warehouse	851,000	Leased
San Antonio, Texas	Manufacturing/Warehouse	320,000	Leased
<b>United Kingdom</b>			
Prestwick, Scotland	Manufacturing Facility	935,000	Owned
<b>Malaysia</b>			
Subang, Malaysia	Manufacturing	386,000	Owned/Leased
<b>France</b>			
Saint-Nazaire, France	Primary Manufacturing/Office	58,800	Leased

(1) 88% of the Wichita facility is owned.

Our physical assets consist of 17.2 million square feet of building space located on 1,349 acres in eight facilities. We produce our fuselage systems and propulsion systems from our primary manufacturing facility located in Wichita, Kansas with some fuselage work done in our Kinston, North Carolina; Saint Nazaire, France; and Subang, Malaysia

facilities. We produce wing systems in our manufacturing facilities in Tulsa, Oklahoma; Kinston, North Carolina; Prestwick, Scotland; and Subang, Malaysia. In addition to these sites, we have a facility located in McAlester, Oklahoma that supplies machined parts and sub-assemblies to the Wichita and Tulsa facilities, and is now offering services to

third parties as part of our focus on leveraging our fabrication and assembly expertise. In July 2019 we leased a facility in San Antonio, Texas from Advanced Integration Technology which specializes in sheet metal fabrication, machining, metal finishing and kitting.

The Wichita facility, which includes Spirit's corporate offices, is comprised of 650 acres, 8.0 million square feet of manufacturing space, 1.8 million square feet of offices and laboratories for the engineering and design group and 3.0 million square feet for support functions and warehouses. A total of 568,000 square feet are currently vacant, with 280,000 square feet of that planned to support increases in rates across programs and the expansion of fabrication and assembly work. Two new facilities were constructed in Wichita in 2019. The first is the Global Digital Logistics Center, a 170,000 square foot automated warehouse that was completed in November 2019. The second is the Northeast Manufacturing Facility, a 150,000 square foot manufacturing building that houses the B767 section 41 program. The Wichita site has access to transportation by rail, road, and air via the runways of McConnell Air Force Base. Additionally, a 6,000 square foot lease commenced in January 2019 on the Wichita State University (WSU) campus to establish an innovative relationship between Spirit AeroSystems and WSU through the National Institute for Aviation Research and the WSU Campus of Applied Sciences and Technology. The three areas of strategic focus are joint strategic research projects, applied learning opportunities for WSU students, and improved workforce training services to meet the growing demands of the aerospace industry. Lastly, Spirit AeroSystems purchased two buildings from Air Capital Flight Line in December 2019. They include a 106,000 square foot office building to be used as a Defense headquarters and a 140,000 square foot building to be used as a Research & Technology Lab. Included in the purchase is 19.85 acres.

The Tulsa facility consists of 1.73 million square feet of building space set on 147 acres. The Tulsa plant is located five miles from an international shipping port (Port of Catoosa) and is located next to the Tulsa International Airport. Triumph currently subleases 78,000 square feet of the Tulsa plant for manufacturing purposes. The sublease includes 66,000 square feet of manufacturing space and 12,000 square feet of office space. The McAlester site, which manufactures parts and sub-assemblies, consists of 139,000 square feet of building space on 90 acres.

The Prestwick facility consists of 935,000 square feet of building space, comprised of 424,000 square feet of manufacturing space, 255,000 square feet of office space, and 256,000 square feet of warehouse/support space. This facility is set on 93 acres. The Aerospace Innovation Center, a new 70,000 square foot facility, is scheduled for completion in late September 2020. The Prestwick plant is located within close proximity

to the motorway network that provides access between England and continental Europe. It is also easily accessible by air (at Prestwick International Airport) or by sea. A portion of the Prestwick facility is leased to the Regional Aircraft division of BAE Systems and certain other tenants.

The Malaysian manufacturing plant is located at the Malaysia International Aerospace Center in Subang. The 386,000 square foot leased facility is set on 45 acres and is centrally located with easy access to Kuala Lumpur, as well as nearby ports and airports. The facility assembles composite panels for wing components. A new 57,000 square foot warehouse was constructed in June 2018 to accommodate the need for more manufacturing space in the facility.

The Wichita and Tulsa manufacturing facilities have significant scale to accommodate the very large structures that are manufactured there, including, in Wichita, entire fuselages. Three of the U.S. facilities are in close proximity, with approximately 175 miles between Wichita and Tulsa and 90 miles between Tulsa and McAlester. Currently, these U.S. facilities utilize approximately 95% of the available building space.

The Kinston, North Carolina facility supports the manufacturing of composite panels and wing components. The primary manufacturing site and off-site leased spaces total 318 acres and 851,000 square feet. In addition to the primary manufacturing facility, this includes three additional buildings leased from the North Carolina Global Transpark Authority: a 27,800 square foot warehouse/office supporting receiving needs, a 26,400 square foot warehouse providing tooling storage, and a 121,000 square foot manufacturing facility supporting light manufacturing. A new 11,000 square foot Trim & Drill expansion facility was completed in November 2018 in support of the A350 XWB program.

The Saint-Nazaire, France site was built on 6.25 acres and totals 58,800 square feet. This facility receives center fuselage frame sections for the Airbus A350 XWB from the facility in Kinston, North Carolina. Sections designed and manufactured in North Carolina are shipped across the Atlantic, received in Saint-Nazaire, and assembled before being transported to Airbus.

The San Antonio, Texas site is located within one mile of the San Antonio International Airport. The 320,000 square foot site specializes in sheet metal fabrication, machining, minor assembly, and chemical processing. Parts for several of Spirit's programs, including the B737 and the B787 are manufactured at the facility. Spirit acquired the facility to maintain the flow of parts and improve delivery performance.

## Item 3. Legal Proceedings

Information concerning the litigation and other legal proceedings in which the Company is involved may be found in Note 22 to the Consolidated Financial Statements, *Commitments, Contingencies and Guarantees*, under the sub-heading "Litigation" in this Annual Report and that information is hereby incorporated by reference.



## Item 4. Mine Safety Disclosures

Not applicable.

## Executive Officers of the Registrant

Listed below are the names, ages, positions held, and biographies of all executive officers of Spirit Holdings. Executive officers hold office until their successors are appointed, or until their death, retirement, resignation, or removal.

**Tom Gentile III, 55.** Mr. Gentile became President and Chief Executive Officer on August 1, 2016. From April 2016 to July 2016, Mr. Gentile served as Executive Vice President and Chief Operating Officer. From 2014 to April 2016, Mr. Gentile served as President and Chief Operating Officer of GE Capital where he oversaw GE Capital's global operations, IT, and capital planning and served on its board of directors. Mr. Gentile had been employed by GE since 1998, and prior to his most recent position with GE, held the position of President and CEO of GE Healthcare's Healthcare Systems division from 2011 until 2014 and the position of President and CEO of GE Aviation Services from 2008 until 2011. Mr. Gentile received his Bachelor of Arts degree in economics and Master of Business Administration degree from Harvard University, and also studied International Relations at the London School of Economics.

**Mark Suchinski, 53.** Mr. Suchinski became Senior Vice President and Chief Financial Officer on January 29, 2020. Mr. Suchinski has been with Spirit since 2006 and served as the Company's and Spirit's Vice President, Controller and Principal Accounting Officer from February 2014 to February 2018. Most recently, Mr. Suchinski served as Spirit's Vice President, Quality, beginning in August 2019 and as Spirit's Vice President, Boeing 787 Program, from February 2018 to August 2019. Prior to February 2014, he held the following roles at Spirit: October 2013 to February 23, 2014 - Vice President, Treasurer and Financial Planning; August 2012 to October 2013 - Vice President, Finance and Treasurer; from July 2010 to August 2012, Vice President, Financial Planning & Analysis and Corporate Contracts; and 2006 - July 2010, Controller, Aerostructures Segment. Prior to joining Spirit in 2006, he was at Home Products International, where he held the position of Corporate Controller from 2000 to 2004 and the position of Vice President and Chief Accounting Officer from 2004 to 2006. Prior to that, he held financial leadership positions of controller and senior finance manager at other companies. He also spent three years in public accounting. Mr. Suchinski received his Bachelor of Science degree in Accounting from DePaul University.

**William (Bill) Brown, 57.** Mr. Brown has served as Senior Vice President, Boeing Programs, since October 1, 2018. Previously, from 2014 to 2018, Mr. Brown served as Senior Vice President and General Manager, Oklahoma Operations, Business and Regional Jets and Global Customer Support. Mr. Brown assumed responsibility of Oklahoma Operations in December 2014 and responsibility of Business and Regional Jets in September 2017. Mr. Brown joined Spirit in May 2014 as Senior Vice

President, Global Customer Support and Services. Previously, Mr. Brown served as Executive Vice President for Global Operations and President for Global Customer Service and Support at Beechcraft from 2007 to May 2014. Prior to joining Beechcraft, Mr. Brown served as President and General Manager of AAR Aircraft Services in Oklahoma and held senior-level positions with Independence Air, Avborne Inc. and Midwest Airlines. Mr. Brown received his Bachelor of Science degree in Aviation Management from Oklahoma State University and his Masters of Business Administration degree from Colorado State University. He also holds an A&P license and is a commercial instrument pilot.

**Stacy Cozad, 49.** Ms. Cozad became Senior Vice President, General Counsel, Chief Compliance Officer, and Corporate Secretary in September 2017. Previously, Ms. Cozad served Spirit as Senior Vice President, General Counsel, and Corporate Secretary since January 4, 2016. Prior to joining Spirit, she served as Southwest Airlines' associate general counsel for litigation from October 2006 to December 2015, overseeing all litigation for the airline. Prior to joining Southwest, Ms. Cozad was an associate and partner in private law practices from September 1997 to September 2006, working on high-profile litigation cases. Ms. Cozad earned a Bachelor of Arts degree in behavioral science from Concordia University Texas and her Juris Doctor degree from Pepperdine University.

**Duane Hawkins, 61.** Mr. Hawkins became Senior Vice President of Defense and Fabrication in October 2018. In January 2019, Mr. Hawkins was also given the title of President, Defense and Fabrication Division. Previously, from July 2015 to October 2018, he served as Senior Vice President and General Manager of Boeing, Defense, Business and Regional Jet Programs and Global Customer Support. From July 2013 to June 2015, Mr. Hawkins served as Senior Vice President, Operations. In that position, he had responsibility and oversight for Defense, Supply Chain Management, Fabrication, Global Quality, and Operations, including global footprint, Manufacturing Engineering, Industrial Engineering, and Tooling. Prior to joining Spirit, Mr. Hawkins held several positions at Raytheon Missile Systems between 2002-2013. Mr. Hawkins served as Vice President, Deputy Air Warfare Systems; Vice President, Deputy Land Combat Systems; and Vice President, Deputy Supply Chain Management and Standard Missile Program Director. From 1994 to 2001, Mr. Hawkins was President of Defense Research Inc., and from 1993 to 1994 he was Vice President, Engineering at the company. He was factory manager for Hughes Missile Systems/ General Dynamics from 1991 to 1993, and Chief of Manufacturing Engineering for General Dynamics Missile Systems from 1988 to 1991. Mr. Hawkins holds a Bachelor of Science degree in manufacturing/industrial engineering from Brigham Young University and a Master in Business Administration degree from Regis University.

**Samantha Marnick, 49.** Ms. Marnick has served as the Company's Executive Vice President, Chief Administration Officer and Strategy since October 1, 2018. Her responsibilities also include mergers and acquisitions, global customer support and services, and business and regional jets. From August 2016 to October 1, 2018, Ms. Marnick served as Executive Vice President, Chief Administration Officer. From October 2012 to July 2016, Ms. Marnick served as Senior Vice President, Chief Administration Officer. From January 2011 to September 2012, Ms. Marnick served as Senior Vice President of Corporate Administration and Human Resources. From March 2008 to December 2010, Ms. Marnick served as Vice President, Labor Relations and Workforce Strategy, responsible for labor relations, the global human resource project management office, compensation and benefits, and workforce planning. Ms. Marnick previously served as Director of Communications and Employee Engagement from March 2006 to March 2008. Prior to joining the Company, Ms. Marnick was a senior consultant and Principal for Mercer Human Resource Consulting, holding management positions in both the U.K. and in the U.S. Prior to that, Ms. Marnick worked for Watson Wyatt, the UK's Department of Health and Social Security and The British Wool Marketing Board. Ms. Marnick holds a Master degree in Corporate Communication Strategy and Management from the University of Salford.

**Kevin Matthies, 50.** Mr. Matthies became Senior Vice President, Global Fabrication in September 2017. Mr. Matthies joined Spirit in 2013 and has held various leadership roles in both Airbus and Boeing program management, most recently serving as Vice President, General Manager of the B787 program until September 2017. Prior to joining Spirit AeroSystems, Mr. Matthies spent 26 years at Raytheon Missile Systems, where he most recently served as President of the Javelin joint venture between Raytheon and Lockheed Martin. Mr. Matthies is a 30 year veteran of the aerospace industry, having worked in executive positions for Raytheon Missile Systems, Hughes Aircraft Company, and General Dynamics. Mr. Matthies earned a Bachelor degree in Computer Science from California State University, San Bernardino, and a Master degree in Systems Engineering from the University of Arizona. He is a graduate of Raytheon's Leadership Excellence Program and was the recipient of the Raytheon 2010 Corporate Program Leadership Award.

**Scott McLarty, 50.** Mr. McLarty became Senior Vice President of Airbus Programs in November 2018. Before assuming the senior vice president position, Mr. McLarty was a Vice President with responsibility for Spirit's U.K. and Malaysia business units and was responsible for developing the strategy and driving profitable growth. Mr. McLarty joined Spirit in April 2006 as part of the acquisition of the UK BAE Systems' Aerostructures business unit which created Spirit AeroSystems (Europe) Ltd. Throughout his extensive career, Mr. McLarty has held a number of leadership roles in Operations, Project Management, Business Improvement, Supply Chain and HR. He has worked on several aircraft programs including Boeing, Airbus, Hawker, Business Jets and Jetstream aircraft. Mr. McLarty has a breadth of experience in the aerospace industry gathered over 26 years and has key skills within project and program management, HR and industrial relations, commercial customer & government relations, business turnaround and driving strategic growth. Mr. McLarty holds external board-level positions and is influential within the industry and supporting bodies including government boards. He is a Chartered Fellow of the Institute of Personnel Development (FCIPD) and a Fellow of the Royal Aeronautical Society. He holds a Fellowship in Aerospace Manufacturing Management (FAMM) gained at Cranfield University.

**Vic McMullen, 56.** Mr. McMullen became Senior Vice President of Global Manufacturing and Boeing Operations in October 2018, with overall responsibility for Wichita and Oklahoma Operations and Operations Excellence. Mr. McMullen held multiple vice president and general manager positions before joining the executive leadership team, including all Wichita Boeing Program Operations, Supply Chain, Fabrication, and Sikorsky Helicopter and Bell V-280 for the Fuselage business segment. Mr. McMullen has been with Spirit since 2005 when the company was formed following the divestiture of the Commercial Airplanes Wichita Division from Boeing. Before working for Spirit, Mr. McMullen was employed by the Boeing Company for 20 years. During his tenure at Boeing, he held positions in Military/Commercial Modifications, Propulsion, Fuselage business units and Quality. Mr. McMullen is a graduate of Southwestern College with a Bachelor of Science in Strategic Leadership.

**John Pilla, 60.** Mr. Pilla has served as Senior Vice President, Chief Technology Officer since September 2017. Previously, Mr. Pilla served as the Senior Vice President of Engineering and Chief Technology Officer from June 2015 to September 2017. From May 2013 to June 2015, Mr. Pilla served as the Senior Vice President/General Manager - Airbus and A350 XWB Program Management. Mr. Pilla previously served as the Senior Vice President/General Manager, Propulsion Systems Segment from July 2009 through May 2013 as well as the Senior Vice President/General Manager of the Wing Systems Segment from September 2012 through May 2013. From July 2011 to May 2013, he was also responsible for the Aftermarket Customer Support Organization. From April 2008 to July 2009, Mr. Pilla was Chief Technology Officer of Spirit Holdings and he served as Vice President/General Manager-787 of Spirit Holdings and/or Spirit, a position he assumed at the date of the Boeing Acquisition in June 2005 and held until March 2008. He received his Bachelor degree in Aerospace Engineering from Kansas University, and a Master degree in Aerospace Structures Engineering and a Master of Business Administration degree from Wichita State University.

**Ron Rabe, 54.** Mr. Rabe became the Company's Senior Vice President of Operations and the Chief Procurement Officer in October 2018. From September 2017 to October 2018, Mr. Rabe served as the Company's Senior Vice President, Fabrication and Supply Chain Management and from June 2015 to September 2017, Mr. Rabe served as the Company's Senior Vice President of Operations. Prior to joining Spirit in June 2015, Mr. Rabe was Eaton Corporation's vice president of global manufacturing and supply chain, vehicle group from June 2011 to June 2015. In that role he had responsibility for global operations of more than 40 sites, including with respect to supply chain, quality, materials, advanced manufacturing and lean manufacturing. From September 2009 to June 2011, Mr. Rabe worked at Eaton Aerospace Group, leading global operations on conveyance systems and operational support for the F-35, CH-53K, 787, and A350 new programs. Mr. Rabe also led operations for the global vehicle group and was responsible for opening new sites in China, India, and Mexico from 2000 to 2009. He started his career at the Boeing Company in Wichita in 1986. Mr. Rabe holds a Bachelor of Science degree from Newman University and a Masters of Business Administration degree from the Ross School of Business at University of Michigan in Ann Arbor.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our class A common stock ("Common Stock") has been quoted on the NYSE under the symbol "SPR" since November 21, 2006. As of February 24, 2020, there were approximately 3,819 holders of record of Common Stock and, in addition, there were approximately 63,000 stockholders with shares in street name or nominee accounts. The closing price on February 24, 2020 was \$62.57 per share as reported by the NYSE.

#### Securities Authorized for Issuance under Equity Compensation Plans

The following table represents restricted shares outstanding under the Omnibus Incentive Plan as of December 31, 2019.

#### Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuances Under the Equity Compensation Plans (Excluding Securities Reflected in Column (a))
	(a)	(b)	
<b>Restricted Stock Awards</b>			
Equity compensation plans approved by security holders <sup>(1)(2)</sup>	433,227	N/A	5,308,653
Equity compensation plans not approved by security holders <sup>(2)</sup>	—	—	—
<b>TOTAL</b>	<b>433,227</b>	<b>—</b>	<b>5,308,653</b>

(1) On April 30, 2014, the Company's Board of Directors approved the Omnibus Incentive Plan of 2014 (as amended, the "Omnibus Plan"). The Omnibus Plan was approved by the Company's stockholders at the Company's 2014 annual stockholder's meeting. The Omnibus Plan provides for the issuance of incentive awards to officers, directors, employees, and consultants in the form of restricted stock, restricted stock units, stock appreciation rights, and other equity compensation, in lieu of cash compensation. The Omnibus Plan was amended on October 23, 2019, to allow for participants to elect between the minimum and maximum tax withholding amounts for equity awards.

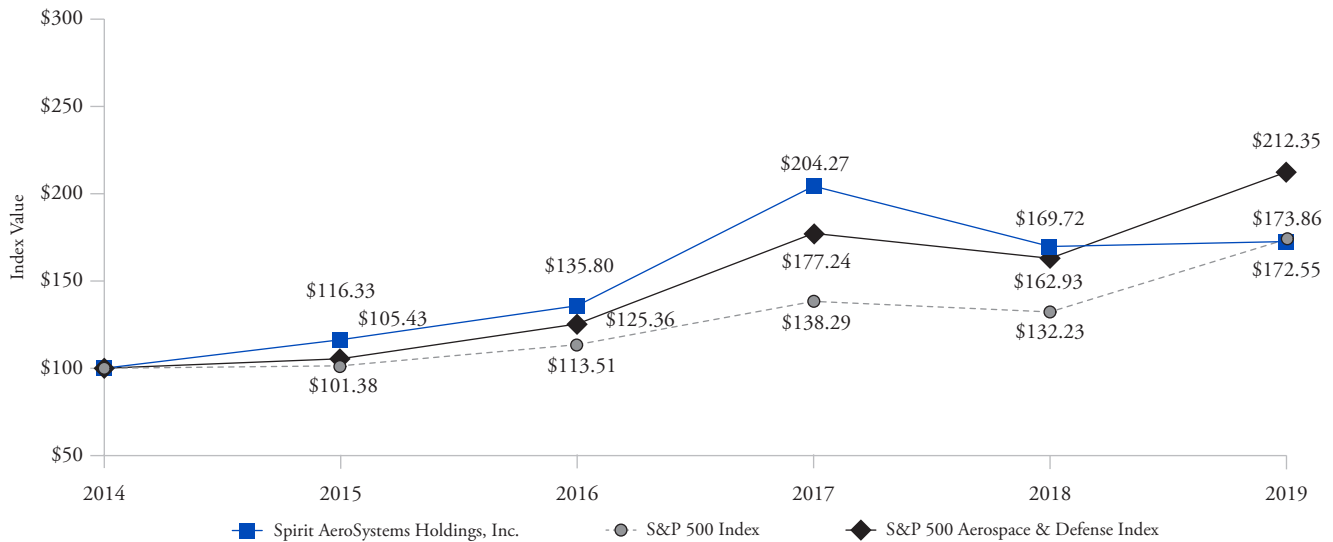
(2) Represents time-based and performance-based long-term incentives that may be issued under the Omnibus Plan. For outstanding performance-based awards, the amount shown reflects the maximum payout. The amount of shares that could be paid out under the performance-based awards ranges from 0-200% based on actual performance. On the initial grant dates for these performance-based awards, the Company grants shares of restricted stock in the amount that would vest if the Company achieves the award target.



## Stock Performance

The following graph shows a comparison from December 31, 2014 through December 31, 2019 of cumulative total return of our Common Stock, Standard & Poor's 500 Stock Index, and the Standard & Poor's 500 Aerospace & Defense Index. Such returns are based on historical results and are not intended to suggest future performance. We made dividend payments on our Common Stock during the year ended December 31, 2019.

Comparison of Cumulative Five Year Total Returns



## INDEXED RETURNS

Company/Index	Years Ending					
	Base Period 12/31/14	12/31/2015	12/31/2016	12/31/2017	12/31/2018	12/31/2019
Spirit AeroSystems Holdings, Inc.	100	116.33	135.80	204.27	169.72	172.55
S&P 500 Index	100	101.38	113.51	138.29	132.23	173.86
S&P 500 Aerospace & Defense Index	100	105.43	125.36	177.24	162.93	212.35

## Dividends

The Company paid cash dividends of \$0.12 per share of Common Stock in each quarter in 2019. The total amount of dividends paid during 2019 was \$50.4 million. On February 6, 2020, the Company announced that its Board of Directors reduced its quarterly dividend to a penny per share to preserve liquidity until B737 MAX production reaches higher levels. Accordingly, on February 6, 2020, the Board declared a \$0.01 per share quarterly cash dividend on the outstanding Common Stock of the Company payable on April 9, 2020 to stockholders of record at the close of business on March 20, 2020. The Board regularly

evaluates the Company's capital allocation strategy and dividend policy. Any future determination to continue to pay dividends will be at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions, including the requirements of financing agreements to which we may be a party. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all.

## Issuer Purchases of Equity Securities

The following table provides information about our repurchases during the three months ended December 31, 2019 of our Common Stock that is registered pursuant to Section 12 of the Exchange Act.

### ISSUER PURCHASES OF EQUITY SECURITIES

Period <sup>(1)</sup>	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Repurchased Under the Plans or Programs <sup>(2)</sup>
(\$ in millions other than per share amounts)				
September 27, 2019 - October 31, 2019	—	—	—	\$ 925.0
November 1, 2019 - November 28, 2019 <sup>(3)</sup>	7,623	\$ 88.94	—	\$ 925.0
November 29, 2019 - December 31, 2019	—	—	—	\$ 925.0
<b>TOTAL</b>	<b>7,623</b>	<b>\$ 88.94</b>	<b>—</b>	<b>\$ 925.0</b>

(1) Our fiscal months often differ from the calendar months except for the month of December, as our fiscal year ends on December 31. For example, November 28, 2019 was the last day of our November 2019 fiscal month.

(2) On October 28, 2018, the Board of Directors increased the capacity of its share repurchase program to \$1.0 billion. During the three months ended March 28, 2019, the Company repurchased 0.8 million shares of its Common Stock for \$75.0 million. As a result, the total authorization amount remaining under the share repurchase program is \$925.0 million. Share repurchases are currently on hold pending the outcome of the B737 MAX grounding. The 2020 Amendment imposes additional restrictions on the Company's ability to repurchase shares.

(3) The repurchase of shares related to an administrative error correction related to the issuance ratification previously disclosed in Item 5 of the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 2019.

## Item 6. Selected Financial Data

### Selected Consolidated Financial Information and Other Data

The following table sets forth our selected consolidated financial data for each of the periods indicated. Financial data is derived from the audited consolidated financial statements of Spirit Holdings. The audited consolidated financial statements for the years ended December 31, 2019, December 31, 2018, and December 31, 2017 are included

in this Annual Report. You should read the information presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined and consolidated financial statements and related notes contained elsewhere in the Annual Report.

	Spirit Holdings				
	Twelve Months Ended				
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
(\$ in millions, except per share data)					
<b>Statement of Income Data:</b>					
Net revenues	\$ 7,863.1	\$ 7,222.0	\$ 6,983.0	\$ 6,792.9	\$ 6,643.9
Cost of sales <sup>(1)</sup>	6,786.4	6,135.9	6,195.3	5,800.3	5,532.3
Selling, general and administrative <sup>(2)</sup>	261.4	210.4	204.7	230.9	220.8
Impact of severe weather event	—	(10.0)	19.9	12.1	—
Research and development	54.5	42.5	31.2	23.8	27.8

	Spirit Holdings				
	Twelve Months Ended				
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
<i>(Dollars in millions, except per share data)</i>					
Operating income	760.8	843.2	531.9	725.8	863.0
Interest expense and financing fee amortization	(91.9)	(80.0)	(41.7)	(57.3)	(52.7)
Other (expense) income, net	(5.8)	(7.0)	44.4	(8.0)	(2.2)
Income before income taxes and equity in net income of affiliates	663.1	756.2	534.6	660.5	808.1
Income tax provision	(132.8)	(139.8)	(180.0)	(192.1)	(20.6)
Equity in net income of affiliates	(0.2)	0.6	0.3	1.3	1.2
<b>NET INCOME</b>	<b>\$ 530.1</b>	<b>\$ 617.0</b>	<b>\$ 354.9</b>	<b>\$ 469.7</b>	<b>\$ 788.7</b>
Earnings per share, basic	\$ 5.11	\$ 5.71	\$ 3.04	\$ 3.72	\$ 5.69
Shares used in per share calculation, basic	103.6	108.0	116.8	126.1	138.4
Earnings per share, diluted	\$ 5.06	\$ 5.65	\$ 3.01	\$ 3.70	\$ 5.66
Shares used in per share calculation, diluted	104.7	109.1	117.9	127.0	139.4
Dividends declared per common share	\$ 0.48	\$ 0.46	\$ 0.40	\$ 0.10	\$ —

- (1) Included in 2019 costs of sales are net forward loss charges of (\$63.5) million. Included in 2018 costs of sales are net favorable changes in estimates on loss programs of \$3.9 million. Included in 2017 costs of sales are net forward loss charges of (\$327.3) million. Included in 2016 costs of sales are net forward loss charges of (\$118.2) million. Included in 2015 costs of sales are net favorable changes in estimates on loss programs of \$10.8 million. Includes cumulative catch-up adjustments of (\$2.0) million, (\$3.8) million, \$31.2 million, \$36.6 million, and \$41.6 million for periods prior to the twelve months ended December 31, 2019, 2018, 2017, 2016, and 2015, respectively.
- (2) Includes non-cash stock compensation expenses of \$36.1 million, \$27.4 million, \$22.1 million, \$42.5 million, and \$26.0 million for the twelve months ended December 31, 2019, 2018, 2017, 2016, and 2015, respectively.

	Spirit Holdings				
	Twelve Months Ended				
	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
<i>(Dollars in millions)</i>					
<b>Other Financial Data:</b>					
Net cash provided by operating activities	\$ 922.7	\$ 769.9	\$ 573.7	\$ 716.9	\$ 1,289.7
Net cash used in investing activities	\$ (239.9)	\$ (267.8)	\$ (272.8)	\$ (253.4)	\$ (357.4)
Net cash provided by (used in) financing activities	\$ 884.4	\$ (153.5)	\$ (578.7)	\$ (718.7)	\$ (351.1)
Purchase of property, plant, & equipment	\$ (232.2)	\$ (271.2)	\$ (273.1)	\$ (254.0)	\$ (360.1)
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 2,350.5	\$ 773.6	\$ 423.3	\$ 697.7	\$ 957.3
Accounts receivable, net	\$ 546.4	\$ 545.1	\$ 722.2	\$ 660.5	\$ 537.0
Inventories, net	\$ 1,118.8	\$ 1,012.6	\$ 1,449.9	\$ 1,515.3	\$ 1,774.4
Property, plant & equipment, net	\$ 2,271.7	\$ 2,167.6	\$ 2,105.3	\$ 1,991.6	\$ 1,950.7
Total assets	\$ 7,606.0	\$ 5,685.9	\$ 5,267.8	\$ 5,405.2	\$ 5,764.5
Total debt	\$ 3,034.3	\$ 1,895.4	\$ 1,151.0	\$ 1,086.7	\$ 1,120.2
Long-term debt	\$ 2,984.1	\$ 1,864.0	\$ 1,119.9	\$ 1,060.0	\$ 1,085.3
<b>TOTAL EQUITY</b>	<b>\$ 1,761.9</b>	<b>\$ 1,238.1</b>	<b>\$ 1,801.5</b>	<b>\$ 1,928.8</b>	<b>\$ 2,120.0</b>



## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis should be read in conjunction with the Consolidated Financial Statement and notes thereto.

### Management's Focus

In 2019, management's focus revolved around operational execution, with a focus on safety and quality while working to meet our customers' requirements and organic and inorganic growth opportunities.

In 2020, management's focus will continue to be on operational execution in addition to closing and integrating the Asco Acquisition and Bombardier Acquisition, and preserving liquidity in light of the continued grounding of the B737 MAX and lower 2020 production rates.

### Programs

#### B737 Program

2019 was a challenging year for the B737 program. 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 reduce its production rate of the B737 MAX aircraft from 52 to 42 aircraft per month. On April 12, 2019, Boeing and Spirit entered into the 2019 MOA relating to Spirit's production of aircraft with respect to the B737 program. Under the MOA, Spirit was to maintain its delivery rate of 52 shipsets per month with respect to the B737 program following Boeing's announced temporary adjustment in the production rate from 52 to 42 aircraft per month. The MOA established that all excess shipments (B737 shipsets in excess of Boeing's rate) would be deemed to be delivered to Boeing "FOB" at Spirit's facilities, which would trigger Boeing's payment obligations for the excess shipsets. Under the 2019 MOA, the Company received an advance payment from Boeing in the amount of \$123.0 million during the third quarter of 2019.

On December 19, 2019, Boeing directed Spirit to stop all B737 MAX deliveries to Boeing effective January 1, 2020, due to Boeing's announced temporary suspension of B737 MAX production. Accordingly, Spirit suspended all B737 MAX production beginning on January 1, 2020. On February 6, 2020, Boeing and Spirit entered into the 2020 MOA providing for Spirit to deliver to Boeing 216 B737 MAX shipsets in 2020. The production rate agreed for 2020 represents less than half of Spirit's B737 MAX annualized production rate in 2019. The Company does not expect to be back at a production rate of 52 aircraft per month until late 2022.

The 2020 MOA provided that the \$123.0 million advance would be repaid by offset against the purchase price for year 2022 shipset deliveries. In addition, the 2020 MOA provided that Boeing will pay \$225 million to Spirit in the first quarter of 2020, consisting of (i) \$70 million in support of Spirit's inventory and production stabilization, of which \$10 million will be repaid by Spirit in 2021, and (ii) \$155 million as an incremental pre-payment for costs and shipset deliveries over the next two years. The 2020 MOA also extended B737 MAX pricing terms through 2033 (previously, the pricing was through December 31, 2030).

The parties will execute amendments to their underlying long-term contracts to incorporate the 2020 MOA on or before 60 calendar days following the B737 MAX U.S. Federal Aviation Administration ungrounding. The foregoing description of the 2020 MOA does not purport to be complete and is qualified in its entirety by reference to the full text of the 2020 MOA, which will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the first quarter of 2020, subject to certain omissions of confidential portions.

While Spirit has taken actions to align its cost structure to the production suspension and 2020 production rate, including instructing its suppliers to stop delivering B737 MAX products throughout the suspension, implementing workforce actions, and reducing its quarterly dividend, the B737 MAX situation presents challenges to Spirit's liquidity. Spirit has fully drawn all \$800 million of the Revolver (as defined below) to address critical issues that may arise and agreed to maintain minimum liquidity as required by the Company's Credit Agreement through the first quarter of 2021. If Boeing is unable to return the B737 MAX to service in one or more jurisdictions, begin timely deliveries to customers, if production levels are reduced beyond current expectations due to depressed demand or otherwise, or if Spirit has difficulties in managing its cost structure to take into account changes in production schedules or to accommodate a ramp-up in production, Spirit's liquidity position may worsen absent Spirit's ability to procure additional financing, Spirit may trigger an event of default under its credit facilities, and Spirit's business, financial condition, results of operations and cash flows could be materially adversely impacted. The need to fund the Asco Acquisition and the Bombardier Acquisition and related expenses could also adversely affect our liquidity.

Based on Boeing's public statements, we have assumed that regulatory approval will enable Boeing's 737 MAX deliveries to resume no earlier than mid-2020. In the event of delays to this timeline and corresponding changes to our production rate, the Company may be required to take actions with longer-term impact, such as further changes to our production plans, employment reductions and/or the expenditure of significant resources to support our supply chain and/or Boeing. In addition, a delay to that timeline and corresponding changes to our production rate may cause us to default under our credit agreement.

We have made significant assumptions with respect to the B737 program regarding the number of units to be delivered in 2020 (216 units), the period during which those units are likely to be produced, and the units' expected sales prices, production costs, program tooling and other non-recurring costs, and routine warranty costs. In addition, we have made assumptions regarding estimated costs expected to be incurred until resuming a normal production rate consistent with 2019 production levels to determine which costs should be (i) included in program inventory and (ii) expensed when incurred as abnormal production costs. Any changes in these estimates and/or assumptions with respect to the B737 program could have a material impact on our financial position, results of operations, and/or cash flows.

## B787 Program

In October 2019, Boeing announced that it was reducing the production rate on the B787 program from 14 to 12 aircraft per month. During the third quarter, the Company announced a net forward loss charge of \$32.6 million recognized on the B787 program due to Boeing's rate reduction announcement. In addition, Boeing has announced that it plans to further reduce the B787 production rate to 10 per month in early 2021, and as a result during the fourth quarter the Company announced additional net forward loss charge of \$34.1 million. However, Boeing plans to return to a production rate of 12 per month in 2023.

As we continue on the B787 program, our financial performance depends on our continued ability to achieve cost reductions in our manufacturing and supply chain.

## Accounting Review

On January 30, 2020, the Company issued a press release regarding the Accounting Review. As a result of the Accounting Review, the Company determined that it did not comply with its established accounting processes with respect to certain potential contingent liabilities received by the Company after the end of the third quarter of 2019. The Accounting Review is now substantially complete.

After conducting the appropriate accounting processes with respect to the potential contingent liabilities, the Company concluded that it should have recorded an incremental contingent liability of less than \$8.0 million for the three month period ending September 26, 2019. We do not believe this amount is material, either quantitatively or qualitatively, to our consolidated financial statements as of and for the three-month period ending September 26, 2019. Although this matter did not result in a material misstatement of the Company's third quarter 2019 consolidated financial statements or any other previously issued financial statements, the non-compliance led us to conclude that a

material weakness in our internal control existed as of December 31, 2019. Additional information on this material weakness is described under Item 9A "Controls and Procedures" of this Annual Report on Form 10-K.

Prior to the Company's January 30, 2020 announcement, the Company voluntarily reported the Accounting Review to the SEC. The Company has communicated to the SEC that the Accounting Review is substantially complete. In the event the SEC commences an investigation with respect to these matters, the Company intends to cooperate fully.

Private securities class action lawsuit relating to these matters were filed against the Company, its Chief Executive Officer and former officers in February 2020. There may be additional lawsuits filed, including shareholder derivative actions, purportedly in the name and for the benefit of the Company. The Company intends vigorously to defend the existing lawsuits, and any other related litigation against the Company.

## Acquisitions

The Company is currently involved in the following significant acquisitions:

### Asco

On May 1, 2018, the Company and Spirit Belgium entered into a definitive agreement (as amended, the "Asco Purchase Agreement") relating to the Asco Acquisition. The Asco Purchase Agreement is subject to customary closing conditions, including regulatory approvals. The Asco Acquisition is not conditioned upon the Company's receipt of debt financing.

On October 28, 2019, the Company and Spirit Belgium entered into an agreement to amend and restate the Asco Purchase Agreement (the "Asco Amendment"). The Asco Amendment incorporates amendments to the Purchase Agreement agreed among the Parties to date and reduces the purchase price for the Asco Acquisition from \$604 million to \$420 million. In addition, the Asco Amendment reduces the Sellers'

indemnification obligations to \$80 million (except with respect to damages resulting or arising from the termination of certain commercial agreements) and removes the closing condition precedent that a "Material Adverse Change" in Asco's business has not occurred since May 1, 2018.

On January 29, 2020, Asco and Spirit entered into an amendment to the Asco Purchase Agreement extending the date upon which the Asco Purchase Agreement will automatically terminate in the event that conditions to the Asco Acquisition are not satisfied or waived from April 4, 2020, to October 1, 2020. In addition, the amendment changed the closing date for the Acquisition to the last business day of the month that all conditions precedent are satisfied or waived (provided certain notice requirements are met) or as the parties agree.

## Bombardier

On October 31, 2019, Spirit and Spirit UK entered into a definitive agreement related to the Bombardier Acquisition. The Bombardier Acquisition 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 Bombardier Acquisition, (ii) the receipt of specified third party consents and approvals, (iii) the receipt of applicable regulatory approvals, and (iv) the absence of a material adverse change to the Bombardier 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 Bombardier Acquired Business during the interim period between the execution of the Purchase Agreement and the consummation of the Bombardier Acquisition. The Bombardier Acquisition is not conditioned upon the Company's receipt of debt financing.

The Company, acting through certain of its subsidiaries, will assume net pension liabilities of approximately \$300 million as reflected at the date of the Purchase Agreement. The Company agreed to procure payment of a special contribution of £100 million (approximately \$130 million) to the Shorts pension scheme after closing and has reached a tentative agreement to delay payment of the special contribution to 2021. 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.

### Critical Accounting Policies

The preparation of the Company's financial statements in accordance with accounting principles generally accepted in the U.S. ("GAAP") requires management to use estimates and assumptions. The results of these estimates form the basis for making judgments that may affect the reported amounts of assets and liabilities, including the impacts of contingent assets and liabilities, and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those related to inventory, revenue, income taxes, financing obligations, warranties, pensions and other post-retirement benefits, and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management believes that the quality and reasonableness of our most critical accounting policies enable the fair presentation of our financial position and results of operations. However, the sensitivity of financial statements to these methods, assumptions, and estimates could create materially different results under different conditions or using different assumptions. We believe application of these policies requires difficult, subjective, and complex judgments to estimate the effect of inherent uncertainties. This section should be read in conjunction with Note 3 to the Consolidated Financial Statements, *Summary of Significant Accounting Policies*.

### Revenues and Profit Recognition

Beginning January 1, 2018, the Company adopted recognition of revenue using the principles of Accounting Standards Codification Topic 606 ("ASC 606"), *Revenue from contracts with customers*. Revenue is recognized when, or as, control of promised products or services transfers to a customer, and the amount recognized reflects the consideration that the Company expected to receive in exchange for those products or services. See Note 3 to the Consolidated Financial Statements, *Summary of Significant Accounting Policies*, for a further description of revenue recognition under ASC 606, and a description of the legacy GAAP revenue and profit recognition presented for prior comparative periods. In determining our profits and losses in accordance with this method, we are required to make significant judgments regarding our future costs, variable elements of revenue, the standalone selling price, and other variables. We continually review and update our assumptions based on market trends and our most recent experience. If we make material changes to our assumptions, we may have positive or negative cumulative catch-up adjustments related to revenues previously recognized, and in some cases, we may adjust forward loss reserves. When we experience abnormal production costs such as excess capacity costs the Company will expense the excess costs in the period incurred and report as segment costs of goods sold. These excess costs (actual and estimated future costs) are excluded from the estimates at completion of our accounting contracts with customers. For a broader description of the various types of risks we face related to new and maturing programs, see "Risk Factors".

### Income Taxes

Income taxes are accounted for in accordance with Financial Accounting Standards Board ("FASB") authoritative guidance on accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts for existing assets and liabilities and their respective tax bases. Tax rate changes impacting these assets and liabilities are recognized in the period during which the rate change occurs.

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, we assess all available positive and negative evidence. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified.

We record income tax provision or benefit based on the net income earned or net loss incurred in each tax jurisdiction and the tax rate applicable to that income or loss. In the ordinary course of business, there are transactions for which the ultimate tax outcome is uncertain. These uncertainties are accounted for in accordance with FASB authoritative guidance on accounting for the uncertainty in income taxes. The final tax outcome for these matters may be different than management's original estimates made in determining the income



## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

tax provision. A change to these estimates could impact the effective tax rate and net income or loss in subsequent periods. We use the flow-through accounting method for tax credits. Under this method,

tax credits reduce income tax expense. See Note 20 to the Consolidated Financial Statements, *Income Taxes*, for further discussion.

## Results of Operations

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

(\$ in millions)	Twelve Months Ended		
	December 31, 2019 <sup>(1)</sup>	December 31, 2018 <sup>(1)(2)</sup>	December 31, 2017 <sup>(2)</sup>
Net revenues	\$ 7,863.1	\$ 7,222.0	\$ 6,983.0
Cost of sales	6,786.4	6,135.9	6,195.3
Gross profit	1,076.7	1,086.1	787.7
Selling, general and administrative	261.4	210.4	204.7
Impact of severe weather event	—	(10.0)	19.9
Research and development	54.5	42.5	31.2
Operating income	760.8	843.2	531.9
Interest expense and financing fee amortization	(91.9)	(80.0)	(41.7)
Other (expense) income, net	(5.8)	(7.0)	44.4
Income before income taxes and equity in net income of affiliates	663.1	756.2	534.6
Income tax provision	(132.8)	(139.8)	(180.0)
Income before equity in net income of affiliates	530.3	616.4	354.6
Equity in net income of affiliates	(0.2)	0.6	0.3
<b>NET INCOME</b>	<b>\$ 530.1</b>	<b>\$ 617.0</b>	<b>\$ 354.9</b>

(1) See "Twelve Months Ended December 31, 2019 as Compared to Twelve Months Ended December 31, 2018" for detailed discussion of operating data.

(2) See "Twelve Months Ended December 31, 2018 as Compared to Twelve Months Ended December 31, 2017" for detailed discussion of operating data.

Comparative shipset deliveries by model are as follows:

Model	Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
B737	606	605	532
B747	6	6	6
B767	33	30	28
B777	56	44	70
B787	166	143	136
Total Boeing	867	828	772
A220 <sup>(1)</sup>	40	12	—
A320 Family	682	657	608
A330	35	62	80
A350	111	98	90
A380	1	6	13
Total Airbus	869	835	791
Business and Regional Jets <sup>(1)</sup>	55	71	88
<b>TOTAL</b>	<b>1,791</b>	<b>1,734</b>	<b>1,651</b>

(1) Airbus acquired 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 of 2018 are included in 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 and Regional Jet aircraft in a given period, the term "shipset" refers to all structural aircraft components produced or delivered for one aircraft in such period. For the purposes of measuring wing shipset deliveries, the term "shipset" refers to all wing components produced or delivered for one aircraft in such period. Other components that are part of the same aircraft shipsets could be produced or shipped in earlier or later accounting periods than the components used to measure 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	Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
(\$ in millions)			
Boeing	\$ 6,237.2	\$ 5,677.7	\$ 5,527.5
Airbus	1,250.6	1,180.8	1,123.5
Other	375.3	363.5	332.0
<b>TOTAL NET REVENUES</b>	<b>\$ 7,863.1</b>	<b>\$ 7,222.0</b>	<b>\$ 6,983.0</b>

## Changes in Estimates

During the twelve months ended December 31, 2019, we recognized an unfavorable changes in estimates of \$65.5 million primarily driven by Boeing announced production rate change on B787 from 14 aircraft per month to 10 aircraft per month. During the twelve months ended December 31, 2018, there was a negligible amount of net change in estimates. During the twelve months ended December 31, 2017, we recognized unfavorable changes in estimate of \$296.1 million primarily due to Boeing pricing negotiations (The 2017 MOU) associated with the B787 program.

The Company is currently working on several programs, primarily the B787, A350 XWB, and BR725 programs, that carry risks associated with design responsibility, development of production tooling, production inefficiencies during the early phases of production, hiring and training of qualified personnel, increased capital and funding commitments, supplier performance, delivery schedules, and unique customer requirements. The Company has previously recorded forward loss charges on these programs. If the risks related to these programs are not mitigated, then the Company could record additional forward loss charges.

## Twelve Months Ended December 31, 2019 as Compared to Twelve Months Ended December 31, 2018

### Net Revenues

Net revenues for the twelve months ended December 31, 2019 were \$7,863.1 million, an increase of \$641.1 million, or 9%, compared with net revenues of \$7,222.0 million, for the prior year. The increase was primarily due to higher production on the B777, B787, A220, and A350 XWB programs, favorable model mix on B737 program, increased Global Customer Support and Services (GCS&S) and defense related activity, partially offset by lower production on the A330 program, lower revenue recognized on the A350 XWB program in accordance with pricing terms and lower revenue recognized on certain Boeing nonrecurring programs. Approximately 95% of Spirit's net revenues in 2019 came from our two largest customers, Boeing and Airbus.

Deliveries to Boeing increased to 867 shipsets during 2019, compared to 828 shipsets delivered in the prior year, driven by production increases on the B787 and B777 programs. Deliveries to Airbus increased to 869 shipsets during 2019, compared to 835 shipsets delivered in the prior year, primarily driven by higher production of the A320, A350 XWB, and A220 programs partially offset by decreased production on the A330 program. Production deliveries of business/regional jet wing

and wing components decreased to 55 shipsets during 2019, compared to 71 shipsets delivered in the prior year, driven by the transfer of the A220 program to total Airbus deliveries in the third quarter of 2018. In total, shipset deliveries increased 3% to 1,791 shipsets in 2019 compared to 1,734 shipsets in 2018.

### Gross Profit

Gross Profit for the twelve months ended December 31, 2019 was \$1,076.7 million, as compared to \$1,086.1 million for the same period in the prior year, a decrease of \$9.4 million. The reduction in gross profit was primarily driven by forward loss charge on B787 due to Boeing announced production rate change from 14 aircraft per month to 12 aircraft per month in the third quarter, from 12 aircraft per month to 10 aircraft per month in the fourth quarter, and certain Boeing nonrecurring programs partially offset by increased profit recognized on B737 due to model mix, B777, A220 and the A350 XWB program.

### SG&A and Research and Development

SG&A expense was \$51.0 million higher for the twelve months ended December 31, 2019, as compared to the same period in the prior year, primarily due to costs incurred related to the Asco Acquisition and Bombardier Acquisition, increased headcount and absence of a one-time recovery of legal fees related to a court decision in 2018. Research and development expense for the twelve months ended December 31, 2019 was \$12.0 million higher as compared to the same period in the prior year, due to more internal projects underway.

### Operating Income

Operating income for the twelve months ended December 31, 2019 was \$760.8 million, which was \$82.4 million lower than operating income of \$843.2 million for the prior year. The decrease in operating income was primarily due to costs incurred related to the anticipated purchase of Asco and Bombardier, reduced profitability on the B737 program due to B737 MAX grounding and forward loss charge on B787 due to announced production rate changes.

### Interest Expense and Financing Fee Amortization

Interest expense and financing fee amortization for the twelve months ended December 31, 2019 includes \$78.6 million of interest and fees paid or accrued in connection with long-term debt and \$3.6 million in amortization of deferred financing costs and original issue discount, compared to \$55.7 million of interest and fees paid or accrued in

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

connection with long-term debt and \$18.3 million in amortization of deferred financing costs and original issue discount for the prior year. The increase in interest expense is primarily a result of additional debt taken on in 2018 in anticipation of our ASRs and the planned purchase of Asco. The decrease in deferred financing costs and fees in 2019 compared to 2018 is mainly due to the 2018 credit agreement which resulted in a loss on extinguishment of existing debt of \$14.4 million included in the \$18.3 million of deferred financing costs.

### Other (Expense) Income, net

Other expense for the twelve months ended December 31, 2019 was (\$5.8) million, compared to other expense of (\$7.0) million for the same period in the prior year. Other expense during 2019 was primarily driven by losses on foreign currency forward contracts as the U.S. Dollar strengthened against the Euro, expenses related to a voluntary retirement program offered by the Company in the second quarter of 2019, as well as net losses on the sale of receivables, partially offset by gain on proceeds from a litigation settlement and pension income.

### Segments

The following table shows segment revenues and operating income for the twelve months ended December 31, 2019, 2018, and 2017:

(\$ in millions)	Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
<b>Segment Revenues</b>			
Fuselage Systems	\$ 4,206.2	\$ 4,000.8	\$ 3,730.8
Propulsion Systems	2,057.8	1,702.5	1,666.2
Wing Systems	1,588.3	1,513.0	1,578.8
All Other	10.8	5.7	7.2
	<b>\$ 7,863.1</b>	<b>\$ 7,222.0</b>	<b>\$ 6,983.0</b>
<b>Segment Operating Income<sup>(1, 2)</sup></b>			
Fuselage Systems	\$ 440.8	\$ 576.1	\$ 329.6
Propulsion Systems	404.6	283.5	267.7
Wing Systems	216.0	226.4	205.1
All Other	3.4	0.3	2.0
	1,064.8	1,086.3	804.4
Corporate SG&A <sup>(2)</sup>	(261.4)	(210.4)	(204.7)
Unallocated impact of severe weather event	—	10.0	(19.9)
Research and development	(54.5)	(42.5)	(31.2)
Unallocated cost of sales <sup>(3)</sup>	11.9	(0.2)	(16.7)
<b>TOTAL OPERATING INCOME</b>	<b>\$ 760.8</b>	<b>\$ 843.2</b>	<b>\$ 531.9</b>

(1) Inclusive of forward losses, changes in estimates on loss programs, and cumulative catch-up adjustments. These changes in estimates for the periods ended December 31, 2019, 2018, and 2017 are further detailed in the segment discussions below and in Note 5 to the Consolidated Financial Statements, *Changes in Estimates*.

(2) Prior period information has been reclassified as a result of the Company's adoption of ASU 2017-07 on a retrospective basis in 2018. In accordance with the adoption of this guidance, prior year amounts related to the components of net periodic pension and postretirement benefit cost other than service costs have been reclassified from cost of sales and selling, general, and administrative expense to other (expense) income within the consolidated statement of operation for all periods presented. Accordingly, expenses of \$18.1 million, \$7.4 million, and \$7.3 million attributable to the Fuselage Systems segment, Propulsion Systems segment, and Wing Systems segment, respectively, were reclassified into segment operating income for the twelve months ended December 31, 2017.

(3) For 2019, includes \$13.9 million related to release of warranty reserves. For 2018, includes charges of \$1.1 million related to warranty reserves. For 2017, includes charges of \$1.8 million and \$12.7 million related to warranty reserve and charges for excess purchases and purchase commitments, respectively.

### Provision for Income Taxes

The income tax provision for the twelve months ended December 31, 2019, was \$132.8 million compared to \$139.8 million for the prior year. The 2019 effective tax rate was 20.0% as compared to 18.5% for 2018. The difference in the effective tax rate recorded for 2019 as compared to 2018 is primarily related to a reduction in federal tax credits, an adjustment to our one-time transition tax liability, and an increase in income tax in the current year reflecting the finalization of the 2018 amounts related to Global Intangible Low-Taxed Income ("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 Internal Revenue Service's Compliance Assurance Process ("CAP") offset by a re-measurement of our net deferred tax asset balance in 2019 and a decrease in the impact of GILTI.

The decrease from the U.S. statutory tax rate is attributable primarily to generation of state income tax and federal research tax credits, foreign rates less than the U.S. rate, and share based compensation excess tax benefit, offset by the impacts of finalizing the 2018 amounts related to GILTI and the federal R&D tax credit and estimated state income tax.



Fuselage Systems, Propulsion Systems, Wing Systems, and All Other segments represented approximately 54%, 26%, 20%, and less than 1%, respectively, of our net revenues for the twelve months ended December 31, 2019.

### Fuselage Systems

Fuselage Systems segment net revenues for the twelve months ended December 31, 2019 were \$4,206.2 million, an increase of \$205.4 million, or 5%, compared to the same period in the prior year. The increase in net revenues was primarily due to higher production on the B787, B777, and A350 XWB programs and increased Global Customer Support and Services (GCS&S) and defense related work, partially offset by lower revenue recognized on certain non-recurring Boeing programs. Fuselage Systems segment operating margins were 11% for the twelve months ended December 31, 2019, compared to 14% for the same period in the prior year, with the decrease primarily driven by B737 performance, the net forward loss charges recorded on the B787 fuselage program during the third and fourth quarter of 2019 due to announced production rate changes, and decreased margins recognized on the A350 XWB program. In 2019, the segment recorded unfavorable cumulative catch-up adjustments of (\$1.3) million, as well as (\$37.9) million of net forward loss charges. In comparison, during 2018, the segment recorded unfavorable cumulative catch-up adjustments of (\$5.3) million and \$3.4 million of favorable changes in estimates on loss programs.

### Propulsion Systems

Propulsion Systems segment net revenues for the twelve months ended December 31, 2019 were \$2,057.8 million, an increase of \$355.3 million, or 21%, compared to the same period in the prior year. The increase was primarily due to favorable model mix on B737, and increased production on B787, B777 and A220 programs, partially offset by lower revenue recognized on certain non-recurring Boeing programs. Propulsion Systems segment operating margins were 20% for the twelve months ended December 31, 2019, compared to 17% for the same period in the prior year. This increase was primarily driven by B737, B777 and A220, partially offset by net forward loss charges on B787 due to announced production rate changes. In 2019, the segment recorded unfavorable cumulative catch-up adjustments of (\$1.2) million and net forward loss charges of (\$15.1) million. In comparison, during 2018, the segment recorded unfavorable cumulative catch-up adjustments of (\$0.2) million and net forward loss charges of (\$0.7) million.

### Wing Systems

Wing Systems segment net revenues for the twelve months ended December 31, 2019 were \$1,588.3 million, an increase of \$75.3 million, or 5%, compared to the same period in the prior year. This was primarily due to increased production on the B737, B777, B787, and A350 XWB programs. Wing Systems segment operating margins were 14% for the twelve months ended December 31, 2019 compared to 15% for the same period in the prior year mainly due to forward loss charge on B787 due to announced production rate changes, B737 performance, offset by the favorable performance on A350 XWB. In 2019, the segment recorded favorable cumulative catch-up adjustments of \$0.5 million and net forward loss charges of

(\$10.5) million. In comparison, during 2018, the segment recorded favorable cumulative catch-up adjustments of \$1.7 million and \$1.2 million of favorable changes in estimates on loss programs.

### All Other

All Other segment net revenues consist of sundry sales of miscellaneous services, tooling contracts, 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 the Company is a major participant. In the twelve months ended December 31, 2019, All Other segment net revenues were \$10.8 million, an increase of \$5.1 million compared to the same period in the prior year. The All Other segment recorded 31% operating margins for the twelve months ended December 31, 2019.

## Twelve Months Ended December 31, 2018 as Compared to Twelve Months Ended December 31, 2017

### Net Revenues

Net revenues for the twelve months ended December 31, 2018 were \$7,222.0 million, an increase of \$239 million, or 3%, compared with net revenues of \$6,983.0 million, for the prior year. The increase was primarily due to higher production on the B737, B787, A320, and A350 XWB programs and increased defense related activity, partially offset by lower production on the B777, lower revenue recognized on the B787 program due to the adoption of ASC 606, and lower revenue recognized on the A350 XWB program in accordance with pricing terms. Approximately 95% of Spirit's net revenues in 2018 came from our two largest customers, Boeing and Airbus.

Deliveries to Boeing increased to 828 shipsets during 2018, compared to 772 shipsets delivered in the prior year, driven by production increases on the B737 and B787 programs, partially offset by a decrease on the B777 program. Deliveries to Airbus increased to 835 shipsets during 2018, compared to 791 shipsets delivered in 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 in the third quarter of 2018, partially offset by decreased production on the A330 and A380 programs. Production deliveries of business/regional jet wing and wing components decreased to 71 shipsets during 2018, compared to 88 shipsets delivered in the prior year, driven by the transfer of the A220 program to total Airbus deliveries in the third quarter of 2018. In total, shipset deliveries increased 5% to 1,734 shipsets in 2018 compared to 1,651 shipsets in 2017.

### Gross Profit

Gross profit was \$1,086.1 million for the twelve months ended December 31, 2018, as compared to \$787.7 million for the same period in the prior year, an increase of \$298.4 million. The increase in gross profit was primarily driven by the absence of the \$352.8 million net forward loss charge recognized on the B787 program in the second quarter of 2017 and increased margins recognized on the A350 XWB program due to the adoption of ASC 606, partially offset by decreased production on the B777 program and lower margins recognized on the B737 and B777 programs.

## SG&A and Research and Development

SG&A expense was \$5.7 million higher for the twelve months ended December 31, 2018, as compared to the same period in the prior year, primarily due to costs incurred related to the anticipated purchase of Asco, partially offset by the recovery of legal fees related to a court decision in 2018. Research and development expense for the twelve months ended December 31, 2018 was \$11.3 million higher as compared to the same period in the prior year, due to more internal projects underway.

## Impact of Severe Weather Event

During the twelve months ended December 31, 2018, the Company recorded a gain of \$10.0 million from an insurance settlement related to costs incurred from the aftermath of Hurricane Matthew, compared to expenses of \$19.9 million for the same period in the prior year for Hurricane Matthew. The impact of Hurricane Matthew caused the Company's Kinston, North Carolina site operations to temporarily shut down during the fourth quarter of 2016 with carryover effects into 2017.

## Operating Income

Operating income for the twelve months ended December 31, 2018 was \$843.2 million, which was \$311.3 million higher than operating income of \$531.9 million for the prior year. The increase in operating income was primarily due to the absence of the B787 net forward loss charges recognized during the second quarter of 2017, partially offset by costs incurred related to the anticipated purchase of Asco.

## Interest Expense and Financing Fee Amortization

Interest expense and financing fee amortization for the twelve months ended December 31, 2018 includes \$55.7 million of interest and fees paid or accrued in connection with long-term debt and \$18.3 million in amortization of deferred financing costs and original issue discount, compared to \$36.3 million of interest and fees paid or accrued in connection with long-term debt and \$3.5 million in amortization of deferred financing costs and original issue discount for the prior year. The increase in interest expense is primarily a result of additional debt taken on in 2018 in anticipation of our ASRs and the planned purchase of Asco. During 2018, we extinguished our 2022 Notes (as defined below) through a tender offer and redemption and we replaced our prior credit agreement with the 2018 Credit Agreement. As a result, we recognized a loss on extinguishment of existing debt of \$14.4 million included in \$18.3 million of deferred financing costs above.

## Other (Expense) Income, net

Other expense for the twelve months ended December 31, 2018 was \$7.0 million, compared to other income of \$44.4 million for the same period in the prior year. Other expense during 2018 was primarily driven by losses on foreign currency forward contracts as the U.S. Dollar strengthened against the Euro, as well as net losses on the sale of receivables, partially offset by pension income.

## Provision for Income Taxes

The income tax provision for the twelve months ended December 31, 2018, was \$139.8 million compared to \$180.0 million for the prior year. The 2018 effective tax rate was 18.5% as compared to 33.7% for 2017.

The difference in the effective tax rate recorded for 2018 as compared to 2017 is primarily related to the enactment of the Tax Cuts and Jobs Act ("TCJA"), including the reduction in the U.S. corporate federal income tax rate from 35% to 21%, the elimination of the domestic manufacturing deduction, and the inclusion of provisional tax impacts of our one-time transition tax liability and re-measurement of our net deferred tax asset balance in 2017. Unrelated to the TCJA, the difference in the effective tax rate is primarily related to higher state income and federal research tax credits generated in 2018 and the proportional tax rate effects of lower pre-tax income in 2017. The decrease from the U.S. statutory tax rate is attributable primarily to generation of state income tax and federal research tax credits, foreign rates less than the U.S. rate, and share based compensation excess tax benefit, offset by estimated state income tax.

## Fuselage Systems

Fuselage Systems segment net revenues for the twelve months ended December 31, 2018 were \$4,000.8 million, an increase of \$270.0 million, or 7%, compared to the same period in the prior year. The increase in net revenues was primarily due to higher production on the B737 and A350 XWB programs and increased defense related work, partially offset by lower production on the B777 program and lower revenue recognized on the B787 program due to the adoption of ASC 606. Fuselage Systems segment operating margins were 14% for the twelve months ended December 31, 2018, compared to 9% for the same period in the prior year, with the increase primarily driven by the absence of the net forward loss charges recorded on the B787 fuselage program during the second quarter of 2017 and increased margins recognized on the A350 XWB program due to the adoption of ASC 606, partially offset by lower margins recognized on the B737 and B777 programs. In 2018, the segment recorded unfavorable cumulative catch-up adjustments of (\$5.3) million, as well as \$3.4 million of favorable changes in estimates on loss programs. In comparison, during 2017, the segment recorded favorable cumulative catch-up adjustments of \$4.0 million as well as (\$223.2) million of net forward loss charges.

## Propulsion Systems

Propulsion Systems segment net revenues for the twelve months ended December 31, 2018 were \$1,702.5 million, an increase of \$36.3 million, or 2%, compared to the same period in the prior year. The increase was primarily due to higher production on the B737 program, partially offset by lower production on the B777 program, lower revenue recognized on certain non-recurring Boeing programs, and lower net revenues recognized on the B787 program due to the adoption of ASC 606. Propulsion Systems segment operating margins were 17% for the twelve months ended December 31, 2018, compared to 16% for the same period in the prior year. This increase was primarily driven by the absence of net forward loss charges recorded on the B787 program during the second quarter of 2017, partially offset by lower margins recognized on the B777 program. In 2018, the segment recorded unfavorable cumulative catch-up adjustments of (\$0.2) million and net forward loss charges of (\$0.7) million. In comparison, during 2017, the segment recorded favorable cumulative catch-up adjustments of \$3.8 million and net forward loss charges of (\$40.2) million.

## Wing Systems

Wing Systems segment net revenues for the twelve months ended December 31, 2018 were \$1,513.0 million, a decrease of \$65.8 million, or 4%, compared to the same period in the prior year. The decrease was primarily due to decreased production on the B777 program, lower revenues recognized on the B787 program due to the adoption of ASC 606, and lower revenue recognized on the A350 XWB program in accordance with pricing terms, partially offset by increased production on the B737 and A320 programs. Wing Systems segment operating margins were 15% for the twelve months ended December 31, 2018, compared to 13% for the same period in the prior year, primarily driven by the absence of net forward loss charges recorded on the B787 program in the second quarter of 2017 and increased margin recognized on the A350 XWB program due to the adoption of ASC 606, partially offset by lower margins recognized on the B737 and B777 programs. In 2018, the segment recorded favorable cumulative catch-up adjustments

of \$1.7 million and favorable changes in estimates on loss programs of \$1.2 million. In comparison, during 2017, the segment recorded favorable cumulative catch-up adjustments of \$23.4 million and net forward loss charges of (\$63.9) million.

## All Other

All Other segment net revenues consist of sundry sales of miscellaneous services, tooling contracts, 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 the Company is a major participant. In the twelve months ended December 31, 2018, All Other segment net revenues were \$5.7 million, a decrease of \$1.5 million compared to the same period in the prior year. The All Other segment recorded 5% operating margins for the twelve months ended December 31, 2018.

## Liquidity and Capital Resources

The primary sources of our liquidity include cash on hand, cash flow from operations, which includes receivables from customers, and borrowings made available by our 2018 Credit Agreement (as defined below):

### 2018 Credit Agreement

On July 12, 2018, the Company entered into a \$1,256.0 million 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 an \$800.0 million revolving credit facility (the "Revolver"), a \$206.0 million term loan A facility (the "Term Loan") and a \$250.0 million delayed draw term loan facility (the "Delayed Draw Term Loan").

Each of the Revolver, the 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 Term Loan are to be repaid in equal quarterly installments of \$2.6 million, commencing with the fiscal quarter ending March 31, 2019, and with the balance due at maturity of the Term Loan. The principal obligations under the Delayed Draw Term Loan are to be repaid in equal quarterly installments of \$3.1 million, subject to adjustments for any extension of the availability period of the Delayed Draw Term Loan, commencing with the fiscal quarter ending September 26, 2019, with the balance due at maturity of the Delayed Draw Term Loan.

The 2018 Credit Agreement also contains an accordion feature that provides Spirit with the option to increase the 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 the following financial covenants:

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

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, 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.

### The 2020 Amendment

On February 24, 2020, we entered into the 2020 Amendment. The primary purpose for entering into the 2020 Amendment was to obtain covenant relief with respect to expected breaches of the total leverage and interest coverage ratios under the 2018 Credit Agreement. Given the production suspension and 2020 production rate for the B737 MAX, absent a waiver or an amendment of the 2018 Credit Agreement, the Company was expected to breach the total leverage ratio beginning with the first fiscal quarter of 2020. The 2020 Amendment waived the ratios in the 2018 Amendment until the commencement of the second fiscal quarter of 2021 (the "Reversion Date") and put the following financial ratios and tests in place for such time period:

- Senior Secured Leverage Ratio: Commencing with the first fiscal quarter of 2020, the ratio of senior secured debt to consolidated EBITDA over the last twelve months shall not, as of the end of the applicable fiscal quarter, be greater than: (i) 3.00:1.00, with respect to the first fiscal quarter of 2020; (ii) 4.25:1.00, with respect to the second fiscal quarter of 2020; (iii) 5.50:1.00, with respect to the third fiscal quarter



## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

of 2020; (iv) 5.00:1.00, with respect to the fourth fiscal quarter of 2020; and (v) 3.00:1.00, with respect to the first fiscal quarter of 2021.

- **Interest Coverage Ratio:** Commencing with the first fiscal quarter of 2020, the interest coverage ratio as of the end of the applicable fiscal quarter shall not be less than: (i) 4.00:1.00, with respect to the first fiscal quarter of 2020; (ii) 3.75:1.00, with respect to the second fiscal quarter of 2020; (iii) 2.50:1.00, with respect to the third fiscal quarter of 2020; (iv) 2.25:1.00, with respect to the fourth fiscal quarter of 2020; and (v) 3.75:1.00, with respect to the first fiscal quarter of 2021.
- **Minimum Liquidity:** As of the end of each fiscal month, commencing with the first fiscal month ending after entering into the 2020 Amendment, the Company shall have minimum liquidity of not less than: (i) \$1,000 million through, and including, the last fiscal month ending in the third fiscal quarter of 2020; (ii) \$850 million, as of the end of each fiscal month ending in the fourth fiscal quarter of 2020; and (iii) \$750 million, as of the end of each fiscal month ending in the first fiscal quarter of 2021; provided, however, that if the Company receives proceeds of at least \$750 million from the issuance of indebtedness before the Reversion Date, the minimum liquidity requirement shall remain at \$1,000 million. Liquidity includes cash and cash equivalents and amounts available to be drawn under the Revolver and the 2020 DDTL (as defined below).

Upon the Reversion Date, the ratios will revert back to the ratios in the 2018 Credit Agreement except that the total leverage ratio will be 4.00:1.00, with respect to the second fiscal quarter of 2021, returning to 3.50:1.00 thereafter. The Senior Secured Leverage Ratio and minimum liquidity covenants will no longer be applicable following the Reversion Date.

The 2020 Amendment adds Spirit AeroSystems North Carolina, Inc. as an additional guarantor (the "New Guarantor") and provides for the grant of security interests to the lenders under the 2018 Credit Agreement with respect to certain real property and personal property, including certain equity interests, owned by Spirit, as borrower, and the Guarantors, which include Holdings and New Guarantor. Such guarantee and security interests will be released, at the option of Spirit, so long as no default or event of default shall exist at the time thereof, or immediately after giving effect thereto, if (A) (I) the senior unsecured debt rating of Spirit is "BBB-" or higher as determined by Standard & Poor's Financial Services LLC ("S&P"), and (II) the senior unsecured debt rating of Spirit is "Baa3" or higher as determined by Moody's Investors Service, Inc. ("Moody's"), or (B) S&P and Moody's have each confirmed, in a writing in form and substance reasonably satisfactory to the administrative agent, that (I) the senior unsecured debt rating of Spirit will be "BBB-" or higher as determined by S&P, and (II) the senior unsecured debt rating of Spirit will be "Baa3" or higher as determined by Moody's, in each case of the foregoing clauses (B)(I) and (B)(II), after giving effect to the release of the security (the date of such release, the "Security Release Date"). Each of the Revolver, the Term Loan and the Delayed Draw Term Loan continues to mature on July 12, 2023, and, following the 2020 Amendment, bears interest, at Spirit's option, at either LIBOR plus 2.375% or a defined "base rate" plus 1.375%, subject to adjustment to between LIBOR plus 1.625% and LIBOR plus 2.625% (or between base rate plus 0.625% and base rate plus 1.625%, as applicable) based on Spirit's senior unsecured debt ratings provided by S&P and/or Moody's.

The 2020 Amendment also added increased restrictions on our ability to incur additional indebtedness, consolidate or merge, make acquisitions and other investments (although the Asco Acquisition and the Bombardier Acquisition are expressly permitted thereunder), guarantee obligations of third parties, make loans or advances, declare or pay certain dividends or distributions on our stock, redeem or repurchase shares of our stock, or pledge assets. The 2020 Amendment provides that a number of these increased restrictions will no longer apply following the Security Release Date. The accordion feature to increase the 2018 Revolver commitments and/or institute one or more additional term loans will not be available to Spirit during the period between the effective date of the 2020 Amendment and the Security Release Date.

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, breach of a covenant, cross-default to material indebtedness, material judgments, ERISA events, change in control, bankruptcy and invalidity of the guarantee of the Borrower's obligations under the Credit Agreement made by the Company. The 2020 Amendment added new events of default for validity, perfection and priority of liens and the public announcement by Boeing of the termination or permanent cessation of the B737 MAX program, which will no longer apply following the Security Release Date.

As of December 31, 2019, the outstanding balance of the Term Loan and Delayed Draw Term Loan was \$439.7 million and the carrying value was \$438.5 million. The outstanding balance of the Revolver, drawn in December 2019 was \$800.0 million and the carrying value was \$800.0 million.

## 2020 Delayed Draw Term Loan

On February 24, 2020, Spirit also entered into a \$375.0 million senior unsecured delayed draw term loan among Spirit, as borrower, the Company, as parent guarantor, the New Guarantor, the lenders party thereto, and Bank of America, N.A., as administrative agent (the "2020 DDTL"). The 2020 DDTL is available to be drawn until August 15, 2020. The 2020 DDTL matures and shall be repaid in full (if drawn) on the earlier to occur of (a) September 15, 2020 and (b) the date that is 45 days after the date on which the Federal Aviation Administration re-certifies the B737 MAX program.

The 2020 DDTL bears interest, at Spirit's option, at either LIBOR plus 3.625% or a defined "base rate" plus 2.625%. The 2020 DDTL is subject to substantially the same affirmative, negative and financial covenants and events of default as the 2018 Credit Agreement (as amended by the 2020 Amendment), except with respect to any covenants or events of default relating to security.

The 2020 DDTL is intended to function as a short-term liquidity facility, if needed. The commitments and loans under the 2020 DDTL are subject to mandatory reduction or prepayment, as applicable, with 100% of the net cash proceeds from issuances of indebtedness and equity interests, subject to certain exceptions. As a result, if Spirit receives net cash proceeds

from issuances of indebtedness or equity that exceed the amount of the 2020 DDTL, the commitments under that facility will be canceled and any amounts outstanding prepaid. Spirit may pursue financing options in the near term that would result in the cancellation of this facility.

## 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 million aggregate principal amount of its Senior Floating Rate Notes due 2021 (the "Floating Rate Notes"), \$300.0 million aggregate principal amount of its 3.950% Senior Notes due 2023 (the "2023 Notes") and \$700.0 million aggregate principal amount of its 4.600% Senior Notes due 2028 (the "2028 Notes" and, together with the Floating Rate Notes and the 2023 Notes, the "New Notes"). The Company guaranteed Spirit's obligations under the Notes on a senior unsecured basis (the "Guarantees").

The Floating Rate Notes bear interest at a rate per annum equal to three-month LIBOR, as determined in the case of the initial interest period, on May 25, 2018, and thereafter at the beginning of each quarterly period as described herein, plus 80 basis points and mature on June 15, 2021. Interest on the Floating Rate Notes is payable on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2018. The 2023 Notes bear interest at a rate of 3.950% per annum and mature on June 15, 2023. The 2028 Notes bear interest at a rate of 4.600% per annum and mature on June 15, 2028. Interest on the 2023 Notes and 2028 Notes is payable on June 15 and December 15 of each year, beginning on December 15, 2018. The outstanding balance of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$300.0 million, \$300.0 million, and \$700.0 million as of December 31, 2019, respectively. The carrying value of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$299.1 million, \$298.3 million, and \$694.1 million as of December 31, 2019, respectively.

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

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, Spirit issued \$300.0 million 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 December 31, 2019, the outstanding

balance of the 2026 Notes was \$300.0 million and the carrying value was \$297.8 million. The indenture for the 2026 Notes 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 2026 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. On February 24, 2020, Spirit entered into a Second Supplemental Indenture (the "Supplemental Indenture") by and among Spirit, the Company, the New Guarantor, and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"), as trustee in connection with the 2026 Notes. Under the Supplemental Indenture, the noteholders were granted security on an equal and ratable basis with the lenders under the 2018 Credit Agreement (as amended by the 2020 Amendment) until the security in favor of the lenders under the 2028 Credit Agreement is released. The Supplemental Indenture also added the New Guarantor as an additional guarantor under the indenture governing the 2026 Notes. The guarantee of the New Guarantor will be released upon the release of its guarantee under the 2018 Credit Agreement.

For additional information on our outstanding debt, please see Note 16 to the Consolidated Financial Statements, *Debt*.

## Other

Additionally, we may receive proceeds from asset sales and may seek to access the credit markets, if needed. The Company has two agreements to sell, on a revolving basis, certain trade accounts receivable balances with Boeing and Airbus to third party financial institutions. These programs were primarily entered into as a result of Boeing and Airbus seeking payment term extensions with the Company and continue to allow Spirit to monetize prior to the payment date for the receivables, subject to payment of a discount. No guarantees are delivered under the agreements. Our ability to continue using such agreements is primarily dependent upon the strength of Boeing's and Airbus's financial condition. Transfers under this agreement are accounted for as sales of receivables resulting in the receivables being de-recognized from the Company's balance sheet. For additional information on the sale of receivables, please see Note 6 to the Consolidated Financial Statements, *Accounts Receivable, net*.

## Credit Ratings

Our credit ratings are periodically reviewed by rating agencies. As of December 31, 2019, our corporate credit ratings were BBB- by Standard & Poor's Global Ratings ("S&P"), and Baa3 by Moody's Investors Service, Inc. ("Moody's"). On January 13, 2020, Moody's downgraded the Company's credit rating from Baa3 to Ba2, and the Company continues to be under review for a possible downgrade. On January 31, 2020, S&P downgraded the Company's credit rating from BBB- to BB.

As compared to the Company's prior investment grade rating, this rating and our current credit condition affects, among other things, our ability to access new capital. Further negative changes to these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt.

## Cash Flows

The following table provides a summary of our cash flows for the twelve months ended December 31, 2019, 2018, and 2017:

(\$ in millions)	For the Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Net income	\$ 530.1	\$ 617.0	\$ 354.9
Adjustments to reconcile net income	401.0	2.6	241.3
Changes in working capital	(8.4)	150.3	(22.5)
Net cash provided by operating activities	922.7	769.9	573.7
Net cash used in investing activities	(239.9)	(267.8)	(272.8)
Net cash provided by (used in) financing activities	884.4	(153.5)	(578.7)
Effect of exchange rate change on cash and cash equivalents	5.9	—	5.6
Net increase (decrease) in cash, cash equivalents, and restricted cash for the period	1,573.1	348.6	(272.2)
Cash, cash equivalents, and restricted cash, beginning of period	794.1	445.5	717.7
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD</b>	<b>\$ 2,367.2</b>	<b>\$ 794.1</b>	<b>\$ 445.5</b>

### Twelve Months Ended December 31, 2019 as Compared to Twelve Months Ended December 31, 2018

#### Operating Activities

For the twelve months ended December 31, 2019, we had a net cash inflow of \$922.7 million from operating activities, an increase of \$152.8 million, compared to a net cash inflow of \$769.9 million for the prior year. The increase in net cash provided by operating activities was primarily due to the B737 advanced payment of \$123.0 million received during the third quarter, partially offset by repayment of B787 advances of \$98.0 million in 2018. Net tax payments made during 2019 were \$105.0 million compared to net tax payments of \$202.3 million during the prior year, primarily due to recognition of underlying taxable temporary differences.

#### Investing Activities

For the twelve months ended December 31, 2019, we had a net cash outflow of \$239.9 million from investing activities, compared to a net cash outflow of \$267.8 million for the prior year due to reduced spend on capital projects.

#### Financing Activities

For the twelve months ended December 31, 2019, we had a net cash inflow of \$884.4 million for financing activities, an increase in inflow of \$1,037.9 million as compared to a net cash outflow of \$153.5 million for the same period in the prior year. During 2019, the Company has drawn \$250.0 million on the Delayed Draw Term Loan and net draws of \$800.0 million on the Revolver in December 2019. During 2019, the Company paid cash dividends totaling \$50.4 million to its stockholders of record, compared to \$48.0 million in 2018.

### Twelve Months Ended December 31, 2018 as Compared to Twelve Months Ended December 31, 2017

#### Operating Activities

For the twelve months ended December 31, 2018, we had a net cash inflow of \$769.9 million from operating activities, an increase of \$196.2 million, compared to a net cash inflow of \$573.7 million for the prior year. The increase in net cash provided by operating activities was primarily due to the absence of a repayment of \$236.0 million in accordance with the B787 Amendment #25 in 2017, partially offset by higher net tax payments in 2018. Net tax payments made during 2018 were \$202.3 million compared to net tax payments of \$101.9 million during the prior year, primarily due to recognition of underlying taxable temporary differences and the absence of a material forward loss.

#### Investing Activities

For the twelve months ended December 31, 2018, we had a net cash outflow of \$267.8 million from investing activities, compared to a net cash outflow of \$272.8 million for the prior year.

#### Financing Activities

For the twelve months ended December 31, 2018, we had a net cash outflow of \$153.5 million for financing activities, a decrease in outflow of \$425.2 million as compared to a net cash outflow of \$578.7 million for the same period in the prior year. The decrease in net cash outflow is primarily due to the issuance of the New Notes during the second quarter of 2018, which resulted in \$1,300.0 million proceeds from the issuance of debt, partially offset by \$586.2 million repayments on debt and debt issuance and financing costs. During 2018, the Company repurchased 9.3 million shares of its Common Stock for \$800.0 million,



compared to the repurchase of 7.5 million shares of Common Stock for \$496.3 million in 2017. During 2018, the Company paid cash dividends totaling \$48.0 million to its stockholders of record, compared to \$47.1 million in 2017.

## Future Cash Needs and Capital Spending

Our liquidity requirements are driven by our long-cycle business model. Our business model is comprised of four to six year non-recurring investment periods, which include design and development efforts, followed by recurring production, in most cases, through the life of the contract, which could extend beyond twenty years. The non-recurring investment periods require significant outflows of cash as we design the product, build tooling, purchase equipment, and build initial production inventories. These activities could be funded partially through customer advances and milestone payments, which are offset against revenue as production units are delivered in the case of customer advances, or recognized as revenue as milestones are achieved in the case of milestone payments. The remaining funds needed to support non-recurring programs come from predictable cash inflows from our mature programs that are in the recurring phase of the production cycle. The non-recurring investment period typically ends concurrently with initial deliveries of completed aircraft by our customers, which indicates that a program has entered into the recurring production phase. When a program reaches steady recurring production, it typically results in long-term generation of cash from operations. As part of our business model, we have continuously added new non-recurring programs, which are supported by mature programs that are in the steady recurring phase of the production cycle to promote growth.

Our primary future cash needs will consist of working capital, research and development, capital expenditures, debt service, and merger and acquisitions. We expend significant capital as we undertake new programs, which begin in the non-recurring investment phase of our business model. In addition, we expend significant capital to meet increased production rates on certain mature and maturing programs. We also require capital to develop new technologies for the next generation of aircraft, which may not be funded by our customers. Purchases of property, plant and equipment for the twelve months ended December 31, 2019 totaled \$232.2 million, as compared to \$271.2 million for the same period in 2018.

As mentioned previously, for the twelve months ended December 31, 2019, approximately 53% of our net revenues were generated from sales of components to Boeing for the B737 aircraft. On December 19, 2019, Boeing directed Spirit to stop all B737 MAX deliveries to Boeing effective January 1, 2020, due to Boeing's announced temporary suspension of B737 MAX production. Accordingly, Spirit suspended all B737 MAX production beginning on January 1, 2020. On February 6, 2020, Boeing and Spirit entered into the 2020 MOA superseding the 2019 MOA between the parties (except for Sections 15 and 16). The 2020 MOA provides for Spirit to deliver to Boeing 216 B737 MAX shipsets in 2020. The production rate agreed for 2020 represents less than half of Spirit's B737 MAX annualized production rate in 2019. The Company currently does not expect to be back at a production rate of 52 aircraft per month until late 2022.

While Spirit has taken actions to align its cost structure to the production suspension and 2020 production rate, including instructing its suppliers to stop delivering B737 MAX products throughout the suspension, implementing workforce actions and reducing its quarterly dividend, the B737 MAX situation presents challenges to Spirit's liquidity. Spirit has fully drawn all \$800.0 million of the Revolver (as defined below) to address critical issues that may arise and agreed to maintain minimum liquidity levels as required by the Company's Credit Agreement through the first quarter of 2021. If Boeing is unable to return the B737 MAX to service in one or more jurisdictions, begin timely deliveries to customers, if production levels are reduced beyond current expectations due to depressed demand or otherwise, or if Spirit has difficulties in managing its cost structure to take into account changes in production schedules or to accommodate a ramp-up in production, Spirit's liquidity position may worsen absent Spirit's ability to procure additional financing, Spirit may trigger an event of default under its credit facilities, and Spirit's business, financial condition, results of operations and cash flows could be materially adversely impacted. The need to fund the Asco Acquisition and The Bombardier Acquisition and related expenses could also adversely affect our liquidity.

There can be no assurance that we will be able to comply with the financial and other covenants in the Credit Agreement. Our failure to comply with these covenants could cause us to be unable to borrow under the agreement and may constitute an event of default that, if not cured or waived, could result in the acceleration of the maturity of any indebtedness then outstanding under the agreement, which would require us to pay all amounts outstanding. As of December 31, 2019, we had \$1,239.7 million in indebtedness outstanding under the Credit Agreement. The occurrence of an event of default, or the acceleration of indebtedness under the Credit Agreement, could result in an event of default under other indebtedness we have outstanding as a result of cross-acceleration or cross default provisions, which would also entitle the creditors under those instruments to seek remedies, including requiring us to pay all amounts outstanding. There can be no assurance, in light of the B737 MAX grounding and resulting impacts on demand for the aircraft that, absent new debt or equity financing, the Company would have the funds to repay indebtedness that becomes due as a result of acceleration of the maturity in the future. Failure to maintain compliance with these covenants could (absent a further amendment or waiver) have a material adverse effect on our financial position, operations, and solvency, and could adversely affect the market price for our common stock and our ability to obtain financing in the future.

Furthermore, if the B737 MAX production rates are insufficient to generate the cash the Company needs for working capital in the future, the Company may need to access the debt or equity markets for additional liquidity. To the extent the Company is unable to secure such additional liquidity the Company's operations and financial position could be materially adversely affected. The Company may not be able to obtain new debt or equity financing in light of the significant uncertainty relating to the B737 MAX.

With respect to the Asco Acquisition and Bombardier Acquisition, to the extent the Company does not have sufficient cash to pay the purchase price and is unable to obtain debt or equity financing or negotiate other arrangements, the Company will still be contractually obligated to close

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

the acquisitions as there is no financing contingency in either acquisition. In addition, there may be unforeseen expenses in connection with the integration of the Asco's and Bombardier's businesses, and the costs of generating synergies from the acquisitions of the Asco and Bombardier businesses may be higher than expected.

On October 28, 2018, the Board of Directors increased the capacity of its share repurchase program to \$1.0 billion. During the three months ended March 28, 2019, the Company repurchased 0.8 million shares of its Common Stock for \$75.0 million. As a result, the total authorization amount remaining under the share repurchase program is \$925.0 million. Share repurchases are currently on hold pending the outcome of the B737 MAX grounding. The 2020 Amendment imposes additional restrictions on the Company's ability to repurchase shares. On

February 6, 2020, the Company announced that its Board of Directors reduced its quarterly dividend to a penny per share to preserve liquidity until B737 MAX production reaches higher levels. Accordingly, on February 6, 2020, the Board declared a \$0.01 per share quarterly cash dividend on the outstanding Common Stock of the Company payable on April 9, 2020 to stockholders of record at the close of business on March 20, 2020. The Board regularly evaluates the Company's capital allocation strategy and dividend policy. Any future determination to continue to pay dividends will be at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions, including the requirements of financing agreements to which we may be a party. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all.

## Contractual Obligations

The following table summarizes our contractual cash obligations as of December 31, 2019:

Contractual Obligations <sup>(1)(2)</sup>	2020	2021	2022	2023	2024	2025 and After	Total
(\$ in millions)							
Principal payments on term loan	\$ 22.8	\$ 22.8	\$ 22.8	\$ 371.3	\$ —	\$ —	\$ 439.7
Interest on debt <sup>(3)</sup>	13.9	13.1	12.4	6.3	—	—	45.7
Long-term bonds	—	300.0	—	300.0	—	1,000.0	1,600.0
Interest on long-term bonds	66.4	61.0	55.6	49.7	43.7	173.8	450.2
Revolver	—	—	—	800.0	—	—	800.0
Interest on revolver <sup>(4)</sup>	41.1	41.0	41.0	21.7	—	—	144.8
Non-cancelable financing lease payments	31.4	31.1	27.2	24.1	18.7	36.3	168.8
Non-cancelable operating lease payments	8.5	7.5	7.1	6.0	5.6	30.3	65.0
Other <sup>(5)</sup>	6.1	6.1	5.5	5.7	5.7	84.8	113.9
Purchase obligations <sup>(6)</sup>	111.4	8.5	—	—	—	—	119.9
<b>TOTAL</b>	<b>\$ 301.6</b>	<b>\$ 491.1</b>	<b>\$ 171.6</b>	<b>\$ 1,584.8</b>	<b>\$ 73.7</b>	<b>\$ 1,325.2</b>	<b>\$ 3,948.0</b>

(1) Does not include repayment of \$231.9 million of B787 advances or deferred revenue credits to Boeing. See Note 13 to the Consolidated Financial Statements, *Advance Payments*.

(2) The \$5.4 million of unrecognized tax benefit liability for uncertain tax positions has been excluded from this table due to uncertainty involving the ultimate settlement period. See Note 20 to the Consolidated Financial Statements, *Income Taxes*.

(3) Interest on our Term Loan was calculated for all years using the three-month LIBOR yield curve as of December 31, 2019 plus applicable margin.

(4) Interest on our Revolver was calculated for all years using the base rate as of December 31, 2019.

(5) Includes build to suit asset obligation total of \$112.9 million as of December 31, 2019.

(6) Purchase obligations represent computing, tooling, and property, plant and equipment commitments as of December 31, 2019.

## Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements as of December 31, 2019.

## Foreign Operations

We engage in business in various non-U.S. markets. As of December 31, 2019, we have facilities in the U.K., France, and Malaysia, a worldwide supplier base, and a repair center for the European and Middle-Eastern regions. We purchase certain components, assemblies, and materials that we use in our products from foreign suppliers and a portion of our products will be sold directly to foreign customers, including Airbus,

or resold to foreign end-users (e.g., foreign airlines and militaries). In addition, we operate an assembly facility in Saint-Nazaire, France to receive and assemble center fuselage frame sections for the A350 XWB commercial aircraft from the facility in Kinston, North Carolina before they are shipped to Airbus.

Currency fluctuations, tariffs and similar import limitations, price controls, tax reform, and labor regulations can affect our foreign operations. Other potential limitations on our foreign operations include expropriation, nationalization, restrictions on foreign investments or their transfers, and additional political and economic risks. In addition, the transfer of funds from foreign operations could be impaired by any restrictive regulations that foreign governments could enact.

Sales to foreign customers are subject to numerous additional risks, including the impact of foreign government regulations, political uncertainties, and differences in business practices. There can be no assurance that foreign governments will not adopt regulations or take other actions that would have a direct or indirect adverse impact on our business or market opportunities with such governments' countries. Furthermore, the political, cultural, and economic climate outside the U.S. may be unfavorable to our operations and growth strategy.

For the twelve months ended December 31, 2019, our net revenues from direct sales to non-U.S. customers were approximately \$1,296.8 million, or 16% of total net revenues for the same period. For the twelve months ended December 31, 2018, our net revenues from direct sales to non-U.S. customers were approximately \$1,254.9 million, or 17% of total net revenues for the same period. For the twelve months ended December 31, 2017, our net revenues from direct sales to non-U.S. customers were approximately \$1,260.1 million, or 18% of total net revenues for the same period.

### Inflation

A majority of our sales are conducted pursuant to long-term contracts that set fixed unit prices. Certain, but not all, of these contracts provide for price adjustments for inflation or abnormal escalation. Although we have attempted to minimize the effect of inflation on our business

through contractual protections, the presence of longer pricing periods within our contracts increases the likelihood that there will be sustained or higher than anticipated increases in costs of labor or materials. Furthermore, if one of the raw materials on which we are dependent (e.g. aluminum, titanium, steel, or raw composite material) were to experience an isolated price increase without inflationary impacts on the broader economy, we may not be entitled to inflation protection under certain of our contracts. If our contractual protections do not adequately protect us in the context of substantial cost increases, it could have a material adverse effect on our results of operations.

Spirit's contracts with suppliers currently provide for fixed pricing in U.S. dollars, while contracts with respect to our U.K. operations are denominated in U.S. dollars, British pounds sterling or Euros. In some cases, our supplier arrangements contain inflationary adjustment provisions based on accepted industry indices, and we typically include an inflation component in estimating our supply costs. In addition, Spirit has long-term supply agreements for raw materials with most of its suppliers and for certain raw materials, Spirit is party to collective raw material sourcing contracts arranged through Boeing and Airbus (see "Item 7A. Quantitative and Qualitative Disclosures About Market Risk - Commodity Price and Availability Risks" below). With these strategies, Spirit expects pricing for raw materials to be stable in the near term. We will continue to focus our strategic cost reduction plans on mitigating the effects of potential cost increases on our operations.

## Item 7A. 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 credit risks, commodity price, availability risks, interest rate risks, and foreign exchange risks.

### Credit Risks

Financial instruments that potentially subject us to significant concentrations of credit risk consist principally of cash investments, the funds in which our pension assets are invested, trade accounts receivable, and unbilled receivables included in contract assets.

Accounts receivable includes amounts billed and currently due from customers. Contract assets include amounts due from customers for performance obligations that have been satisfied but for which amounts have not been billed. These amounts include particular estimated contract changes, claims in negotiation that are probable of recovery, and amounts retained by the customer pending dispute resolution. For the twelve months ended December 31, 2019, approximately 79% of our net revenues were from sales to Boeing. We continuously monitor collections and payments from customers and maintain a provision for estimated credit losses as deemed appropriate based upon

historical experience and any specific customer collection issues that have been identified. While we cannot guarantee that we will continue to experience the same credit loss rates in the future, such credit losses have historically not been material. For this reason, we believe that our exposure to this credit risk is not material.

We maintain cash and cash equivalents with various financial institutions and perform periodic evaluations of the relative credit standing of those financial institutions. We have not experienced any losses in such accounts and believe that we are not exposed to any significant credit risk on cash and cash equivalents. Additionally, we monitor our defined benefit pension plan asset investments on a quarterly basis and we believe that we are not exposed to any significant credit risk in these investments. Therefore, exposure to credit risk for these items is not believed to be material.



## Commodity Price and Availability Risks

In our business we use various raw materials, including aluminum, titanium, steel, and composites, all of which can experience price fluctuations depending on market conditions. Substantial price increases could reduce our profitability. Although our supply agreements with our customers allow us to pass on certain abnormal increases in component and raw material costs in limited situations, we may not be fully compensated for such increased costs. To mitigate these risks, we use our strategic sourcing initiatives, and are parties to collective raw material sourcing contracts arranged through certain customers that allow us to obtain raw materials at pre-negotiated rates and help insulate us from market volatility across the industry for certain specialized metallic and composite raw materials used in the aerospace industry. In addition, we also have long-term supply agreements with a number of our major parts suppliers. We generally do not employ forward contracts or other financial instruments to hedge commodity price risk, although we continue to review a full range of business options focused on strategic risk management for all raw material commodities. We do not expect our exposure to commodity price and availability risks to be material.

If one or more of our suppliers or subcontractors experiences delivery delays or other performance problems, we may be unable to meet commitments to our customers or incur additional costs. Any failure by our suppliers to provide acceptable raw materials, components, kits, or subassemblies could adversely affect our production schedules and contract profitability. We do not anticipate material risk in this area, as we assess qualification of suppliers and continually monitor them to control risk associated with such supply base reliance.

To a lesser extent, we also are exposed to fluctuations in the prices of certain utilities and services, such as electricity, natural gas, chemicals and freight. We do not believe there is a material exposure, as we utilize a range of long-term agreements to minimize procurement expense and supply risk in these areas.

## Interest Rate Risks

As of December 31, 2019, under our 2018 Credit Agreement, we had \$1,239.7 million of variable rate debt outstanding consisting of the term loan bearing interest that varies with one month LIBOR, and the revolver bearing interest based on the prime rate as publicly announced by Bank of America. Additionally, as of December 31, 2019, we had \$300 million outstanding of Floating Rate Notes bearing 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. Interest rate changes generally do not affect the market value of such debt, but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant.

On March 15, 2017, the Company entered into an interest rate swap agreement, with an effective date of March 31, 2017. The swaps have a notional value of \$250.0 million and fix the variable portion of the Company's floating rate debt at 1.815%. The fair value of the interest rate swaps, using Level 2 inputs, was a liability of \$0.1 million as of December 31, 2019 and an asset of \$2.2 million as of December 31, 2018.

The Company recorded a loss related to swap activity of \$2.3 million and a gain of \$1.4 million to Other (expense) income, net in the Consolidated Statement of Operations for the twelve months ended December 31, 2019 and 2018, respectively.

During the third quarter of 2019 the Company entered into two interest rate swap agreements with a combined notional value of \$450.0 million. These derivatives have been designated as cash flow hedges by the Company. The fair value of these hedges was a liability of \$0.8 million as of December 31, 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. For the twelve months ended December 31, 2019, the Company recorded a net loss in AOCI of \$0.8 million. Within the next 12 months, the Company expects to recognize \$0.3 million in earnings related to these hedged contracts. As of December 31, 2019, the maximum term of hedged forecasted transactions was 3 years.

Assuming other variables remain constant, including levels of indebtedness, a 1% increase in interest rates on our variable debt would have an estimated impact on pre-tax earnings and cash flows for the next twelve months of approximately \$11.1 million.

## Foreign Exchange Risks

We have certain sales, expenses, assets, and liabilities that are denominated in British pounds sterling. Our functional currency for our U.K. operations is the British pound sterling. However, sales made to Boeing and some procurement costs are denominated in U.S. dollars and Euros. As a consequence, movements in exchange rates could cause our net sales and expenses to fluctuate, affecting our profitability and cash flows. We do not believe that this risk to profitability and cash flows is material,

as the impact of fluctuations within sales and expenses are expected to be largely offsetting.

Even when revenues and expenses are matched, we must translate British pound sterling denominated results of operations, assets, and liabilities for our foreign subsidiaries to U.S. dollars in our consolidated financial statements. Consequently, increases and decreases in the value of the

U.S. dollar as compared to the British pound sterling will affect our reported results of operations and the value of our assets and liabilities on our balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in its original currency. These transactions could affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity. We do not believe this exposure to foreign currency exchange risk is material.

In accordance with FASB authoritative guidance, the intercompany revolving credit facility with our U.K. subsidiary is exposed to fluctuations in foreign exchange rates. The intercompany revolving credit facility did not have an outstanding balance as of December 31, 2019. The fluctuation in rates for 2019 resulted in a loss of \$0 million reflected in other income/expense. We do not believe that the exposure to foreign currency risk is material for the intercompany revolving credit facility.

In advance of the planned purchase of Asco, we entered into a foreign currency forward contract during the second and third quarter of 2018.

The objective of these contracts is to minimize the impact of currency exchange rate movements on the Company's cash flows, 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 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 net 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 early in the second quarter of 2019. There is no exposure remaining to this foreign currency forward contract activity, as there is no remaining asset or liability as of December 31, 2019 related to the foreign currency forward contract. The Company recorded a net loss related to foreign currency forward contract activity of \$16.7 million for the year ended December 31, 2019.

## Item 8. Financial Statements and Supplementary Data

### Spirit Aerosystems Holdings, Inc. Index to Consolidated Financial Statements

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## Report of Independent Registered Public Accounting Firm

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To the Shareholders and the Board of Directors of Spirit AeroSystems Holdings, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Spirit AeroSystems Holdings, Inc. (the Company) as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 28, 2020 expressed an adverse opinion thereon.

### Adoption of New Accounting Standards

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for revenue recognition in 2018 due to the adoption of ASU No. 2014-09, Revenue from Contracts with Customers.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for lease recognition in 2019 due to the adoption of ASU No. 2016-02, Leases.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

## Revenue recognition for over time contracts

Description of the Matter	<p>As more fully described in Note 3 of the consolidated financial statements, significant estimates and assumptions are made to account for the revenue earned through the satisfaction of performance obligations from long-term supply agreements. For performance obligations that are satisfied over time, the Company generally recognizes revenue using an input method with revenue amounts being recognized proportionately as costs are incurred relative to the total expected costs to satisfy the performance obligation. During 2019, revenue from over time contracts accounted for approximately \$5,964 million of the Company's \$7,863 million revenues.</p> <p>Auditing the Company's estimate-at-completion process used in their revenue recognition process is complex due to the judgment involved in evaluating the assumptions made by management to forecast the estimated cost to complete individual accounting contracts. For example, total cost estimates to satisfy the performance obligations reflect management's assumptions about future labor and overhead efficiencies, program progress on various initiatives and program performance. Changes in those assumptions can have a material effect on the previously recognized revenue. These adjustments are recorded as cumulative catch-up adjustments. Additionally, as described in Management's Report on Internal Control Over Financial Reporting, the Company identified a material weakness in their internal control over financial reporting associated with the estimate-at-completion process, including instances of non-compliance with the Company's policies and controls, which required significant changes to the nature and extent of effort in the performance of our procedures.</p>
How We Addressed the Matter in Our Audit	<p>We performed audit procedures that included, among others, testing the significant assumptions discussed above and testing the completeness and accuracy of the underlying data used in management's estimate-at-completion analysis. Specifically, for cost estimates, we (1) inspected contracts and related modifications with the Company's customers and significant suppliers, (2) inspected the results of the Company's retrospective review analysis of actual costs compared to costs estimated at completion, (3) inquired of contract management, program management and supplier management to evaluate the basis of assumptions used in the estimate at completion and to assess whether all contracts were provided for accounting analysis, and (4) inspected source documentation for customer and supplier claims. We also involved our specialists to perform an independent estimate-at-completion for certain programs and performed sensitivity analyses to determine the effect of changes in assumptions.</p> <p>In response to the material weakness in the Company's internal controls, we (1) expanded the number of programs tested using a mix of the procedures listed above, (2) expanded the number of individuals that we inquired of and obtained letters of representation from these individuals as to the completeness of items evaluated in the Company's estimates at completion and (3) sought confirmations from the Company's key customers to test the completeness of the accounting records relating to contingent liabilities in this area. Additionally, we involved our forensic professionals to assist us in testing the completeness of the identified instances of non-compliance with the Company's policies and controls and of the contingent liabilities recorded in the Company's financial statements.</p>

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2014.

Wichita, Kansas

February 28, 2020

## Spirit AeroSystems Holdings, Inc. Consolidated Statements of Operations

(\$ in millions, except per share data)	For the Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Net revenues	\$ 7,863.1	\$ 7,222.0	\$ 6,983.0
<b>Operating costs and expenses</b>			
Cost of sales	6,786.4	6,135.9	6,195.3
Selling, general and administrative	261.4	210.4	204.7
Impact of severe weather event	—	(10.0)	19.9
Research and development	54.5	42.5	31.2
Total operating costs and expenses	7,102.3	6,378.8	6,451.1
Operating income	760.8	843.2	531.9
Interest expense and financing fee amortization	(91.9)	(80.0)	(41.7)
Other (expense) income, net	(5.8)	(7.0)	44.4
Income before income taxes and equity in net income of affiliates	663.1	756.2	534.6
Income tax provision	(132.8)	(139.8)	(180.0)
Income before equity in net income of affiliates	530.3	616.4	354.6
Equity in net income of affiliates	(0.2)	0.6	0.3
<b>NET INCOME</b>	<b>\$ 530.1</b>	<b>\$ 617.0</b>	<b>\$ 354.9</b>
Earnings per share			
Basic	\$ 5.11	\$ 5.71	\$ 3.04
Diluted	\$ 5.06	\$ 5.65	\$ 3.01
Dividends declared per common share	\$ 0.48	\$ 0.46	\$ 0.40

See notes to consolidated financial statements



## Spirit AeroSystems Holdings, Inc. Consolidated Statements of Comprehensive Income

(\$ in millions)	For the Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Net income	\$ 530.1	\$ 617.0	\$ 354.9
Other comprehensive income (loss), net of tax:			
Pension, SERP, and Retiree medical adjustments, net of tax effect of (\$21.9), \$12.7, and (\$6.0), respectively	71.7	(41.0)	19.8
Unrealized foreign exchange income (loss) on intercompany loan, net of tax effect of \$2.1, \$0.8, and (\$1.2), respectively	4.3	(3.2)	4.9
Unrealized loss on interest rate swaps, net of tax effect of \$0.2	(0.6)	—	—
Foreign currency translation adjustments	20.3	(23.9)	33.7
Total other comprehensive income (loss), net of tax	95.7	(68.1)	58.4
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 625.8</b>	<b>\$ 548.9</b>	<b>\$ 413.3</b>

See notes to consolidated financial statements

## Spirit AeroSystems Holdings, Inc. Consolidated Balance Sheets

(\$ in millions)	December 31, 2019	December 31, 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 2,350.5	\$ 773.6
Restricted cash	0.3	0.3
Accounts receivable, net	546.4	545.1
Contract assets, short-term	528.3	469.4
Inventory, net	1,118.8	1,012.6
Other current assets	98.7	48.3
Total current assets	4,643.0	2,849.3
Property, plant and equipment, net	2,271.7	2,167.6
Right of use assets	48.9	—
Contract assets, long-term	6.4	54.1
Pension assets	449.1	326.7
Deferred income taxes	106.5	205.0
Other assets	80.4	83.2
<b>TOTAL ASSETS</b>	<b>\$ 7,606.0</b>	<b>\$ 5,685.9</b>
<b>Liabilities</b>		
Accounts payable	\$ 1,058.3	\$ 902.6
Accrued expenses	240.2	313.1
Profit sharing	84.5	68.3
Current portion of long-term debt	50.2	31.4
Operating lease liabilities, short-term	6.0	—
Advance payments, short-term	21.6	2.2
Contract liabilities, short-term	158.3	157.9
Forward loss provision, short-term	83.9	12.4
Deferred revenue and other deferred credits, short-term	14.8	20.0
Deferred grant income liability — current	3.6	16.0
Other current liabilities	39.3	58.2
Total current liabilities	1,760.7	1,582.1
Long-term debt	2,984.1	1,864.0
Operating lease liabilities, long-term	43.0	—
Advance payments, long-term	333.3	231.9
Pension/OPEB obligation	35.7	34.6
Contract Liabilities, long-term	356.3	369.8
Forward loss provision, long-term	163.5	170.6
Deferred revenue and other deferred credits, long-term	34.4	31.2
Deferred grant income liability — non-current	29.0	28.0
Deferred income taxes	8.3	0.8
Other non-current liabilities	95.8	134.8
<b>Stockholders' Equity</b>		
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, 104,882,379 and 105,461,817 shares issued and outstanding, respectively	1.1	1.1
Additional paid-in capital	1,125.0	1,100.9
Accumulated other comprehensive loss	(109.2)	(196.6)
Retained earnings	3,201.3	2,713.2
Treasury stock, at cost (41,523,470 and 40,719,438 shares, respectively)	(2,456.8)	(2,381.0)
Total stockholders' equity	1,761.4	1,237.6
Noncontrolling interest	0.5	0.5
Total equity	1,761.9	1,238.1
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 7,606.0</b>	<b>\$ 5,685.9</b>

See notes to consolidated financial statements

## Spirit AeroSystems Holdings, Inc. Consolidated Statements of Changes in Stockholders' Equity

(\$ in millions, except share data)	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount					
<b>BALANCE — DECEMBER 31, 2016</b>	<b>121,642,556</b>	<b>\$ 1.2</b>	<b>\$ 1,078.9</b>	<b>\$ (1,078.8)</b>	<b>\$ (186.9)</b>	<b>\$ 2,113.9</b>	<b>\$ 1,928.3</b>
Net income	—	—	—	—	—	354.9	354.9
Dividends declared	—	—	—	—	—	(46.4)	(46.4)
Employee equity awards	667,845	—	22.1	—	—	—	22.1
Stock forfeitures	(92,482)	—	—	—	—	—	—
Net shares settled	(250,066)	—	(14.2)	—	—	—	(14.2)
SERP shares issued	11,369	—	—	—	—	—	—
Treasury shares	(7,531,617)	(0.1)	0.1	(502.1)	—	—	(502.1)
Other comprehensive income	—	—	—	—	58.4	—	58.4
<b>BALANCE — DECEMBER 31, 2017</b>	<b>114,447,605</b>	<b>\$ 1.1</b>	<b>\$ 1,086.9</b>	<b>\$ (1,580.9)</b>	<b>\$ (128.5)</b>	<b>\$ 2,422.4</b>	<b>\$ 1,801.0</b>
Net income	—	—	—	—	—	617.0	617.0
Adoption of ASC 606	—	—	—	—	—	(277.0)	(277.0)
Dividends declared	—	—	—	—	—	(49.2)	(49.2)
Employee equity awards	466,719	—	27.4	—	—	—	27.4
Stock forfeitures	(47,962)	—	—	—	—	—	—
Net shares settled	(177,812)	—	(15.6)	—	—	—	(15.6)
ESPP shares issued	24,996	—	2.1	—	—	—	2.1
Treasury shares	(9,251,729)	—	0.1	(800.1)	—	—	(800.0)
Other comprehensive loss	—	—	—	—	(68.1)	—	(68.1)
<b>BALANCE — DECEMBER 31, 2018</b>	<b>105,461,817</b>	<b>\$ 1.1</b>	<b>\$ 1,100.9</b>	<b>\$ (2,381.0)</b>	<b>\$ (196.6)</b>	<b>\$ 2,713.2</b>	<b>\$ 1,237.6</b>
Net income	—	—	—	—	—	530.1	530.1
Adoption of ASC 2018-02	—	—	—	—	(8.3)	8.3	—
Dividends declared	—	—	—	—	—	(50.3)	(50.3)
Employee equity awards	448,594	—	34.4	—	—	—	34.4
Stock forfeitures	(125,055)	—	—	—	—	—	—
Net shares settled	(137,500)	—	(12.9)	—	—	—	(12.9)
ESPP shares issued	32,341	—	2.6	—	—	—	2.6
SERP shares issued	6,214	—	—	—	—	—	—
Treasury shares	(804,032)	—	—	(75.8)	—	—	(75.8)
Other comprehensive income	—	—	—	—	95.7	—	95.7
<b>BALANCE — DECEMBER 31, 2019</b>	<b>104,882,379</b>	<b>\$ 1.1</b>	<b>\$ 1,125.0</b>	<b>\$ (2,456.8)</b>	<b>\$ (109.2)</b>	<b>\$ 3,201.3</b>	<b>\$ 1,761.4</b>

See notes to consolidated financial statements

## Spirit AeroSystems Holdings, Inc. Consolidated Statements of Cash Flows

(\$ in millions)	For the Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
<b>Operating activities</b>			
Net income	\$ 530.1	\$ 617.0	\$ 354.9
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation expense	251.6	230.6	214.1
Amortization expense	0.1	0.4	0.2
Amortization of deferred financing fees	3.5	17.9	3.4
Accretion of customer supply agreement	4.3	4.1	2.6
Employee stock compensation expense	36.1	27.4	22.1
Loss (gain) from derivative instruments	8.1	(7.2)	(0.9)
Loss (gain) from foreign currency transactions	1.6	(0.3)	(8.1)
Loss on impairment and disposition of assets	4.9	1.8	9.5
Deferred taxes	86.1	(38.0)	52.4
Pension and other post-retirement benefits, net	(20.0)	(33.4)	(34.7)
Grant liability amortization	(16.2)	(21.6)	(19.0)
Equity in net income of affiliates	0.2	(0.6)	(0.3)
Forward loss provision	40.7	(170.9)	—
Changes in assets and liabilities			
Accounts receivable, net	12.8	(47.9)	(48.5)
Inventory, net	(95.4)	(61.3)	319.6
Contract assets	(5.2)	(8.5)	—
Accounts payable and accrued liabilities	34.6	244.5	160.3
Profit sharing/deferred compensation	16.0	(40.9)	7.6
Advance payments	120.8	(98.3)	(209.6)
Income taxes receivable/payable	(59.6)	(28.4)	25.7
Contract liabilities	(13.0)	208.3	—
Deferred revenue and other deferred credits	6.2	16.9	(231.2)
Other	(25.6)	(41.7)	(46.4)
Net cash provided by operating activities	922.7	769.9	573.7
<b>Investing activities</b>			
Purchase of property, plant and equipment	(232.2)	(271.2)	(273.1)
Proceeds from sale of assets	0.2	3.4	0.4
Equity in net assets of affiliates	(7.9)	—	—
Other	—	—	(0.1)
Net cash used in investing activities	(239.9)	(267.8)	(272.8)



## Spirit AeroSystems Holdings, Inc. Consolidated Statements of Cash Flows - continued

(\$ in millions)	For the Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
<b>Financing activities</b>			
Proceeds from issuance of debt	\$ 250.0	\$ 1,300.0	\$ —
Proceeds from revolving credit facility	900.0	—	—
Principal payments of debt	(13.4)	(6.7)	(2.8)
Payments on term loan	(16.6)	(256.3)	(25.0)
Payments on revolving credit facility	(100.0)	—	—
Payments on bonds	—	(300.0)	—
Taxes paid related to net share settlement awards	(12.9)	(15.6)	(14.2)
Proceeds from issuance of ESPP stock	2.6	2.1	—
Debt issuance and financing costs	—	(23.2)	(0.9)
Proceeds from financing under the New Markets Tax Credit Program	—	—	7.6
Purchase of treasury stock	(75.8)	(805.8)	(496.3)
Dividends paid	(50.4)	(48.0)	(47.1)
Other	0.9	—	—
Net cash provided by (used in) financing activities	884.4	(153.5)	(578.7)
Effect of exchange rate changes on cash and cash equivalents	5.9	—	5.6
Net increase (decrease) in cash, cash equivalents, and restricted cash for the period	1,573.1	348.6	(272.2)
Cash, cash equivalents, and restricted cash, beginning of period	794.1	445.5	717.7
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD</b>	<b>\$ 2,367.2</b>	<b>\$ 794.1</b>	<b>\$ 445.5</b>
<b>Supplemental information</b>			
Interest paid	\$ 93.2	\$ 70.4	\$ 43.6
Income taxes paid	\$ 105.0	\$ 202.3	\$ 101.9
Property acquired through finance leases	\$ 120.3	\$ 26.8	\$ 29.3
<b>Reconciliation of Cash, Cash Equivalents, and Restricted Cash:</b>			
Cash and cash equivalents, beginning of the period	\$ 773.6	\$ 423.3	\$ 697.7
Restricted cash, short-term, beginning of the period	0.3	2.2	—
Restricted cash, long-term, beginning of the period	20.2	20.0	20.0
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, BEGINNING OF THE PERIOD</b>	<b>\$ 794.1</b>	<b>\$ 445.5</b>	<b>\$ 717.7</b>
Cash and cash equivalents, end of the period	\$ 2,350.5	\$ 773.6	\$ 423.3
Restricted cash, short-term, end of the period	0.3	0.3	2.2
Restricted cash, long-term, end of the period	16.4	20.2	20.0
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF THE PERIOD</b>	<b>\$ 2,367.2</b>	<b>\$ 794.1</b>	<b>\$ 445.5</b>

See notes to consolidated financial statements

# Spirit AeroSystems Holdings, Inc.

## Notes to the Consolidated Financial Statements

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

### NOTE 1. Nature of Business

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 subsidiaries, including 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.

### NOTE 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 and related updates 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 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.

### NOTE 3. Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying 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 U.S. (“GAAP”) and Regulation S-X. All intercompany balances and transactions have been eliminated in consolidation.

After conducting the appropriate accounting processes with respect to the potential contingent liabilities, the Company concluded that it should have recorded an incremental contingent liability of less than \$8.0 for the three-month and nine-month period ending September 26,

2019. We do not believe this amount is material, either quantitatively or qualitatively, to our consolidated financial statements as of and for the three-month period ending September 26, 2019.

The Company is the majority participant in the Kansas Industrial Energy Supply Company (“KIESC”), a tenancy-in-common with other Wichita companies established to purchase natural gas. KIESC is fully consolidated as the Company owns 77.8% of the entity’s equity.

The Company’s U.K. subsidiary uses local currency, the British pound, as its functional currency; the Malaysian subsidiary uses the British pound and the Singapore subsidiary uses the Singapore dollar. All other

foreign subsidiaries and branches use the U.S. dollar as their functional currency. As part of the monthly consolidation process, the functional currencies of the Company's international subsidiaries are translated to U.S. dollars using the end-of-month translation rate for assets and liabilities and average period currency translation rates for revenue and income accounts.

## Use of Estimates

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

Management may make significant judgments when assessing estimated amounts of variable consideration and related constraints, the number of options likely to be exercised, and the standalone selling prices of the Company's products and services. The Company also estimates the cost of satisfying the performance obligations in its contracts and options that may extend over many years. Cost estimates reflect currently available information and the impact of any changes to cost estimates, based upon the facts and circumstances, are recorded in the period in which they become known.

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

The Company regularly commences work and incorporates customer-directed changes prior to negotiating pricing terms for engineering work, product modifications, and other statements of work. The Company's contractual terms typically provide for price negotiations after certain customer-directed changes have been accepted by the Company. Prices are estimated until they are contractually agreed upon with the customer. When a contract is modified, the Company evaluates whether additional distinct products and services have been promised at standalone selling prices, in which case the modification is treated as a separate contract. If not, depending on whether the remaining performance obligations are distinct from the goods or services transferred on or before the modification, the modification is either treated prospectively as if it were a termination of the existing contract and the creation of a new contract, treated as if it were a part of the existing contract, or treated as some combination.

The Company allocates the consideration for a contract to the performance obligations on the basis of their relative standalone selling price. The Company estimates the likelihood of the amount of options that the

customer is going to exercise when assessing the existence of performance obligations with respect to this allocation or for assessing the impact of loss contracts.

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

Actual results could differ from those estimates and assumptions.

## Revenues and Profit Recognition

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

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

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

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

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

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

The transaction price for a contract reflects the consideration the Company expects to receive for fully satisfying the performance obligations in the contract. The Company's current contracts do not include any significant financing components because the timing of the transfer of the underlying products and services under contract are at the customers' discretion. Additionally, the Company does not adjust the promised amount of consideration for the effects of a significant financing component if the Company expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that

good or service will be one year or less. The Company's contracts with customers generally require payment under normal commercial terms after delivery. Payment terms are typically within 30 to 120 days of delivery. The total transaction price is allocated to each of the identified performance obligations using the relative standalone selling price to reflect the amount the Company expects to be entitled for transferring the promised products and services to the customer. A majority of the Company's agreements with customers include options for future purchases. For the purposes of allocating transaction price, the Company assesses, based upon the facts and circumstances of the business arrangement, the amount and likelihood of options to be exercised that may result in deferral of revenue to future contracts and options. Deferred revenues are recognized as, or when, the underlying future performance obligations are satisfied.

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

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

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

## Adoption of New Revenue Standard

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09") that superseded ASC 605-35, Revenue Recognition - Construction-Type and Production-Type Contracts ("legacy GAAP"). Subsequently, the FASB issued several updates to ASU 2014-09, which are codified in Accounting Standards Codification ("ASC") Topic 606 ("ASC 606"). ASC 606 also included new guidance on costs related to a contract, which is codified in ASC Subtopic 340-40 ("ASC 340-40"). The Company adopted ASC 606 using the modified retrospective method ("method") effective as of January 1, 2018 ("date of initial application"). Under this method,



the cumulative effect of the adoption of ASC 606 was recognized as an adjustment to retained earnings on the date of initial application ("Transition Adjustment"), and the comparative financial statements for prior periods were not adjusted and continue to be reported under legacy GAAP. The Transition Adjustment was an after tax decrease to retained earnings of approximately \$277.0. Financial information for 2019 and 2018 is presented under ASC 606 and financial information for 2017 is presented under legacy GAAP.

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

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

(a) Revenue from Contracts with Customers

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

(b) Deferred Production Costs

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

(c) Contract Assets and Contract Liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract assets in the amount of \$342.0 were established in the Transition Adjustment. Contract liabilities primarily represent cash received that is in excess of revenues recognized and is contingent upon the satisfaction of performance obligations. For certain contracts, the allocation of consideration to the performance obligations results in a deferral of revenue that was previously recognized under legacy GAAP. Contract liabilities in the amount of \$113.0 were established in the Transition Adjustment, which reflects consideration received prior to the date of initial application that is in excess of the standalone selling price. This liability includes an allocation of consideration to future units, including those under options that the Company believes are likely to be exercised, with prices that are lower than standalone selling price. This liability will be recognized earlier if the options are not fully exercised, or immediately if the contract is terminated prior to the options being fully exercised.

(d) Contract Costs

The Company's accounting for preproduction, tooling, and certain other costs has not changed since these costs generally do not fall within the scope of ASC 340-40. Incurred production costs for

anticipated contracts (satisfaction of performance obligations, which have commenced because the Company expects the customer to exercise options) continue to be classified as inventory.

## Research and Development

Research and development includes costs incurred for experimentation, design, and testing that are expensed as incurred.

## Cash and Cash Equivalents

Cash and cash equivalents represent all highly liquid investments with original maturities of three months or less.

## Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Unbilled receivables are recorded on the balance sheet as contract assets, as per ASC 606 guidance. The Company determines an allowance for doubtful accounts based on a review of outstanding receivables. Account balances are charged off against the allowance after the potential for recovery is considered remote. See Note 6, *Accounts Receivable, net*, for more information.

The Company has two agreements to sell, on a revolving basis, certain trade accounts receivable balances with Boeing and Airbus to a third party financial institution. These programs were primarily entered into as a result of Boeing and Airbus seeking payment term extensions with the Company and continue to allow Spirit to monetize prior to the payment date for the receivables, subject to payment of a discount. No guarantees are delivered under the agreements. Our ability to continue using such agreements is primarily dependent upon the strength of Boeing's and Airbus's financial condition. Transfers under this agreement are accounted for as sales of receivables resulting in the receivables being de-recognized from the Company's balance sheet. For additional information on the sale of receivables see Note 6, *Accounts Receivable, net*.

## Inventory

Raw materials are stated at lower of cost (principally on an actual or average cost basis) or net realizable value. Production costs for contracts, including costs expected to be recovered on specific anticipated contracts (work that has commenced because the Company expects the customer to exercise options), are classified as work-in-process and include direct material, labor, overhead, and purchases. When we experience abnormal production costs such as excess capacity costs the Company will expense the costs in the period incurred excluded from inventoriable costs. Typically, anticipated contracts materialize and the related performance obligations are satisfied within 6-12 months. Revenue and related cost of sales are recognized as the performance obligations are satisfied. These costs are evaluated for impairment periodically and capitalized costs for which anticipated contracts do not materialize are written off in the period in which it becomes known. Valuation reserves for excess, obsolete, and slow-moving inventory are estimated by evaluating inventory of individual raw materials and parts against both historical usage rates and forecasted production requirements. See Note 9, *Inventory*.

## Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is applied using a straight-line method over the useful lives of the respective assets as described in the following table:

	Estimated Useful Life
Land improvements	20 years
Buildings	45 years
Machinery and equipment	3-20 years
Tooling — Airplane program — B787, Rolls-Royce	5-20 years
Tooling — Airplane program — all others	2-10 years
Capitalized software	3-7 years

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. The Company's capitalization policy includes specifications that the software must have a service life greater than one year, is legally and substantially owned by Spirit, and has an acquisition cost of greater than \$0.1.

Where the Company is involved in build-to-suit leasing arrangements, the Company is deemed the owner of the asset for accounting purposes during the construction period of the asset. The Company records the related assets and liabilities for construction costs incurred under these build-to-suit leasing arrangements during the construction period. Upon completion of the asset, the Company considers whether the assets and liabilities qualify for derecognition under the sale-leaseback accounting guidance.

## Impairment or Disposal of Long-Lived Assets and Goodwill

Spirit reviews capital and amortization of intangible assets (long-lived assets) for impairment on an annual basis or whenever events or changes in circumstances indicate that the recorded amount may not be recoverable. Under the standard, assets must be classified as either held-for-use or available-for-sale. An impairment loss is recognized when the recorded amount of the asset that is held for use exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available. For assets available-for-sale, an impairment loss is recognized when the recorded amount exceeds the fair value less cost to sell. The Company performs an annual impairment test for goodwill in the fourth quarter of each year, or more frequently, if an event occurs or circumstances change that would more likely than not reduce fair value below current value.

## Deferred Financing Costs

Costs relating to long-term debt are deferred and included in other long-term assets. These costs are amortized over the term of the related debt or debt facilities and are included as a component of interest expense.

## Derivative Instruments and Hedging Activity

The Company uses derivative financial instruments to manage the economic impact of fluctuations in currency exchange rates and interest rates. Derivative financial instruments are recognized on the balance sheet as either assets or liabilities and are measured at fair value. Changes in fair value of derivatives are recorded each period in earnings or accumulated other comprehensive income, depending on whether a derivative is effective as part of a hedge transaction, and if it is, the type of hedge transaction. Gains and losses on derivative instruments reported in other comprehensive income are subsequently included in earnings in the periods in which earnings are affected by the hedged item or when the hedge is no longer effective. Cash flows associated with the Company's derivatives are presented as a component of the operating section of the statement of cash flows. The use of derivatives has generally been limited to interest rate swaps and foreign currency forward contracts. The Company enters into foreign currency forward contracts to reduce the risks associated with the changes in foreign exchange rates on sales and cost of sales denominated in currencies other than the entities' functional currency.

## Fair Value of Financial Instruments

Financial instruments are measured in accordance with FASB authoritative guidance related to fair value measurements. This guidance clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about fair value measurements. See Note 14, *Fair Value Measurements*.

## Income Taxes

Income taxes are accounted for in accordance with FASB authoritative guidance on accounting for income taxes. Deferred income tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the financial statement carrying amounts for existing assets and liabilities and their respective tax bases. Tax rate changes impacting these assets and liabilities are recognized in the period during which the rate change occurs.

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, we assess all available positive and negative evidence. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified.

We record an income tax expense or benefit based on the income earned or loss incurred in each tax jurisdiction and the tax rate applicable to that income or loss. In the ordinary course of business, there are transactions for which the ultimate tax outcome is uncertain. These uncertainties are accounted for in accordance with FASB authoritative guidance on accounting for the uncertainty in income taxes. The final tax outcome for these matters may be different than management's original estimates made in determining the income tax provision. A change to these estimates could impact the effective tax rate and net income or loss in subsequent periods. We use the flow-through accounting method for tax credits. Under this method, tax credits reduce income tax expense. See Note 20, *Income Taxes*, for further discussion.

## Stock-Based Compensation and Other Share-Based Payments

Many of the Company's employees are participants in various stock compensation plans. The expense attributable to the Company's employees is recognized over the period the amounts are earned and vested, as described in Note 19, *Stock Compensation*. The expense includes an estimate of expected forfeitures, based on historical forfeiture trends.

## NOTE 4. 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 is planning the adoption of ASC 326 effective January 1, 2020, by means of the required cumulative-effect adjustment to the opening retained earnings as of that date. The Company has assessed the scope, approach, and processes required for implementation of the new standard. The Company expects that ASU 2016-13 will be primarily applicable to trade receivables ("AR") and Contract Assets recorded on our consolidated financial statements. The Company does not expect a material impact of adopting this guidance on our consolidated financial statements, other than incorporating the required changes to our existing presentation and disclosures, which will impact the information reported in our financial statements.

## NOTE 5. Changes in Estimates

The Company has a periodic forecasting process in which management assesses the progress and performance of the Company's programs. This process requires management to review each program's progress by evaluating the program schedule, changes to identified risks and opportunities, changes to estimated revenues and costs for the accounting contracts (and options if applicable), and any outstanding contract matters. Risks and opportunities include but are not limited to management's judgment about the cost associated with the Company's ability to achieve the schedule, technical requirements (e.g., a newly-developed product versus a mature product), and any other program requirements. Due to the span of years it may take to completely satisfy the performance obligations for the accounting contracts (and options, if any) and the scope and nature of the work required to be performed on those contracts, the estimation of total revenue and costs is subject to many

variables and, accordingly, is subject to change based upon judgment. When adjustments in estimated total consideration or estimated total cost are required, any changes from prior estimates for fully satisfied performance obligations are recognized in the current period as a cumulative catch-up adjustment for the inception-to-date effect of such changes. Cumulative catch-up adjustments are driven by several factors including production efficiencies, assumed rate of production, the rate of overhead absorption, changes to scope of work, and contract modifications. For 2017, the changes in estimates apply to contract blocks under legacy GAAP under the units-of-delivery method. For 2019 and 2018, cumulative catch-up adjustments are primarily related to changes in the estimated margin of contracts with performance obligations that are satisfied over time.

Changes in estimates are summarized below:

Changes in Estimates	December 31, 2019	December 31, 2018	December 31, 2017
<b>(Unfavorable) Favorable Cumulative Catch-up Adjustments by Segment</b>			
<i>Fuselage</i>	(1.3)	(5.3)	4.0
<i>Propulsion</i>	(1.2)	(0.2)	3.8
<i>Wing</i>	0.5	1.7	23.4
<b>Total (Unfavorable) Favorable Cumulative Catch-up Adjustment</b>	(2.0)	(3.8)	31.2
<b>(Forward Loss) and Changes in Estimates on Loss Programs by Segment</b>			
<i>Fuselage</i>	(37.9)	3.4	(223.2)
<i>Propulsion</i>	(15.1)	(0.7)	(40.2)
<i>Wing</i>	(10.5)	1.2	(63.9)
<b>Total (Forward Loss) and Change in Estimate on Loss Program</b>	(63.5)	3.9	(327.3)
<b>TOTAL CHANGE IN ESTIMATE</b>	<b>(65.5)</b>	<b>0.1</b>	<b>(296.1)</b>
EPS Impact (diluted per share based on statutory rates)	(0.50)	0.00	(1.58)

## 2019 Changes in Estimates

During the twelve months ended December 31, 2019, we recognized net forward loss charges of \$65.5 primarily driven by the production rate change on B787 from 14 aircraft per month to 10 aircraft per month.

## 2018 Changes in Estimates

Favorable changes in estimates on loss programs were primarily driven by favorable performance on cost initiatives and mitigation of risks, partially offset by forward loss charges due to the adoption of ASU 2017-07 on the B787 program. Total unfavorable cumulative catch-up adjustments were driven by increased production costs incurred due to factory disruption challenges on the B737 program.

## 2017 Changes in Estimates

On August 1, 2017, Boeing and the Company through its subsidiary, Spirit, entered into a Collective Resolution Memorandum of Understanding (the “2017 MOU”), which required Boeing and Spirit to negotiate and execute definitive documentation implementing the agreements set forth in the 2017 MOU by September 29, 2017.

On September 22, 2017, Boeing and Spirit completed their negotiation of such definitive documentation and entered into Amendment 30 to

the long-term supply agreement covering products for Boeing’s B737, B747, B767, and B777 commercial aircraft programs (“Sustaining Amendment #30”) and Amendment 25 to the long-term supply agreement covering products for Boeing’s B787 commercial aircraft program (the “787 Amendment #25” and, together with the Sustaining Amendment #30, the “Definitive Documentation”) generally established pricing terms for the B737, B747, B767, and B777 models (excluding the B777X) through December 31, 2022 (with certain limited exceptions), and for the B787-8, -9, and -10 models through line unit 1405.

In the second quarter of 2017, in connection with the 2017 MOU, the Company formally extended the current contract block ending at line unit 1003 to line unit 1300 and established a planning block from line units 1301 to 1405. Based on cost updates, contract block extension, and planning block addition, the Company updated its estimated contract costs and revenue for the B787 program. As a result, the Company recorded a second quarter 2017 forward loss of \$352.8 on its B787 program. In the fourth quarter of 2017, favorable cost initiatives and benefits from absorption of fixed costs due to announced rate increases, resulted in a favorable change in estimate on the B787 program of \$41.1.

During 2017, the Company recorded a forward loss on the A350XWB program of \$19.4, primarily related to unfavorable exchange rate impacts on labor and non-labor costs and supplier claims.

## NOTE 6. Accounts Receivable, net

Accounts receivable represent the Company’s unconditional rights to consideration, subject to the payment terms of the contract, for which only the passage of time is required before payment. 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:

	December 31, 2019	December 31, 2018
Trade receivables	\$ 515.2	\$ 527.9
Other	32.6	17.9
Less: allowance for doubtful accounts	(1.4)	(0.7)
<b>ACCOUNTS RECEIVABLE, NET</b>	<b>\$ 546.4</b>	<b>\$ 545.1</b>

The Company has two agreements to sell, on a revolving basis, certain trade accounts receivable balances with Boeing and Airbus to a third party financial institution. These programs were primarily entered into as a result of Boeing and Airbus seeking payment term extensions with the Company and continue to allow Spirit to monetize prior to the payment date for the receivables, subject to payment of a discount. No guarantees are delivered under the agreements. Our ability to continue using such agreements is primarily dependent upon the strength of Boeing's and Airbus's financial condition. Transfers under this agreement are accounted for as sales of receivables resulting in the receivables being derecognized from the Company's balance sheet.

During 2019, \$6,064.6 of accounts receivable have been sold via this arrangement. The proceeds from these sales of receivables are included in cash from operating activities in the Consolidated Statement of Cash Flows. The recorded net loss on sale of receivables is \$24.7 for the year ended December 31, 2019 and is included in Other (expense) income. See Note 23, *Other (Expense) Income, net*.

## NOTE 7. Contract Assets and Contract Liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract assets, current are those for which performance obligations have been fully satisfied and billing is expected within 12 months of contract origination and contract assets, long-term are fully satisfied obligations that are expected to be billed in more than 12 months. No impairments to contract assets were recorded for the period ended December 31, 2019.

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 21, 2018	December 31, 2019	Change
Contract assets	\$ 523.5	\$ 534.7	\$ 11.2
Contract liabilities	(527.7)	(514.6)	13.1
<b>NET CONTRACT ASSETS (LIABILITIES)</b>	<b>\$ (4.2)</b>	<b>\$ 20.1</b>	<b>\$ 24.3</b>

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 additional deferred revenues recorded in excess of revenue recognized during the period.

For the period ended December 31, 2019, the Company recognized \$139.0 of revenue that was included in the contract liability balance at the beginning of the period.

## NOTE 8. 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. Additionally, the Company disaggregates revenue based upon the location where products and services are transferred to the

customer, and based upon major customer. The Company's principal operating segments and related revenue are noted in Note 26, *Segment and Geographical Information*.

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

Revenue	For the Twelve Months Ended	
	December 31, 2019	December 31, 2018
Contracts with performance obligations satisfied over time	\$ 5,963.5	\$ 5,628.5
Contracts with performance obligations satisfied at a point in time	1,899.6	1,593.5
<b>TOTAL REVENUE</b>	<b>\$ 7,863.1</b>	<b>\$ 7,222.0</b>

The following table disaggregates revenue by major customer:

Customer	For the Twelve Months Ended	
	December 31, 2019	December 31, 2018
Boeing	\$ 6,237.2	\$ 5,677.7
Airbus	1,250.6	1,180.8
Other	375.3	363.5
<b>TOTAL NET REVENUES</b>	<b>\$ 7,863.1</b>	<b>\$ 7,222.0</b>

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

Location	For the Twelve Months Ended	
	December 31, 2019	December 31, 2018
United States	\$ 6,566.3	\$ 5,967.1
International		
United Kingdom	771.9	763.3
Other	524.9	491.6
Total International	1,296.8	1,254.9
<b>TOTAL REVENUE</b>	<b>\$ 7,863.1</b>	<b>\$ 7,222.0</b>

## Remaining Performance Obligations

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

	2020	2021	2022	2023 and After
Unsatisfied performance obligations	\$ 3,777.2	\$ 4,645.0	\$ 4,686.1	\$ 2,829.2

## NOTE 9. Inventory

Inventory consists of raw materials used in the production process, work-in-process, which is direct material, direct labor, overhead and purchases, and capitalized preproduction costs. Raw materials are stated at lower of cost (principally on an actual or average cost basis) or 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. See Note 3, *Summary of Significant Accounting Policies - Inventory*.

	December 31, 2019	December 31, 2018
Raw materials	\$ 253.1	\$ 240.4
Work-in-process <sup>(1)</sup>	822.8	727.8
Finished goods	14.5	7.1
Product inventory	1,090.4	975.3
Capitalized pre-production	28.4	37.3
<b>TOTAL INVENTORY, NET</b>	<b>\$ 1,118.8</b>	<b>\$ 1,012.6</b>

Product inventory, summarized in the table above, is shown net of valuation reserves of \$39.0 and \$55.2 as of December 31, 2019 and December 31, 2018, respectively.

- (1) For the period ended December 31, 2019, work-in-process inventory includes direct labor, direct material, overhead, and purchases on contracts for which revenue is recognized at a point in time, as well as sub-assembly parts that have not been issued to production on contracts for which revenue is recognized using the input method. For the period ended December 31, 2019, and December 31, 2018, work-in-process inventory includes \$157.2 and \$151.6, respectively, of costs incurred in anticipation of specific contracts and no impairments were recorded in the period.

## NOTE 10. Property, Plant and Equipment, net

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

	December 31, 2019	December 31, 2018
Land	\$ 15.9	\$ 15.0
Buildings (including improvements)	924.0	822.7
Machinery and equipment	1,941.5	1,697.0
Tooling	1,047.4	1,032.3
Capitalized software	277.8	269.2
Construction-in-progress	192.8	227.8
Total	4,399.4	4,064.0
Less: accumulated depreciation	(2,127.7)	(1,896.4)
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>	<b>\$ 2,271.7</b>	<b>\$ 2,167.6</b>

Capitalized interest was \$6.5 and \$6.7 for the twelve months ended December 31, 2019 and 2018, respectively. Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs of \$142.2, \$136.2, and \$130.0 for the twelve months ended December 31, 2019, 2018 and 2017, respectively.

The Company capitalizes certain costs, such as software coding, installation and testing, that are incurred to purchase or to create and implement internal use computer software. Depreciation expense related to capitalized software was \$17.7, \$16.7, and \$19.2 for the twelve months ended December 31, 2019, 2018, and 2017, respectively.

The Company reviews capital and amortizing intangible assets (long-lived assets) for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company evaluated its long-lived assets at its locations and determined that an impairment of \$3.8 and \$1.9 primarily related to unused machinery, was necessary for the twelve months ended December 31, 2019 and 2018 respectively. For the twelve months ended December 31, 2017 an impairment of \$8.2 was recorded, primarily related to abandoned construction-in-progress. The Company records impairments related to property, plant and equipment to costs of sales on the statement of operations.

## NOTE 11. 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 portion 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.

Supplemental cash flow information related to leases was as follows:

	<b>For the Twelve Months Ended</b>
	<b>December 31, 2019</b>
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>	
Operating cash flows from operating leases	\$ 8.9
Operating cash flows from finance leases	3.0
Financing cash flows from finance leases	12.1
<b>ROU assets obtained in exchange for lease obligations:</b>	
Operating leases	2.3
Finance leases	—
<b>Supplemental balance sheet information related to leases:</b>	
<b>Finance leases:</b>	
Property and equipment, gross	165.5
Accumulated amortization	(23.5)
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>\$ 142.0</b>

The weighted average remaining lease term as of December 31, 2019 for operating and finance leases was 10.2 years and 6.5 years, respectively. The weighted average discount rate as of December 31, 2019 for operating and finance leases was 5.6% and 4.3%, respectively. See Note 16, *Debt*, for current and non-current finance lease obligations.

As of December 31, 2019, remaining maturities of lease liabilities were as follows:

	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025 and thereafter</b>	<b>Total Lease Payments</b>	<b>Less: Imputed Interest</b>	<b>Total Lease Obligations</b>
Operating Leases	\$ 8.5	\$ 7.5	\$ 7.1	\$ 6.0	\$ 5.6	\$ 30.3	\$ 65.0	\$ (16.0)	\$ 49.0
Financing Leases	\$ 31.4	\$ 31.1	\$ 27.2	\$ 24.1	\$ 18.7	\$ 36.3	\$ 168.8	\$ (21.7)	\$ 147.1

As of December 31, 2019, the Company had additional operating and financing lease commitments that have not yet commenced of approximately \$2.6 and \$59.8 for manufacturing equipment and facilities which are in various phases of construction or customization

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 twelve months ended December 31, 2019, total net lease cost was \$25.1. This was comprised of \$9.0 of operating lease costs, \$13.1 amortization of assets related to finance leases, and \$3.0 interest on finance lease liabilities.

for the Company's ultimate use, with lease terms between 3 and 7 years. The Company's involvement in the construction and design process for these assets is generally limited to project management.



## NOTE 12. Other Assets

Other assets are summarized as follows:

	December 31, 2019	December 31, 2018
<b>Intangible assets</b>		
Patents	\$ 2.0	\$ 2.0
Favorable leasehold interests	2.8	6.2
Total intangible assets	4.8	8.2
Less: Accumulated amortization-patents	(1.9)	(1.9)
Accumulated amortization-favorable leasehold interest	(1.7)	(4.9)
Intangible assets, net	1.2	1.4
<b>Deferred financing</b>		
Deferred financing costs	41.7	41.7
Less: Accumulated amortization-deferred financing costs	(36.9)	(35.6)
Deferred financing costs, net	4.8	6.1
<b>Other</b>		
Goodwill — Europe	2.4	2.4
Equity in net assets of affiliates	7.7	—
Supply agreement <sup>(1)</sup>	11.5	14.6
Restricted cash	16.4	20.2
Other	36.4	38.5
<b>TOTAL</b>	<b>\$ 80.4</b>	<b>\$ 83.2</b>

(1) Certain payments accounted for as consideration paid by the Company to a customer are being amortized as reductions to net revenues.

## NOTE 13. 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 originally 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 were to offset the purchase price for shipsets 1001 through 1120. 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 \$0.45 per shipset 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 December 31, 2019, the amount of advance payments received by us from Boeing and not yet repaid was approximately \$231.9.

### 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 Company received an advance payment from Boeing in the amount of \$123.0, during the third quarter of 2019. On February 6, 2020, Boeing and Spirit entered into a Memorandum of Agreement (the “2020 MOA”) that included terms and conditions for the advance repayment that will occur over 2022 shipset deliveries.

## NOTE 14. 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, an unsecured revolver, 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:

	December 31, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior unsecured term loan A (including current portion)	\$ 438.5	\$ 440.1 <sup>(2)</sup>	\$ 204.7	\$ 197.8 <sup>(2)</sup>
Revolver	800.0	800.0 <sup>(2)</sup>	—	—
Floating Rate Notes	299.1	298.4 <sup>(1)</sup>	298.5	292.9 <sup>(1)</sup>
Senior unsecured notes due 2023	298.3	307.2 <sup>(1)</sup>	297.9	297.5 <sup>(1)</sup>
Senior unsecured notes due 2026	297.8	305.6 <sup>(1)</sup>	297.5	274.5 <sup>(1)</sup>
Senior unsecured notes due 2028	694.1	734.4 <sup>(1)</sup>	693.5	663.0 <sup>(1)</sup>
<b>TOTAL</b>	<b>\$ 2,827.8</b>	<b>\$ 2,885.7</b>	<b>\$ 1,792.1</b>	<b>\$ 1,725.7</b>

(1) Level 1 Fair Value hierarchy.

(2) Level 2 Fair Value hierarchy.

## NOTE 15. Derivative and Hedging Activities

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

The Company has historically entered into derivative instruments covered by master netting arrangements whereby, in the event of a default as defined by the 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 16, *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 December 31, 2019 and an asset of \$2.2 as of December 31, 2018. The Company recorded a loss related to swap activity of \$2.3 and a gain of \$1.4 to Other (expense) income, net in the Consolidated Statement of Operations for the twelve months ended December 31, 2019 and 2018, 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;

this contract was net settled early in the second quarter of 2019 and a fifth contract was entered into and also net settled early in the second quarter of 2019 in the amount of \$537.6. There are no foreign currency forward contracts outstanding as of December 31, 2019. The Company recorded a net loss related to foreign currency forward contract activity of \$16.7 for the year ended December 31, 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 \$0.8 as of December 31, 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. For the twelve months ended December 31, 2019, the Company recorded a net loss in AOCI of \$0.8. For the twelve months ended December 31, 2019, \$0.1 of income was reclassified from AOCI to earnings. Within the next 12 months, the Company expects to recognize \$0.3 in earnings related to these hedged contracts. As of December 31, 2019, the maximum term of hedged forecasted transactions was 3 years.

## NOTE 16. Debt

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

	December 31, 2019		December 31, 2018	
	Current	Noncurrent	Current	Noncurrent
Senior unsecured term loan A	\$ 22.8	\$ 415.7	\$ 22.7	\$ 182.0
Revolver	—	800.0	—	—
Floating Rate Notes	—	299.1	—	298.5
Senior notes due 2023	—	298.3	—	297.9
Senior notes due 2026	—	297.8	—	297.5
Senior notes due 2028	—	694.1	—	693.5
Present value of finance lease obligations	25.8	121.3	7.1	35.3
Other	1.6	57.8	1.6	59.3
<b>TOTAL</b>	<b>\$ 50.2</b>	<b>\$ 2,984.1</b>	<b>\$ 31.4</b>	<b>\$ 1,864.0</b>

### 2018 Credit Agreement

On July 12, 2018, the Company entered into a \$1,256.0 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 an \$800.0 revolving credit facility (the “Revolver”), a \$206.0 term loan A facility (the “Term Loan”) and a \$250.0 delayed draw term loan facility (the “Delayed Draw Term Loan”).

Each of the Revolver, the 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 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 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 September 26, 2019, with the balance due at maturity of the Delayed Draw Term Loan.

The 2018 Credit Agreement also contains an accordion feature that provides Spirit with the option to increase the 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, 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.

Pricing Tier	Credit Rating (S&P/Moody's)	Commitment Fee	Letter of Credit Fee	Eurodollar Rate Loans	Base Rate Loans
1	≥BBB+/Baa1	0.125%	1.125%	1.125%	0.125%
2	BBB/Baa2	0.150%	1.250%	1.250%	0.250%
3	BBB-/Baa3	0.200%	1.375%	1.375%	0.375%
4	BB+/Ba1	0.250%	1.625%	1.625%	0.625%
5	≤BB/Ba2	0.300%	1.875%	1.875%	0.875%

As a result of the modification and extinguishment of the Company's prior credit agreement, the Company recognized a loss on extinguishment of \$1.1, all of which is reflected within amortization of deferred financing fees on the Consolidated Statements of Cash Flows for the twelve months ended December 31, 2018. As of December 31, 2019, the outstanding balance of the Term Loan and Delayed Draw Term Loan was \$439.7 and the carrying value was \$438.5. The outstanding balance of the Revolver, drawn in December 2019 was \$800.0 and the carrying value was \$800.0.

The 2018 Credit Agreement contains customary affirmative and negative covenants, including restrictions on indebtedness, liens, type of business, acquisitions, investments, sales or transfers of assets, payments of dividends, transactions with affiliates, change in control and other matters customarily restricted in such agreements.

The 2018 Credit Agreement also contains the following financial covenants:

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

## The 2020 Amendment

On February 24, 2020, the Company entered into an amendment (the "2020 Amendment") to the 2018 Credit Agreement. The primary purpose for entering into the 2020 Amendment was to obtain covenant relief with respect to expected breaches of the total leverage ratio and

In addition to paying interest on outstanding principal under the 2018 Credit Agreement, Spirit is required to pay an unused line fee at a rate per annum equal to the applicable percentage for the applicable pricing tier set forth in the table below under the heading "Commitment Fee" on the unused portion of the commitments under the revolving credit facility. Spirit is required to pay letter of credit fees at a rate per annum equal to the applicable percentage for the applicable pricing tier set forth in the table below under the heading "Letter of Credit Fee" on the amounts available to be drawn under each standby letter of credit. Spirit is also required to pay fronting fees in respect of letters of credit to the issuing banks and customary administrative fees to the administrative agent. At December 31, 2019, Spirit had no letters of credit outstanding. The Company was subject to pricing tier 3 at December 31, 2019. However, the Company's credit ratings were downgraded two notches in January 2020.

As compared to the Company's prior investment grade rating, this rating and our current credit condition affects, among other things, our ability to access new capital. Further negative changes to these ratings may result in more stringent covenants and higher interest rates under the terms of any new debt.

interest coverage ratios under the 2018 Credit Agreement. Given the production suspension and 2020 production rate for the B737 MAX, absent a waiver or an amendment of the 2018 Credit Agreement, the Company was expected to breach the total leverage ratio beginning with the first fiscal quarter of 2020 and continuing into 2021. The 2020 Amendment waived or modified the testing of the ratios set forth in the 2018 Credit Agreement until the commencement of the second fiscal quarter of 2021 (the "Reversion Date") and put the following financial ratios and tests in place for such time period:

- Senior Secured Leverage Ratio: Commencing with the first fiscal quarter of 2020, the ratio of senior secured debt to consolidated EBITDA over the last twelve months shall not, as of the end of the applicable fiscal quarter, be greater than: (i) 3.00:1.00, with respect to the first fiscal quarter of 2020; (ii) 4.25:1.00, with respect to the second fiscal quarter of 2020; (iii) 5.50:1.00, with respect to the third fiscal quarter of 2020; (iv) 5.00:1.00, with respect to the fourth fiscal quarter of 2020; and (v) 3.00:1.00, with respect to the first fiscal quarter of 2021.
- Interest Coverage Ratio: Commencing with the first fiscal quarter of 2020, the interest coverage ratio as of the end of the applicable fiscal quarter shall not be less than: (i) 4.00:1.00, with respect to the first fiscal quarter of 2020; (ii) 3.75:1.00, with respect to the second fiscal quarter of 2020; (iii) 2.50:1.00, with respect to the third fiscal quarter of 2020; (iv) 2.25:1.00, with respect to the fourth fiscal quarter of 2020; and (v) 3.75:1.00, with respect to the first fiscal quarter of 2021.



- **Minimum Liquidity:** As of the end of each fiscal month, commencing with the first fiscal month after entering into the 2020 Amendment, the Company shall have minimum liquidity of not less than: (i) \$1,000 through, and including, the last fiscal month ending in the third fiscal quarter of 2020; (ii) \$850, as of the end of each fiscal month ending in the fourth fiscal quarter of 2020; and (iii) \$750, as of the end of each fiscal month ending in the first fiscal quarter of 2021; provided, however, that if the Company receives proceeds of at least \$750 from the issuance of indebtedness before the Reversion Date, the minimum liquidity requirement shall remain at \$1,000. Liquidity includes cash and cash equivalents and amounts available to be drawn under the Revolver and the 2020 DDTL (as defined below).

Upon the Reversion Date, the ratios will revert back to the ratios in the 2018 Credit Agreement except that the total leverage ratio will be 4.00:1.00, with respect to the second fiscal quarter of 2021, returning to 3.50:1.00 thereafter. The Senior Secured Leverage Ratio and minimum liquidity covenants will no longer be applicable following the Reversion Date.

The 2020 Amendment adds Spirit AeroSystems North Carolina, Inc. as an additional guarantor (the “New Guarantor”) and provides for the grant of security interests to the lenders under the 2018 Credit Agreement with respect to certain real property and personal property, including certain equity interests, owned by Spirit, as borrower, and the Guarantors, which include Holdings and the New Guarantor. Such guarantee and security interests will be released, at the option of Spirit, so long as no default or event of default shall exist at the time thereof, or immediately after giving effect thereto, if (A) (I) the senior unsecured debt rating of Spirit is “BBB-” or higher as determined by Standard & Poor’s Financial Services LLC (“S&P”), and (II) the senior unsecured debt rating of Spirit is “Baa3” or higher as determined by Moody’s Investors Service, Inc. (“Moody’s”), or (B) S&P and Moody’s have each confirmed, in a writing in form and substance reasonably satisfactory to the administrative agent, that (I) the senior unsecured debt rating of Spirit will be “BBB-” or higher as determined by S&P, and (II) the senior unsecured debt rating of Spirit will be “Baa3” or higher as determined by Moody’s, in each case of the foregoing clauses (B)(I) and (B)(II), after giving effect to the release of the security (the date of such release, the “Security Release Date”).

Each of the Revolver, the Term Loan and the Delayed Draw Term Loan continues to mature on July 12, 2023, and, following the 2020 Amendment, bears interest, at Spirit’s option, at either LIBOR plus 2.375% or a defined “base rate” plus 1.375%, subject to adjustment to between LIBOR plus 1.625% and LIBOR plus 2.625% (or between base rate plus 0.625% and base rate plus 1.625%, as applicable) based on Spirit’s senior unsecured debt ratings provided by S&P and/or Moody’s.

The 2020 Amendment also added increased restrictions on our ability to incur additional indebtedness, consolidate or merge, make acquisitions and other investments (although the Asco Acquisition and the Bombardier Acquisition are expressly permitted thereunder), guarantee obligations of third parties, make loans or advances, declare or pay certain dividends or distributions on our stock, redeem or repurchase shares of our stock, or pledge assets. The 2020 Amendment provides that a number of these increased restrictions will no longer apply following the Security Release Date. The accordion feature to increase the 2018 Revolver commitments and/or institute one or more additional term loans will not be available to Spirit during the period between the effective date of the 2020 Amendment and the Security Release Date.

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, breach of a covenant, cross-default to material indebtedness, material judgments, ERISA events, change in control, bankruptcy and invalidity of the guarantee of the Borrower’s obligations under the Credit Agreement made by the Company. The 2020 Amendment added new events of default for validity, perfection and priority of liens and the public announcement by Boeing of the termination or permanent cessation of the B737 MAX program, which will no longer apply following the Security Release Date.

Under the 2020 Amendment, the pricing table and tiers were updated to reflect the below. The pricing table will revert back to the 2018 Credit Agreement pricing table upon the Security Release Date.

Pricing Tier	Credit Rating (S&P/ Moody’s)	Revolving Commitment Fee	Applicable Rate For LIBOR Loans and Letter of Credit Fees	Applicable Rate for Base Rate Loans
I	<i>Greater than or equal to</i> BBB+ / Baa1	0.125%	1.625%	0.625%
II	BBB / Baa2	0.15%	1.75%	0.75%
III	BBB- / Baa3	0.2%	1.875%	0.875%
IV	BB+ / Ba1	0.3%	2.125%	1.125%
V	BB / Ba2	0.375%	2.375%	1.375%
VI	<i>Less than or equal to</i> BB- / Ba3	0.5%	2.625%	1.625%

## 2020 Delayed Draw Term Loan

On February 24, 2020, Spirit also entered into a \$375.0 senior unsecured delayed draw term loan among Spirit, as borrower, the Company, as parent guarantor, the New Guarantor, the lenders party thereto, and Bank of America, N.A., as administrative agent (the “2020 DDTL”). The 2020 DDTL is available to be drawn until August 15, 2020. The 2020 DDTL matures and shall be repaid in full (if drawn) on the earlier to occur of (a) September 15, 2020 and (b) the date that is 45 days after the date on which the Federal Aviation Administration re-certifies the B737 MAX program.

The 2020 DDTL bears interest, at Spirit’s option, at either LIBOR plus 3.625% or a defined “base rate” plus 2.625%. The 2020 DDTL is subject to substantially the same affirmative, negative and financial covenants and events of default as the 2018 Credit Agreement (as amended by the 2020 Amendment), except with respect to any covenants or events of default relating to security.

The 2020 DDTL is intended to function as a short-term liquidity facility, if needed. The commitments and loans under the 2020 DDTL are subject to mandatory reduction or prepayment, as applicable, with 100% of the net cash proceeds from issuances of indebtedness and equity interests, subject to certain exceptions. As a result, if Spirit receives net cash proceeds from issuances of indebtedness or equity that exceed the amount of the 2020 DDTL, the commitments under that facility will be canceled and any amounts outstanding prepaid. Spirit may pursue financing options in the near term that would result in the cancellation of this facility.

## Senior Notes

### 2026 Notes

In June 2016, Spirit 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 December 31, 2019, the outstanding balance of the 2026 Notes was \$300.0 and the carrying value was \$297.8. The indenture for the 2026 Notes 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 2026 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. On February 24, 2020, Spirit entered into a Second Supplemental Indenture (the “Supplemental Indenture”) by and among Spirit, the Company, the New Guarantor, and The Bank of New York Mellon Trust Company, N.A. (the “Trustee”), as trustee in connection with the 2026 Notes. Under the Supplemental Indenture, the noteholders were granted security on an equal and ratable basis with the lenders under the 2018 Credit Agreement (as amended by the 2020 Amendment) until the security in favor of the lenders under the 2028 Credit Agreement is released. The Supplemental Indenture also added the New Guarantor as an additional guarantor under the indenture governing the 2026 Notes. The guarantee of the New Guarantor will be released upon the release of its guarantee under the 2018 Credit Agreement.

### 2022 Notes

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

On May 30, 2018, Spirit repurchased \$202.6 aggregate principal amount of its 2022 Notes pursuant to the Tender Offer. In addition, on June 29, 2018, Spirit redeemed the remaining \$97.4 aggregate principal amount of the 2022 Notes outstanding. The redemption price of the 2022 Notes was 102.85% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date of June 29, 2018. Following the redemption on June 29, 2018, none of the 2022 Notes remain outstanding.

As a result of the extinguishment of the 2022 Notes, the Company recognized a loss on extinguishment of \$13.2, all of which is reflected within amortization of deferred financing fees on the Consolidated Statements of Cash Flows for the twelve months ended December 31, 2018.

### New Notes

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

The Floating Rate Notes bear interest at a rate per annum equal to three-month LIBOR, as determined in the case of the initial interest period, on May 25, 2018, and thereafter at the beginning of each quarterly period as described herein, plus 80 basis points and mature on June 15, 2021. Interest on the Floating Rate Notes is payable on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2018. The 2023 Notes bear interest at a rate of 3.950% per annum and mature on June 15, 2023. The 2028 Notes bear interest at a rate of 4.600% per annum and mature on June 15, 2028. Interest on the 2023 Notes and 2028 Notes is payable on June 15 and December 15 of each year, beginning on December 15, 2018. The outstanding balance of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$300.0, \$300.0, and \$700.0 as of December 31, 2019, respectively. The carrying value of the Floating Rate Notes, 2023 Notes, and 2028 Notes was \$299.1, \$298.3, and \$694.1 as of December 31, 2019, respectively.

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

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.

As of December 31, 2019, the Company was and expects to remain in full compliance with all covenants contained in the indentures governing the 2021 Notes, 2023 Notes, 2026 Notes, and the 2028 Notes through December 31, 2020.

## NOTE 17. Pension and Other Post-Retirement Benefits

### Multi-employer Pension Plan

In connection with the collective bargaining agreement signed with the International Association of Machinists and Aerospace Workers (“IAM”), the Company contributes to a multi-employer defined benefit pension plan (“IAM National Pension Fund”). As of July 1, 2015, the level of contribution, as specified in the bargaining agreement was, in whole dollars, \$1.75 per hour of employee service. The AIM bargaining agreement provided for a \$0.05 per hour increase, in whole dollars, effective July 1 of each year through 2019. Effective July 1, 2019 the level of employee contribution increased to \$1.95 per hour and will remain at \$1.95 per hour through contract expiration. The IAM contract expires June 24, 2023.

The collective bargaining agreement with the International Union, Automobile, Aerospace and Agricultural Implement Workers of America (“UAW”) requires the Company to contribute a specified amount per hour of service to the IAM National Pension Fund. The specified amount was \$1.70 per hour in 2019. Per the negotiated UAW collective bargaining agreement, the pension contributions, in whole dollars, was \$1.70 per hour effective January 1, 2019 and will be \$1.75 per hour effective January 1, 2020 through year 2025.

The risk of this multi-employer plan is different from single-employer plans in the following aspects:

1. Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
2. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
3. If the Company chooses to stop participating in the multi-employer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The following table summarizes the multi-employer plan to which the Company contributes. Unless otherwise noted, the most recent Pension Protection Act (PPA) zone status available in 2018 and 2019 is for the plan’s year-end at December 31, 2018, and December 31, 2019, respectively. The zone status is based on information received from the plan.

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status		FIP/RP Status Pending/ Implemented	Contributions of the Company			Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
		2018	2019		2017	2018	2019		
IAM National Pension Fund	51-60321295	Green	Red	Yes	\$ 30.3	\$ 35.0	\$ 40.7	Yes	IAM June 24, 2023 UAW December 7, 2025
Year Company Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of December 31 of the Plan’s Year-End)									
Pension Fund									
IAM National Pension Fund	2017, 2018, 2019								

## Defined Contribution Plans

The Company contributes to a defined contribution plan available to all U.S. employees, excluding IAM and UAW represented employees. Under the plan, the Company makes a matching contribution of 75% of the employee contribution to a maximum 8% of eligible individual employee compensation. In addition, non-matching contributions based on an employee's age and years of service are paid at the end of each calendar year for certain employee groups.

The Company recorded \$35.9, \$35.1, and \$33.6 in contributions to these plans for the twelve months ended December 31, 2019, 2018, and 2017, respectively.

On April 1, 2006, as part of the acquisition of BAE Aerostructures, the Company established a defined contribution pension plan for those employees who are hired after the date of acquisition. Under the plan, the Company contributes 8% of base salary while participating employees are required to contribute 4% of base salary. The Company recorded \$4.1 in contributions to this plan for the twelve months ended December 31, 2019, \$6.8 in contributions for the twelve months ended December 31, 2018 and \$5.4 in contributions for the twelve months ended December 31, 2017.

## Defined Benefit Pension Plans

Effective June 17, 2005, pension assets and liabilities were spun-off from three Boeing qualified plans into four qualified Spirit plans for each Spirit employee who did not retire from Boeing by August 1, 2005. Effective December 31, 2005, all four qualified plans were merged together. In addition, Spirit has one nonqualified plan providing supplemental benefits to executives who transferred from a Boeing nonqualified plan to a Spirit plan and elected to keep their benefits in this plan. Both plans are frozen as of the date of the Boeing Acquisition (i.e., no future service benefits are being earned in these plans). The Company intends to fund its qualified pension plan through a trust. Pension assets are placed in trust solely for the benefit of the pension plans' participants and are structured to maintain liquidity that is sufficient to pay benefit obligations.

On April 1, 2006, as part of the acquisition of BAE Aerostructures, the Company established a defined benefit pension plan for those employees that had pension benefits remaining in BAE Systems' pension plan. In

accordance with U.K. legislation, the plan and its assets are managed by an independent trustee company. The investment strategy adopted by this trustee is documented in a Statement of Investment Principles in line with U.K. legislation. The principles for the investment strategy are to maximize the long-term rate of return on plan assets within an acceptable level of risk while maintaining adequate funding levels. The trustee has invested the plan assets in pooled arrangements with authorized investment companies that were selected to be consistent with the plan's overall investment principles and strategy. Effective December 31, 2013, the U.K. pension plan was closed and benefits were frozen and thereafter subject only to statutory pension revaluation.

## Other Post-Retirement Benefit Plans

The Company also has post-retirement health care coverage for eligible U.S. retirees and qualifying dependents prior to age 65. Eligibility for employer-provided benefits is limited to those employees who were employed at the date of the Boeing Acquisition and retire on or after attainment of age 62 and 10 years of service. Employees who do not satisfy these eligibility requirements can retire with post-retirement medical benefits at age 55 and 10 years of service, but they must pay the full cost of medical benefits provided.

## Obligations and Funded Status

The following tables reconcile the funded status of both pension and post-retirement medical benefits to the balance on the balance sheets for the fiscal years 2019 and 2018. Benefit obligation balances presented in the tables reflect the projected benefit obligation and accumulated benefit obligation for the Company's pension plans, and accumulated post-retirement benefit obligations for the Company's post-retirement medical plan. The Company uses an end of fiscal year measurement date of December 31 for the Company's U.S. pension and post-retirement medical plans. Special termination benefits for the period ended December 31, 2019 are related to a voluntary retirement program offered by the Company in the second quarter of 2019.



U.S. Plans	Pension Benefits		Other Post-Retirement Benefits	
	Periods Ended December 31,		Periods Ended December 31,	
	2019	2018	2019	2018
<b>Change in projected benefit obligation:</b>				
Beginning balance	\$ 997.0	\$ 1,084.4	\$ 40.3	\$ 47.2
Service cost	—	—	0.9	1.1
Employee contributions	—	—	0.9	1.0
Interest cost	36.5	34.7	1.2	1.0
Actuarial losses (gains)	141.1	(91.7)	1.8	(2.4)
Special termination benefits	5.2	—	3.9	—
Plan Settlements	(49.9)	—	—	—
Benefits paid	(33.3)	(30.4)	(7.2)	(7.6)
<b>PROJECTED BENEFIT OBLIGATION AT THE END OF THE PERIOD</b>	<b>\$ 1,096.6</b>	<b>\$ 997.0</b>	<b>\$ 41.8</b>	<b>\$ 40.3</b>
<b>Assumptions used to determine benefit obligation:</b>				
Discount rate	3.19%	4.21%	2.55%	3.74%
Rate of compensation increase	N/A	N/A	N/A	N/A
<b>Medical assumptions:</b>				
Trend assumed for the year	N/A	N/A	5.90%	6.24%
Ultimate trend rate	N/A	N/A	4.50%	4.50%
Year that ultimate trend rate is reached	N/A	N/A	2038	2038
<b>Change in fair value of plan assets:</b>				
Beginning balance	\$ 1,302.8	\$ 1,410.3	\$ —	\$ —
Actual (loss) return on assets	299.7	(77.1)	—	—
Employer contributions to plan	0.1	0.1	6.3	6.6
Employee contributions to plan	—	—	0.9	1.0
Plan Settlements	(49.9)	—	—	—
Benefits paid	(33.2)	(30.5)	(7.2)	(7.6)
Expenses paid	—	—	—	—
<b>ENDING BALANCE</b>	<b>\$ 1,519.5</b>	<b>\$ 1,302.8</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Reconciliation of funded status to net amounts recognized:</b>				
Funded status (deficit)	\$ 422.9	\$ 305.8	\$ (41.8)	\$ (40.3)
<b>NET AMOUNTS RECOGNIZED</b>	<b>\$ 422.9</b>	<b>\$ 305.8</b>	<b>\$ (41.8)</b>	<b>\$ (40.3)</b>
<b>Amounts recognized in the balance sheet:</b>				
Noncurrent assets	\$ 424.2	\$ 307.0	—	\$ —
Current liabilities	(0.1)	—	(7.3)	(6.9)
Noncurrent liabilities	(1.2)	(1.2)	(34.5)	(33.4)
<b>NET AMOUNTS RECOGNIZED</b>	<b>\$ 422.9</b>	<b>\$ 305.8</b>	<b>\$ (41.8)</b>	<b>\$ (40.3)</b>
<b>Amounts not yet reflected in net periodic benefit cost and included in AOCI:</b>				
Accumulated other comprehensive (loss) income	\$ (46.0)	\$ (141.9)	\$ 22.6	\$ 27.5
Cumulative employer contributions in excess of net periodic benefit cost	468.9	447.7	(64.4)	(67.8)
<b>NET AMOUNT RECOGNIZED IN THE BALANCE SHEET</b>	<b>\$ 422.9</b>	<b>\$ 305.8</b>	<b>\$ (41.8)</b>	<b>\$ (40.3)</b>
<b>Information for pension plans with benefit obligations in excess of plan assets:</b>				
Projected benefit obligation	\$ 1.3	\$ 1.2	\$ 41.8	\$ 40.3
Accumulated benefit obligation	1.3	1.2	—	—

U.K. Plans	Pension Benefits	
	Periods Ended December 31,	
	2019	2018
<b>Change in projected benefit obligation:</b>		
Beginning balance	\$ 59.9	\$ 76.9
Service cost	0.9	1.3
Interest cost	1.6	1.7
Actuarial loss (gain)	5.5	(6.9)
Benefits paid	(0.8)	(0.6)
Expense paid	(0.9)	(1.3)
Plan settlements	(2.1)	(7.5)
Exchange rate changes	2.6	(3.7)
<b>PROJECTED BENEFIT OBLIGATION AT THE END OF THE PERIOD</b>	<b>\$ 66.7</b>	<b>\$ 59.9</b>
<b>Assumptions used to determine benefit obligation:</b>		
Discount rate	2.10%	3.00%
Rate of compensation increase	3.15%	3.40%
<b>Change in fair value of plan assets:</b>		
Beginning balance	\$ 79.6	\$ 96.8
Actual return (loss) on assets	11.1	(3.0)
Company contributions	1.7	1.7
Plan settlements	(2.6)	(9.1)
Expenses paid	(0.9)	(1.3)
Benefits paid	(0.8)	(0.6)
Exchange rate changes	3.5	(4.9)
<b>ENDING BALANCE</b>	<b>\$ 91.6</b>	<b>\$ 79.6</b>
<b>Reconciliation of funded status to net amounts recognized:</b>		
Funded status	24.9	19.7
<b>NET AMOUNTS RECOGNIZED</b>	<b>\$ 24.9</b>	<b>\$ 19.7</b>
<b>Amounts recognized in the balance sheet:</b>		
Noncurrent assets	\$ 24.9	\$ 19.7
Noncurrent liabilities	—	—
<b>NET AMOUNTS RECOGNIZED</b>	<b>\$ 24.9</b>	<b>\$ 19.7</b>
<b>Amounts not yet reflected in net periodic benefit cost and included in AOCI:</b>		
Accumulated other comprehensive income (loss)	5.9	3.1
Prepaid pension cost	19.0	16.6
<b>NET AMOUNT RECOGNIZED IN THE BALANCE SHEET</b>	<b>\$ 24.9</b>	<b>\$ 19.7</b>
<b>Information for pension plans with benefit obligations in excess of plan assets:</b>		
Projected benefit obligation	\$ —	\$ —
Accumulated benefit obligation	—	—
Fair value of assets	\$ —	\$ —

## Annual Expense

The components of pension and other post-retirement benefit plans expense for the U.S. plans and the assumptions used to determine benefit obligations for each of the periods ended December 31, 2019, 2018, and 2017 are as follows:

U.S. Plans	Pension Benefits			Other Post-Retirement Benefits		
	Periods Ended December 31,			Periods Ended December 31,		
	2019	2018	2017	2019	2018	2017
<b>Components of net periodic benefit cost (income):</b>						
Service cost	\$ —	\$ —	\$ —	\$ 0.9	\$ 1.1	\$ 1.2
Interest cost	36.5	34.7	35.7	1.2	1.1	1.2
Expected return on plan assets	(66.7)	(66.9)	(69.8)	—	—	—
Amortization of net (gain) loss	0.5	—	—	(2.2)	(2.3)	(2.2)
Amortization of prior service costs	—	—	—	(0.9)	(0.9)	(0.9)
Settlement (gain) loss recognized <sup>(1)</sup>	3.4	—	—	—	—	—
Special termination benefits <sup>(1)</sup>	5.2	—	—	3.9	—	—
<b>NET PERIODIC BENEFIT (INCOME) COST</b>	<b>(21.1)</b>	<b>(32.2)</b>	<b>(34.1)</b>	<b>2.9</b>	<b>(1.0)</b>	<b>(0.7)</b>
<b>Other changes recognized in OCI:</b>						
Total recognized in other OCI (income) loss	\$ (95.9)	\$ 52.3	\$ (24.8)	\$ 4.9	\$ 0.8	\$ 4.2
<b>TOTAL RECOGNIZED IN OTHER NET PERIODIC BENEFIT AND OCI (INCOME) LOSS</b>	<b>\$ (117.0)</b>	<b>\$ 20.1</b>	<b>\$ (58.9)</b>	<b>\$ 7.8</b>	<b>\$ (0.2)</b>	<b>\$ 3.5</b>
<b>Assumptions used to determine net periodic benefit costs:</b>						
Discount rate	4.21%	3.59%	4.15%	3.74%	3.03%	3.21%
Expected return on plan assets	5.00%	4.80%	5.50%	N/A	N/A	N/A
Salary increases	N/A	N/A	N/A	N/A	N/A	N/A
<b>Medical Assumptions:</b>						
Trend assumed for the year	N/A	N/A	N/A	6.24%	6.59%	6.93%
Ultimate trend rate	N/A	N/A	N/A	4.50%	4.50%	4.50%
Year that ultimate trend rate is reached	N/A	N/A	N/A	2038	2038	2038

(1) Special termination benefits as of December 31, 2019 is a combination of pension value plan, postretirement medical plan, 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 \$95.9 impact to OCI that is included in the Company's Consolidated Statements of Comprehensive Income and a charge of \$3.4 that was recorded to Other income (expense).

The estimated net gain that will be amortized from other comprehensive income into net periodic benefit cost over the next fiscal year is \$0.0 for Pension Benefits and \$2.8 for Other Post-Retirement Benefits plans.

The components of the pension benefit plan expense for the U.K. plans and the assumptions used to determine benefit obligations for each of the periods ended December 31, 2019, 2018, and 2017 are as follows:

U.K. Plans	Pension Benefits		
	Periods Ended December 31,		
	2019	2018	2017
<b>Components of net periodic benefit cost (income):</b>			
Service cost	\$ 0.9	\$ 1.3	\$ 1.3
Interest cost	1.7	1.7	2.0
Expected return on plan assets	(2.4)	(2.8)	(2.9)
Settlement gain	(0.2)	(0.4)	(0.3)
<b>NET PERIODIC BENEFIT COST (INCOME)</b>	<b>\$ —</b>	<b>\$ (0.2)</b>	<b>\$ 0.1</b>
<b>Other changes recognized in OCI:</b>			
Total (income) recognized in OCI	\$ (3.2)	\$ (0.5)	\$ (6.7)
<b>TOTAL RECOGNIZED IN NET PERIODIC BENEFIT COST AND OCI</b>	<b>\$ (3.2)</b>	<b>\$ (0.7)</b>	<b>\$ (6.6)</b>
<b>Assumptions used to determine net periodic benefit costs:</b>			
Discount rate	3.00%	2.60%	2.70%
Expected return on plan assets	3.10%	3.10%	3.20%
Salary increases	3.40%	3.35%	3.20%

The estimated net (gain) loss that will be amortized from other comprehensive income into net periodic benefit cost over the next fiscal year for the U.K. plan is zero.

The adoption of ASU 2017-07 in 2018 requires the Company to record only the service component of net periodic benefit cost in operating profit and the non-service components of net periodic benefit cost (i.e., interest cost, expected return on plan assets, amortization of prior service cost, special termination benefits, and net actuarial gains or losses) as part of non-operating income. Results for the period ended December 31, 2017 have been adjusted to reflect this accounting change.

## Assumptions

The Company sets the discount rate assumption annually for each of its retirement-related benefit plans as of the measurement date, based on a review of projected cash flow and a long-term high-quality corporate bond yield curve. The discount rate determined on each measurement date is used to calculate the benefit obligation as of that date, and is also used to calculate the net periodic benefit (income)/cost for the upcoming plan year. During 2015, the mortality assumption for the U.S. plans was updated to Mercer's MRP-2007 generational mortality tables for non-annuitants and Mercer's MILES-2010 generational tables for the Auto, Industrial Goods and Transportation group for annuitants both reflecting Mercer's MMP-2007 improvement scale. In 2018, the Company incorporated the MMP-2018 improvement scale. MMP-2018 is a Mercer-developed scale that uses the same basic model as the Society of Actuaries MP-2018 scale, but with different

parameters and adjustments for actual experience since 2006. A blue collar adjustment is reflected for the hourly union participants and a white collar adjustment is reflected for all other participants. Actuarial gains and losses are amortized using the corridor method over the average working lifetimes of active participants/membership.

The pension expected return on assets assumption is derived from the long-term expected returns based on the investment allocation by class specified in the Company's investment policy. The expected return on plan assets determined on each measurement date is used to calculate the net periodic benefit (income)/cost of the upcoming plan year.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. To determine the health care cost trend rates the Company considers national health trends and adjusts for its specific plan design and locations. The trend and aging assumptions were updated during 2016 to reflect more current trends. These assumptions were reviewed in 2019, and it was determined they were still reasonable and therefore were unchanged.

A one-percentage point increase in the initial through ultimate assumed health care trend rates would have increased the accumulated post-retirement benefit obligation by \$2.1 at December 31, 2019 and the aggregate service and interest cost components of non-pension post-retirement benefit expense for 2019 by \$0.1. A one-percentage point decrease would have decreased the obligation by \$2.0 and the aggregate service and interest cost components of non-pension post-retirement benefit expense for 2019 by \$0.1.



## U.S. Plans

The Company's investment objective is to achieve long-term growth of capital, with exposure to risk set at an appropriate level. This objective shall be accomplished through the utilization of a diversified asset mix consisting of equities (domestic and international) and taxable fixed income securities. The allowable asset allocation range is:

Equities	20 - 50%
Fixed income	50 - 80%
Real estate	0 - 7%

Investment guidelines include that no security, except issues of the U.S. Government, shall comprise more than 5% of total Plan assets and further, no individual portfolio shall hold more than 7% of its assets in the securities of any single entity, except issues of the U.S. Government. The following derivative transactions are prohibited —

leverage, unrelated speculation and “exotic” collateralized mortgage obligations or CMOs. Investments in hedge funds, private placements, oil and gas and venture capital must be specifically approved by the Company in advance of their purchase.

The Company's plans have asset allocations for the U.S., as of December 31, 2019 and December 31, 2018, as follows:

	2019	2018
<b>Asset Category — U.S.</b>		
Equity securities — U.S.	25%	24%
Equity securities — International	4%	3%
Debt securities	69%	71%
Real estate	2%	2%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## U.K. Plans

The Trustee's investment objective is to ensure that they can meet their obligation to the beneficiaries of the Plan. An additional objective is to achieve a return on the total Plan, which is compatible with the level of risk considered appropriate. The overall benchmark allocation of the Plan's assets is:

Equity securities	12 - 16%
Debt securities	80%
Property	6 - 8%

The Company's plans have asset allocations for the U.K., as of December 31, 2019 and December 31, 2018, as follows:

	2019	2018
<b>Asset Category — U.K.</b>		
Equity securities	15%	36%
Debt securities	80%	60%
Other	5%	4%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

## Projected contributions and benefit payments

Required pension contributions under Employee Retirement Income Security Act (ERISA) regulations are expected to be zero in 2020 and discretionary contributions are not expected in 2020. SERP and post-retirement medical plan contributions in 2020 are expected to be \$7.3. Expected contributions to the U.K. plan for 2020 are \$1.8.

The Company monitors its defined benefit pension plan asset investments on a quarterly basis and believes that the Company is not exposed to any significant credit risk in these investments.

The total benefits expected to be paid over the next ten years from the plans' assets or the assets of the Company, by country, are as follows:

U.S.	Pension Plans	Other Post-Retirement Benefit Plans
2020	\$ 39.2	\$ 7.3
2021	\$ 42.7	\$ 6.7
2022	\$ 46.2	\$ 5.5
2023	\$ 49.2	\$ 5.0
2024	\$ 52.2	\$ 4.2
2025-2029	\$ 295.3	\$ 15.1

U.K.	Pension Plans
2020	\$ 0.8
2021	\$ 0.9
2022	\$ 0.9
2023	\$ 0.9
2024	\$ 0.9
2025-2029	\$ 4.8

## Fair Value Measurements

The pension plan assets are valued at fair value. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for the investments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

*Temporary Cash Investments* — These investments consist of U.S. dollars and foreign currencies held in master trust accounts. Foreign currencies held are reported in terms of U.S. dollars based on currency exchange rates readily available in active markets. These temporary cash investments are classified as level 1 investments.

*Collective Investment Trusts* — These investments are public investment vehicles valued using market prices and performance of the fund. The trust allocates notional units to the policy holder based on the

underlying notional unit buy (offer) price using the middle market price plus transaction costs. These investments are classified within level 2 of the valuation hierarchy. In addition, the collective investment trust includes a real estate fund, which is classified within level 3 of the valuation hierarchy.

*Commingled Equity and Bond Funds* — These investments are valued at the closing price reported by the Plan Trustee. These investments are not being traded in an active market, but are backed by various investment securities managed by the Bank of New York. Fair value is being calculated using inputs that rely on the Bank of New York's own assumptions, which are based on underlying investments that are traded on an active market and classified within level 2 of the valuation hierarchy.

As of December 31, 2019 and December 31, 2018, the pension plan assets measured at fair value on a recurring basis were as follows:

Description	December 31, 2019 Total	At December 31, 2019 Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
<i>Temporary Cash Investments</i>	\$ 0.7	\$ 0.7	\$ —	\$ —	
<i>Collective Investment Trusts</i>	91.6	—	87.6	3.4	
<i>Commingled Equity and Bond Funds</i>	1,519.5	—	1,519.5	—	
	<b>\$ 1,611.8</b>	<b>\$ 0.7</b>	<b>\$ 1,607.1</b>	<b>\$ 3.4</b>	

## At December 31, 2018 Using

Description	December 31, 2018 Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary Cash Investments	\$ 0.2	\$ 0.2	\$ —	\$ —
Collective Investment Trusts	79.4	—	76.2	3.2
Commingled Equity and Bond Funds	1,302.8	—	1,302.8	—
	<b>\$ 1,382.4</b>	<b>\$ 0.2</b>	<b>\$ 1,379.0</b>	<b>\$ 3.2</b>

The table below sets forth a summary of changes in the fair value of the Plan's level 3 investment assets and liabilities for the years ended December 31, 2019 and December 31, 2018:

## December 31, 2019

Description	Beginning Fair Value	Purchases	Gain (Loss)	Sales, Maturities, Settlements, Net	Exchange rate	Ending Fair Value
Collective Investment Trusts	\$ 3.2	\$ —	\$ 0.1	\$ —	\$ 0.1	\$ 3.4
	<b>\$ 3.2</b>	<b>\$ —</b>	<b>\$ 0.1</b>	<b>\$ —</b>	<b>\$ 0.1</b>	<b>\$ 3.4</b>

## December 31, 2018

Description	Beginning Fair Value	Purchases	Gain (Loss)	Sales, Maturities, Settlements, Net	Exchange rate	Ending Fair Value
Collective Investment Trusts	\$ 5.9	\$ —	\$ 0.3	\$ (2.8)	\$ (0.2)	\$ 3.2
	<b>\$ 5.9</b>	<b>\$ —</b>	<b>\$ 0.3</b>	<b>\$ (2.8)</b>	<b>\$ (0.2)</b>	<b>\$ 3.2</b>

## NOTE 18. Capital Stock

Holdings has authorized 210,000,000 shares of stock. Of that, 200,000,000 shares are Common Stock, par value \$0.01 per share, one vote per share and 10,000,000 shares are preferred stock, par value \$0.01 per share.

In association with the Boeing Acquisition, Spirit executives with balances in Boeing's Supplemental Executive Retirement Plan ("SERP") were authorized to purchase a fixed number of units of Holdings "phantom stock" at \$3.33 per unit based on the present value of their SERP balances. Under this arrangement, 860,244 phantom units were purchased. Any payment on account of units may be made in cash or shares of Common Stock at the sole discretion of Holdings. The balance of SERP units was 38,754 and 47,487 as of December 31, 2019 and December 31, 2018, respectively.

### Repurchases of Common Stock

During the twelve months ended December 31, 2018, the Company repurchased 9.3 million shares of its Common Stock for \$800.0.

On October 28, 2018, the Board of Directors increased the capacity of its share repurchase program to \$1,000. During the three months ended March 28, 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 share repurchase program is \$925.0. Share repurchases are currently on hold pending the outcome of the B737 MAX grounding. The 2020 Amendment imposes additional restrictions on the Company's ability to repurchase shares.

## NOTE 19. Stock Compensation

Holdings has established the stockholder-approved 2014 Omnibus Incentive Plan, as amended (the “Omnibus Plan”) to grant cash and equity awards to certain individuals. Compensation values are based on the value of Holdings’ Common Stock on the grant date, which is added to equity and charged to period expense. The Company’s Omnibus Plan was amended in October 2018 to allow for participants to make tax elections with respect to their equity awards.

Holdings has recognized a net total of \$36.1, \$27.4, and \$22.1 of stock compensation expense for the twelve months ended December 31, 2019, 2018, and 2017, respectively. Stock compensation expense is charged in its entirety directly to selling, general and administrative expense.

### Short-Term Incentive Plan

The Short-Term Incentive Program under the Omnibus Plan enables eligible employees to receive incentive benefits in the form of cash as determined by the Compensation Committee.

### Board of Directors Stock Awards

The Company’s Omnibus Plan provides non-employee directors the opportunity to receive grants of restricted shares of Common Stock, or Restricted Stock Units (“RSUs”) or a combination of both Common

Stock and RSUs. The Common Stock grants and RSU grants vest one year from the grant date subject to the directors compliance with the one-year service condition; however, the RSU grants are not payable until the director’s separation from service. The Board of Directors is authorized to make discretionary grants of shares or RSUs from time to time. Compensation values are based on the value of Holdings’ Common Stock on the grant date, which is added to equity and charged to period expense or included in inventory and cost of sales.

The Company expensed a net amount of \$1.4, \$1.3, and \$1.0 for the restricted shares of Common Stock and RSUs for the twelve months ended December 31, 2019, 2018, and 2017, respectively. The Company’s unamortized stock compensation related to these restricted shares of Common Stock and RSUs is \$0.5, which will be recognized over a weighted average remaining period of 5 months. The intrinsic value of the unvested restricted shares of Common Stock and RSUs, based on the value of the Company’s stock at December 31, 2019, was \$1.3, based on the value of the Company’s Common Stock and the number of unvested shares of restricted Common Stock and RSUs.

The following table summarizes grants of restricted Common Stock and RSUs to members of the Company’s Board of Directors for the twelve months ended December 31, 2019, 2018, and 2017:

	Shares		Value <sup>(1)</sup>
(Thousands)	Class A		Class A
Board of Directors Stock Grants			
Nonvested at December 31, 2016	26	\$	1.2
Granted during period	24		1.2
Vested during period	(26)		(1.2)
Forfeited during period	—		—
Nonvested at December 31, 2017	24		1.2
Granted during period	17		1.4
Vested during period	(19)		(1.0)
Forfeited during period	—		—
Nonvested at December 31, 2018	22		1.6
Granted during period	17		1.5
Vested during period	(22)		(1.7)
Forfeited during period	—		—
NONVESTED AT DECEMBER 31, 2019	17	\$	1.4

(1) Value represents grant date fair value.



## Long-Term Incentive Awards

Holdings has established the Long-Term Incentive Plan (the “LTIP”) under the Omnibus Plan to grant equity awards to certain employees. Generally, specified employees are entitled to receive a long-term incentive award that, for the 2019 year, consisted of the following:

- 60% of the award consisted of time-based, service-condition restricted Common Stock that vests in equal installments over a three-year period (the “RS Award”). Values for these awards are based on the value of Common Stock on the grant date.
- 20% of the award consisted of performance-based, market-condition restricted Common Stock that vests on the three-year anniversary of the grant date contingent upon TSR compared to the Company’s peers (the “TSR Award”). Values for these awards are initially measured on the grant date using estimated payout levels derived from a Monte Carlo valuation model.
- 20% of the award consisted of performance-based, (performance-condition) restricted Common Stock that vests on the three-year anniversary of the grant date contingent upon the Company’s cumulative three-year free cash flow as a percentage of the Company’s cumulative three-year revenues meeting certain pre-established goals (the “FCF Percentage Award”). Values for these awards are based on the dividend adjusted value of Common Stock on the grant date.

For the twelve months ended December 31, 2019, 303,638 shares of Common Stock with an aggregate grant date fair value of \$27.3

were granted as RS Awards under the Company’s LTIP. In addition, 127,802 shares of Common Stock with an aggregate grant date fair value of \$13.4 were granted as TSR Awards and FCF Percentage Awards under the Company’s LTIP.

For the twelve months ended December 31, 2018, 295,482 shares of Common Stock with an aggregate grant date fair value of \$25.6 were granted as RS Awards under the Company’s LTIP. In addition, 156,279 shares of Common Stock with an aggregate grant date fair value of \$14.1 were granted as TSR Awards under the Company’s LTIP.

For the twelve months ended December 31, 2017, 352,053 shares of Common Stock with an aggregate grant date fair value of \$20.4 were granted as RS Awards under the Company’s LTIP. In addition, 292,160 shares of Common Stock with an aggregate grant date fair value of \$15.0 were granted as TSR Awards under the Company’s LTIP.

The Company expensed a net total of \$32.2, \$26.1, and \$21.1 for share of Common Stock issued under the LTIP for the twelve month periods ended December 31, 2019, 2018, and 2017, respectively.

The Company’s unamortized stock compensation related to these unvested shares of Common Stock is \$33.7, which will be recognized over a weighted average remaining period of 1.7 years. The intrinsic value of the unvested shares of Common Stock issued under the LTIP at December 31, 2019 was \$66.3, based on the value of the Company’s Common Stock and the number of unvested shares.

The following table summarizes the activity of the restricted shares under the LTIP for the twelve month periods ended December 31, 2019, 2018, and 2017:

(Thousands)	Shares	Value <sup>(1)</sup>
	Common Stock	Common Stock
<b>Long-Term Incentive Plan/Long-Term Incentive Award under Omnibus Plan</b>		
Nonvested at December 31, 2016	1,557	\$ 67.3
Granted during period	644	35.5
Vested during period	(655)	(25.0)
Forfeited during period	(93)	(4.4)
Nonvested at December 31, 2017	1,453	73.4
Granted during period	451	39.7
Vested during period	(465)	(24.1)
Forfeited during period	(48)	(3.0)
Nonvested at December 31, 2018	1,391	86.0
Granted during period	431	40.6
Vested during period	(393)	(24.2)
Forfeited during period	(125)	(8.4)
<b>NONVESTED AT DECEMBER 31, 2019</b>	<b>1,304</b>	<b>\$ 94.0</b>

(1) Value represents grant date fair value.

## NOTE 20. Income Taxes

The following summarizes pretax income:

	2019		2018		2017	
U.S.	\$	552.4	\$	655.0	\$	426.6
International		110.7		101.2		108.0
<b>TOTAL (BEFORE EQUITY EARNINGS)</b>	<b>\$</b>	<b>663.1</b>	<b>\$</b>	<b>756.2</b>	<b>\$</b>	<b>534.6</b>

The tax provision contains the following components:

	2019		2018		2017	
<b>Current</b>						
Federal	\$	57.8	\$	159.4	\$	107.3
State		0.7		4.1		0.7
Foreign		(12.8)		11.4		20.0
Total current	\$	45.7	\$	174.9	\$	128.0
<b>Deferred</b>						
Federal	\$	71.8	\$	(27.8)	\$	53.6
State		(11.4)		(12.8)		(0.2)
Foreign		26.7		5.5		(1.4)
Total deferred		87.1		(35.1)		52.0
<b>TOTAL INCOME TAX PROVISION</b>	<b>\$</b>	<b>132.8</b>	<b>\$</b>	<b>139.8</b>	<b>\$</b>	<b>180.0</b>

The income tax provision from operations differs from the tax provision computed at the U.S. federal statutory income tax rate due to the following:

	2019		2018		2017	
Tax at U.S. Federal statutory rate	\$	139.3 21.0%	\$	158.8 21.0%	\$	187.1 35.0%
State income taxes, net of Federal benefit		14.9 2.3		18.1 2.4		8.8 1.6
State income tax credits, net of Federal benefit		(22.6) (3.4)		(22.7) (3.0)		(9.7) (1.8)
Foreign rate differences		(7.1) (1.1)		(6.2) (0.8)		(20.6) (3.8)
Research and experimentation		0.7 0.1		(5.4) (0.7)		(2.6) (0.5)
Domestic Production Activities Deduction		— —		— —		(7.1) (1.3)
Interest on assessments		— —		— —		(0.1) —
Excess tax benefits		(2.5) (0.4)		(4.0) (0.5)		(4.8) (0.9)
Non-deductible expenses		4.0 0.6		4.6 0.6		2.4 0.5
Transition tax		1.6 0.2		(5.4) (0.7)		44.9 8.4
Re-measurement of Deferred Taxes		(2.0) (0.3)		— —		(16.2) (3.0)
Global Intangible Low-Taxed Income (GILTI) Tax		7.1 1.1		1.8 0.2		— —
Other		(0.6) (0.1)		0.2 —		(2.1) (0.5)
<b>TOTAL INCOME TAX PROVISION</b>	<b>\$</b>	<b>132.8 20.0%</b>	<b>\$</b>	<b>139.8 18.5%</b>	<b>\$</b>	<b>180.0 33.7%</b>

In 2019, an amended tax return was filed in a foreign jurisdiction for one of the Company's foreign subsidiaries impacting the amount of undistributed earnings included in the transition tax liability enacted by TCJA. The increase to the transition tax in 2019 is \$1.6 which has been included as a component of income tax expense from continuing operations.

The FASB Staff Q&A, Topic 740, No. 5, *Accounting for Global Intangible Low-Taxed Income*, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary basis differences expected to reverse as GILTI in future years or to provide for the tax expense related to GILTI in the year the tax is incurred as a period expense only. The Company has elected to account for GILTI in the

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year the tax is incurred. As of December 31, 2019 there was \$7.1 of GILTI tax expense resulting from \$0.6 of income tax expense related to activity in 2019 and \$6.5 of income tax expense related to the finalization of the 2018 amounts related to GILTI reported in the tax return as agreed upon with the IRS in the course of the Company's

participation in the Internal Revenue Service's Compliance Assurance Process ("CAP") program. As of December 31, 2018 there was \$1.8 of GILTI tax expense. Tax expense related to GILTI is included as a component of income tax expense from continuing operations.

Significant tax effected temporary differences comprising the net deferred tax asset are as follows:

	2019	2018
Long-term contracts	\$ 107.5	\$ 210.2
Post-retirement benefits other than pensions	9.8	9.5
Pension and other employee benefit plans	(88.5)	(60.4)
Employee compensation accruals	39.2	36.1
Depreciation and amortization	(117.8)	(115.1)
Inventory	0.4	0.5
State income tax credits	108.3	94.1
Accruals and reserves	40.3	46.2
Deferred production	—	(1.8)
Net operating loss carryforward	0.4	0.4
Interest swap contract	0.2	—
Other	8.6	(2.3)
Net deferred tax asset	108.4	217.4
Valuation allowance	(10.2)	(13.2)
<b>NET DEFERRED TAX ASSET</b>	<b>\$ 98.2</b>	<b>\$ 204.2</b>

Deferred tax detail above is included in the balance sheet and supplemental information as follows:

	2019	2018
Non-current deferred tax assets	106.5	205.0
Non-current deferred tax liabilities	(8.3)	(0.8)
Net non-current deferred tax assets	\$ 98.2	\$ 204.2
<b>TOTAL DEFERRED TAX ASSET</b>	<b>\$ 98.2</b>	<b>\$ 204.2</b>

The following is a roll forward of the deferred tax valuation allowance at December 31, 2019, 2018 and 2017:

	2019	2018	2017
Balance at January 1	\$ 13.2	\$ 15.0	\$ 13.5
Income tax credits	(3.2)	(2.2)	1.6
Depreciation and amortization	0.2	0.1	0.1
Other	—	0.3	(0.2)
<b>BALANCE AT DECEMBER 31</b>	<b>\$ 10.2</b>	<b>\$ 13.2</b>	<b>\$ 15.0</b>

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, we assess all available positive and negative evidence. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified.

The Company continues to maintain \$10.2 in valuation allowances primarily against separate company North Carolina income tax credit deferred tax assets and North Carolina state net operating loss

carryforwards. It is the Company's opinion that none of these North Carolina state income tax credits will be utilized before they expire and an \$8.8 valuation allowance is recorded against the deferred tax asset. Additionally, it is the Company's opinion that none of the \$16.0 North Carolina loss carryforwards, resulting in a \$0.4 deferred tax asset, will be utilized before they expire and a \$0.4 valuation allowance is recorded against the deferred tax asset.

Certain provisions within the TCJA effectively transition the U.S. to a territorial system and eliminates deferral on U.S. taxation for certain amounts of income which is not taxed at a minimum level. At this time, we continue to maintain that earnings of all foreign operating subsidiaries are indefinitely invested outside the U.S. on the basis of estimates that future domestic cash generation, inclusive of management actions and plans associated with the 737MAX production halt and slowdown, will be sufficient to meet future domestic cash needs and our specific plans for reinvestment of those subsidiary earnings to fund working capital requirements, service existing obligations, execute M&A transactions, and invest in efforts to secure future business. As a result, no additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the transition tax, or any additional outside basis difference inherent in these entities.

The beginning and ending unrecognized tax benefits reconciliation is as follows:

	2019	2018	2017
Beginning balance at January 1	\$ 7.2	\$ 6.7	\$ 6.3
Gross increases related to current period tax positions	0.4	—	—
Gross increases related to prior period tax positions	—	0.5	0.4
Gross decreases related to prior period tax positions	(2.2)	—	—
Statute of limitations' expiration	—	—	—
Settlements	—	—	—
<b>ENDING BALANCE AT DECEMBER 31</b>	<b>\$ 5.4</b>	<b>\$ 7.2</b>	<b>\$ 6.7</b>

Included in the December 31, 2019 balance was \$5.4 in unrecognized tax benefits of which \$4.2 would reduce the Company's effective tax rate if ultimately recognized. 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 and 2020 tax year. The CAP program's objective is to resolve issues in a timely, contemporaneous manner and eliminate the need for a lengthy post-filing examination. There are no open audits in the Company's foreign jurisdictions.

The Company reports interest and penalties, if any, related to unrecognized tax benefits in the income tax provision. As of December 31, 2019, and December 31, 2018, there was no accrued interest on the unrecognized tax benefit liability included in the balance sheets and there was no impact of interest on the Company's unrecognized tax benefit liability during 2019 and 2018.

The Company continues to operate under a tax holiday in Malaysia effective through September 2024. The Company's 2019 income tax expense reflects \$5.7 of Malaysia tax holiday benefit for the year ended December 31, 2019.

To the extent cash in excess of the needs identified above are generated from a key international operating subsidiary and a dividend is declared, we have completed analysis regarding potential dividend withholding taxes and anticipate that any associated withholding taxes would be immaterial based upon current law. Determining the amount of unrecognized deferred tax liability related to any remaining undistributed foreign earnings not subject to the transition tax and additional outside basis difference in these entities (i.e., basis difference in excess of that subject to the one-time transition tax) is not practicable at this time.

Included in the deferred tax assets at December 31, 2019 are \$94.1 in Kansas High Performance Incentive Program ("HPIP") Credit and \$9.6 in Kansas Research & Development ("R&D") Credit, totaling \$103.7 in gross Kansas state income tax credit carryforwards, net of federal benefit. The HPIP Credit provides a 10% investment tax credit for qualified business facilities located in Kansas for which \$8.9 expires in 2029, \$14.6 expires in 2030, \$8.7 expires in 2031, \$14.6 expires in 2032, \$15.2 expires in 2033, \$28.8 expires in 2034, and \$28.3 expires in 2035. The R&D Credit provides a credit for qualified research and development expenditures conducted within Kansas. This credit can be carried forward indefinitely.

The Company had \$74.2 and \$13.3 of income tax receivable as of December 31, 2019 and December 31, 2018, respectively, which is reflected within other current assets on the balance sheet as well as \$6.3 and \$5.8 of income tax payable as of December 31, 2019 and December 31, 2018, respectively, which is reflected within other current liabilities on the balance sheet. The Company had \$5.3 and \$3.7 of non-current income tax payable as of December 31, 2019 and December 31, 2018, respectively, which is reflected within other liabilities on the balance sheet.

## NOTE 21. Equity

### Employee Stock Purchase Plan

In April 2017, the stockholders approved the Spirit AeroSystems Holdings, Inc. Employee Stock Purchase Plan (the "ESPP") with the associated registration statement on Form S-8 filed on September 6, 2017.

The ESPP became effective on October 1, 2017. The Compensation Committee of the Board of Directors approved an amended and restated ESPP on January 21, 2020 to allow for dividend reinvestment, among other things. The ESPP is implemented over consecutive six-month offering periods, beginning on April 1 and October 1 of each year and



ending on the last day of September and March, respectively. Shares are issued on the last trading day of each six-month offering period. Generally, any person who is employed by the Company, Spirit or by a subsidiary or affiliate of the Company that has been designated by the Compensation Committee may participate in the ESPP.

The maximum number of shares of the Company's Common Stock that may be purchased under the ESPP will be 1,000,000 shares, subject to adjustment for stock dividends, stock splits or combinations of shares of the Company's stock. The per-share purchase price for the Company's Common Stock purchased under the ESPP is 95% of the fair market value of a share of such stock on the last day of the offering period.

## Dividends

The Company paid cash dividends of \$0.12 per share of Common Stock in each quarter in 2019. The total amount of dividends paid during 2019 was \$50.4. On February 6, 2020, the Company announced that its Board of Directors reduced its quarterly dividend to a penny per share to preserve liquidity until B737 MAX production reaches higher levels. Accordingly,

on February 6, 2020, the Board declared a \$0.01 per share quarterly cash dividend on the outstanding Common Stock of the Company payable on April 9, 2020 to stockholders of record at the close of business on March 20, 2020. The Board regularly evaluates the Company's capital allocation strategy and dividend policy. Any future determination to continue to pay dividends will be at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions, including the requirements of financing agreements to which we may be a party. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all.

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

	For the Twelve Months Ended								
	December 31, 2019			December 31, 2018			December 31, 2017		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Loss	Shares	Per Share Amount
<b>Basic EPS</b>									
Income available to common shareholders	\$ 529.7	103.6	\$ 5.11	\$ 616.5	108.0	\$ 5.71	\$ 354.7	116.8	\$ 3.04
Income allocated to participating securities	0.4	0.1		0.5	0.1		0.2	0.1	
<b>NET INCOME</b>	<b>\$ 530.1</b>			<b>\$ 617.0</b>			<b>\$ 354.9</b>		
Diluted potential common shares		1.0			1.0			1.0	
<b>Diluted EPS</b>									
<b>NET INCOME</b>	<b>\$ 530.1</b>	<b>104.7</b>	<b>\$ 5.06</b>	<b>\$ 617.0</b>	<b>109.1</b>	<b>\$ 5.65</b>	<b>\$ 354.9</b>	<b>117.9</b>	<b>\$ 3.01</b>

Included in the outstanding common shares were 1.4 million, 1.4 million and 1.5 million of issued but unvested shares at December 31, 2019, 2018 and 2017, respectively, which are excluded from the basic EPS calculation.

## Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss, net of tax, is summarized by component as follows:

	December 31, 2019	December 31, 2018
Interest swaps	\$ (0.6)	\$ —
Pension	(53.1)	(116.7)
SERP/Retiree medical	17.1	17.2
Foreign currency impact on long term intercompany loan	(13.1)	(17.4)
Currency translation adjustment	(59.5)	(79.7)
<b>TOTAL ACCUMULATED OTHER COMPREHENSIVE LOSS</b>	<b>\$ (109.2)</b>	<b>\$ (196.6)</b>

Amortization or settlement cost recognition of the pension plans' net gain/(loss) reclassified from accumulated other comprehensive loss and realized into costs of sales and selling, general and administrative on the consolidated statements of operations was (\$3.7), \$0.3 and 0.3 for the twelve months ended December 31, 2019, 2018 and 2017, respectively.

## Noncontrolling Interest

Noncontrolling interest at December 31, 2019 remained unchanged from the prior year at \$0.5.

## Repurchases of Common Stock

The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders' equity. As of December 31, 2019, no treasury shares have been reissued or retired.

On January 27, 2016, the Company announced that its Board of Directors authorized an additional new share repurchase program for the purchase of up to \$600.0 of Common Stock (the "2016 Share Repurchase Program"). During the twelve month period ended December 31, 2016, the Company repurchased 14.2 million shares of its Common Stock for \$649.6, which consisted of the remaining \$50.0 from the prior share repurchase program and approximately all of the \$600.0 of the authorized amount of the 2016 Share Repurchase Program.

On November 1, 2016, the Company's Board of Directors authorized a share repurchase program for the purchase of up to \$600.0 of Common Stock (the "2017 Share Repurchase Program"). On July 25,

2017, the Company's Board of Directors authorized an increase to the 2017 Share Repurchase Program authorization up to an additional \$400.0 of Common Stock. During the twelve month period ended December 31, 2017, the Company repurchased 7.5 million shares of common stock for \$502.1.

On January 24, 2018, the Board of Directors approved an increase to the 2017 Share Repurchase Program authorization up to an additional \$500.0. On October 24, 2018, the Board of Directors approved an increase to the 2017 Share Repurchase Program authorization up to an additional \$800.0. During the twelve month ended December 31, 2018, the Company repurchased 9.3 million shares of common stock for \$800.0.

During the twelve month ended December 31, 2019, the Company repurchased 0.8 million shares of its Common Stock for \$75.8, which includes \$75.0 repurchased under the 2017 Share Repurchase Program. As a result, the total authorization amount remaining under the current share repurchase program is approximately \$925.0. Share repurchases are currently on hold pending the outcome of the B737 MAX grounding. The 2020 Amendment imposes additional restrictions on the Company's ability to repurchase shares.

## NOTE 22. Commitments, Contingencies and Guarantees

### Litigation

From time to time, the Company is subject to, and is presently involved in, litigation or other legal proceedings arising in the ordinary course of business.

On February 10, 2020 and February 24, 2020, two separate private securities class action lawsuits were filed against the Company in the U.S. District Court for the Northern District of Oklahoma, its Chief Executive Officer Tom Gentile III, former chief financial officer, Jose Garcia, and former controller (principal accounting officer), John Gilson. Allegations in each lawsuit include (i) violations of Section 10(b) and Rule 10b-5 promulgated thereunder by all defendants, and (ii) violations of Section 20(a) of the Exchange Act against the individual defendants. The facts underlying the complaints relate to the accounting process compliance independent review (the "Accounting Review") discussed in the Company's January 30, 2020 press release and described under Management's Discussion and Analysis of Financial Condition and Results of Operations - Accounting Review.

Prior to the Company's January 30, 2020 announcement, the Company voluntarily reported to the SEC the determination that, with respect to the third quarter of 2019, the Company did not comply with its established accounting processes related to potential third quarter contingent liabilities received after the quarter-end. The Company has communicated to the SEC that the Accounting Review is substantially complete. In the event the SEC commences an investigation with respect to these matters, the Company intends to cooperate fully.

While the final outcome of these matters cannot be predicted with certainty, considering, among other things, the meritorious legal

defenses available, it is the opinion of the Company that none of these items, when finally resolved, will have a material adverse effect on the Company's long-term financial position or liquidity.

From time to time, in the ordinary course of business and similar to others in the industry, the Company receives requests for information from government agencies in connection with their regulatory or investigational authority. Such requests can include subpoenas or demand letters for documents to assist the government in audits or investigations. The Company reviews such requests and notices and takes appropriate action. Additionally, the Company is subject to federal and state requirements for protection of the environment, including those for disposal of hazardous waste and remediation of contaminated sites. As a result, the Company is required to participate in certain government investigations regarding environmental remediation actions.

### Customer and Vendor Claims

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.

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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.

## Commitments

The Company leases equipment and facilities under various non-cancelable finance and operating leases. The finance leasing arrangements extend through 2038. Minimum future lease payments under these leases at December 31, 2019 are as follows:

	Operating	Finance		Total
		Present Value	Interest	
2020	\$ 8.5	\$ 25.8	\$ 5.6	\$ 39.9
2021	\$ 7.5	\$ 26.7	\$ 4.4	\$ 38.6
2022	\$ 7.1	\$ 23.9	\$ 3.3	\$ 34.3
2023	\$ 6.0	\$ 21.8	\$ 2.3	\$ 30.1
2024	\$ 5.6	\$ 17.1	\$ 1.6	\$ 24.3
2025 and thereafter	\$ 30.3	\$ 31.8	\$ 4.5	\$ 66.6

Operating lease payments were as follows:

	2019	2018	2017
Minimum rentals	\$ 15.4	\$ 14.3	\$ 14.1
<b>TOTAL</b>	<b>\$ 15.4</b>	<b>\$ 14.3</b>	<b>\$ 14.1</b>

Spirit's aggregate capital commitments totaled \$119.9 and \$114.9 at December 31, 2019 and December 31, 2018, respectively.

## Guarantees

Contingent liabilities in the form of letters of guarantee have been provided by the Company. Outstanding guarantees were \$21.5 and \$27.3 at December 31, 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 December 31, 2019 and December 31, 2018, respectively, related to certain collateral requirements for obligations under its workers' compensation programs. Restricted cash is included in "Other assets" in the Company's Consolidated Balance Sheet.

## Indemnification

The Company has entered into customary indemnification agreements with its non-employee directors. 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. In addition, the Company has obligations to its current and former officers to provide indemnification for litigation or governmental investigations, including expenses, consistent with the terms of its Bylaws and Certificate of Incorporation.

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 work 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 December 31, 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 and \$34.0, as of December 31, 2019 and December 31, 2018, respectively.

The following is a roll forward of the service warranty and extraordinary rework balance at December 31, 2019, 2018 and 2017:

	2019	2018	2017
Balance, January 1	\$ 104.8	\$ 166.4	\$ 163.7
Charges to costs and expenses	(13.9)	3.2	5.8
Payouts	(1.7)	(1.2)	(4.0)
Impact of 2018 MOA <sup>(1)</sup>	—	(63.8)	—
Impact of TGI Settlement <sup>(2)</sup>	(25.0)	—	—
Exchange rate	0.5	0.2	0.9
<b>BALANCE, DECEMBER 31</b>	<b>\$ 64.7</b>	<b>\$ 104.8</b>	<b>\$ 166.4</b>

(1) As part of the 2018 MOA, \$63.8 of warranty provision was released, settled against previously held Accounts Receivable, net with no impact to earnings.

(2) 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.

## Bonds

Since the Company's incorporation, Spirit and its predecessor have periodically utilized City of Wichita issued Industrial Revenue Bonds ("IRBs") to finance self-constructed and purchased real property at its Wichita site. Tax benefits associated with IRBs include provisions for a ten-year complete property tax abatement and a Kansas Department of

Revenue sales tax exemption on all IRB funded purchases. Spirit and its predecessor purchased these IRBs so they are bondholders and debtor/lessee for the property purchased with the IRB proceeds.

Spirit recorded the property net of a finance lease obligation to repay the IRB proceeds on its balance sheet. Gross assets and liabilities associated with these IRBs were \$376.2 and \$343.5 as of December 31, 2019 and December 31, 2018, respectively.

## NOTE 23. Other (Expense) Income, Net

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

	For the Twelve Months Ended		
	December 31, 2019	December 31, 2018	December 31, 2017
Kansas Development Finance Authority bond	\$ 3.7	\$ 3.8	\$ 3.2
Rental and miscellaneous income	0.2	0.2	1.2
Pension income	19.5	34.3	37.2
Interest income	12.9	8.0	6.4
Loss on foreign currency forward contract and interest rate swaps	(19.0)	(35.3)	—
Loss on sale of accounts receivable	(24.7)	(16.5)	(3.3)
Foreign currency losses	(12.3)	(1.9)	(0.3)
Litigation settlement	13.5	—	—
Other	0.4	0.4	—
<b>TOTAL OTHER (EXPENSE) INCOME, NET</b>	<b>\$ (5.8)</b>	<b>\$ (7.0)</b>	<b>\$ 44.4</b>

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



## NOTE 24. Significant Concentrations of Risk

### Economic Dependence

The Company's largest customer (Boeing) accounted for approximately 79%, 79%, and 79% of the revenues for the periods ended December 31, 2019, 2018, and 2017, respectively. Approximately 40%, 36%, and 44% of the Company's accounts receivable balance at December 31, 2019, 2018, and 2017, respectively, was attributable to Boeing.

The Company's second largest customer (Airbus) accounted for approximately 16%, 16%, and 16% of the revenues for the periods ended December 31, 2019, 2018, and 2017, respectively. Approximately 41%, 48%, and 38% of the Company's accounts receivable balance at December 31, 2019, 2018, and 2017, respectively, was attributable to Airbus.

### Employees

As of December 31, 2019, the Company had approximately 18,200 employees: 15,900 located in the Company's four U.S. facilities, 1,100 located at the U.K. facility, 1,100 located in the Malaysia facility, and 100 located in the France facility.

The numbers reflected for December 31, 2019, do not reflect the work force actions the Company took beginning in January 2020 related to B737 MAX production.

Approximately 89% of the Company's U.S. employees are represented by five unions and approximately 64% of the Company's U.K. employees are represented by one union. Approximately 1% of the Company's US employees are represented by an International Brotherhood of Electrical Workers (IBEW) collective bargaining agreement that will expire within one year and approximately 62% of US employees are represented by the International Association of Machinists and Aerospace Workers (IAM) collective bargaining agreement. On January 18, 2020 the Wichita IAM collective bargaining agreement was extended to June 24, 2023. French employees are represented by CFTC ("Confédération Française des Travailleurs Chrétiens or French Confederation of Christian Workers") and FO ("Force Ouvrière or Labor Force"). None of the Malaysia employees are currently represented by a union.

## NOTE 25. Supplemental Balance Sheet Information

Accrued expenses and other liabilities consist of the following:

	December 31, 2019	December 31, 2018
<b>Accrued expenses</b>		
Accrued wages and bonuses	\$ 35.2	\$ 48.3
Accrued fringe benefits	125.5	125.0
Accrued interest	3.5	3.5
Workers' compensation	8.7	8.3
Property and sales tax	24.1	25.2
Warranty/extraordinary rework reserve — current	0.5	1.3
Other	42.7	101.5
<b>TOTAL</b>	<b>\$ 240.2</b>	<b>\$ 313.1</b>
<b>Other liabilities</b>		
Warranty/extraordinary rework reserve — non-current	64.3	103.6
Customer cost recovery	—	2.4
Other	31.5	28.8
<b>TOTAL</b>	<b>\$ 95.8</b>	<b>\$ 134.8</b>

## NOTE 26. Segment and Geographical Information

The Company operates in three principal segments: Fuselage Systems, Propulsion Systems and Wing Systems. Revenue from Boeing represents a substantial portion of our revenues in all segments. Wing Systems also includes significant revenues from Airbus. Approximately 95% of the

Company's net revenues for the twelve months ended December 31, 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 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; Tulsa and McAlester, Oklahoma; San Antonio, Texas; Kinston, North Carolina; and Subang, Malaysia. The Fuselage Systems segment also includes an assembly plant for the A350 XWB aircraft in Saint-Nazaire, France.

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

The Company's Wing Systems segment includes development, production and marketing of wings and wing components (including flight control surfaces) as well as other miscellaneous structural parts primarily to aircraft OEMs, as well as related spares and MRO services. These activities take place at the Company's facilities in Tulsa and McAlester, Oklahoma; San Antonio, Texas; 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 aerostructure 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 twelve months ended December 31, 2019, 2018 and 2017:

	Twelve Months Ended December 31, 2019	Twelve Months Ended December 31, 2018	Twelve Months Ended December 31, 2017
<b>Segment Revenues</b>			
Fuselage Systems	\$ 4,206.2	\$ 4,000.8	\$ 3,730.8
Propulsion Systems	2,057.8	1,702.5	1,666.2
Wing Systems	1,588.3	1,513.0	1,578.8
All Other	10.8	5.7	7.2
	<b>\$ 7,863.1</b>	<b>\$ 7,222.0</b>	<b>\$ 6,983.0</b>
<b>Segment Operating Income<sup>(1, 2)</sup></b>			
Fuselage Systems	\$ 440.8	\$ 576.1	\$ 329.6
Propulsion Systems	404.6	283.5	267.7
Wing Systems	216.0	226.4	205.1
All Other	3.4	0.3	2.0
	1,064.8	1,086.3	804.4
Corporate SG&A <sup>(2)</sup>	(261.4)	(210.4)	(204.7)
Unallocated impact of severe weather event	—	10.0	(19.9)
Research and development	(54.5)	(42.5)	(31.2)
Unallocated cost of sales <sup>(3)</sup>	11.9	(0.2)	(16.7)
<b>TOTAL OPERATING INCOME</b>	<b>\$ 760.8</b>	<b>\$ 843.2</b>	<b>\$ 531.9</b>

## Item 8. Financial Statements and Supplementary Data

- (1) Inclusive of forward losses, changes in estimate on loss programs and cumulative catch-up adjustments. These changes in estimates for the periods ended December 31, 2019, 2018, and 2017 are further detailed in Note 5, *Changes in Estimates*.
- (2) Prior period information has been reclassified as a result of the Company's adoption of ASU 2017-07 on a retrospective basis in 2018. In accordance with the adoption of this guidance, prior year amounts related to the components of net periodic pension and postretirement benefit cost other than service costs have been reclassified from cost of sales and selling, general, and administrative expense to other (expense) income within the consolidated statement of operation for all periods presented. Accordingly, expenses of \$18.1, \$7.4, and \$7.3 attributable to the Fuselage Systems segment, Propulsion Systems segment, and Wing Systems segment, respectively, were reclassified into segment operating income for the twelve months ended December 31, 2017.
- (3) For 2019, includes \$13.9 related to warranty reserves. For 2018, includes charges of \$1.1 related to warranty reserves. For 2017, includes charges of \$1.8 and \$12.7, related to warranty reserves and charges for excess purchases and purchase commitments, respectively.

Most of the Company's revenue is obtained from sales inside the U.S. However the Company does generate international sales, primarily from sales to Airbus. The following chart illustrates the split between domestic and foreign revenues:

Revenue Source <sup>(1)</sup>	Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31, 2017	
	Net Revenues	Percent of Total	Net Revenues	Percent of Total	Net Revenues	Percent of Total
		Net Revenues		Net Revenues		Net Revenues
United States	\$ 6,566.3	84%	\$ 5,967.1	83%	\$ 5,722.9	82%
International						
United Kingdom	771.9	10%	763.3	10%	740.9	11%
Other	524.9	6%	491.6	7%	519.2	7%
Total International	1,296.8	16%	1,254.9	17%	1,260.1	18%
<b>TOTAL REVENUES</b>	<b>\$ 7,863.1</b>	<b>100%</b>	<b>\$ 7,222.0</b>	<b>100%</b>	<b>\$ 6,983.0</b>	<b>100%</b>

(1) Net Revenues are attributable to countries based on destination where goods are delivered.

Most of the Company's long-lived assets are located within the U.S. Approximately 5% of the Company's long-lived assets based on book value are located in the U.K. with approximately another 3% of the Company's total long-lived assets located in countries outside the U.S. and the U.K. The following chart illustrates the split between domestic and foreign assets:

Asset Location	Year Ended December 31, 2019		Year Ended December 31, 2018		Year Ended December 31, 2017	
	Total Long-Lived Assets	Percent of Total Long-Lived Assets	Total Long-Lived Assets	Percent of Total Long-Lived Assets	Total Long-Lived Assets	Percent of Total Long-Lived Assets
		Long-Lived Assets		Long-Lived Assets		Long-Lived Assets
United States	\$ 2,079.4	92%	\$ 2,003.9	92%	\$ 1,939.0	92%
International						
United Kingdom	112.4	5%	82.1	4%	82.5	4%
Other	79.9	3%	81.6	4%	83.8	4%
Total International	192.3	8%	163.7	8%	166.3	8%
<b>TOTAL LONG-LIVED ASSETS</b>	<b>\$ 2,271.7</b>	<b>100%</b>	<b>\$ 2,167.6</b>	<b>100%</b>	<b>\$ 2,105.3</b>	<b>100%</b>

## NOTE 27. Quarterly Financial Data (Unaudited)

	Quarter Ended			
	December 31, 2019 <sup>(1)</sup>	September 26, 2019 <sup>(2)</sup>	June 27, 2019 <sup>(3)</sup>	March 28, 2019 <sup>(4)</sup>
Net revenues	\$ 1,959.3	\$ 1,919.9	\$ 2,016.1	\$ 1,967.8
Gross profit	\$ 202.0	\$ 272.3	\$ 292.9	\$ 309.5
Operating income	\$ 95.7	\$ 206.1	\$ 226.0	\$ 233.0
Net income	\$ 67.7	\$ 131.3	\$ 168.0	\$ 163.1
Earnings per share, basic	\$ 0.65	\$ 1.27	\$ 1.62	\$ 1.57
Earnings per share, diluted	\$ 0.65	\$ 1.26	\$ 1.61	\$ 1.55
Dividends declared per common share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.12

	Quarter Ended			
	December 31, 2018 <sup>(5)</sup>	September 27, 2018 <sup>(6)</sup>	June 28, 2018 <sup>(7)</sup>	March 29, 2018 <sup>(8)</sup>
Net revenues	\$ 1,835.3	\$ 1,813.7	\$ 1,836.9	\$ 1,736.1
Gross profit	\$ 300.7	\$ 270.6	\$ 289.7	\$ 225.1
Operating income	\$ 243.6	\$ 222.5	\$ 217.6	\$ 159.5
Net income	\$ 177.6	\$ 168.8	\$ 145.2	\$ 125.4
Earnings per share, basic	\$ 1.70	\$ 1.61	\$ 1.32	\$ 1.11
Earnings per share, diluted	\$ 1.68	\$ 1.59	\$ 1.31	\$ 1.10
Dividends declared per common share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.10

(1) Fourth quarter 2019 earnings include the impact of net unfavorable changes in estimate of \$55.2.

(2) Third quarter 2019 earnings include the impact of net unfavorable changes in estimate of \$41.8.

(3) Second quarter 2019 earnings include the impact of net unfavorable changes in estimate of \$10.9.

(4) First quarter 2019 earnings include the impact of net favorable changes in estimate of \$0.5.

(5) Fourth quarter 2018 earnings include the impact of net favorable changes in estimate of \$3.5.

(6) Third quarter 2018 earnings include the impact of net unfavorable changes in estimate of \$13.5.

(7) Second quarter 2018 earnings include the impact of net favorable changes in estimate of \$24.9.

(8) First quarter 2018 earnings include the impact of net unfavorable changes in estimate of \$22.6.

## NOTE 28. Acquisition

### Asco

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 “Asco 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”), 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 “Asco Acquisition”). The Asco 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 “Asco Amendment”) the Asco Purchase Agreement. The Asco Amendment incorporates amendments to the Purchase Agreement agreed among the Parties to date, and reduces the purchase price for the Asco Acquisition from \$604 to \$420. In addition, the Asco Amendment reduces the Sellers’ indemnification obligations under the Asco Purchase Agreement to \$80 (except with respect to damages resulting or arising from the termination of certain commercial agreements), and removes the closing condition precedent that a “Material Adverse Change” in Asco’s business has not occurred since May 1, 2018.



On January 29, 2020, Asco and Spirit entered into an amendment to the Asco Purchase Agreement extending the date upon which the Asco Purchase Agreement will automatically terminate in the event that conditions to the Asco Acquisition are not satisfied or waived is extended from April 4, 2020, to October 1, 2020. In addition, the Amendment changed the closing date for the Acquisition to the last business day of the month that all conditions precedent are satisfied or waived (provided certain notice requirements are met) or as the parties agree.

Acquisition-related expenses were \$12.7 for the twelve months ended December 31, 2019 and are included in selling, general and administrative costs on the condensed and consolidated statements of operations.

## Bombardier

On October 31, 2019, Spirit and Spirit AeroSystems Global Holdings Limited (“Spirit UK”), wholly owned subsidiaries of the Company, entered into a definitive agreement (the “Bombardier Purchase Agreement”) with Bombardier Inc., Bombardier Aerospace UK Limited, Bombardier Finance Inc. and Bombardier Services Corporation (collectively, the “Bombardier 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 “Bombardier Acquired Business”) for cash consideration of \$500 (the “Bombardier Acquisition”).

The Company agreed to procure payment of a special contribution of £100 million (approximately \$130) to the Shorts pension scheme after closing and has reached a tentative agreement to delay payment of the special contribution to 2021.

The Bombardier 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 Bombardier 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 Bombardier 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 Bombardier Acquired Business during the interim period between the execution of the Purchase Agreement and the consummation of the Bombardier Acquisition. The Bombardier Acquisition is not conditioned upon the Company’s receipt of debt financing.

Acquisition-related expenses were \$19.6 for the twelve months ended December 31, 2019 and are included in selling, general and administrative costs on the condensed and consolidated statements of operations.

## NOTE 29. 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.

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

- (i) Holdings, as the parent company and parent guarantor of the Notes as further detailed in Note 16, *Debt*;

- (ii) Spirit, as the subsidiary 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 and Comprehensive Income

For the Twelve Months Ended December 31, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	\$ —	\$ 7,116.7	\$ 1,420.5	\$ (674.1)	\$ 7,863.1
<b>Operating costs and expenses</b>					
Cost of sales	—	6,197.0	1,263.5	(674.1)	6,786.4
Selling, general and administrative	18.1	223.3	20.0	—	261.4
Impact of severe weather event	—	—	—	—	—
Research and development	—	47.0	7.5	—	54.5
Total operating costs and expenses	18.1	6,467.3	1,291.0	(674.1)	7,102.3
Operating income (loss)	(18.1)	649.4	129.5	—	760.8
Interest expense and financing fee amortization	—	(91.6)	(3.9)	3.6	(91.9)
Other (expense) income, net	—	0.5	(2.7)	(3.6)	(5.8)
Income (loss) before income taxes and equity in net income of affiliates and subsidiaries	(18.1)	558.3	122.9	—	663.1
Income tax benefit (provision)	3.9	(120.2)	(16.5)	—	(132.8)
Income (loss) before equity in net income of affiliates and subsidiaries	(14.2)	438.1	106.4	—	530.3
Equity in net income of affiliates	(0.2)	—	(0.2)	0.2	(0.2)
Equity in net income of subsidiaries	544.5	106.4	—	(650.9)	—
Net income	530.1	544.5	106.2	(650.7)	530.1
Other comprehensive income	95.7	95.7	24.5	(120.2)	95.7
<b>COMPREHENSIVE INCOME</b>	<b>\$ 625.8</b>	<b>\$ 640.2</b>	<b>\$ 130.7</b>	<b>\$ (770.9)</b>	<b>\$ 625.8</b>

## Condensed Consolidating Statements of Operations and Comprehensive Income

For the Twelve Months Ended December 31, 2018

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	\$ —	\$ 6,487.3	\$ 1,361.2	\$ (626.5)	\$ 7,222.0
<b>Operating costs and expenses</b>					
Cost of sales	—	5,541.4	1,221.0	(626.5)	6,135.9
Selling, general and administrative	10.4	182.6	17.4	—	210.4
Impact of severe weather event	—	(10.0)	—	—	(10.0)
Research and development	—	37.5	5.0	—	42.5
Total operating costs and expenses	10.4	5,751.5	1,243.4	(626.5)	6,378.8
Operating income (loss)	(10.4)	735.8	117.8	—	843.2
Interest expense and financing fee amortization	—	(79.7)	(5.2)	4.9	(80.0)
Other (expense) income, net	—	—	(2.1)	(4.9)	(7.0)
Income (loss) before income taxes and equity in net income of affiliates and subsidiaries	(10.4)	656.1	110.5	—	756.2
Income tax benefit (provision)	1.9	(122.3)	(19.4)	—	(139.8)
Income (loss) before equity in net income of affiliates and subsidiaries	(8.5)	533.8	91.1	—	616.4
Equity in net income of affiliates	0.6	—	0.6	(0.6)	0.6
Equity in net income of subsidiaries	624.9	91.0	—	(715.9)	—
Net income	617.0	624.8	91.7	(716.5)	617.0
Other comprehensive loss	(68.1)	(68.1)	(26.3)	94.4	(68.1)
<b>COMPREHENSIVE INCOME</b>	<b>\$ 548.9</b>	<b>\$ 556.7</b>	<b>\$ 65.4</b>	<b>\$ (622.1)</b>	<b>\$ 548.9</b>

## Condensed Consolidating Statements of Operations and Comprehensive Loss

For the Twelve Months Ended December 31, 2017

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	\$ —	\$ 6,236.4	\$ 1,362.3	\$ (615.7)	\$ 6,983.0
<b>Operating costs and expenses</b>					
Cost of sales	—	5,592.2	1,218.8	(615.7)	6,195.3
Selling, general and administrative	12.4	177.5	14.8	—	204.7
Impact of severe weather event	—	19.9	—	—	19.9
Research and development	—	27.8	3.4	—	31.2
Total operating costs and expenses	12.4	5,817.4	1,237.0	(615.7)	6,451.1
Operating income (loss)	(12.4)	419.0	125.3	—	531.9
Interest expense and financing fee amortization	—	(41.6)	(5.7)	5.6	(41.7)
Other income (expense), net	—	49.6	0.4	(5.6)	44.4
Income (loss) before income taxes and equity in net income of affiliates and subsidiaries	(12.4)	427.0	120.0	—	534.6
Income tax benefit (provision)	4.7	(161.7)	(23.0)		(180.0)
Income (loss) before equity in net income of affiliates and subsidiaries	(7.7)	265.3	97.0	—	354.6
Equity in net income of affiliates	0.3	—	0.3	(0.3)	0.3
Equity in net income of subsidiaries	362.3	97.0	—	(459.3)	—
Net income	354.9	362.3	97.3	(459.6)	354.9
Other comprehensive income	58.4	58.4	42.2	(100.6)	58.4
<b>COMPREHENSIVE INCOME</b>	<b>\$ 413.3</b>	<b>\$ 420.7</b>	<b>\$ 139.5</b>	<b>\$ (560.2)</b>	<b>\$ 413.3</b>



## Condensed Consolidating Balance Sheet

December 31, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Assets</b>					
Cash and cash equivalents	\$ —	\$ 2,193.3	\$ 157.2	\$ —	\$ 2,350.5
Restricted cash	—	0.3	—	—	0.3
Accounts receivable, net	—	565.4	301.2	(320.2)	546.4
Inventory, net	—	786.8	332.0	—	1,118.8
Contract assets, short-term	—	458.8	69.5	—	528.3
Other current assets	—	93.5	5.2	—	98.7
Total current assets	—	4,098.1	865.1	(320.2)	4,643.0
Property, plant and equipment, net	—	1,773.0	498.7	—	2,271.7
Right of use assets	—	41.2	7.7	—	48.9
Contract assets, long-term	—	6.4	—	—	6.4
Pension assets	—	424.2	24.9	—	449.1
Investment in subsidiary	1,761.9	838.4	—	(2,600.3)	—
Deferred income taxes	—	106.3	0.2	—	106.5
Other assets	—	148.8	118.4	(186.8)	80.4
<b>TOTAL ASSETS</b>	<b>\$ 1,761.9</b>	<b>\$ 7,436.4</b>	<b>\$ 1,515.0</b>	<b>\$ (3,107.3)</b>	<b>\$ 7,606.0</b>
<b>Liabilities</b>					
Accounts payable	\$ —	\$ 977.1	\$ 401.4	\$ (320.2)	\$ 1,058.3
Accrued expenses	—	210.0	30.2	—	240.2
Profit sharing	—	76.9	7.6	—	84.5
Current portion of long-term debt	—	48.4	1.8	—	50.2
Operating lease liabilities, short-term	—	5.3	0.7	—	6.0
Advance payments, short-term	—	21.6	—	—	21.6
Contract liabilities, short-term	—	158.3	—	—	158.3
Forward loss provision, short-term	—	83.9	—	—	83.9
Deferred revenue and other deferred credits, short-term	—	14.5	0.3	—	14.8
Deferred grant income liability — current	—	—	3.6	—	3.6
Other current liabilities	—	29.3	10.0	—	39.3
Total current liabilities	—	1,625.3	455.6	(320.2)	1,760.7
Long-term debt	—	2,974.7	95.6	(86.2)	2,984.1
Operating lease liabilities, long-term	—	36.0	7.0	—	43.0
Advance payments, long-term	—	333.3	—	—	333.3
Pension/OPEB obligation	—	35.7	—	—	35.7
Contract liabilities, long-term	—	356.3	—	—	356.3
Forward loss provision, long-term	—	163.5	—	—	163.5
Deferred grant income liability — non-current	—	9.2	19.8	—	29.0
Deferred revenue and other deferred credits, long-term	—	30.4	4.0	—	34.4
Deferred income taxes	—	—	8.3	—	8.3
Other non-current liabilities	—	190.1	6.3	(100.6)	95.8
Total equity	1,761.9	1,681.9	918.4	(2,600.3)	1,761.9
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,761.9</b>	<b>\$ 7,436.4</b>	<b>\$ 1,515.0</b>	<b>\$ (3,107.3)</b>	<b>\$ 7,606.0</b>

## 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		—		307.0		19.7		—		326.7
Investment in subsidiary		1,238.0		699.0		—		(1,937.0)		—
Deferred income taxes		—		188.0		17.0		—		205.0
Other assets		—		169.1		110.5		(196.4)		83.2
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, short-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, long-term		—		28.8		2.4		—		31.2
Deferred income taxes		—		—		0.8		—		0.8
Other non-current liabilities		—		223.3		12.1		(100.6)		134.8
Total equity		1,238.0		1,158.1		779.0		(1,937.0)		1,238.1
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$	1,238.0	\$	5,548.4	\$	1,391.0	\$	(2,491.5)	\$	5,685.9

## Condensed Consolidating Statements of Cash Flows

For the Twelve Months Ended December 31, 2019

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
<b>Operating activities</b>					
Net cash provided by operating activities	\$ —	\$ 733.3	\$ 189.4		\$ 922.7
<b>Investing activities</b>					
Purchase of property, plant and equipment	—	(184.0)	(48.2)		(232.2)
Other	—	0.2	(7.9)		(7.7)
Net cash used in investing activities	—	(183.8)	(56.1)	—	(239.9)
<b>Financing activities</b>					
Proceeds from issuance of debt	—	250.0	—	—	250.0
Proceeds from revolving credit facility		900.0			900.0
Principal payments of debt	—	(12.5)	(0.9)	—	(13.4)
Collection on (repayment of) intercompany debt	—	49.4	(49.4)	—	—
Payments on term loan	—	(16.6)	—	—	(16.6)
Payments on revolving credit facility		(100.0)			(100.0)
Taxes paid related to net share settlement awards	—	(12.9)	—	—	(12.9)
Proceeds from issuance of ESPP stock	—	2.6	—	—	2.6
Proceeds (payments) from subsidiary for purchase of treasury stock	75.8	(75.8)	—	—	—
Purchase of treasury stock	(75.8)	—	—	—	(75.8)
Proceeds (payments) from subsidiary for dividends paid	50.4	(50.1)	(0.3)	—	—
Dividends paid	(50.4)	—	—	—	(50.4)
Other		0.9	—	—	0.9
Net cash provided by (used in) financing	—	935.0	(50.6)	—	884.4
Effect of exchange rate changes on cash and cash equivalents	—	—	5.9		5.9
Net increase (decrease) in cash, cash equivalents, and restricted cash for the period	—	1,484.5	88.6	—	1,573.1
Cash, cash equivalents, and restricted cash, beginning of period	—	725.5	68.6	—	794.1
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD</b>	<b>\$ —</b>	<b>\$ 2,210.0</b>	<b>\$ 157.2</b>	<b>\$ —</b>	<b>\$ 2,367.2</b>

## Condensed Consolidating Statements of Cash Flows

For the Twelve Months Ended December 31, 2018

	Holdings		Spirit		Non-Guarantor Subsidiaries		Consolidating Adjustments		Total
Operating activities									
Net cash provided by operating activities	\$	—	\$	643.1	\$	126.8	\$	—	\$ 769.9
Investing activities									
Purchase of property, plant and equipment		—		(230.5)		(40.7)			(271.2)
Proceeds from sale of assets		—		2.8		0.6		—	3.4
Other		—		(0.5)		0.5		—	—
Net cash used in investing activities		—		(228.2)		(39.6)		—	(267.8)
Financing activities									
Proceeds from issuance of debt		—		1,300.0		—		—	1,300.0
Principal payments of debt		—		(5.8)		(0.9)		—	(6.7)
Collection on (repayment of) intercompany debt		—		75.9		(75.9)		—	—
Payments on term loan		—		(256.3)		—		—	(256.3)
Payments on bonds		—		(300.0)		—		—	(300.0)
Debt issuance and financing costs		—		(23.2)		—		—	(23.2)
Taxes paid related to net share settlement awards		—		(15.6)		—		—	(15.6)
Proceeds from issuance of ESPP stock		—		2.1		—		—	2.1
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		48.0		(48.0)		—		—	—
Dividends paid		(48.0)		—		—		—	(48.0)
Net cash used in financing activities		—		(76.7)		(76.8)		—	(153.5)
Effect of exchange rate changes on cash and cash equivalents		—		—		—			—
Net increase (decrease) in cash, cash equivalents, and restricted cash for the period		—		338.2		10.4		—	348.6
Cash, cash equivalents, and restricted cash, beginning of period		—		387.3		58.2		—	445.5
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	\$	—	\$	725.5	\$	68.6	\$	—	\$ 794.1



## Condensed Consolidating Statements of Cash Flows

For the Twelve Months Ended December 31, 2017

	Holdings		Spirit		Non-Guarantor Subsidiaries		Consolidating Adjustments		Total
Operating activities									
Net cash provided by operating activities	\$	—	\$	450.5	\$	123.2	\$	—	\$ 573.7
Investing activities									
Purchase of property, plant and equipment		—		(241.4)		(31.7)			(273.1)
Proceeds from sale of assets		—		0.4		—		—	0.4
Other		—		(0.1)		—		—	(0.1)
Net cash used in investing activities		—		(241.1)		(31.7)		—	(272.8)
Financing activities									
Principal payments of debt		—		(1.2)		(1.6)		—	(2.8)
Collection on (repayment of) intercompany debt		—		54.9		(54.9)		—	—
Payments on term loan		—		(25.0)		—		—	(25.0)
Debt issuance and financing costs		—		(0.9)		—		—	(0.9)
Taxes paid related to net share settlement awards		—		(14.2)		—		—	(14.2)
Proceeds from financing under the New Markets Tax Credit Program		—		7.6		—		—	7.6
Proceeds (payments) from subsidiary for purchase of treasury stock		496.3		(496.3)		—		—	—
Purchase of treasury stock		(496.3)		—		—		—	(496.3)
Proceeds (payments) from subsidiary for dividends paid		47.1		(47.1)		—		—	—
Dividends paid		(47.1)		—		—		—	(47.1)
Net cash used in financing activities		—		(522.2)		(56.5)		—	(578.7)
Effect of exchange rate changes on cash and cash equivalents		—		—		5.6		—	5.6
Net (decrease) increase in cash, cash equivalents, and restricted cash for the period		—		(312.8)		40.6		—	(272.2)
Cash, cash equivalents, and restricted cash, beginning of period		—		700.1		17.6		—	717.7
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, END OF PERIOD	\$	—	\$	387.3	\$	58.2	\$	—	\$ 445.5

## NOTE 30. Subsequent Events

### 2020 MOA

On February 6, 2020, Boeing and the Company entered into the 2020 MOA providing for the Company to deliver to Boeing 216 B737 MAX shipsets in 2020. The 2020 MOA provided that an advance payment that the Company received from Boeing in the amount of \$123.0

during the third quarter of 2019 will be repaid by offset against the purchase price for year 2022 shipset deliveries. In addition, the 2020 MOA provided that Boeing will pay \$225 to the Company in the first quarter of 2020, consisting of (i) \$70 in support of the Company's inventory and production stabilization, of which \$10 will be repaid by the Company in 2021, and (ii) \$155 as an incremental pre-payment

for costs and shipset deliveries over the next two years. The 2020 MOA also extended B737 MAX pricing terms through 2033 (previously, the pricing was through December 31, 2030). The parties will execute amendments to their underlying long-term contracts to incorporate the 2020 MOA on or before 60 calendar days following the B737 MAX U.S. Federal Aviation Administration ungrounding. The full text of the 2020 MOA will be filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the first quarter of 2020, subject to certain omissions of confidential portions.

### The 2020 Amendment, 2020 DDTL and Supplemental Indenture

On February 24, 2020, the Company entered into the 2020 Amendment, the 2020 DDTL and the Supplemental Indenture. For additional information, please see Note 16, *Debt*.

### FMI Acquisition

On January 10, 2020, the Company acquired Fiber Materials, Inc. (FMI) for \$120. The fair value determination of the acquired assets and liabilities is in work as of the report date. FMI is based in Biddeford, Maine, and has more than 200 employees at two facilities. FMI's main operations focus on multidirectional reinforced composites that enable high-temperature applications such as thermal protection systems, re-entry vehicle nose tips, and rocket motor throats and nozzles. Acquiring FMI aligns with the Company's strategic growth objectives to diversify its customer base and expand the current defense business. Operating results for this acquisition will be included in the Company's Consolidated Statements of Operations from the date of acquisition and reflected in segment reporting in accordance with the nature of FMI's individual contracts.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

## Item 9A. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

Our management with the participation of our President and Chief Executive Officer (principal executive officer) and Senior Vice President and Chief Financial Officer (principal financial officer) has evaluated the effectiveness of our disclosure controls and procedures and has concluded that, because of the material weakness in our internal control over financial reporting discussed below, these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the "Exchange Act") were not effective as of December 31, 2019. Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure

that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In light of the material weakness discussed below, the Company performed additional analysis and other post-closing procedures related to claims and assertions and other subjective elements and key judgments of our estimate at completion process ("EAC process"), including direct confirmation with key customers of outstanding claims included within our program estimates, to ensure our consolidated financial statements included in this Form 10-K present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with U.S. GAAP.

## Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance of the reliability of our financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

- (1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatement. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal

Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework).

Based on our assessment as of December 31, 2019, we identified a material weakness in our internal control related to our EAC process that supports the Company's financial reporting process. Specifically, the material weakness related to the failure of controls over the completeness, existence and valuation of certain accounts contained within the program EAC process, including contingent liabilities, as a result of instances of non-compliance with our existing policies and controls. The policies require that customer claims and assertions are incorporated in the margin estimated at completion upon receipt of the information, whether received orally or written. Given that approximately seventy-six percent of the Company's contracts recognize revenue as "over time" contracts in accordance with U.S. GAAP, the instance of non-compliance is a critical item the Company must address. As a result of such non-compliance, the Company concluded that it should have recorded an incremental contingent liability of less than \$8.0 million for the three month period ending September 26, 2019. We do not believe this amount is material, either quantitatively or qualitatively, to our consolidated financial statements as of and for the three-month period ending September 26, 2019. Although this matter did not result in a material misstatement of the Company's third quarter 2019 consolidated financial statements or any other previously issued financial statements, the error, and our evaluation of the deficiencies, led us to conclude that a material weakness exists.

Because of the material weakness, management concluded that the Company did not maintain effective internal controls over financial reporting as of December 31, 2019, based on criteria in Internal Control - Integrated Framework issued by COSO.

## Remediation Plan and Efforts with Respect to Material Weaknesses

Our management has developed a plan to remediate the material weakness in our internal control over financial reporting as follows:

- Management changes.
- Enhance training around the appropriate treatment of claims and assertions and other subjective elements and key judgments of our EAC process to reinforce the existing written Company policies. This training will focus on control owners within the EAC process, including program, accounting and executive leadership.
- Reassess processes and design of controls to ensure that all customer claims and assertions are identified and evaluated in accordance with established Company policies and procedures. This remediation step will include validation and reconciliation of claims data with our key

customers and retention of this data in a centralized claims repository to facilitate the completeness of our accounting for claims and assertions.

Our management expects the remediation plan to extend over multiple financial reporting periods throughout 2020.

During the course of the remediation of existing processes and controls, implementation of additional processes and controls and testing of the operating effectiveness of such remediated and newly implemented controls and additional processes, we may identify additional control deficiencies that could give rise to other material weaknesses, in addition to the material weakness described above. As we continue to evaluate and work to improve our internal control over financial reporting, we may determine to take additional measures to address the material weakness or determine to modify certain of the remediation measures.

## Change in Internal Control Over Financial Reporting

Except for the matters discussed in this Item 9A, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Spirit AeroSystems Holdings, Inc.

### Opinion on Internal Control over Financial Reporting

We have audited Spirit AeroSystems Holdings, Inc. internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, Spirit AeroSystems Holdings, Inc. (the Company) has not maintained effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in controls related to the Company's Estimate-at-Completion process.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Spirit AeroSystems Holdings, Inc. as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2019 consolidated financial statements, and this report does not affect our report dated February 28, 2020, which expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Wichita, Kansas  
February 28, 2020

## Item 9B. Other Information

None.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

Information concerning the executive officers of Spirit is included in Part I of this Annual Report on Form 10-K and is incorporated by reference herein. The information otherwise required by Items 401, 405, 406, and 407(c)(3), (d)(4), and (d)(5) of Regulation S-K will be provided in Spirit Holdings' proxy statement for its 2020 annual meeting of stockholders, which will be filed with the SEC no later than 120 days after the end of the fiscal year (the "2020 Proxy Statement") and is incorporated by reference herein.

The Company has adopted a Code of Conduct (the "Code") and a Finance Code of Professional Conduct that applies to the Company's Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer, and persons performing similar functions. Copies of the Code and Finance Code of Professional Conduct are available on the Company's website at <http://investor.spiritaero.com/govdocs>, and any waiver from the Code or Finance Code of Professional Conduct will be timely disclosed on the Company's website or a Current Report on Form 8-K, as will any amendments to the Code or Finance Code of Professional Conduct.

### Item 11. Executive Compensation

The information required by Item 402 and Item 407(e)(4) and (e)(5) of Regulation S-K will be provided in the 2020 Proxy Statement and is incorporated by reference herein.

Pursuant to the rules and regulations of the SEC under the Exchange Act, the information under Item 407(e)(5) incorporated by reference from the 2020 Proxy Statement shall not be deemed to be "soliciting material," or to be "filed" with the Commission, or subject to Regulation 14A or 14C or the liabilities of Section 18 of the Exchange Act, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information concerning the securities authorized for issuance under equity compensation plans included in Part II, Item 5 of this Annual Report on Form 10-K is incorporated by reference herein. The information required by Item 403 of Regulation S-K will be provided in the 2020 Proxy Statement and is incorporated by reference herein.

### Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by Items 404 and 407(a) of Regulation S-K will be provided in the 2020 Proxy Statement and is incorporated by reference herein.

### Item 14. Principal Accounting Fees and Services

The information required by Item 9(e) of Schedule 14A will be provided in the 2020 Proxy Statement and is incorporated by reference herein.

## PART IV

### \*Item 15. Exhibits and Financial Statement Schedules

Article I. Exhibit Number	Section 1.01 Exhibit	Incorporated by Reference to the Following Documents
2.1	Asset Purchase Agreement, dated as of February 22, 2005, between Spirit AeroSystems, Inc. (f/k/a Mid-Western Aircraft Systems, Inc.) and The Boeing Company	Registration Statement on Form S-1 (File No. 333-135486), filed June 30, 2006, Exhibit 2.1
2.2	First Amendment to Asset Purchase Agreement, dated June 15, 2005, between Spirit AeroSystems, Inc. (f/k/a Mid-Western Aircraft Systems, Inc.) and The Boeing Company	Registration Statement on Form S-1 (File No. 333-135486), filed June 30, 2006, Exhibit 2.2
2.3	Asset Purchase Agreement, between Spirit AeroSystems Inc., Triumph Aerostructures - Tulsa LLC and Triumph Group, Inc., dated as of December 8, 2014	Current Report on Form 8-K (File No. 001-33160), filed January 6, 2015, Exhibit 2.1
2.4	Amendment 1 to Asset Purchase Agreement, between Spirit AeroSystems, Inc., Triumph Aerostructures - Tulsa, LLC and Triumph Group, Inc., dated as of December 30, 2014	Current Report on Form 8-K (File No. 001-33160), filed January 6, 2015, Exhibit 2.2
3.1	Third Amended and Restated Certificate of Incorporation of Spirit AeroSystems Holdings, Inc.	Current Report on Form 8-K (File No. 001-33160), filed May 1, 2017, Exhibit 3.1
3.2	Seventh Amended and Restated By Laws of Spirit AeroSystems Holdings, Inc.	Current Report on Form 8-K (File No. 001-33160), filed July 27, 2018, Exhibit 3.2
4.1	Form of Class A Common Stock Certificate	Amendment No. 5 to Registration Statement on Form S-1/A (File No. 333-135486), filed November 17, 2006, Exhibit 4.1
4.7	Indenture dated as of June 1, 2016, governing the 3.850% Senior Notes due 2026, by and among Spirit, the guarantors identified therein and The Bank of New York Mellon Trust Company, N.A.	Current Report on Form 8-K (File No. 001-33160), filed June 7, 2016, Exhibit 4.1
4.8	Form of 3.850% Senior Note due 2026	Current Report on Form 8-K (File No. 001-33160), filed June 7, 2016, Exhibit 4.2
4.9	Supplemental Indenture, dated December 5, 2016, governing the 3.850% Senior Notes due 2026	Annual Report on Form 10-K (File No. 001-33160), filed February 10, 2017, Exhibit 4.9
4.10	Indenture, dated as of May 30, 2018, among Spirit AeroSystems, Inc., Spirit AeroSystems Holdings, Inc. and the Bank of New York Mellon Trust Company,.	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.1
4.11	Form of Senior Floating Rate Note due 2021	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.2
4.12	Form of 3.950% Senior Note due 2023	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.3
4.13	Form of 4.600% Senior Note due 2028	Current Report on Form 8-K (File No. 001-33160), filed May 30, 2018, Exhibit 4.4

<b>Article I. Exhibit Number</b>	<b>Section 1.01 Exhibit</b>	<b>Incorporated by Reference to the Following Documents</b>
4.14	Second Supplemental Indenture, dated as of February 24, 2020, among Spirit AeroSystems, Inc., Spirit AeroSystems Holdings, Inc., Spirit AeroSystems North Carolina, Inc., and The Bank of New York Mellon Trust Company, N.A., as Trustee.	Current Report on Form 8-K (File No. 001-33160), filed February 25, 2020, Exhibit 4.1
4.15	Description of Spirit AeroSystems Holdings, Inc. Securities Registered under Section 12 of the Exchange Act.	*
10.1	Form of Indemnification Agreement	Amendment No. 1 to Registration Statement on Form S-1/A (File No. 333-135486), filed August 29, 2006, Exhibit 10.14
10.2†	Spirit AeroSystems Holdings, Inc. Amended and Restated Deferred Compensation Plan, As Amended	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 6, 2011, Exhibit 10.34
10.3†	Spirit AeroSystems Holdings, Inc. 2014 Omnibus Incentive Plan	Registration Statement on Form S-8 (File No. 333-195790), filed May 8, 2014, Exhibit 10.1.
10.4†	First Amendment to the Spirit AeroSystems Holdings, Inc. 2014 Omnibus Incentive Plan, dated January 25, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 5, 2017, Exhibit 10.1
10.5†	Second Amendment to the Spirit AeroSystems Holdings, Inc. 2014 Omnibus Incentive Plan, dated October 23, 2019	*
10.6†	Employment Agreement between Spirit AeroSystems, Inc. and Samantha Marnick, effective as of February 22, 2006 and annual Executive Compensation Letter, dated May 3, 2013	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 2, 2014, Exhibit 10.1
10.7†	Employment Agreement between Spirit AeroSystems, Inc. and Duane Hawkins, effective as of June 17, 2013	Annual Report on Form 10-K (File No. 001-33160), filed February 13, 2015, Exhibit 10.44
10.8†	Amendment to Employment Agreement between Spirit Aerosystems, Inc. and Duane Hawkins, effective as of June 17, 2013	Annual Report on Form 10-K (File No. 001-33160), filed February 13, 2015, Exhibit 10.45
10.9†	Employment Agreement, dated as of February 13, 2016, between Spirit AeroSystems, Inc. and Thomas C. Gentile III	Current Report on Form 8-K (File No. 001-33160), filed February 16, 2016, Exhibit 10.1
10.10†	Employment Agreement between Spirit AeroSystems, Inc. and Ron Rabe, effective as of June 9, 2015	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2015, Exhibit 10.4
10.11†	Employment Agreement between Spirit AeroSystems, Inc., and Stacy Cozad, effective as of January 4, 2016	Annual Report on Form 10-K (File No. 001-33160), filed February 12, 2016, Exhibit 10.61
10.12†	Employment Agreement between Spirit AeroSystems, Inc. and Bill Brown, effective as of May 5, 2014	Annual Report on Form 10-K (File No. 001-33160), filed February 9, 2018, Exhibit 10.17
10.13†	Long-Term Incentive Program under the Spirit AeroSystems Holdings, Inc. 2014 Omnibus Incentive Plan, as amended and restated effective January 25, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 5, 2017, Exhibit 10.3
10.14†	Long-Term Incentive Program under the Spirit AeroSystems Holdings, Inc. 2014 Omnibus Plan, as amended and restated effective January 23, 2019	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 1, 2019, Exhibit 10.1
10.15†	Short-Term Incentive Program under the Spirit AeroSystems Holdings, Inc. 2014 Omnibus Incentive Plan, as amended and restated effective January 25, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 5, 2017, Exhibit 10.4
10.16†	Director Stock Program under the Spirit AeroSystems Holdings, Inc. 2014 Omnibus Incentive Plan, effective April 25, 2018	Annual Report on Form 10-K (File No. 001-33160), filed February 8, 2019, Exhibit 10.20

<b>Article I. Exhibit Number</b>	<b>Section 1.01 Exhibit</b>	<b>Incorporated by Reference to the Following Documents</b>
10.17†	Spirit AeroSystems Holdings, Inc. Supplemental Executive Retirement Plan, as amended and restated effective January 25, 2017 (filed as Exhibit 10.5 to the Annual Report on Form 10-K (File No. 001-33160), filed with the Securities and Exchange Commission on February 10, 2017)	Annual Report on Form 10-K (File No. 001-33160), filed February 10, 2017, Exhibit 10.5
10.18†	Employee Stock Purchase Plan	Registration Statement on Form S-8 (File No. 333-220358), filed September 6, 2017, Exhibit 4.2
10.19†	Amended and Restated Employee Stock Purchase Plan, effective January 21, 2020	*
10.20†	Form of Time-Based Restricted Stock Award Agreement	*
10.21†	Form of Performance-Based Restricted Stock Award Agreement	*
10.22†	Retirement and Consulting Agreement and General Release, dated June 7, 2016, between Spirit AeroSystems, Inc. and Larry A. Lawson	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 5, 2016, Exhibit 10.3
10.23†	Retirement and Consulting Agreement and General Release, dated November 20, 2018, between Spirit AeroSystems, Inc. and Sanjay Kapoor	Annual Report on Form 10-K (File No. 001-33160), filed February 2, 2019, Exhibit 10.26
10.24†	Employment Agreement between Spirit AeroSystems, Inc., and Jose Garcia, effective as of January 9, 2019	Annual Report on Form 10-K (File No. 001-33160), filed February 2, 2019, Exhibit 10.27
10.25†	Second Amended and Restated Credit Agreement, dated as of July 12, 2018, among Spirit AeroSystems Inc., as borrower, Spirit AeroSystems Holdings, Inc., as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents named therein	Current Report on Form 8-K (File No. 001-33160), filed July 13, 2018, Exhibit 10.1
10.26††	General Terms Agreement (Sustaining and others), dated as of June 16, 2005, between The Boeing Company and Spirit AeroSystems, Inc. (f/k/a Mid-Western Aircraft Systems, Inc.)	Registration Statement on Form S-1 (File No. 333-135486), filed June 30, 2006, Exhibit 10.24
10.27††	Hardware Material Services General Terms Agreement, dated as of June 16, 2005, between The Boeing Company and Spirit AeroSystems, Inc. (f/k/a Mid-Western Aircraft Systems, Inc.)	Registration Statement on Form S-1 (File No. 333-135486), filed June 30, 2006, Exhibit 10.25
10.28††	Ancillary Know-How Supplemental License Agreement, dated as of June 16, 2005, between The Boeing Company and Spirit AeroSystems, Inc. (f/k/a Mid-Western Aircraft Systems, Inc.)	Registration Statement on Form S-1 (File No. 333-135486), filed June 30, 2006, Exhibit 10.26
10.29††	Sublease Agreement, dated as of June 16, 2005, among The Boeing Company, Boeing IRB Asset Trust and Spirit AeroSystems, Inc. (f/k/a Mid-Western Aircraft Systems, Inc.)	Registration Statement on Form S-1 (File No. 333-135486), filed June 30, 2006, Exhibit 10.27
10.30††	Special Business Provisions (Sustaining), as amended through February 6, 2013, between The Boeing Company and Spirit AeroSystems, Inc.	Annual Report on Form 10-K (File No. 001-33160), filed February 19, 2014, Exhibit 10.17
10.31††	Amendment 9 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems Inc., dated as of September 4, 2014	Quarterly Report on Form 10-Q (File No. 001-33160), filed October 31, 2014, Exhibit 10.1
10.32††	Amendment 10 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems Inc., dated as of September 26, 2014	Quarterly Report on Form 10-Q (File No. 001-33160), filed October 31, 2014, Exhibit 10.2



<b>Article I. Exhibit Number</b>	<b>Section 1.01 Exhibit</b>	<b>Incorporated by Reference to the Following Documents</b>
10.33††	Amendment 2, dated March 4, 2011, to General Terms Agreement (Sustaining and Others) between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 5, 2012, Exhibit 10.2
10.34††	Memorandum of Agreement, between The Boeing Company and Spirit AeroSystems, Inc., made as of March 9, 2012, amending Special Business Provisions (Sustaining)	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 5, 2012, Exhibit 10.4
10.35††	Memorandum of Agreement (737 MAX Non-Recurring Agreement), between The Boeing Company and Spirit AeroSystems, Inc., made as of April 7, 2014, amending Spirit's long-term supply agreement with Boeing	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 1, 2014, Exhibit 10.2
10.36††	Memorandum of Agreement (Pricing Agreement), between The Boeing Company and Spirit AeroSystems, Inc., made as of April 8, 2014, amending Spirit's long-term supply agreement with Boeing	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 1, 2014, Exhibit 10.3
10.37††	Amendment 11 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of March 10, 2015	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 1, 2015, Exhibit 10.1
10.38††	Amendment 12 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of April 9, 2015	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2015, Exhibit 10.1
10.39††	Amendment 13 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of January 4, 2016	Annual Report on Form 10-K (File No. 001-33160), filed February 12, 2016, Exhibit 10.57
10.40††	Amendment 14 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of April 21, 2015	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2015, Exhibit 10.2
10.41††	Amendment 17 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of December 23, 2015	Annual Report on Form 10-K (File No. 001-33160), filed February 12, 2016, Exhibit 10.58
10.42††	Amendment 20 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of November 1, 2015	Annual Report on Form 10-K (File No. 001-33160), filed February 12, 2016, Exhibit 10.59
10.43††	Amendment 21 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of May 9, 2016	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 5, 2016, Exhibit 10.4
10.44††	Amendment 22 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of November 2, 2016	Annual Report on Form 10-K (File No. 001-33160), filed February 10, 2017, Exhibit 10.53
10.45††	Amendment 23 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of December 16, 2016	Annual Report on Form 10-K (File No. 001-33160), filed February 10, 2017, Exhibit 10.54
10.46††	Amendment 24 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc., dated as of December 20, 2016	Annual Report on Form 10-K (File No. 001-33160), filed February 10, 2017, Exhibit 10.55
10.47††	Amendment 25 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of March 16, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 5, 2017, Exhibit 10.7
10.48††	Amendment 26 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of March 23, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 5, 2017, Exhibit 10.8

<b>Article I. Exhibit Number</b>	<b>Section 1.01 Exhibit</b>	<b>Incorporated by Reference to the Following Documents</b>
10.49††	Amendment 27 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of March 31, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 5, 2017, Exhibit 10.9
10.50††	Amendment 28 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of June 22, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 4, 2017, Exhibit 10.1
10.51††	Amendment 29 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of July 20, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 4, 2017, Exhibit 10.2
10.52††	Amendment 30 to Special Business Provisions (SBP) MS-65530-0016, dated September 22, 2017, between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.2
10.53††	Amendment 31 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of October 18, 2017	Annual Report on Form 10-K (File No. 001-33160), filed February 9, 2018, Exhibit 10.59
10.54††	Amendment 32 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of November 15, 2017	Annual Report on Form 10-K (File No. 001-33160), filed February 9, 2018, Exhibit 10.60
10.55††	Amendment 33 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of November 30, 2017	Annual Report on Form 10-K (File No. 001-33160), filed February 9, 2018, Exhibit 10.61
10.56††	Amendment 34 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of February 23, 2018	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 3, 2018, Exhibit 10.1
10.57††	Amendment 35 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of April 18, 2018	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 1, 2018, Exhibit 10.4
10.58††	Amendment 36 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of June 20, 2018	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 1, 2018, Exhibit 10.5
10.59††	Amendment 37 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of August 17, 2018	Quarterly Report on Form 10-Q (File No. 001-33160), filed October 31, 2018, Exhibit 10.1
10.60††	Collective Resolution Memorandum of Understanding between the Boeing Company and Spirit AeroSystems, Inc., dated as of August 1, 2017	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 4, 2017, Exhibit 10.3
10.61††	Amendment 38 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of November 1, 2018	Annual Report on Form 10-K (File No. 001-33160), filed February 2, 2019, Exhibit 10.67
10.62††	Amendment 39 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of November 2, 2018	Annual Report on Form 10-K (File No. 001-33160), filed February 2, 2019, Exhibit 10.68
10.63††	Collective Resolution 2.0 Memorandum of Agreement between the Boeing Company and Spirit AeroSystems, Inc., dated as of December 21, 2018	Annual Report on Form 10-K (File No. 001-33160), filed February 2, 2019, Exhibit 10.69
10.64††	Amendment 40 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of January 30, 2019	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 1, 2019, Exhibit 10.5

<b>Article I. Exhibit Number</b>	<b>Section 1.01 Exhibit</b>	<b>Incorporated by Reference to the Following Documents</b>
10.65††	Amendment 41 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of March 29, 2019	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 1, 2019, Exhibit 10.6
10.66††	Memorandum of Agreement between the Boeing Company and Spirit AeroSystems, Inc., 737 Production Rate Adjustments, dated as of April 12, 2019.	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2019, Exhibit 10.1
10.67††	Amendment 43 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of May 22, 2019.	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2019, Exhibit 10.2
10.68††	Amendment 44 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of July 19, 2019.	Quarterly Report on Form 10-Q (File No. 001-33160), filed October 31, 2019, Exhibit 10.1
10.69††	Amendment 45 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of October 3, 2019.	*
10.70††	Amendment 46 to Special Business Provisions MS-65530-0016, between the Boeing Company and Spirit AeroSystems, Inc., dated as of October 3, 2019.	*
10.71††	B787 General Terms Agreement BCA-65520-0032 between The Boeing Company and Spirit AeroSystems, Inc., conformed to incorporate the General Terms Agreement, dated June 16, 2005, Amendment 1 thereto, dated June 19, 2009, and Amendment 2 thereto, dated May 12, 2011	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.3
10.72††	B787 Special Business Provisions BCA-MS-65530-0019, dated August 20, 2012, between The Boeing Company and Spirit AeroSystems, Inc., conformed to incorporate the Special Business Provisions, dated June 16, 2005, and Amendments 1 through 19 thereto	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.4
10.73††	Amendment 20 to B787 Special Business Provisions BCA-MS-65530-0019, dated June 5, 2013, between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.5
10.74††	Amendment 21 to B787 Special Business Provisions BCA-MS-65530-0019, dated July 1, 2014, between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.6
10.75††	Amendment 22 Revision 1 to B787 Special Business Provisions BCA-MS-65530-0019, dated December 4, 2014, between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.7
10.76††	Amendment 23 to B787 Special Business Provisions BCA-MS-65530-0019, dated August 3, 2015, between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.8
10.77††	Amendment 24 to B787 Special Business Provisions BCA-MS-65530-0019, dated December 16, 2015, between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.9
10.78††	Amendment 25 to B787 Special Business Provisions (SBP) BCA-MS-65530-0019, dated September 22, 2017, between The Boeing Company and Spirit AeroSystems, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed November 3, 2017, Exhibit 10.10
10.79††	Amendment 26 to B787 Special Business Provisions (SBP) BCA-MS-65530-0019, dated December 14, 2017, between The Boeing Company and Spirit AeroSystems, Inc.	Annual Report on Form 10-K (File No. 001-33160), filed February 9, 2018, Exhibit 10.71

<b>Article I. Exhibit Number</b>	<b>Section 1.01 Exhibit</b>	<b>Incorporated by Reference to the Following Documents</b>
10.80††	Amendment 27 to B787 Special Business Provisions BCA-MS-65530-0019, between The Boeing Company and Spirit AeroSystems, Inc., dated as of August 17, 2018	Quarterly Report on Form 10-Q (File No. 001-33160), filed October 31, 2018, Exhibit 10.2
10.81††	Amendment 28 to B787 Special Business Provisions (SBP) BCA-MS-65530-0019, between The Boeing Company and Spirit AeroSystems, Inc., dated as of January 30, 2019	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 1, 2019, Exhibit 10.4
10.82††	Amendment 29 to B787 Special Business Provisions (CBP) BCA-MS-65530-0019, between the Boeing Company and Spirit AeroSystems, Inc., dated as of May 14, 2019.	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2019, Exhibit 10.3
10.83††	Amendment 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.	Quarterly Report on Form 10-Q (File No. 001-33160), filed October 31, 2019, Exhibit 10.2
10.84††	Amendment 31 to B787 Special Business Provisions (CBP) BCA-MS-65530-0019, between the Boeing Company and Spirit AeroSystems, Inc., dated as of October 3, 2019.	*
10.85	Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V., dated May 1, 2018, by and between Christian Boas, Emile Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA and Spirit AeroSystems Holdings, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed August 1, 2018, Exhibit 10.3
10.86	Letter Agreement, dated March 19, 2019, RE; Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V., dated May 1, 2018, by and between Christian Boas, Emile Boas, DREDA, Sylvie Boas, Spirit	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 1, 2019, Exhibit 10.2
10.87	Letter Agreement, dated March 27, 2019, RE; Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V., dated May 1, 2018, by and between Christian Boas, Emile Boas, DREDA, Sylvie Boas, Spirit	Quarterly Report on Form 10-Q (File No. 001-33160), filed May 1, 2019, Exhibit 10.3
10.88	Letter Agreement, dated May 3, 2019, RE; Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V., dated May 1, 2018 (as amended), by and between Christian Boas, Emilie Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA, and Spirit AeroSystems Holdings, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2019, Exhibit 10.4
10.89	Amended and Restated Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V., dated May 14, 2019 (as amended), by and between Christian Boas, Emilie Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA, and Spirit AeroSystems Holdings, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2019, Exhibit 10.5
10.90	Letter Agreement, dated June 3, 2019, RE; Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V. (as amended), by and between Christian Boas, Emilie Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA, and Spirit AeroSystems Holdings, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2019, Exhibit 10.6
10.91	Letter Agreement, dated July 14, 2019, RE; Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V.(as amended), by and between Christian Boas, Emilie Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA, and Spirit AeroSystems Holdings, Inc.	Quarterly Report on Form 10-Q (File No. 001-33160), filed July 31, 2019, Exhibit 10.7



Article I. Exhibit Number	Section 1.01 Exhibit	Incorporated by Reference to the Following Documents
10.92	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.	Quarterly Report on Form 10-Q (File No. 001-33160), filed October 31, 2019, Exhibit 10.3
10.93	Letter Agreement, dated January 29, 2020, RE; Agreement for the Sale and Purchase of Shares of S.R.I.F. N.V.(as amended), by and between Christian Boas, Emilie Boas, DREDA, Sylvie Boas, Spirit AeroSystems Belgium Holdings BVBA, and Spirit AeroSystems Holdings, Inc.	*
10.94††	Agreement for the Sale and Purchase of (1) the Entire Issued Share Capital of Short Brothers plc and Bombardier Aerospace North Africa SAS and (2) Certain Other Assets, dated October 31, 2019, by and between Bombardier Inc., Bombardier Aerospace UK Limited, Bombardier Finance Inc., Bombardier Services Corporation, Spirit AeroSystems Global Holdings Limited, and Spirit AeroSystems, Inc.	*
10.95	First Amendment to the Second Amended and Restated Credit Agreement, dated as of February 24, 2020, among Spirit AeroSystems, Inc., as borrower, Spirit AeroSystems Holdings, Inc., as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent and collateral agent.	Current Report on Form 8-K (File No. 001-33160), filed February 25, 2020, Exhibit 10.1
10.96	Delayed Draw Term Loan Credit Agreement, dated as of February 24, 2020, among Spirit AeroSystems, Inc., as borrower, Spirit AeroSystems Holdings, Inc., as parent guarantor, Spirit AeroSystems North Carolina, Inc., as subsidiary guarantor, and the lenders party thereto, Bank of America, N.A., as administrative agent.	Current Report on Form 8-K (File No. 001-33160), filed February 25, 2020, Exhibit 10.2
21.1	Subsidiaries of Spirit AeroSystems Holdings, Inc.	*
23.1	Consent of Ernst & Young LLP	*
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@	XBRL Instance Document	*
101.SCH@	XBRL Taxonomy Extension Schema Document	*
101.CAL@	XBRL Taxonomy Extension Calculation Linkbase Document	*
101.DEF@	XBRL Taxonomy Extension Definition Linkbase Document	*
101.LAB@	XBRL Taxonomy Extension Label Linkbase Document	*
101.PRE@	XBRL Taxonomy Extension Presentation Linkbase Document	*

† Indicates 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 Section 13 or 15(d) 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, in the City of Wichita, State of Kansas on February 28, 2020.

**SPIRIT AEROSYSTEMS HOLDINGS, INC.**

By: /s/ MARK J. SUCHINSKI  
**Mark J. Suchinski**  
*Senior Vice President and Chief  
Financial Officer*

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

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ THOMAS C. GENTILE III</u> <b>Thomas C. Gentile III</b>	<i>Director, President and Chief Executive Officer (Principal Executive Officer)</i>	February 28, 2020
<u>/s/ MARK J. SUCHINSKI</u> <b>Mark J. Suchinski</b>	<i>Senior Vice President and Chief Financial Officer (Principal Financial Officer)</i>	February 28, 2020
<u>/s/ DAMON WARD</u> <b>Damon Ward</b>	<i>Interim Corporate Controller (Principal Accounting Officer)</i>	February 28, 2020
<u>/s/ ROBERT JOHNSON</u> <b>Robert Johnson</b>	<i>Director, Chairman of the Board</i>	February 28, 2020
<u>/s/ STEPHEN CAMBONE</u> <b>Stephen Cambone</b>	<i>Director</i>	February 28, 2020
<u>/s/ CHARLES CHADWELL</u> <b>Charles Chadwell</b>	<i>Director</i>	February 28, 2020
<u>/s/ IRENE M. ESTEVES</u> <b>Irene M. Esteves</b>	<i>Director</i>	February 28, 2020
<u>/s/ PAUL FULCHINO</u> <b>Paul Fulchino</b>	<i>Director</i>	February 28, 2020
<u>/s/ RICHARD GEPHARDT</u> <b>Richard Gephardt</b>	<i>Director</i>	February 28, 2020
<u>/s/ RONALD KADISH</u> <b>Ronald Kadish</b>	<i>Director</i>	February 28, 2020
<u>/s/ JOHN L. PLUEGER</u> <b>John L. Plueger</b>	<i>Director</i>	February 28, 2020
<u>/s/ LAURA WRIGHT</u> <b>Laura Wright</b>	<i>Director</i>	February 28, 2020

*The Company will furnish any exhibit listed herein (in the form filed with the SEC) to a stockholder that sends a written request to Spirit AeroSystems Holdings, Inc., Corporate Secretary, 3801 S. Oliver St., Wichita, KS 67210-2112.*



Spirit AeroSystems designs and builds aerostructures for commercial and defense customers. With headquarters in Wichita, Kansas, Spirit operates sites in the U.S., U.K., France and Malaysia. The company's core products include fuselages, pylons, nacelles and wing components for the world's premier aircraft.

Spirit AeroSystems focuses on innovative composite and aluminum manufacturing solutions to support customers around the globe. More information is available at **[spiritaero.com](http://spiritaero.com)**.

**Spirit AeroSystems Holdings, Inc.** • 3801 South Oliver • Wichita, Kansas 67210

