UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 28, 2012

Or

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

For the transition period from to

Commission File Number 001-33160

Spirit AeroSystems Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-2436320**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

3801 South Oliver

Wichita, Kansas 67210

(Address of principal executive offices and zip code)

Registrant s telephone number, including area code:

(316) 526-9000

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

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

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

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

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

As of August 1, 2012, the registrant had outstanding 119,496,016 shares of class A common stock, $0.01 par value per share, and 24,171,546 shares of class B common stock, $0.01 par value per share.

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Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Statements of Operations

(unaudited)

	For the Three Months Ended June 28, 2012	For the Three Months Ended June 30, 2011	For the Six Months Ended June 28, 2012	For the Six Months Ended June 30, 2011
	($ in millions, except per share data)			
Net revenues	$ 1,341.0	$ 1,465.6	$ 2,606.8	$ 2,515.2
Operating costs and expenses				
Cost of sales	1,156.8	1,354.6	2,247.9	2,282.6
Selling, general and administrative	40.3	41.1	85.3	80.1
Impact from severe weather event	54.5		54.5	
Research and development	6.9	6.3	14.3	19.3
Total operating costs and expenses	1,258.5	1,402.0	2,402.0	2,382.0
Operating income	82.5	63.6	204.8	133.2
Interest expense and financing fee amortization	(28.1)	(21.7)	(46.4)	(42.6)
Interest income	0.1	0.1	0.1	0.2
Other income (expense), net	(4.2)	0.1	(0.7)	1.6
Income before income taxes and equity in net loss of affiliates	50.3	42.1	157.8	92.4
Income tax provision	(15.3)	(11.9)	(48.9)	(27.2)
Income before equity in net loss of affiliates	35.0	30.2	108.9	65.2
Equity in net loss of affiliates	(0.1)	(0.1)	(0.4)	(0.5)
Net income	$ 34.9	$ 30.1	$ 108.5	$ 64.7
Earnings per share				
Basic	$ 0.25	$ 0.21	$ 0.76	$ 0.46
Diluted	$ 0.24	$ 0.21	$ 0.76	$ 0.45

See notes to condensed consolidated financial statements (unaudited)

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Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	For the Three Months Ended June 28, 2012	For the Three Months Ended June 30, 2011	For the Six Months Ended June 28, 2012	For the Six Months Ended June 30, 2011
	($ in millions)			
Net income	$ 34.9	$ 30.1	$ 108.5	$ 64.7
Changes in other comprehensive income, net of tax:				
Unrealized (loss) on interest rate swaps, net of tax effect of zero and $0.9 for each of the three months ended and $0.5, $1.0 for each of the six months ended, respectively	(0.2)	(1.5)	(0.9)	(1.6)
Less: reclassification adjustment for loss realized in net income, net of tax effect of $0.9, $1.2 for each of the three months ended and $1.2, $2.4 for each of the six months ended, respectively	1.4	2.0	1.9	4.0
Net unrealized gain on interest rate swaps	1.2	0.5	1.0	2.4
Unrealized gain (loss) on foreign currency hedge contracts, net of tax effect of zero and $0.1 for each of the three months ended and zero and $0.3 for each of the six months ended, respectively	(0.1)	0.2		0.8
Less: reclassification adjustment for loss realized in net income, net of tax effect of $0.1 and zero for each of the three months ended and zero for each of the the six months ended, respectively				0.1
Less: reclassification adjustment for loss realized in net other assets, net of tax effect of zero for each of the three months ended and zero and $0.4 for each of the six months ended, respectively				0.7
Net unrealized gain (loss) on foreign currency hedge contracts	(0.1)	0.2		1.6
Pension, SERP, and Retiree medical adjustments, net of tax effect of $0.1, $0.1 for each of the three months ended and $0.2, $0.1 for each of the six months ended, respectively	0.2		0.4	0.1
Unrealized foreign exchange gain (loss) on intercompany loan, net of tax effect of $0.4 and zero for each of the three months ended and zero and $0.6 for each of the six months ended, respectively	(1.3)	(0.1)		1.5
Foreign currency translation adjustments	(3.6)	(0.3)		3.7
Total comprehensive income	$ 31.3	$ 30.4	$ 109.9	$ 74.0

See notes to condensed consolidated financial statements (unaudited)

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Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

	June 28, 2012	December 31, 2011
	($ in millions)	
Current assets		
Cash and cash equivalents	$ 180.1	$ 177.8
Accounts receivable, net	470.2	267.2
Inventory, net	2,800.8	2,630.9
Deferred tax asset - current	60.5	52.2
Other current assets	40.4	27.7
Total current assets	3,552.0	3,155.8
Property, plant and equipment, net	1,623.3	1,615.7
Pension assets	131.8	118.8
Deferred tax asset - non-current, net	41.3	55.7
Other assets	93.2	96.4
Total assets	$ 5,441.6	$ 5,042.4
Current liabilities		
Accounts payable	$ 600.1	$ 559.4
Accrued expenses	304.1	200.8
Profit sharing	33.0	23.5
Current portion of long-term debt	10.4	48.9
Advance payments, short-term	50.4	8.8
Deferred revenue, short-term	11.5	28.5
Deferred grant income liability - current	6.6	6.1
Other current liabilities	6.1	37.5
Total current liabilities	1,022.2	913.5
Long-term debt	1,167.9	1,152.0
Advance payments, long-term	812.2	655.9
Pension/OPEB obligation	87.5	84.2
Deferred grant income liability - non-current	118.6	121.8
Deferred revenue and other deferred credits	32.3	34.7
Other liabilities	116.7	115.6
Equity		
Preferred stock, par value $0.01, 10,000,000 shares authorized, no shares issued		
Common stock, Class A par value $0.01, 200,000,000 shares authorized, 119,493,563 and 118,560,926 shares issued, respectively	1.2	1.2
Common stock, Class B par value $0.01, 150,000,000 shares authorized, 24,173,999 and 24,304,717 shares issued, respectively	0.2	0.2
Additional paid-in capital	1,005.4	995.9
Accumulated other comprehensive loss	(124.7)	(126.2)
Retained earnings	1,201.6	1,093.1
Total shareholders equity	2,083.7	1,964.2
Noncontrolling interest	0.5	0.5
Total equity	2,084.2	1,964.7
Total liabilities and equity	$ 5,441.6	$ 5,042.4

See notes to condensed consolidated financial statements (unaudited)

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Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the Six Months Ended June 28, 2012	For the Six Months Ended June 30, 2011
	($ in millions)	
Operating activities		
Net income	$ 108.5	$ 64.7
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation expense	77.4	64.4
Amortization expense	2.5	2.4
Amortization of deferred financing fees	11.9	4.6
Accretion of customer supply agreement	0.1	
Employee stock compensation expense	8.6	5.2
Excess tax benefit of share-based payment arrangements	(1.1)	(1.2)
Loss from discontinued hedge accounting on interest rate swaps	2.2	
(Gain) from the ineffectiveness of hedge contracts	(0.1)	
(Gain) from foreign currency transactions	(0.2)	(1.0)
Loss on disposition of assets	3.6	
Deferred taxes	4.5	0.7
Long-term tax provision	0.8	2.2
Pension and other post retirement benefits, net	(4.7)	(5.0)
Grant income	(2.5)	(2.6)
Equity in net loss of affiliates	0.4	0.5
Changes in assets and liabilities		
Accounts receivable	(202.1)	(143.6)
Inventory, net	(171.7)	75.6
Accounts payable and accrued liabilities	47.1	(12.4)
Profit sharing/deferred compensation	9.4	(2.0)
Advance payments	197.9	(125.9)
Income taxes receivable/payable	(46.8)	28.8
Deferred revenue and other deferred credits	(18.5)	(255.0)
Insurance advances for operating purposes (see Note 2)	105.0	
Other	0.6	57.7
Net cash provided by (used in) operating activities	132.8	(241.9)
Investing activities		
Purchase of property, plant and equipment	(103.8)	(84.4)
Proceeds from sale of assets	1.3	0.4
Other	(0.9)	
Net cash (used in) investing activities	(103.4)	(84.0)
Financing activities		
Proceeds from revolving credit facility	170.0	
Payments on revolving credit facility	(170.0)	
Proceeds from issuance of debt	547.3	
Principal payments of debt	(564.3)	(4.1)
Excess tax benefit of share-based payment arrangements	1.1	1.2
Debt issuance and financing costs	(11.3)	

Net cash (used in) financing activities		(27.2)		(2.9)
Effect of exchange rate changes on cash and cash equivalents		0.1		1.3
Net (decrease) in cash and cash equivalents for the period		2.3		(327.5)
Cash and cash equivalents, beginning of period		177.8		481.6
Cash and cash equivalents, end of period	$	180.1	$	154.1
Supplemental information				
Non-cash investing and financing activities				
Purchase of property, plant and equipment, accrued	$	8.9	$	4.6
Property acquired through capital leases	$	4.3	$	0.1

See notes to condensed consolidated financial statements (unaudited)

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

1. Organization and Basis of Interim Presentation

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

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

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

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

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

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the six months ended June 28, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. Certain reclassifications have been made to the prior year financial statements and notes to conform to the 2012 presentation. In connection with the preparation of the condensed consolidated financial statements, the Company evaluated subsequent events through the date the financial statements were issued. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in our 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on February 23, 2012 (the 2011 Form 10-K).

2. Impact from Severe Weather Event

On April 14, 2012, during a severe weather event, the Company s Wichita, Kansas facility, which includes its headquarters and manufacturing facilities for all Boeing models as well as operations for maintenance, repair and overhaul support and services (MRO), was hit by a tornado which caused significant damage to many buildings, disrupted utilities and resulted in complete suspension of production for eight days. The Company s work-in-process and production equipment generally remained intact, and the Company resumed production on April 23, 2012, although some inefficiencies continued thereafter as a result of the damage and repair efforts.

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

The Company maintains comprehensive insurance coverage for both property damage and business interruption up to 2.5 billion dollars. While the Company expects the insurance proceeds will be sufficient to cover most of the repair and replacement cost of the damaged facility and business interruption losses, certain deductibles and limitations will apply and no assurance can be made that proceeds will be sufficient to cover the costs of the entire restoration and recovery. The Company has hired consultants to negotiate with its insurance carriers regarding coverage for the losses sustained.

During the second quarter of 2012, the Company recorded a $54.5 charge against operating income for property damage, clean-up and recovery costs related to the tornado and expenses incurred to make up for the interruption of production and to reduce further disruptions. Future charges will be recorded as incurred, and while the Company believes that most future losses will be offset by insurance recoveries, subject to plan deductibles and limitations, there can be no assurance that complete offsetting will occur and any difference could be material to the Company s financial position, results of operations or cash flows.

Property Damage- Under its insurance policies, the Company is entitled to the current replacement cost of damaged assets. If the Company does not replace the damaged assets, or expend the insurance proceeds on other unplanned capital expenditures, then it is entitled to the Actual Cash Value (ACV) of the assets not being replaced. The Company, in conjunction with the insurance adjusters, continues to assess property damage and develop a restoration plan at its Wichita, Kansas facility. As information becomes available, the Company may need to record impairment charges in accordance with generally accepted accounting standards for the impairment of or disposal of long-lived assets. Any future charges are expected to be immaterial due to low net book value of the affected assets. To the extent that insurance proceeds ultimately exceed the net book value of the damaged property, a gain will be recorded in the period when all contingencies for each claim have been resolved. For the three months ended June 28, 2012, the Company recognized $29.1 of clean-up, repair and replacement costs. The Company has submitted and will continue to submit repair and replacement claims to its insurers.

Business Interruption/ Extra Expenses, including work delays & schedule recovery- As a result of the property damage at the Wichita, Kansas facility, the Company completely suspended production for eight days, with production resuming on April 23, 2012. During that time, the Company immediately implemented a schedule-recovery plan to avoid loss of revenue and to catch-up delayed deliveries. As a result of its implemented schedule-recovery plan, to date, the Company has not incurred any loss of revenue due to the tornado. Under its insurance policies, the Company is entitled to recover, subject to plan deductibles and limitations, the additional expenses incurred by the Company to avoid the loss of revenue and/or to maintain normal operations. For the three months ended June 28, 2012, the Company recognized $25.4 in additional business interruption expenses incurred as a result of the tornado. The Company has submitted and will continue to submit claims related to these expenses to its insurers. Any insurance recoveries related to business interruption will be recognized in the consolidated statements of operations only when an individual claim has been settled. The ultimate collection and timing of these recoveries could materially impact the Company s short-term and long-term financial position and liquidity.

Insurance Recovery- The Company maintains a property damage and business interruption insurance program comprised of multiple policies issued by a number of participating insurers. The policies generally provide coverage for costs incurred by the Company to repair or replace damaged property, inventory, machinery and equipment. The policies also generally provide coverage for losses and expenses incurred by the Company as a result of the interruption of its business, including, but not limited to, lost revenue, as well as additional expenses incurred by the Company to avoid the loss of revenue and/or to maintain normal operations. The Company has submitted and is in the process of compiling and submitting claims to its insurers for property damage and additional expenses incurred by the Company. As of June 28, 2012, the Company had received from certain insurers a total of $105.0 in partial payments based on estimated losses, which the Company has recorded as accrued expenses. In accordance with its senior secured credit agreement, the Company provided a certificate to its lenders indicating that all net proceeds received in connection with the destruction caused by the April 14, 2012 tornado would be used for property repairs, replacements and restoration at its Wichita facility. The Company currently estimates that the insurance claims associated with this event will total approximately $400.0 for both property damage and business interruption expenses combined, which will be subject to applicable deductibles. The Company continues to work with its insurers to determine the amount of deductible(s) applicable to its property damage and business interruption expense claims. Additional expenses will be recognized in future periods as they are incurred and offsetting credits will be recognized in future periods as insurance recoveries are confirmed.

The Company s current and future estimates of property damage and business interruption expenses will likely change as the Company continues to evaluate the full impact of the tornado on its facilities and operations. The Company is currently unable to estimate the amount of any insurance recovery or the date by which its insurance claims will be resolved. Accordingly, no such amounts have been recognized by the Company.

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

3. New Accounting Pronouncements

As of June 28, 2012, there have been no material changes to our significant accounting policies as described in our 2011 Form 10-K.

In December 2011, the FASB issued Accounting Standards Update 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05* (FASB ASU 2011-12). The amendments in this update defer certain changes in FASB ASU 2011-05 that relate to the presentation of reclassification adjustments of items out of accumulated other comprehensive income. The provisions of FASB ASU 2011-12 were effective for annual and interim periods beginning after December 15, 2011. The adoption of the provisions of FASB ASU 2011-12 did not have a material impact on the Company s consolidated financial statements.

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

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

4. Accounts Receivable, net

Accounts receivable, net consists of the following:

		June 28, 2012		December 31, 2011
Trade receivables (1)(2)	$	464.4	$	258.0
Other		10.2		10.6
Less: allowance for doubtful accounts		(4.4)		(1.4)
Accounts receivable, net	$	470.2	$	267.2

(1) Includes unbilled receivables of $34.7 and $17.4 at June 28, 2012 and December 31, 2011, respectively.

(2) Includes $69.0 and $39.7 held in retainage by customers at June 28, 2012 and December 31, 2011, respectively.

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

On May 3, 2012, one of our customers, Hawker Beechcraft, filed for bankruptcy protection under Chapter 11 of the United States Bankruptcy Code. Subsequent to the bankruptcy filing, the Company reserved the remaining balance of its $3.3 receivable from Hawker.

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

5. Inventory

Inventories are summarized as follows:

	June 28, 2012	December 31, 2011
Raw materials	$ 246.1	$ 236.9
Work-in-process	1,961.4	1,800.0
Finished goods	35.8	40.8
Product inventory	2,243.3	2,077.7
Capitalized pre-production	557.5	553.2
Total inventory, net	$ 2,800.8	$ 2,630.9

Inventories are summarized by platform as follows:

	June 28, 2012	December 31, 2011
B737	$ 290.6	$ 297.2
B747-8(1)	135.4	136.9
B767	38.4	31.5
B777	133.8	129.0
B787(2)	994.4	971.1
A350 XWB(3)	284.9	174.2
Airbus All other platforms	95.0	95.5
G280(4)	104.3	80.1
G650	547.0	501.1
Rolls-Royce	109.9	95.6
Sikorsky (5)	11.6	17.5
Aftermarket	43.3	43.1
Other in-process inventory related to long-term contracts and other programs(6)	12.2	58.1
Total inventory, net	$ 2,800.8	$ 2,630.9

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

(2) Net of settlement adjustments recorded in 2011 related to the B787 memorandum of agreement between Spirit and Boeing.

(3) Net of $6.5 forward-loss recorded during the second quarter of 2012 and $3.0 forward-loss recorded in 2011 for the A350 XWB non-recurring wing contract.

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

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

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

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

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

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

	June 28, 2012	December 31, 2011 (4)
B737	$ 27.7	$ 12.8
B747-8(1)	7.3	10.8
B767	14.7	5.8
B777	9.1	1.9
B787	37.4	17.1
A350 XWB(2)	31.1	41.4
Sikorsky(3)	11.6	17.5
Other	1.6	1.8
Total non-recurring production costs in inventory, net	$ 140.5	$ 109.1

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

(2) Net of $6.5 forward-loss recorded during the second quarter of 2012 and $3.0 forward-loss recorded in 2011 for the A350 XWB non-recurring wing contract.

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

(4) Net of $58.0 reclassification of Rolls-Royce non-recurring inventory to pre-production.

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

The following is a roll forward of the capitalized pre-production costs, net of forward-losses, included in the inventory balance at June 28, 2012:

Balance, December 31, 2011(1)	$	553.2
Charges to costs and expenses		(23.1)
Capitalized costs		27.4
Balance, June 28, 2012	$	557.5

(1) Net of $58.0 reclassification of Rolls-Royce non-recurring inventory to pre-production.

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Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

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

	June 28, 2012	December 31, 2011 (1)
B747-8	$ 6.3	$ 5.5
B767	2.0	0.3
B777	1.4	1.8
B787	201.5	210.5
A350 XWB	56.0	36.2
G280	3.4	
G650	230.4	240.9
Rolls-Royce	56.5	58.0
Total capitalized pre-production costs	$ 557.5	$ 553.2

(1) Net of $58.0 reclassification of Rolls-Royce non-recurring inventory to pre-production.

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

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

The following is a roll forward of the deferred production costs included in the inventory balances at June 28, 2012:

Balance, December 31, 2011	$ 813.2
Charges to costs and expenses	(113.7)
Capitalized costs	285.8
Exchange rate	(0.7)
Balance, June 28, 2012	$ 984.6

Deferred production costs included in inventory includes claims asserted by our customer or other similar items subject to uncertainty concerning their determination or realization. At June 28, 2012, these items represented less than 1% of the total ending deferred production balance.

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

	June 28, 2012	December 31, 2011
B747-8	$ 26.6	$ 31.8
B787	567.5	533.2
A350 XWB	83.4	
G280	55.2	37.2
G650	232.0	167.1
Rolls-Royce	37.1	25.5
Other contracts	24.3	25.7
Credit balances on other contracts	(41.5)	(7.3)
Total deferred production costs	$ 984.6	$ 813.2

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

	Contract Block Quantity	Orders(1)
B747-8(2)	56	97
B787(2)	500	858
A350 XWB(2)	400	549
G280(3)	250	40
G650(4)	350	97
Rolls-Royce(5)	350	51

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

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

(3) As of June 28, 2012, 84% of capitalized pre-production and deferred production inventory is recoverable over future anticipated production orders for this program. Should those orders not materialize in future periods, potential impairment charges may be necessary.

(4) As of June 28, 2012, 72% of capitalized pre-production and deferred production inventory is recoverable over future anticipated production orders for this program. Should those orders not materialize in future periods, potential impairment charges may be necessary.

(5) As of June 28, 2012, 85% of capitalized pre-production and deferred production inventory is recoverable over future anticipated production orders for this program. Should those orders not materialize in future periods, potential impairment charges may be necessary.

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6. Property, Plant and Equipment, net

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

	June 28, 2012	December 31, 2011
Land	$ 17.0	$ 17.0
Buildings (including improvements)	436.0	431.5
Machinery and equipment	866.7	849.3
Tooling	683.8	665.0
Capitalized software	154.7	118.7
Construction-in-progress	212.1	204.0
Total	2,370.3	2,285.5
Less: accumulated depreciation	(747.0)	(669.8)
Property, plant and equipment, net	$ 1,623.3	$ 1,615.7

Interest costs associated with construction-in-progress are capitalized until the assets are completed and ready for use. Capitalized interest was $2.0 and $1.3 for the three months ended June 28, 2012 and June 30, 2011, respectively, and $3.9 and $3.0 for the six months ended June 28, 2012 and June 30, 2011, respectively. Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs, excluding the impact of the severe weather event, of $22.7 and $26.8 for the three months ended June 28, 2012 and June 30, 2011, respectively, and $46.6 and $51.0 for the six months ended June 28, 2012 and June 30, 2011, respectively.

We capitalize certain costs, such as software coding, installation and testing, that are incurred to purchase or to create and implement internal use computer software in accordance with FASB authoritative guidance pertaining to capitalization of costs for internal-use software. Depreciation expense related to capitalized software was $4.4 and $4.5 for the three months ended June 28, 2012 and June 30, 2011, respectively, and $8.9 and $9.2 for the six months ended June 28, 2012 and June 30, 2011, respectively.

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7. Other Assets

Other assets are summarized as follows:

	June 28, 2012	December 31, 2011
Intangible assets		
Patents	$ 2.0	$ 2.0
Favorable leasehold interests	9.7	9.7
Customer relationships	26.8	26.8
Total intangible assets	38.5	38.5
Less: Accumulated amortization-patents	(1.1)	(1.1)
Accumulated amortization-favorable leasehold interest	(4.5)	(4.2)
Accumulated amortization-customer relationships	(21.0)	(19.3)
Intangible assets, net	11.9	13.9
Deferred financing		
Deferred financing costs	75.2	64.0
Less: Accumulated amortization-deferred financing costs	(46.9)	(35.0)
Deferred financing costs, net	28.3	29.0
Other		
Fair value of derivative instruments		0.6
Goodwill - Europe	2.9	2.9
Equity in net assets of affiliates	4.7	4.5
Customer supply agreement (1)	39.5	39.8
Other	5.9	5.7
Total	$ 93.2	$ 96.4

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

The Company recognized $1.1 of amortization expense of intangibles for each of the three month periods ended June 28, 2012 and June 30, 2011, and $2.1 for each of the six month periods ended June 28, 2012 and June 30, 2011.

The following is a roll forward of the carrying amount of goodwill at June 28, 2012:

Balance, December 31, 2011	$	2.9
Goodwill acquired		
Exchange rate		
Balance, June 28, 2012	$	2.9

8. Research and Development Milestones

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

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As part of our ongoing participation in the B787-9 program, we received research and development milestone payments of $2.4 and $5.2 for the three month and six month periods ended June 28, 2012, respectively. We expect to receive additional payments related to research and development on this program. These additional payments remain un-negotiated as of June 28, 2012.

9. Advance Payments and Deferred Revenue/Credits

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

In March 2012, we signed a Memorandum of Agreement with Airbus providing for us to receive advance payments in 2012. The advance payments will be offset against the recurring price of A350 XWB ship sets invoiced by Spirit at a rate of $1.25 per ship set. We received $200.0 in the six month period ended June 28, 2012.

Deferred revenue/credits. Deferred revenue/credits generally consists of nonrefundable amounts received in advance of revenue being earned for specific contractual deliverables. These payments are classified as deferred revenue/credits when received and recognized as revenue as the production units are delivered.

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

	June 28, 2012	December 31, 2011
B737	$ 22.3	$ 23.6
B747-8		0.2
B787	630.8	629.1
A350 XWB	202.6	22.9
Airbus All other platforms	6.9	7.4
Gulfstream	33.1	35.6
Other	10.7	9.1
Total advance payments and deferred revenue/credits	$ 906.4	$ 727.9

10. Government Grants

We received grants in the form of government funding for a portion of the site construction and other specific capital asset cost at our Kinston, North Carolina and Subang, Malaysia sites. Deferred grant income is being amortized as a reduction to production cost. This amortization is based on specific terms associated with the different grants. In North Carolina, the deferred grant income related to the capital investment criteria, which represents half of the grant, is being amortized over the lives of the assets purchased to satisfy the capital investment performance criteria. The other half of the deferred grant income is being amortized over a ten-year period in a manner consistent with the job performance criteria. In Malaysia, the deferred grant income is being amortized based on the lives of the eligible assets constructed with the grant funds as there are no performance criteria. As of June 28, 2012, the value recorded within property, plant and equipment related to the use of grant funds in North Carolina and Malaysia was $146.1 prior to amortization, including foreign exchange rate changes.

Deferred grant income liability consists of the following:

Balance, December 31, 2011	$	127.9
Grant income recognized		(2.8)
Exchange rate		0.1
Total deferred grant income liability, June 28, 2012	$	125.2

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

Beginning Balance, December 31, 2011	$	128.3
Depreciation		(2.6)
Exchange rate		0.1
Total asset value related to deferred grant income, June 28, 2012	$	125.8

11. Fair Value Measurements

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

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

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

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

Description	June 28, 2012 Total Carrying Amount in Balance Sheet	Assets Measured at Fair Value	Liabilities Measured at Fair Value	Fair Value Measurements At June 28, 2012 using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Fund	$ 81.5	$ 81.5	$	$ 81.5	$	$
Interest Rate Swaps	$ (4.8)	$	$ (4.8)	$	$ (4.8)	$
Foreign Currency Hedge Contracts	$	$	$	$	$	$

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				Fair Value Measurements		
	December 31, 2011			At December 31, 2011 using		
Description	Total Carrying Amount in Balance Sheet	Assets Measured at Fair Value	Liabilities Measured at Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Fund	$ 75.3	$ 75.3	$	$ 75.3	$	$
Interest Rate Swaps	$ (4.8)	$	$ (4.8)	$	$ (4.8)	$
Foreign Currency Hedge Contracts	$ (0.4)	$ 1.2	$ (1.6)	$	$ (0.4)	$

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

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

	June 28, 2012		December 31, 2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior secured term loan (including current portion)	$ 547.3	$ 552.1(1)	$ 561.9	$ 560.1(1)
Senior unsecured notes due 2017	295.2	324.8(1)	294.9	325.5(1)
Senior unsecured notes due 2020	300.0	322.5(1)	300.0	317.9(1)
Malaysian loan	14.5	12.7(2)	16.1	14.1(2)
Total	$ 1,157.0	$ 1,212.1	$ 1,172.9	$ 1,217.6

(1) Level 1 Fair Value hierarchy

(2) Level 2 Fair Value hierarchy

See Note 13, Investments for fair value disclosure on government and corporate debt securities.

12. Derivative and Hedging Activities

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

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will be assessed and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge s inception and on a quarterly basis, whether the derivative item is effective in offsetting changes in fair value or cash flows.

Changes in the fair value of derivative instruments considered to be effective hedges are reported in other comprehensive income, net of tax. In the case of interest rate swaps, amounts are subsequently reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings. If the actual interest rate on the fixed rate portion of debt is less than LIBOR, the monies received are recorded as an offset to interest expense. Conversely, if the actual interest rate on the fixed rate portion of debt is greater than LIBOR, then the Company pays the difference, which is recorded to interest expense. Reclassifications of the amounts related to the foreign currency hedge contracts are recorded to earnings in the same period in which the underlying transaction occurs. Any change in the fair value resulting from ineffectiveness is immediately recognized in earnings.

The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values. The Company has applied these valuation techniques as of June 28, 2012 and believes it has obtained the most accurate information available for the types of derivative contracts it holds. The Company attempts to manage exposure to counterparty credit risk by only entering into agreements with major financial institutions which are expected to be able to fully perform under the terms of the agreement.

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

To the extent that derivative instruments do not qualify for hedge accounting treatment, the changes in fair market value of the instruments are reported in the results of operations for the current period. As a result of the senior secured Credit Agreement entered into on April 18, 2012, the interest rate swaps no longer qualify for hedge accounting while LIBOR is below the LIBOR floor of 75 basis points under the Credit Agreement. Amounts in other comprehensive income for interest rate swaps as of April 18, 2012 remain in other comprehensive income and will be amortized over the remaining tenor of the interest rate swaps.

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

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

The entire asset classes of the Company, including hedges, are pledged as collateral for both the term loan and the revolving credit facility under the Company s senior secured credit facility (see Note 14, Debt).

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Interest Rate Swaps

We enter into floating-to-fixed interest rate swap agreements periodically. As of June 28, 2012, the interest rate swap agreements had notional amounts totaling $325.0.

Notional Amount		Expires	Variable Rate	Fixed Rate (1)	Effective Fixed Rate(2)	Fair Value, June 28, 2012	
$	50	March 2013	1 Month LIBOR	0.72%	N/A	$	(0.2)
$	50	June 2013	1 Month LIBOR	0.84%	N/A	$	(0.2)
$	225	July 2014	1 Month LIBOR	1.37%	N/A	$	(4.4)
					Total	$	(4.8)

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

(2) As of June 28, 2012 the interest rate swaps are no longer effective and therefore the effective fixed rate is not applicable.

The purpose of entering into these swaps was to reduce the Company s exposure to variable interest rates. The interest rate swaps settle on a monthly basis when interest payments are made. These settlements occur through the maturity date. The interest rate swaps are being accounted for as cash flow hedges in accordance with FASB authoritative guidance. The fair value of the interest rate swaps was a liability (unrealized loss) of ($4.8) at June 28, 2012 and December 31, 2011.

Foreign Currency Forward Contracts

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

We use foreign currency hedge contracts to reduce our exposure to currency exchange rate fluctuations, which include hedging contracts to hedge U.S. dollar revenue from certain customers. The objective of these contracts is to minimize the impact of currency exchange rate movements on our operating results. The hedges are being accounted for as cash flow hedges in accordance with FASB authoritative guidance. Gains and losses from these cash flow hedges are recorded to other comprehensive income until the underlying transaction for which the hedge was placed occurs and then the value in other comprehensive income is reclassified to earnings. The exception to the aforementioned treatment of realized gains/losses involves certain cash payments to Airbus, payable in British pounds sterling which were hedged, and this amount in other comprehensive income was reclassified into other assets when the underlying transaction occurred and will be amortized over the first A350 XWB contract block. The fair value of the forward contracts was a net asset of less than $0.1 as of June 28, 2012.

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Notional Amount

	June 28, 2012				December 31, 2011			
Year		**USD Buy/(Sell)**		**Foreign Buy/(Sell)**		**USD Buy/(Sell)**		**Foreign Buy/(Sell)**
2012	$	(2.8)	£	1.8	$	(9.0)	£	5.6
2013								(0.1)
	$	(2.8)	£	1.8	$	(9.0)	£	5.5

The following table summarizes the Company s fair value of outstanding derivatives at June 28, 2012 and December 31, 2011:

	Fair Values of Derivative Instruments							
	Other Asset Derivatives				Other Liability Derivatives			
	June 28, 2012		December 31, 2011		June 28, 2012		December 31, 2011	
Derivatives designated as hedging instruments								
Interest rate swaps								
Current	$		$		$	2.8	$	2.4
Non-current						2.0		2.4
Foreign currency hedge contracts								
Current								0.2
Non-current								
Total derivatives designated as hedging instruments						4.8		5.0
Derivatives not designated as hedging instruments								
Foreign currency hedge contracts								
Current				0.6				0.7
Non-current				0.6				0.7
Total derivatives not designated as hedging instruments				1.2				1.4
Total derivatives	**$**		$	1.2	$	4.8	$	6.4

The impact on other comprehensive income (OCI) and earnings from cash flow hedges for the three and for the six months ended June 28, 2012 and June 30, 2011 was as follows:

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI, net of tax, on Derivative (Effective Portion) For the Three Months Ended June 28, 2012	June 30, 2011	Location of (Gain) or Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) For the Three Months Ended June 28, 2012	June 30, 2011	Location of (Gain) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) For the Three Months Ended June 28, 2012	June 30, 2011
Interest rate swaps	$ (0.2)	$ (1.5)	Interest expense	$ 2.4	$ 3.2	Other (income)/ expense	$	$
Foreign currency hedge contracts	(0.1)	0.2	Sales/ Revenue			Other (income)/expense		
Total	$ (0.3)	$ (1.3)		$ 2.4	$ 3.2		$	$

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Derivatives in Cash Flow Hedging Relationships	**Amount of Gain or (Loss) Recognized in OCI, net of tax, on Derivative (Effective Portion) For the Six Months Ended June 28, 2012**	**June 30, 2011**	**Location of (Gain) or Loss Reclassified from Accumulated OCI into Income (Effective Portion)**	**Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) For the Six Months Ended June 28, 2012**	**June 30, 2011**	**Location of (Gain) or Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)**	**Amount of Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) For the Six Months Ended June 28, 2012**	**June 30, 2011**
Interest rate swaps	$ (0.9)	$ (1.6)	Interest expense	$ 3.1	$ 6.4	Other (income)/ expense	$	$
Foreign currency hedge contracts		0.8	Sales/ Revenue	0.1	0.1	Other (income)/expense		
Total	$ (0.9)	$ (0.8)		$ 3.2	$ 6.5		$	$

The impact on earnings from interest rate swaps that are no longer effective was $0.3 loss for the six months ended June 28, 2012 and zero for six months ended June 30, 2011.

The impact on earnings from foreign currency hedge contracts that do not qualify as cash flow hedges was $0.2 income for the six months ended June 28, 2012 and less than ($0.1) loss for six months ended June 30, 2011.

Gains and losses accumulated in OCI for interest rate swaps are reclassified into earnings as each interest rate period is reset. During the next twelve months, the Company estimates that a loss of ($0.7) will be reclassified from OCI, net of tax, as a charge to earnings from interest rate swaps. Interest rate swaps are placed for a period of time not to exceed the maturity of the Company s senior secured term loan. None of the gains or losses reclassified to earnings were attributable to the discontinuance of cash flow hedges.

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

13. Investments

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

	June 28, 2012		December 31, 2011	
	Current	Noncurrent	Current	Noncurrent
Government and Corporate Debt Securities				
Amortized cost	$ 0.5	$ 3.0	$ 0.4	$ 3.1
Unrealized gains				
Unrealized losses				(0.1)
Fair value	$ 0.5	$ 3.0	$ 0.4	$ 3.0

Maturities of held-to-maturity securities at June 28, 2012 are as follows:

	Amortized Cost	Approximate Fair Value
Within One Year	$ 0.5	$ 0.5
One to Five Years	2.0	2.0
Five to Ten Years	0.5	0.5
After Ten Years	0.5	0.5
Total	$ 3.5	$ 3.5

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At June 28, 2012 and December 31, 2011, the fair value of certain investments in debt and marketable securities are less than their historical cost. Total fair value of these investments was $1.8 for each of the periods ended, which is approximately 54% and 53% of the Company s held-to-maturity investment portfolio. These declines primarily resulted from decreases in market interest rates and failure of certain investments to maintain consistent credit quality ratings or meet projected earnings targets.

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

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

14. Debt

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

[redacted]				
Senior secured term loan (short and long-term)	$	547.3	$	561.9
Senior notes (due 2017 and 2020)		595.2		594.9
Malaysian term loan		14.5		16.1
Present value of capital lease obligations		13.9		15.2
Other		7.4		12.8
Total	$	1,178.3	$	1,200.9

Senior Secured Term Loan

On April 18, 2012, Spirit entered into a 1.2 billion dollar senior secured Credit Agreement (the Credit Agreement) consisting of a $650.0 revolving credit facility and a $550.0 term loan B facility. The Credit Agreement refinances and replaces the Second Amended and Restated Credit Agreement dated as of November 27, 2006, as amended. Proceeds of the new term loan were used to pay off outstanding amounts under the prior credit agreement. The revolving credit facility matures April 18, 2017 and bears interest, at Spirit s option, at either LIBOR, or a defined base rate plus an applicable margin based on Spirit s debt-to-EBITDA ratio (see table below). The term loan matures April 18, 2019 and bears interest, at Spirit s option, at LIBOR plus 3.00% with a LIBOR floor of 0.75% or base rate plus 2.00%, subject to a step down to LIBOR plus 2.75% or base rate plus 1.75%, as applicable, in the event Spirit s secured debt-to-EBITDA ratio is below 1:1 at any time after 2012. Substantially all of Spirit s assets, including inventory and property, plant and equipment, were pledged as collateral for both the term loan and the revolving credit facility. As of June 28, 2012, the outstanding balance of the term loan was $550.0. As of December 31, 2011, the outstanding balance of the old term loan, which was repaid upon closing of the new credit facilities, was $561.9. As of June 28, 2012 the carrying amount of the term loan was $547.3. The amount outstanding under the revolving credit facility was zero at June 28, 2012. The amount outstanding under the old revolving credit facility was zero at December 31, 2011. As of June 28, 2012, there were $19.9 of letters of credit outstanding under the revolving credit facility. The Company recorded a charge of $9.5 in the second quarter of 2012 for unamortized deferred financing fees as a result of extinguishment of the debt under the prior credit agreement.

In addition to paying interest on outstanding principal under the Credit Agreement, Spirit is required to pay an unused line fee on the unused portion of the commitments under the revolving credit facility based on Spirit s debt-to-EBITDA ratio (see table below). Spirit is required to pay letter of credit fees equal to the applicable margin for LIBOR rate revolving credit borrowings with respect to letters of credit issued under the revolving credit facility (see table below). Spirit is also required to pay to the issuing banks that issue any letters of credit, letter of credit fronting fees in respect of letters of credit equal to 20 basis points per year, and to the administrative agent thereunder customary administrative fees.

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Pricing Tier	Debt-to-EBITDA Ratio	Commitment Fee	Letter of Credit Fee	Eurodollar Rate Loans	Base Rate Loans
1	≥ 3.0:1	0.450%	2.50%	2.50%	1.50%
2	< 3.0:1 but ≥ 2.25:1	0.375%	2.25%	2.25%	1.25%
3	< 2.25:1 but ≥ 1.75:1	0.300%	2.00%	2.00%	1.00%
4	< 1.75:1	0.250%	1.75%	1.75%	0.75%

At June 28, 2012, the Company s total leverage ratio was 2.03:1.0, resulting in applicable margins under the revolving credit facility of 2.00% and 1.00% on Eurodollar and base rate loans, respectively. In addition, as of June 28, 2012, commitment fees on the undrawn portion of the revolving credit facility and letter of credit fees were 0.30% and 2.00% respectively.

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

Senior Secured Leverage Ratio	Shall not exceed 2.75:1.0
Interest Coverage Ratio	Shall not be less than 4.0:1.0
Total Leverage Ratio	Shall not exceed 4.0:1.0

The Financial Covenant ratios are calculated as of the last day of each fiscal quarter. Failure to meet these financial covenants would be an event of default under the Credit Agreement. As of June 28, 2012, we were and expected to remain, for the foreseeable future, in full compliance with all covenants contained within our Credit Agreement.

Senior Notes

On November 18, 2010, we issued $300.0 aggregate of 6.75% Senior Notes due December 15, 2020 (the 2020 Notes), with interest payable, in cash in arrears, on June 15 and December 15 of each year, beginning June 15, 2011. The 2020 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and Spirit s existing and future domestic subsidiaries that guarantee Spirit s obligations under Spirit s senior secured credit facility. The carrying value of the 2020 Notes was $300.0 as of June 28, 2012.

On September 30, 2009, we issued $300.0 of 7.50% Senior Notes due October 1, 2017 (the 2017 Notes), with interest payable, in cash in arrears, on April 1 and October 1 of each year, beginning April 1, 2010. The 2017 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and Spirit s existing and future domestic subsidiaries that guarantee Spirit s obligations under Spirit s senior secured credit facility. The carrying value of the 2017 Notes was $295.2 as of June 28, 2012.

As of June 28, 2012, we were and expect to remain in full compliance with all covenants contained in the indentures governing the 2020 Notes and the 2017 Notes for the foreseeable future.

Malaysian Term Loan

On June 2, 2008, the Company s wholly-owned subsidiary, Spirit AeroSystems Malaysia SDN BHD entered into a Facility Agreement for a term loan facility for Ringgit Malaysia (RM) 69.2 (approximately USD $20.0 equivalent) (the Malaysia Facility), with the Malaysian Export-Import Bank. The Malaysia Facility requires quarterly principal repayments of RM 3.3 (USD $1.0) from September 2011 through May 2017 and quarterly interest payments payable at a fixed interest rate of 3.50% per annum. The Malaysia Facility loan balance as of June 28, 2012 was $14.5.

France Factory

On July 17, 2009, the Company s indirect wholly-owned subsidiary, Spirit AeroSystems France SARL entered into a capital lease agreement for 9.0 (approximately USD $13.1 equivalent) with a subsidiary of BNP Paribas Bank to be used towards the construction

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of an aerospace-related component assembly plant in Saint-Nazaire, France. Lease payments are variable, subject to the three-month Euribor rate plus 2.20%. Lease payments are due quarterly through April 2025. As of June 28, 2012, the Saint-Nazaire capital lease balance was $10.6.

Lease Commitment

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

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

15. Pension and Other Post-Retirement Benefits

	Defined Benefit Plans			
	For the Three Months Ended		For the Six Months Ended	
Components of Net Periodic Pension Income	**June 28, 2012**	**June 30, 2011**	**June 28, 2012**	**June 30, 2011**
Service cost	$ 1.7	$ 1.4	$ 3.3	$ 2.8
Interest cost	11.3	11.0	22.6	22.2
Expected return on plan assets	(18.7)	(17.0)	(37.4)	(33.6)
Amortization of net (gain)	1.0	(0.5)	2.8	(0.1)
Net periodic pension income	$ (4.7)	$ (5.1)	$ (8.7)	$ (8.7)

	Other Benefits			
	For the Three Months Ended		For the Six Months Ended	
Components of Other Benefit Expense	**June 28, 2012**	**June 30, 2011**	**June 28, 2012**	**June 30, 2011**
Service cost	$ 0.9	$ 0.7	$ 1.7	$ 1.5

Interest cost		0.8		0.9		1.7		1.9
Amortization of net loss		0.5				0.6		0.3
Net periodic other benefit expense	$	2.2	$	1.6	$	4.0	$	3.7

Employer Contributions

We expect to contribute zero dollars to the U.S. qualified pension plan and less than $0.7 to both the Supplemental Executive Retirement Plan (SERP) and post-retirement medical plans in 2012. Our projected contributions to the U.K. pension plan for 2012 are $8.8, of which $4.1 was contributed by the end of the second quarter of 2012. We anticipate contributing the additional $4.7 to the U.K. pension plan during the remainder of 2012. The entire amount contributed and the projected contributions can vary based on exchange rate fluctuations.

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16. Stock Compensation

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

For the three months ended June 28, 2012, Holdings recognized a net total of $4.7 of stock compensation expense, which is net of stock forfeitures, as compared to $3.0 of stock compensation expense, net of forfeitures, for the three months ended June 30, 2011. Of the total $4.7 of stock compensation expense recorded for the three months ended June 28, 2012, $2.5 was recorded as selling, general and administrative expense and the remaining $2.2 was charged directly to cost of sales in accordance with FASB authoritative guidance. The entire $3.0 of stock compensation expense recorded for the three months ended June 30, 2011 was recorded as selling, general and administrative expense.

For the six months ended June 28, 2012, the Company recognized a total of $8.6 of stock compensation expense, net of forfeitures, as compared to $5.2 of stock compensation expense, net of forfeitures, recognized for the six months ended June 30, 2011. Of the total $8.6 of stock compensation expense recorded for the six months ended June 28, 2012, in accordance with FASB authoritative guidance, $2.2 was charged directly to cost of sales and $6.4 was recorded as selling, general and administrative expense, which includes $0.9 of accelerated vesting expense for participants meeting the conditions for Qualifying Retirement under the Short-Term Incentive Plan or STIP as set out in the Proxy Statement for our 2012 annual meeting of stockholders. Of the $5.2 of stock compensation expense recorded for the six months ended June 30, 2011, less than $0.1 was charged directly to cost of sales, $5.1 was recorded as selling, general and administrative expense, and the remaining $0.1 was capitalized in inventory and is recognized through cost of sales in accordance with FASB authoritative guidance.

In February 2012, 104,405 shares of Class A common stock with an aggregate grant date fair value of $2.5 were granted under the Company s Short-Term Incentive Plan and such shares will vest on the one-year anniversary of the grant date. Additionally, 169,391 shares of Class A common stock with an aggregate grant date fair value of $4.3 granted under the Company s Short-Term Incentive Plan vested during the quarter ended March 29, 2012.

In May 2012, 618,804 shares of Class A common stock with an aggregate grant date fair value of $15.3 were granted under the Company s Long-Term Incentive Plan and such shares will vest annually in three equal installments beginning on the two-year anniversary of the grant date. Under the Company s Board of Director s Stock Plan 29,271 shares of Class A common stock with an aggregate grant date fair value of $0.7 were granted during the quarter, and such shares will vest on the one-year anniversary of the grant date. Additionally, 421,088 shares of Class A common stock with an aggregate grant date fair value of $7.8 awarded under the Company s Long-Term Incentive Plan and 27,063 shares of Class A common stock with an aggregate grant date fair value of $0.6 awarded under the Board of Director s Stock Plan vested during the quarter ended June 28, 2012.

On June 22, 2012, 92,250 shares of Class A common stock with an aggregate grant date fair value of $2.2 were granted to members of the UAW union pursuant to performance improvements provided for in the 2010 ten-year labor contract. The shares vested immediately upon issuance.

17. Income Taxes

The process for calculating our income tax expense involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. Deferred tax assets are periodically evaluated to determine their recoverability. The total net deferred tax assets at June 28, 2012 and December 31, 2011 were $96.6 and $102.1, respectively.

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

In general, the Company records income tax expense each quarter based on its best estimate as to the full year s effective tax rate. Certain items, however, are given discrete period treatment and the tax effects for such items are therefore reported in the quarter that

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an event arises. Events or items that give rise to discrete recognition include finalizing amounts in income tax returns filed, finalizing audit examinations for open tax years, and an expiring statute of limitations.

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

The 31.0% effective tax rate for the six months ended June 28, 2012 differs from the 29.4% effective tax rate for the same period in 2011 primarily due to maintaining a reserve this year for the Malaysia tax holiday benefit and expiration of the U.S. Research Credit on December 31, 2011.

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

18. Equity

Earnings per Share Calculation

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

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

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

	For the Three Months Ended					
	June 28, 2012			June 30, 2011		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common shareholders	$ 34.3	139.9	$ 0.25	$ 29.5	139.2	$ 0.21
Income allocated to participating securities	0.6	2.3		0.6	2.4	
Net Income	$ 34.9			$ 30.1		
Diluted potential common shares		0.5			0.7	
Diluted EPS						
Net Income	$ 34.9	142.7	$ 0.24	$ 30.1	142.3	$ 0.21

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	For the Six Months Ended					
	June 28, 2012			June 30, 2011		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common shareholders	$ 106.7	139.7	$ 0.76	$ 63.5	138.9	$ 0.46
Income allocated to participating securities	1.8	2.3		1.2	2.5	
Net Income	$ 108.5			$ 64.7		
Diluted potential common shares						