APPLIED INDUSTRIAL TECHNOLOGIES INC
Form 11-K
June 29, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K
ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

[X] ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014.

[ ] TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to ______.

Commission file number 1-2299

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Applied Industrial Technologies, Inc.
Retirement Savings Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Applied Industrial Technologies, Inc.
One Applied Plaza
Cleveland, Ohio 44115-5056

Financial Statements and Exhibit(s) (enclosed)

(a) Financial Statements

Report of Independent Registered Public Accounting Firm

Statements of Net Assets Available for Benefits
As of December 31, 2014 and 2013

Statement of Changes in Net Assets Available for Benefits
For the Years Ended December 31, 2014 and 2013

Notes to Financial Statements

Supplemental Schedules

(b) Exhibit(s)

23 Consent of Independent Registered Public Accounting Firm

SIGNATURES

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

APPLIED INDUSTRIAL TECHNOLOGIES,
INC. RETIREMENT SAVINGS PLAN

By: Applied Industrial Technologies, Inc., as Plan Administrator

By: /s/ Kurt W. Loring
Kurt W. Loring
Vice President-Chief Human Resources Officer

Date: June 29, 2015

APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN

Financial Statements
For the Years Ended December 31, 2014 and 2013

Supplemental Schedules
As of December 31, 2014 and For the Year Ended December 31, 2014

Report of Independent Registered Public Accounting Firm

APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Investment and Advisory Committees for the Applied Industrial Technologies, Inc. Retirement Savings Plan

We have audited the accompanying statements of net assets available for benefits of Applied Industrial Technologies, Inc. Retirement Savings Plan (the “Plan”) as of December 31, 2014 and 2013 and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the Plan as of December 31, 2014 and 2013 and the changes in net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The supplemental information in the accompanying schedule of assets held at end of year as of December 31, 2014 and schedules of delinquent participant contributions and reportable transactions for the year ended December 31, 20014 have been subjected to audit procedures performed in conjunction with the audit of the Plan's financial statements. The supplemental information is the responsibility of the Plan's management. Our audit procedures included determining whether the supplemental information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental information. In forming our opinion on the supplemental information, we evaluated whether the supplemental information, including its form and content, is presented in conformity with Department of Labor's Rules and Regulations for Reporting under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the financial statements as a whole.

/s/ Plante & Moran, PLLC

Cleveland, Ohio
June 29, 2015

APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
AS OF DECEMBER 31, 2014 AND 2013

	2014	2013
Assets:		
Cash	$19,095	$—
Investments at fair value:		
Applied Industrial Technologies, Inc. Stock Fund	102,098,475	116,346,404
Mutual funds	290,509,056	281,634,124
Common/collective trust funds	54,463,061	59,670,842
Total investments	447,070,592	457,651,370
Participant notes receivable	8,161,726	8,779,723
Fee reimbursement receivable - Wells Fargo	—	19,613
	8,161,726	8,799,336
Net assets available for plan benefits, reflecting investments at fair value	455,251,413	466,450,706
Adjustments from fair value to contract value for fully benefit-responsive investment contracts	(428,069)	(350,773)
Net assets available for benefits	$454,823,344	$466,099,933

See notes to financial statements.

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APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Additions to net assets attributed to:		
Contributions:		
Participants	$12,756,833	$11,712,443
Participants' rollovers	3,400,269	1,844,975
Employer	2,975,924	10,765,187
Total contributions	19,133,026	24,322,605
Investment Income:		
Dividends, interest and other:		
Applied Industrial Technologies, Inc. Stock Fund	2,233,271	2,252,419
Mutual funds	4,116,214	10,634,008
Common/collective trust funds	626,934	623,971
Total dividends, interest and other	6,976,419	13,510,398
Net (depreciation) appreciation in fair value of investments:		
Applied Industrial Technologies, Inc. Stock Fund	(7,547,162)	17,865,242
Mutual funds	17,451,528	43,764,978
Total net (depreciation) appreciation in fair value of investments	9,904,366	61,630,220
Total investment income	16,880,785	75,140,618
Interest on participant notes receivable	372,985	378,649
Total additions	36,386,796	99,841,872
Deductions from net assets attributed to:		
Distributions to participants	(47,050,594)	(49,329,192)
Administrative expenses	(612,791)	(861,052)
Total deductions	(47,663,385)	(50,190,244)
Net (decrease) increase in net assets	(11,276,589)	49,651,628
Net assets available for benefits:		
Beginning of year	466,099,933	416,448,305
End of year	$454,823,344	$466,099,933

See notes to financial statements.

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APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

1. DESCRIPTION OF THE PLAN

The following description of the Applied Industrial Technologies, Inc. Retirement Savings Plan (the "Plan") is provided for general purposes only. Participants and users of the financial statements should refer to the Plan document for more complete information.

General - The Plan was established for the purpose of encouraging and assisting domestic employees of Applied Industrial Technologies, Inc. and its subsidiaries (the "Company") to provide long-term, tax-deferred savings for retirement. The Plan is subject to reporting and disclosure requirements, minimum participation and vesting standards, and fiduciary responsibility requirements of the Employee Retirement Income Security Act of 1974 ("ERISA").

Administration - The Plan is administered by the Company. The Company's powers and duties relate to making participant and employer contributions to the Plan, establishing investment options, authorizing disbursements from the Plan, and resolving any questions of Plan interpretation. The record keeper and trustee for the assets of the plan is Wells Fargo Bank, N.A. ("Wells Fargo").

Participant Accounts - Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) Plan earnings (losses), and (c) administrative expenses. Allocated expenses are based on participant contributions, account balances, or can be per capita, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested portion of their account.

Participation and Contributions - All eligible employees may participate in the Plan on the first payroll period following 30 days of employment. Eligible employees may elect to make pretax contributions to the Plan ranging from 1% to 50% of compensation, subject to limitations under the Internal Revenue Code. All newly eligible employees are automatically enrolled into the Plan with an initial contribution rate of 2%. During 2013, the Company remitted certain employee deferrals to the Plan after the Department of Labor's required timeframe. A contribution of lost earnings was made to the Plan during 2014. The Company also filed Form 5330 with the Internal Revenue Service in 2014.

The Company may make additional discretionary contributions to the Plan, including, but not limited to, matching contributions equal to a percentage of participant pretax contributions not in excess of 6% of the participant's compensation determined annually. Any employer matching contribution is typically paid to the plan monthly and participants must be employed during the last pay period of the month to receive the monthly match. Employer matching contributions consist of cash which is then used by the plan trustee to purchase shares of Applied Industrial Technologies, Inc. common stock on the open market. For the first, second, third and fourth quarters of 2014, the employer match on participant contributions was \$0.35, \$0.35, \$0.25, and \$0.35 of every eligible employee dollar contributed. For the first, second, third and fourth quarters of 2013, the employer match on participant contributions was \$0.35, \$0.35, \$0.35, and \$0.25 of every eligible employee dollar contributed.

The Plan permits catch-up contributions for participants who are age 50 or older and defer the maximum amount allowed under the Plan.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

The Company, effective for year 2014 and all years going forward, discontinued all discretionary profit-sharing contribution portions of the Plan. For years prior to 2014, the Company could elect at its discretion to make a profit-sharing contribution to the Plan each year. Profit sharing contributions were $0 and $8,081,000 for the years ended December 31, 2014 and 2013, respectively.

Contributions are excluded from participants' taxable income until such amounts are received by them as a distribution from the Plan.

The Plan provides for rollover contributions (amounts distributed to participants from certain other tax-qualified plans) and transfer contributions (amounts transferred from certain other tax-qualified plans) by or on behalf of an employee in accordance with procedures established by the Company.

Investment of Contributions - Participants elect investment of profit-sharing and pretax contributions in 1% increments to any of several investment funds or options. The portion of the Plan that is invested in the Applied Industrial Technologies, Inc. Stock Fund is intended to be an Employee Stock Ownership Plan ("ESOP") under Code Section 4975 (e)(7) and ERISA Section 407 (d)(6).
Participants may elect to change their investment elections as to future contributions and may also elect to reallocate a portion or all of their account balances among the investment choices in increments of 1% of the total amount to be reallocated. Participants are able to transfer any portion (up to 100%) of their matching contribution account from the Applied Industrial Technologies, Inc. Stock Fund into other investment funds under the Plan. All such elections are filed with the Trustee and become effective daily.
The value of the Applied Industrial Technologies, Inc. common stock and other funds and the interest of individual participants under each investment are calculated daily (daily valuation).

Vesting and Distributions - Each participant is immediately and fully vested in their participant contributions and earnings thereon. Participants vest in matching employer contributions and profit-sharing contributions at a rate of 25% for each year of eligible service, becoming completely vested after four years, or at death, termination of employment due to physical or mental disability (determined by the Company upon the basis of a written certificate of a physician selected by it), or normal retirement as defined in the Plan.

Upon termination of employment, participants may receive lump-sum or installment distributions of their vested account balances as soon as administratively possible. Distributions can be made in the form of Company stock, cash, or a combination thereof. The Plan permits hardship withdrawals, if the hardship criteria are met, or in-service distributions at age 59 1/2. Hardship withdrawals and in-service distributions can be taken from participant rollovers, salary deferrals, and catch-up contributions.

Forfeitures - Forfeitures of nonvested amounts are used to reduce future matching employer contributions. Total forfeitures were $11,965 in 2014 and $160,257 in 2013.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

Participant Notes Receivable - Participants may borrow (from their pre-tax contributions, rollover contributions and transferred contributions) a minimum of $1,000 up to a maximum equal to the lesser of $50,000 or 50% of the aggregate sum of the participant's accounts. Participant notes receivable terms range from 1-5 years or up to 10 years if used for the purchase of a primary residence. Participant notes receivable that originated from merged plans are also reflected in participant notes receivable in the Plan's financial statements; these participant notes receivable are to be repaid to the Plan in accordance with their original terms. Participant notes receivable are collateralized by the balance in the participant's accounts and bear interest at market rates prevailing at the time the participant note receivable originated. Principal and interest are paid ratably through bi-weekly payroll deductions. Funds cannot be borrowed from the profit-sharing or Company matching contributions.

Plan Termination - The Plan was adopted with the expectation that it will continue indefinitely. The Company may, however, terminate the Plan at any time and may amend the Plan from time to time. In the event of termination of the Plan, all participants will immediately become fully vested in their accounts.

Tax Status of the Plan - The Plan obtained its latest determination letter dated September 17, 2013, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. Although the Plan has been amended since receiving this determination letter, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements.

Party-in-interest Transactions - Certain plan assets are in investment funds managed by Wells Fargo or its affiliates. Wells Fargo is the trustee of the Plan; therefore, these transactions qualify as party-in-interest transactions as defined under ERISA guidelines.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of the Plan's financial statements.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting. The Statements of Net Assets Available for Benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The related activity is presented at contract value in the Statements of Changes in Net Assets Available for Benefits.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Valuation of Investments - Investments are accounted for at cost on the trade date and are reported in the Statements of Net Assets Available For Benefits at fair value, except for investments in stable value funds, which are valued at contract value. Contract value represents investments at cost plus accrued interest income less amounts withdrawn to pay benefits. The fair value of the AMP Trust Columbia Trust Stable Income Fund, which is a common collective trust, is valued at fair market value of the underlying investments and then adjusted by the issuer to contract value.

The investment in Applied Industrial Technologies, Inc. common stock is valued using the year-end closing price listed by the New York Stock Exchange. Mutual funds are stated at values using year-end closing prices for each of the funds or

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APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

quoted market prices. See Note 4, “Fair Value Measurements” for additional disclosures relative to the fair value of the investments held in the Plan.

Participant Notes Receivable - Participant notes receivable are recorded at their unpaid principal balances plus any accrued interest. Participant notes receivable are written off when deemed uncollectible.

Risks and Uncertainties - In general, investment securities are exposed to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term, and such changes could materially affect the amounts reported in the financial statements.

Benefit Payments - Distributions to participants are recorded by the Plan when payments are made.

Administrative Expenses - Administrative expenses of the Plan are paid by the Plan.

3. INVESTMENTS

The Plan provides that, in accordance with the investment objectives established by the Company, the trustee of the Plan shall hold, invest, reinvest, manage and administer all assets of the Plan as a trust fund for the exclusive benefit of participants and their beneficiaries.

Plan investments exceeding 5% of net assets available for benefits as of December 31, 2014 or 2013 were as follows:

Description of Investment	2014	2013
At fair value:		
Applied Industrial Technologies, Inc. Common Stock (a portion of which is non-participant directed)	$102,098,475	$116,346,404
American Fundamental Investors Fund	43,419,059	43,914,461
Lord Abbett Total Return	26,716,458	—
PIMCO Total Return Fund (Inst)	—	30,233,568
American EuroPacific Growth Fund	28,945,603	31,463,769
AIT Large-Cap Growth Portfolio	35,064,070	34,119,879
T. Rowe Price Mid-Cap Growth Fund	26,918,646	26,299,646
At contract value:		
AMP Trust Columbia Trust Stable Income Fund	$54,034,992	59,320,069

4. FAIR VALUE MEASUREMENTS

Accounting standards require certain assets and liabilities be reported at fair value on the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

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APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

The Plan estimates the fair value of financial instruments using available market information and generally accepted valuation methodologies. Fair value is defined as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The inputs used to measure fair value are classified into three tiers. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Plan's assessment of the significance of particular inputs to these fair value measurements require judgment and considers factors specific to each asset or liability.

The following tables present information about the Plan's assets measured at fair value on a recurring basis at December 31, 2014 and 2013, and the valuation techniques used by the Plan to determine those values. The Plan also holds other assets not measured at fair value on a recurring basis, including cash and participant notes receivable. The fair value of these assets approximates the carrying amounts in the accompanying financial statements due to either the short maturity of the instruments or the use of interest rates that approximate market rates for instruments of similar maturity.

Financial assets and liabilities measured at fair value on a recurring basis are as follows. There are currently no items categorized as Level 3 within the fair value hierarchy.

		Fair Value Measurements at 12/31/14	
	Recorded Value	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs
	December 31, 2014	Level 1	Level 2
Assets:			
Applied Industrial Technologies, Inc. Stock Fund	$102,098,475	$102,098,475	
Mutual Fund Investments:			
Fixed income	38,184,867	38,184,867	
Balanced	11,843,699	11,843,699	
Retirement-year based	33,359,285	33,359,285	
Equity	207,121,205	207,121,205	
Common/Collective Trust Fund:			
Stable value investment (A)	54,463,061		$54,463,061
Total	$447,070,592	$392,607,531	$54,463,061

APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

		Fair Value Measurements at 12/31/13	
	Recorded Value	Quoted Prices in Active Markets for Identical Instruments	Significant Other Observable Inputs
	December 31, 2013	Level 1	Level 2
Assets:			
Applied Industrial Technologies, Inc. Stock Fund	$116,346,404	$116,346,404	
Mutual Fund Investments:			
Fixed income	40,172,813	40,172,813	
Balanced	12,685,733	12,685,733	
Retirement-year based	26,413,407	26,413,407	
Equity	202,362,171	202,362,171	
Common/Collective Trust Fund:			
Stable value investment (A)	59,670,842		$59,670,842
Total	$457,651,370	$397,980,528	$59,670,842

(A) This class represents investments in an actively managed common collective trust fund. The fund invests primarily in investment contracts and a variety of fixed income investments which may include corporate bonds, both U.S. and non-U.S. municipal securities and wrapper contracts. Investments are valued at the fair value per share multiplied by the number of shares held as of the measurement date.

The Plan's policy is to recognize transfers in and transfers out of level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer.

APPLIED INDUSTRIAL TECHNOLOGIES, INC. RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2014 AND 2013

5. NONPARTICIPANT-DIRECTED INVESTMENTS

The Plan's only nonparticipant-directed transactions are contained within the Applied Industrial Technologies, Inc. Stock Fund, which includes both participant and nonparticipant-directed transactions. Information about the net assets and significant components of the changes in net assets relating to the Applied Industrial Technologies, Inc. Stock Fund are as follows:

	2014	2013
Net Assets:		
Applied Industrial Technologies, Inc. Common Stock	$100,682,278	$114,298,866
Wells Fargo Advantage Heritage Money Market Fund	1,416,197	2,047,538
Total Net Assets	$102,098,475	$116,346,404

	2014	2013
Change in Net Assets:		
Contributions	$4,254,368	$4,892,333
Dividends	2,231,605	2,250,385
Interest	1,666	2,034
Net (depreciation) appreciation in fair value	(7,547,162)	17,865,242
Benefits paid to participants	(7,604,461)	(7,861,540)
Transfers to other participant-directed investments, net	(5,487,674)	(13,376,091)
Administrative expenses	(96,271)	(58,750)
Total Change in Net Assets	$(14,247,929)	$3,713,613

APPLIED INDUSTRIAL TECHNOLOGIES, INC.
RETIREMENT SAVINGS PLAN

Employer ID Number: 34-0117420
Plan Number: 003

SCHEDULE H LINE 4(a) - SCHEDULE OF DELINQUENT PARTICIPANT CONTRIBUTIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

Participant Contributions Transferred Late to the Plan	Total that Constitute Nonexempt Prohibited Transactions						
Fuselage	$	10.8			$ 2.7	$ 10.3	$ 8.6
Propulsion	6.6			5.0		14.4	8.3
Wing	(0.8		)	11.7		(0.6)	13.3
Total Favorable Cumulative Catch-up Adjustment	$	16.6		$	19.4	$24.1	$30.2
Changes in Estimates on Loss Programs and (Forward Loss)							
Fuselage							
Boeing - All other platforms	$	3.5		$	—	$6.4	$—
Other Platforms	—			—		—	(0.9)
Total Fuselage Change in Estimate on Loss Programs and (Forward Loss)	$	3.5		$	—	$6.4	$(0.9)
Propulsion							
Boeing - All other platforms	$	(1.3	)	$	—	$(1.3)	$—
Total Propulsion Forward Loss	$	(1.3	)	$	—	$(1.3)	$—
Wing							
Other Platforms	$	—		$	—	$—	$(0.3)
Total Wing Forward Loss	$	—		$	—	$—	$(0.3)
Total Change in Estimate on Loss Programs and (Forward Loss), net	$	2.2		$	—	$5.1	$(1.2)
Total Change in Estimate	$	18.8		$	19.4	$29.2	$29.0
EPS Impact (diluted per share based	$	0.08		$	0.09	$0.13	$0.13

upon statutory rates)

The Company is currently working on several new and maturing programs which are in various stages of development, including the B787, A350 XWB and Rolls-Royce BR725 programs. These programs carry risks associated with design responsibility, development of production tooling, production inefficiencies during the initial 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.

4. Accounts Receivable, net

Accounts receivable, net consists of the following:

	July 2, 2015	December 31, 2014
Trade receivables[(1)(2)]	$549.9	$598.4
Other	13.7	7.7
Less: allowance for doubtful accounts	(0.4)	(0.5)
Accounts receivable, net	$563.2	$605.6

(1) Includes unbilled receivables of $25.9 and $26.0 as of July 2, 2015 and December 31, 2014, respectively.
(2) Includes $135.1 held in retainage by a customer at December 31, 2014.

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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)

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 for which the recovery will occur over the term of the contract, which could exceed one year.

5. Inventory

Inventories are summarized as follows:

	July 2, 2015	December 31, 2014
Raw materials	$256.7	$254.5
Work-in-process	845.1	885.7
Finished goods	64.1	46.7
Product inventory	1,165.9	1,186.9
Capitalized pre-production	205.4	223.4
Deferred production	1,270.6	1,244.3
Forward loss provision	(884.1)	(901.6)
Total inventory, net	$1,757.8	$1,753.0

Capitalized pre-production costs include certain contract costs, including applicable overhead, incurred before a product is manufactured on a recurring basis. Significant statement of work changes considered not reimbursable by the customer can also cause pre-production costs to be incurred. These costs are typically amortized over a certain number of shipset deliveries.

Deferred production includes costs for the excess of production costs over the estimated average cost per shipset, and credit balances for favorable variances on contracts between actual costs incurred and the estimated average cost per shipset for units delivered under the current production blocks. Recovery of excess-over-average deferred production costs is dependent on the number of shipsets ultimately sold and the ultimate selling prices and lower production costs associated with future production under these contract blocks. The Company believes these amounts will be fully recovered. Sales significantly under estimates or costs significantly over estimates could result in losses on these contracts in future periods.

Provisions for anticipated losses on contract blocks are recorded in the period in which they become evident ("forward losses") and included in inventory with any remaining amount reflected in accrued contract liabilities.

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

Inventories are summarized by platform and costs below:

	July 2, 2015					
	Product Inventory					
	Inventory	Non-Recurring	Capitalized Pre-Production	Deferred Production	Forward Loss Provision	Total Inventory, net July 2, 2015
B787	217.0	—	71.3	541.6	(606.0)	223.9
Boeing - All other platforms[1]	475.0	18.4	5.9	(19.2)	(23.6)	456.5

A350 XWB	154.1	56.2	97.5	646.3	(120.1)	834.0
Airbus - All other platforms	86.0	—	—	8.8	—	94.8
Rolls-Royce BR725[(2)]	14.9	—	30.7	88.8	(134.4)	—
Aftermarket	53.7	—	—	—	—	53.7
Other platforms	82.4	8.2	—	4.3	—	94.9
Total	$ 1,083.1	$ 82.8	$ 205.4	$ 1,270.6	$ (884.1)	$ 1,757.8

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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)

	December 31, 2014 Product Inventory					
	Inventory	Non-Recurring	Capitalized Pre-Production	Deferred Production	Forward Loss Provision	Total Inventory, net December 31, 2014
B787	227.9	—	102.7	551.6	(606.0)	276.2
Boeing - All other platforms[1]	497.4	7.7	7.4	(8.9)	(38.8)	464.8
A350 XWB	148.7	35.6	76.4	607.6	(120.1)	748.2
Airbus - All other platforms	82.1	—	—	5.6	—	87.7
Rolls-Royce BR725[2]	17.5	—	35.4	83.8	(136.7)	—
Aftermarket	45.2	0.2	—	—	—	45.4
Other platforms	113.5	11.1	1.5	4.6	—	130.7
Total	$1,132.3	$ 54.6	$223.4	$1,244.3	$(901.6)	$ 1,753.0

(1) Forward loss charges recorded in prior periods on a program within Boeing - All other platforms exceeded the total inventory balance. The excess of the charge over program inventory is classified as a contract liability and reported in other current liabilities on the Condensed Consolidated Balance Sheet. The total contract liability was $1.8 and $2.1 as of July 2, 2015 and December 31, 2014, respectively.

(2) Forward loss charges recorded in prior periods on the Rolls-Royce BR725 program exceeded the total inventory balance. The excess of the charge over program inventory is classified as a contract liability and reported in other current liabilities on the Condensed Consolidated Balance Sheet. The total contract liability was $14.6 and $12.2 as of July 2, 2015 and December 31, 2014, respectively.

The following is a roll forward of the capitalized pre-production costs included in the inventory balance at July 2, 2015:

Balance, December 31, 2014	$223.4
Charges to costs and expenses	(41.7)
Capitalized costs	23.7
Balance, July 2, 2015	$205.4

The following is a roll forward of the deferred production costs included in the inventory balance at July 2, 2015:

Balance, December 31, 2014	$1,244.3
Charges to costs and expenses	(428.6)
Capitalized costs	454.4
Exchange rate	0.5
Balance, July 2, 2015	$1,270.6

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

Model	Contract Block Quantity	Orders[1]

B787	500	803
A350 XWB	400	781
Rolls-Royce BR725	350	196

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

(1) Orders are from the published firm-order backlogs of Airbus and Boeing. For Rolls-Royce BR725, orders represent purchase orders received from OEMs and are not reflective of OEM sales backlog. Orders reported are total block orders, including delivered units.

Current block deliveries are as follows:

Model	Current Block Deliveries
B787	348
A350 XWB	42
Rolls-Royce BR725	164

Contract block quantities are projected to fully absorb the balance of deferred production inventory. Capitalized pre-production and deferred production inventories are at risk to the extent that the Company does not achieve the orders in the forecasted blocks or if future actual costs exceed current projected estimates, as those categories of inventory are recoverable over future deliveries. In the case of capitalized pre-production this may be over multiple blocks. Should orders not materialize in future periods to fulfill the block, potential forward loss charges may be necessary to the extent the final delivered quantity does not absorb deferred inventory costs.

6. Property, Plant and Equipment, net

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

	July 2, 2015	December 31, 2014
Land	$17.1	$17.1
Buildings (including improvements)	573.7	572.9
Machinery and equipment	1,149.8	1,125.5
Tooling	881.8	841.2
Capitalized software	216.1	208.3
Construction-in-progress	196.9	138.3
Total	3,035.4	2,903.3
Less: accumulated depreciation	(1,208.3)	(1,119.7)
Property, plant and equipment, net	$1,827.1	$1,783.6

Interest costs associated with construction-in-progress are capitalized until the assets are completed and ready for use. Capitalized interest was $1.1 and $0.8 for the three months ended July 2, 2015 and July 3, 2014, respectively, and $2.4 and $1.8 for the six months ended July 2, 2015 and July 3, 2014, respectively. Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs of $32.7 and $27.2 for the three months ended July 2, 2015 and July 3, 2014, respectively, and $63.0 and $51.1 for the six months ended July 2, 2015 and July 3, 2014, respectively.

The Company capitalizes certain costs, such as software coding, installation and testing, that are incurred to purchase or to create and implement internal-use computer software. Depreciation expense related to capitalized software was

$4.3 and $4.5 for the three months ended July 2, 2015 and July 3, 2014, respectively, and $8.5 and $8.5 for the six months ended July 2, 2015 and July 3, 2014, respectively.

The Company reviews capital and amortizing intangible assets (long-lived assets) for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company evaluated its long-lived assets at its locations and determined no impairment was necessary as of July 2, 2015.

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7. Other Assets

Other assets are summarized as follows:

	July 2, 2015	December 31, 2014
Intangible assets		
Patents	$1.9	$1.9
Favorable leasehold interests	6.3	6.3
Total intangible assets	8.2	8.2
Less: Accumulated amortization - patents	(1.6)	(1.5)
Accumulated amortization - favorable leasehold interest	(3.6)	(3.5)
Intangible assets, net	3.0	3.2
Deferred financing		
Deferred financing costs	105.8	101.2
Less: Accumulated amortization - deferred financing costs(1)	(84.6)	(79.5)
Deferred financing costs, net	21.2	21.7
Other		
Goodwill - Europe	2.9	2.9
Equity in net assets of affiliates	2.6	1.9
Customer supply agreement(2)	31.4	34.3
Restricted Cash	19.9	19.9
Other	43.8	39.7
Total	$124.8	$123.6

(1) Includes charges related to debt extinguishment of $3.1 and $15.1 for the periods ended July 2, 2015 and December 31, 2014, respectively.

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

8. Advance Payments and Deferred Revenue/Credits

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

On April 8, 2014, the Company signed a memorandum of agreement with Boeing which suspended advance repayments related to the B787 program for a period of twelve months beginning April 1, 2014. Repayment recommenced on April 1, 2015 and any repayments which otherwise would have become due during such twelve-month period will be offset against the purchase price for shipset 1,001 and beyond.

Deferred revenue/credits. Deferred revenue/credits generally consist of nonrefundable amounts received in advance of revenue being earned for specific contractual deliverables or amounts that could be required to be refunded if certain performance obligations or conditions are not met. These payments are classified as deferred revenue/credits on the Company's Condensed Consolidated Balance Sheet when received and recognized as revenue as the production units are delivered or performance obligations or conditions are met.

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

	July 2, 2015	December 31, 2014
B787	$748.5	$581.1
Boeing — All other platforms	15.1	16.4
A350 XWB	211.0	224.3
Airbus — All other platforms	3.6	4.1
Other	13.0	24.0
Total advance payments and deferred revenue/credits	$991.2	$849.9

9. Government Grants

The Company received grants in the form of government funding for a portion of the site construction and other specific capital asset costs at the Company's 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, which began in 2010, in a manner consistent with the job performance criteria. Under the agreement, failure to meet job performance criteria, including creation of a targeted number of jobs, could result in Spirit making incremental rent payments to the North Carolina Global TransPark Authority over the initial term of the lease. The amount of the incremental rent payments would vary depending on Spirit’s level of attainment of these requirements not to exceed a certain dollar threshold. In Malaysia, the deferred grant income is being amortized based on the estimated lives of the eligible assets constructed with the grant funds as there are no performance criteria. The assets related to deferred grant income are consolidated within property, plant and equipment.

Deferred grant income liability, net consists of the following:

Balance, December 31, 2014	$106.3
Grant liability amortized	(1.0)
Grant income recognized	(3.9)
Total liability related to deferred grant income, July 2, 2015	$101.4

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

Balance, December 31, 2014	$113.2
Amortization	(2.5)
Exchange rate	0.1
Total asset value related to deferred grant income, July 2, 2015	$110.8

10. Fair Value Measurements

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

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

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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 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.

	Fair Value Measurements July 2, 2015			At July 2, 2015 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	$100.1	$100.1	$ —	$100.1	$—	$—

	Fair Value Measurements December 31, 2014			At December 31, 2014 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	$88.3	$88.3	$ —	$88.3	$—	$—
Interest Rate Swaps	$(1.1)	$—	$ (1.1)	$—	$(1.1)	$—

The fair value of the interest rate swaps is 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 includes a senior secured term loan, senior unsecured notes and the Malaysian term loan. 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:

	July 2, 2015			December 31, 2014	
	Carrying Amount	Fair Value		Carrying Amount	Fair Value
Senior secured term loan A (including current portion)	$521.6	$515.4	(2)	$—	$—

Senior secured term loan B (including current portion)	—	—	(1)	$534.4	$527.1	(1)
Senior unsecured notes due 2020	300.0	314.3	(1)	300.0	320.3	(1)
Senior unsecured notes due 2022	299.5	312.2	(1)	299.5	304.7	(1)
Malaysian loan	4.9	4.3	(2)	6.7	5.8	(2)
Total	$1,126.0	$1,146.2		$1,140.6	$1,157.9	

(1) Level 1 Fair Value hierarchy
(2) Level 2 Fair Value hierarchy

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11. 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. On the inception date, the Company designates a derivative contract as either a fair value or cash flow hedge and links the contract to either a specific asset or liability on the balance sheet, or to forecasted commitments or transactions. The Company assesses, both at the hedges' inception and on a quarterly basis, whether the derivative item is effective in offsetting changes in fair value or cash flows. Any gains or losses on hedges are included in earnings when the underlying transaction that was hedged occurs. 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 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. See Note 12, Debt for discussion of the Company's senior secured credit facilities.

Interest Rate Swaps

During the first quarter of 2015, as a result of Amendment No. 5 to its Credit Agreement, the Company unwound its interest rate swap agreements which had a notional amount of $250.0. The company recognized a loss of $0.4 as a result of settling these interest rate swaps. This loss on derivatives not designated as hedging instruments is included in Other Expense on the Consolidated Statement of Operations for the six months ended July 2, 2015. In total, the Company paid $2.0 as a result of the settlement of the interest rate swap agreements.

As of July 2, 2015, the Company had no outstanding interest rate swap agreements. At December 31, 2014, the fair value of interest rate swaps designated as hedging instruments was a liability of $1.1.

The impact on earnings from interest rate swaps that were no longer effective was a loss of $1.6 and $0.1 for the six months ended July 2, 2015 and July 3, 2014, respectively. The amount reclassified from accumulated other comprehensive income into income from interest rate swaps that were effective was a loss of $0.5 and zero for the six months ended July 2, 2015 and July 3, 2014, respectively. There were no gains or losses recognized in income from interest rate swaps during the second quarter of 2015 or 2014.

12. Debt

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

	July 2, 2015		December 31, 2014	
	Current	Noncurrent	Current	Noncurrent
Senior secured term loan A	$26.8	$494.8	$—	$—
Senior secured term loan B	—	—	5.5	528.9
Senior notes due 2020	—	300.0	—	300.0
Senior notes due 2022	—	299.5	—	299.5
Malaysian term loan	2.4	2.5	3.0	3.7
Present value of capital lease obligations	0.8	8.8	0.9	12.0

Other	10.5	7.0	—	—
Total	$40.5	$1,112.6	$9.4	$1,144.1

Senior Secured Credit Facilities

On March 18, 2015, Spirit AeroSystems, Inc., as borrower, Spirit AeroSystems Holdings, Inc., as parent guarantor, and certain of its subsidiaries entered into Amendment No. 5 (the “Amendment”) to the Company's senior secured Credit Agreement, dated as of April 18, 2012, as amended by Amendment No. 1, dated as of October 26, 2012, Amendment No. 2, dated as of August 2, 2013, Amendment No. 3, dated as of March 18, 2014 and Amendment No. 4, dated as of June 3, 2014 (the "Credit Agreement"). The Amendment provided for a new $535.0 senior secured term loan A (the “Term Loan”) with a maturity date of March 18, 2020, which replaces the term loan B which had an amount outstanding of approximately $534.9 (the “Term Loan B”) that was scheduled to mature on September 15, 2020. The Term Loan bears interest, at Spirit’s option, at either LIBOR plus 1.75% or a defined “base rate” plus 0.75%, subject to adjustment to amounts between and including LIBOR plus 1.75% and LIBOR plus 2.50% (or amounts between and including base rate plus 0.75% and base rate plus 1.50%, as applicable) based on changes to Spirit’s debt-to-EBITDA ratio. The principal obligations under the Term Loan are to be repaid in equal quarterly installments of $6.7, with the remaining balance due at maturity of the Term Loan. The Amendment maintained substantially the same prepayment requirements and covenant structure under the Credit Agreement, and provided the Company with some additional flexibility with respect to certain activities. Spirit used the proceeds of the Term Loan to pay off the Term Loan B and to pay a portion of the fees and expenses payable in connection with the Amendment.

Substantially all of Spirit's assets, including inventory and property, plant and equipment, continue to be pledged as collateral for both the Term Loan and the revolving credit facility. As of July 2, 2015, the outstanding balance of the Term Loan was $521.6. As a result of extinguishment of the Term Loan B during the first quarter of 2015, the Company recognized a loss on extinguishment of debt of $3.6. Of this total charge, $3.1 is reflected within amortization of deferred financing fees and $0.5 is reflected within amortization expense on the Condensed Consolidated Statement of Cash Flows for the six months ended July 2, 2015.

Senior Notes

In November 2010, the Company issued $300.0 in aggregate principal amount 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 July 2, 2015.

In March 2014, the Company issued $300.0 in aggregate principal amount of 5.25% Senior Notes due March 15, 2022 (the "2022 Notes") with interest payable, in cash in arrears, on March 15 and September 15 of each year, beginning September 15, 2014. The 2022 Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by the Company and its existing and future domestic subsidiaries that guarantee Spirit's obligations under its amended senior secured credit facility. The carrying value of the 2022 Notes was $299.5 as of July 2, 2015.

Malaysian Facility Agreement

The Company’s wholly-owned subsidiary, Spirit AeroSystems Malaysia SDN BHD is party to a Facility Agreement for a term loan facility with the Malaysian Export-Import Bank for Ringgit Malaysia (“RM”) 69.2 (approximately USD $20.0 equivalent) (the “Malaysia Facility”). The Malaysia Facility requires quarterly principal repayments of RM3.3 (approximately USD $1.0 equivalent) from September 2011 through May 2017 and quarterly interest payments payable at a fixed interest rate of 3.50% per annum. As of July 2, 2015, the Malaysia Facility loan balance was $4.9.

French Factory Capital Lease Agreement

The Company's indirect wholly-owned subsidiary, Spirit AeroSystems France SARL is party to a capital lease agreement for €9.0 (approximately USD $13.1 equivalent) with a subsidiary of BNP Paribas Bank. Lease payments under the capital lease agreement are variable, subject to the three-month Euribor rate plus 2.20%. Lease payments are due quarterly through April 2025. As of July 2, 2015, the Saint-Nazaire capital lease balance was $7.6.

Nashville Design Center Capital Lease Agreement

During the second quarter of 2015, the Company terminated its capital lease agreement for a portion of an office building in Nashville, Tennessee resulting in the capital lease balance at July 2, 2015 of zero.

13. Pension and Other Post-Retirement Benefits

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	Defined Benefit Plans			
	For the Three Months Ended		For the Six Months Ended	
Components of Net Periodic Pension Income	July 2, 2015	July 3, 2014	July 2, 2015	July 3, 2014
Service cost	$0.2	$—	$0.5	$—
Interest cost	11.8	11.9	23.8	24.8
Expected return on plan assets	(20.8)	(18.7)	(41.5)	(41.0)
Amortization of net loss	0.9	—	1.9	—
Net periodic pension income	$(7.9)	$(6.8)	$(15.3)	$(16.2)

	Other Benefits			
	For the Three Months Ended		For the Six Months Ended	
Components of Other Benefit Expense	July 2, 2015	July 3, 2014	July 2, 2015	July 3, 2014
Service cost	$0.4	$0.4	$1.1	$1.1
Interest cost	0.5	0.7	1.1	1.4
Special termination benefits	—	0.9	—	0.9
Net periodic other benefit expense	$0.9	$2.0	$2.2	$3.4

Employer Contributions

The Company expects to contribute zero dollars to the U.S. qualified pension plan and a combined total of approximately $5.7 for the Supplemental Executive Retirement Plan (SERP) and post-retirement medical plans in 2015. The Company's projected contributions to the U.K. pension plan for 2015 are zero. The entire amount contributed can vary based on exchange rate fluctuations.

14. 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.

The Executive Incentive Plan, Short-Term Incentive Plan ("STIP"), Long-Term Incentive Plan ("LTIP") and Director Stock Plan (collectively referred to as "Prior Plans") were replaced by the Omnibus Incentive Plan (the "Omnibus Plan") in 2014. No new awards will be granted under such Prior Plans. Outstanding awards under the Prior Plans will continue to be governed by the terms of such plans until exercised, expired or otherwise terminated or canceled.

The Omnibus Plan provides for a Long-Term Incentive Award ("LTIA") for the 2014 plan year and forward. The LTIAs provide both time and performance based incentives.

- 75% of the LTIA is service-based restricted stock that will vest in equal installments over a three-year period.

- 25% of the LTIA is performance-based restricted stock that will vest in the third year contingent upon total shareholder return ("TSR") compared to the Company’s peers.

For the three months ended July 2, 2015, the Company recognized a net total of $5.0 of stock compensation expense, which is net of stock forfeitures, and includes expense for the Prior Plans and the LTIA under the Omnibus Plan. For the three months ended July 3, 2014, the Company recognized $4.3 of stock compensation expense, net of forfeitures. The entire stock compensation expense of $5.0 and $4.3, for the three months ended July 2, 2015 and July 3, 2014, respectively, was recorded as selling, general and administrative.

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For the six months ended July 2, 2015, the Company recognized a net total of $11.9 of stock compensation expense, which is net of stock forfeitures, and includes expense for the Prior Plans and the LTIA under the Omnibus Plan. For the six months ended July 3, 2014, the Company recognized $8.0 of stock compensation expense, net of forfeitures. The entire stock compensation expense of $11.9 and $8.0, for the six months ended July 2, 2015 and July 3, 2014, respectively, was recorded as selling, general and administrative.

During the first quarter ended April 2, 2015, 428,758 shares of class A common stock with an aggregate grant date fair value of $20.9 were granted under the service-based portion of the Company's LTIA. In addition, 93,640 shares of class A common stock with an aggregate grant date fair value of $6.0 were granted under the performance-based portion of the Company's LTIA under the Omnibus Plan and such shares are eligible to vest on the three-year anniversary of the grant date depending on total shareholder return compared to the Company's peers. Additionally, 12,293 shares of class A common stock with an aggregate grant date fair value of $0.6 awarded under the Company's LTIP vested during the quarter ended April 2, 2015.

During the second quarter ended July 2, 2015, 17,156 shares of class A common stock with an aggregate grant date fair value of $0.9 were granted under the service-based portion of the Company's LTIA. In addition, 1,348 shares of class A common stock with an aggregate grant date fair value of $0.1 were granted under the performance-based portion of the Company's LTIA under the Omnibus Plan and such shares are eligible to vest on the three-year anniversary of the grant date depending on total shareholder return compared to the Company's peers. Additionally, 846,662 shares of class A common stock with an aggregate grant date fair value of $20.5 awarded under the Company's LTIP vested during the quarter ended July 2, 2015.

In the second quarter ended July 2, 2015, 17,953 shares of class A common stock with an aggregate grant date fair value of $0.9 were granted as nonemployee director awards under the Omnibus Plan and such shares will vest on the one-year anniversary of the grant date. Additionally, 22,383 shares of class A common stock with an aggregate grant date fair value of $0.7 awarded under the Director Stock Plan vested during the quarter.

15. Income Taxes

The process for calculating the Company's income tax expense involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. Deferred tax assets are periodically evaluated to determine their recoverability. The total net deferred tax liability at July 2, 2015 and December 31, 2014 were $9.5 and $5.0, respectively. The difference is primarily due to temporary differences reducing taxable income in the United Kingdom (U.K.).

The Company files income tax returns in all jurisdictions in which it operates. The Company establishes reserves to provide for additional income taxes that may be due upon audit. These reserves are established based on management’s assessment as to the potential exposure attributable to permanent tax adjustments and associated interest. All tax reserves are analyzed quarterly and adjustments made as events occur that warrant modification.

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

However, the Company has determined that a calculation of an annual effective tax rate would not represent a reliable estimate for its U.S. operations due to historical differences between forecasted and actual U.S. pre-tax earnings and the effect of the Company's U.S. deferred tax valuation allowance, which create results with significant variations in the customary relationship between income tax expense and pre-tax income for the interim periods. Under the discrete method, the Company determines tax expense based upon actual results as if the interim period were an annual period. The discrete method was used for the Company's U.S. pre-tax income and an annual effective rate was used for its international pre-tax income.

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, management assesses all available positive and negative evidence. This evidence includes, but is not limited to, prior earnings history, expected future earnings, carry-back and carry-forward periods and the feasibility of ongoing tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objective negative evidence of recent financial reporting losses.

Based on these criteria and the relative weighting of both the positive and negative evidence available, and in particular the activity surrounding the Company's prior earnings history including the forward losses previously recognized in the U.S., management determined that it was necessary to continue to maintain a valuation allowance against nearly all of its net U.S. deferred tax assets as of July 2, 2015. At each reporting date, management considers all available positive and negative evidence, both new and historical, that could impact the future realization of deferred tax assets. Management will consider a release of the valuation allowance once there is sufficient positive evidence that it is more likely than not that the deferred tax assets will be realized, or when it is clearly demonstrated that the underlying deferred tax asset has been realized due to positive taxable income in the period the temporary difference was reversed. Any release of the valuation allowance will be recorded as a tax benefit increasing net income or other comprehensive income.

The net valuation allowance was decreased by $44.1 for the six months ended July 2, 2015. The reduction reflects the realization of certain deferred tax assets within the Company’s discrete method taxable income calculation and changes in deferred tax assets associated with certain state income tax credits for the three months ended July 2, 2015.

The Company's income tax expense for 2015 does not reflect any benefit of the U.S. Federal Research Tax Credit attributable to 2015 as the legislation has not been extended beyond December, 2014. Should the legislation be extended during the year, the Company may record additional tax benefits for 2015 Research Tax Credit.

The 23.1% effective tax rate for the six months ended July 2, 2015 differs from the 18.0% effective tax rate for the same period of 2014 primarily due to the effect of certain non-deductible expenses within the company’s income tax provision in 2015 and the release of the Malaysia tax reserve and deferred tax liabilities in the first quarter of 2014 as a result of formal approval of the tax holiday by the Malaysian tax authorities.

The Company is participating in the Internal Revenue Service’s Compliance Assurance Process (“CAP”) program for its 2014 tax year. Additionally, the Company has been selected for the Compliance Maintenance phase of the CAP program for its 2015 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. The HM Revenue & Customs completed its examination of the Company's 2009-2011 U.K. income tax returns and the statute of limitations has lapsed on the 2012 tax return. The Directorate General of Public Finance is currently examining the Company's 2011-2013 France income tax returns. While a change could result from the ongoing examinations, the Company expects no material change in its recorded unrecognized tax liability in the next 12 months.

16. Equity

Earnings per Share Calculation

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

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. The Company did not pay any cash dividends in the six months ended July 2, 2015. The Company's dividend policy is dependent on the requirements of financing agreements to which the Company is party to. Any future determination to pay dividends will be at the discretion of the Company's Board of Directors and will depend upon, among other factors, the Company's results of operations, financial condition, capital requirements and contractual restrictions. The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders’ equity. As of July 2, 2015, no treasury shares have been reissued or retired.

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

	For the Three Months Ended					
	July 2, 2015			July 3, 2014		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common shareholders	$154.8	139.2	$1.11	$142.6	140.8	$1.01
Income allocated to participating securities	0.1	0.1		0.8	0.8	
Net income	$154.9			$143.4		
Diluted potential common shares		0.8			0.8	
Diluted EPS						
Net income	$154.9	140.1	$1.11	$143.4	142.4	$1.01

	For the Six Months Ended					
	July 2, 2015			July 3, 2014		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common shareholders	$336.5	139.0	$2.42	$295.0	141.2	$2.09
Income allocated to participating securities	0.3	0.2		2.0	1.0	
Net income	$336.8			$297.0		
Diluted potential common shares		0.8			1.0	
Diluted EPS						
Net income	$336.8	140.0	$2.41	$297.0	143.2	$2.07

The balance of outstanding common shares presented in the Condensed Consolidated Balance Sheets was 141.2 million at both July 2, 2015 and July 3, 2014. Included in the outstanding common shares were 1.8 million and 2.8 million of issued but unvested shares at July 2, 2015 and July 3, 2014, respectively, which are excluded from the basic EPS calculation.

Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss is summarized by component as follows:

	As of July 2, 2015	As of December 31, 2014
Pension	$(132.0)	$(130.0)
Interest rate swaps	—	(1.1)
SERP/Retiree medical	2.2	2.1
Foreign currency impact on long term intercompany loan	(5.6)	(5.7)
Currency translation adjustment	(18.0)	(19.1)
Total accumulated other comprehensive loss	$(153.4)	$(153.8)

Noncontrolling Interest

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The balance of noncontrolling interest presented in the consolidated balance sheet as of July 2, 2015 remained unchanged from December 31, 2014 at $0.5.

17. Related Party Transactions

In August 2014, in a secondary offering of the Company's class A common stock, Onex sold its remaining shares of the Company's common stock and no longer holds any investment in the Company. For the three and six months ended July 3, 2014, when Onex was a related party, the Company paid $0.2 and $0.3, respectively, to a subsidiary of Onex for services rendered.

In December 2014, Onex acquired approximately 40% interest in Advanced Integration Technologies (“AIT”), a provider of automation and tooling, maintenance services and aircraft components to the aerospace industry and a supplier to the Company. For the three and six months ended July 2, 2015, sales from AIT to the Company and its subsidiaries were $4.5 and $10.4, respectively. The amounts owed to AIT and recorded as accrued liabilities were $0.5 and $3.9 as of July 2, 2015 and December 31, 2014, respectively. Tawfiq Popatia, a former director of Spirit Holdings, is a Managing Director of Onex Corporation.

18. Commitments, Contingencies and Guarantees

Litigation

From time to time the Company is subject to, and is presently involved in, litigation or other legal proceedings arising in the ordinary course of business. While the final outcome of these matters cannot be predicted with certainty, considering, among other things, the meritorious legal defenses available, it is the opinion of the Company that none of these items, when finally resolved, will have a material adverse effect on the Company’s long-term financial position or liquidity. The Company had outstanding obligations in respect of litigation or other legal proceedings of $55.5 and $96.3 as of July 2, 2015 and December 31, 2014, respectively. However, an unexpected adverse resolution of one or more of these items could have a material adverse effect on the results of operations and cash flows in a particular quarter or fiscal year.

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 take appropriate action. The Company has been subject to certain requests for information and investigations in the past and could be subject to such requests for information and investigations in the future. Additionally, the Company is subject to federal and state requirements for protection of the environment, including those for disposal of hazardous waste and remediation of contaminated sites. As a result, the Company is required to participate in certain government investigations regarding environmental remediation actions.

On December 5, 2014, The Boeing Company (“Boeing”) filed a complaint in Delaware Superior Court, Complex Commercial Litigation Division, entitled The Boeing Co. v. Spirit AeroSystems, Inc., No. N14C-12-055 (EMD). Boeing seeks indemnification from Spirit for (a) damages assessed against Boeing in International Union, United Automobile, Aerospace and Agricultural Workers of America v. Boeing Co., AAA Case No. 54 300 00795 07 (the “UAW Arbitration”), which was brought on behalf of certain former Boeing employees in Tulsa and McAlester, Oklahoma, and (b) claims that Boeing allegedly settled in Society of Professional Engineering Employees in Aerospace v. Boeing Co., Nos. 05-1251-MLB, 07-1043-MLB (D. Kan.) (the “Harkness Class Action”). Spirit Holdings, Spirit and certain Spirit retirement plan entities were parties to the Harkness Class Action, but all claims against the Spirit entities were subsequently dismissed. Boeing’s Complaint asserts that the damages assessed against Boeing in the UAW Arbitration and the claims settled by Boeing in the Harkness Class Action are liabilities that Spirit assumed under an Asset Purchase Agreement between Boeing and Spirit, dated February 22, 2005 (the “APA”). Boeing asserts claims for breach of contract and declaratory judgment regarding its indemnification rights under the APA. Boeing alleges that, under the UAW Arbitration decision, Boeing has paid more than $13.0 of a liability Boeing estimates to have a net present value of $39.0. The amount of Boeing’s settlement of the Harkness Class Action has not yet been publicly disclosed and will require court approval. In addition, Boeing seeks indemnification for more than $10.0 in attorneys’ fees it alleges it expended to defend the UAW Arbitration and Harkness Class Action. On December 24, 2014, the parties filed a joint stipulation extending Spirit’s deadline to move, answer or otherwise respond to Boeing’s complaint until February 12, 2015. Spirit timely moved to dismiss the complaint. Spirit intends to defend vigorously against the allegations in this lawsuit. Management believes the resolution of this matter will not materially affect the Company’s financial position, results of operations or liquidity.

On June 3, 2013, a putative class action lawsuit was commenced against the Company, Jeffrey L. Turner, and Philip D. Anderson in the U.S. District Court for the District of Kansas. The court-appointed lead plaintiffs - two pension funds that claim to represent a class of investors in the Company's stock - filed an amended complaint on April 7, 2014, naming as additional defendants Spirit's Vice President of the B787 Program Terry J. George and former Senior Vice President of Oklahoma Operations Alexander K. Kummant. The amended complaint alleges that defendants engaged in a scheme to artificially inflate the market price of the Company's stock by making false statements and omissions about certain programs' performance and costs. It contends that the alleged scheme was revealed by the Company's accrual of $590.0 in forward loss charges on October 25, 2012. The lead plaintiffs seek certification of a class of all persons other than defendants who purchased Holdings securities between May 5, 2011 and October 24, 2012, and seek an unspecified amount of damages on behalf of the putative class. In June 2014, the defendants filed a motion to dismiss the claims set forth in the amended complaint. On May 14, 2015, the District Court granted Spirit's motion to dismiss and dismissed the matter with prejudice. The plaintiffs filed a notice of appeal on June 11, 2015, which is pending. The Company intends to vigorously defend against these allegations, and management believes the resolution of this matter will not materially affect the Company's financial position, results of operations or liquidity.

Guarantees

Outstanding guarantees were $20.6 and $21.6 at July 2, 2015 and December 31, 2014, respectively.

Restricted Cash

The Company was required to maintain $19.9 of restricted cash as of both July 2, 2015 and December 31, 2014 related to certain collateral requirements for obligations under its workers' compensation programs. These collateral requirements were previously supported by letters of credit that were replaced in October 2014. Restricted cash is included in "Other assets" in the Company's Condensed Consolidated Balance Sheets.

Indemnification

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

Service and Product Warranties and Extraordinary Rework

Provisions for estimated expenses related to 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 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 other liabilities on the Condensed Consolidated Balance Sheet.

The following is a roll forward of the service warranty and extraordinary rework balance at July 2, 2015:

Balance, December 31, 2014	$119.9
Charges to costs and expenses	22.9
Payouts	(0.5)
Exchange rate	—
Balance, July 2, 2015	$142.3

19. Other Income, Net

Other income, net is summarized as follows:

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	For the Three Months Ended		For the Six Months Ended	
	July 2, 2015	July 3, 2014	July 2, 2015	July 3, 2014
KDFA bond	$0.9	$0.8	$2.1	$1.8
Rental and miscellaneous income (expense)(1)	—	0.1	(1.9)	0.1
Interest income	0.5	0.1	0.7	0.2
Foreign currency gain	6.7	4.9	0.8	5.1
Total	$8.1	$5.9	$1.7	$7.2

(1) Includes $2.0 of losses related to the settlement of interest rate swap agreements as further detailed in Note 11, Derivative and Hedging Activities.

Foreign currency gain is 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 which are denominated in a currency other than the entity's functional currency.

20. Segment Information

The Company operates in three principal segments: Fuselage Systems, Propulsion Systems and Wing Systems. Substantially all revenues in the three principal segments are from Boeing, with the exception of Wing Systems, which includes revenues from Airbus and other customers. Approximately 95% of the Company's net revenues for the six months ended July 2, 2015 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 our facilities in Wichita, Kansas and Kinston, North Carolina. The Fuselage Systems segment also includes an assembly plant for the A350 XWB aircraft in Saint-Nazaire, France.

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

Wichita and Chanute, Kansas.

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

The Company's segments are consistent with the organization and responsibilities of management reporting to the chief operating decision-maker for the purpose of assessing performance. The Company's definition of segment operating income differs from 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.

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

The following table shows segment revenues and operating income for the three and six months ended July 2, 2015 and July 3, 2014:

	Three Months Ended		Six Months Ended	
	July 2, 2015	July 3, 2014	July 2, 2015	July 3, 2014
Segment Revenues				
Fuselage Systems	$887.6	$905.0	$1,804.4	$1,763.3
Propulsion Systems	440.5	460.5	886.5	910.7
Wing Systems(1)	367.5	438.3	744.2	852.5
All Other	3.1	(0.5)	5.8	5.3
	$1,698.7	$1,803.3	$3,440.9	$3,531.8
Segment Operating Income (Loss)				
Fuselage Systems	$168.0	$132.2	$332.5	$274.2
Propulsion Systems	88.2	86.2	183.9	166.4
Wing Systems	50.1	71.0	95.3	121.0
All Other	1.4	0.2	1.1	0.3
	307.7	289.6	612.8	561.9
Corporate SG&A	(53.8)	(54.4)	(105.4)	(114.9)
Research and development	(6.7)	(6.8)	(13.7)	(13.1)
Unallocated cost of sales (2)	(16.9)	(12.2)	(28.1)	(23.3)
Total operating income	$230.3	$216.2	$465.6	$410.6

(1) In December 2014, Spirit divested the Gulfstream G280 and G650 wing work packages to Triumph.
(2) Includes $12.0 and $11.6 of warranty reserve for the three months ended July 2, 2015 and July 3, 2014, respectively, and $22.4 and $22.6 for the six months ended July 2, 2015 and July 3, 2014, respectively.

21. Condensed Consolidating Financial Information

The 2020 Notes and the 2022 Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and its 100% owned domestic subsidiaries, other than Spirit (the "Subsidiary Guarantors").

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

(i) Holdings, as the parent company and parent guarantor to the Credit Agreement, as further detailed in Note 12, Debt;

(ii) Spirit, as the subsidiary issuer of the 2020 Notes and the 2022 Notes;

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(iii) The Subsidiary Guarantors, on a combined basis, as guarantors of the 2020 Notes and the 2022 Notes;

(iv) The Company’s subsidiaries, other than the Subsidiary Guarantors, which are not guarantors of the 2020 Notes and the 2022 Notes (the “Subsidiary Non-Guarantors”), on a combined basis;

(v) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Holdings, the Subsidiary Guarantors and the Subsidiary Non-Guarantors, (b) eliminate the investments in the Company’s subsidiaries and (c) record consolidating entries; and

(vi) Holdings and its subsidiaries on a consolidated basis.

Condensed Consolidating Statements of Operations
For the Three Months Ended July 2, 2015

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	$—	$1,564.5	$67.3	$ 187.1	$ (120.2)	$1,698.7
Operating costs and expenses						
Cost of sales	—	1,302.1	65.7	160.3	(120.2)	1,407.9
Selling, general and administrative	1.9	48.2	—	3.7	—	53.8
Research and development	—	6.7	—	—	—	6.7
Total operating costs and expenses	1.9	1,357.0	65.7	164.0	(120.2)	1,468.4
Operating (loss) income	(1.9)	207.5	1.6	23.1	—	230.3
Interest expense and financing fee amortization	—	(11.9)	—	(2.0)	1.8	(12.1)
Other income, net	—	3.2	(0.1)	6.8	(1.8)	8.1
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(1.9)	198.8	1.5	27.9	—	226.3
Income tax benefit (provision)	0.8	(69.5)	(0.5)	(2.5)	—	(71.7)
(Loss) income before equity in net income of affiliate and subsidiaries	(1.1)	129.3	1.0	25.4	—	154.6
Equity in net income of affiliate	0.3	—	—	0.3	(0.3)	0.3
Equity in net income of subsidiaries	155.7	26.5	—	—	(182.2)	—
Net income	154.9	155.8	1.0	25.7	(182.5)	154.9
Other comprehensive income (loss)	14.4	(1.9)	—	16.3	(14.4)	14.4
Comprehensive income	$169.3	$153.9	$1.0	$ 42.0	$ (196.9)	$169.3

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Condensed Consolidating Statements of Operations
For the Three Months Ended July 3, 2014

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	$—	$1,660.5	$100.0	$ 209.7	$(166.9)	$1,803.3
Operating costs and expenses						
Cost of sales	—	1,421.0	97.2	174.6	(166.9)	1,525.9
Selling, general and administrative	(0.4)	49.6	0.8	4.4	—	54.4
Research and development	—	6.8	—	—	—	6.8
Total operating costs and expenses	(0.4)	1,477.4	98.0	179.0	(166.9)	1,587.1
Operating income	0.4	183.1	2.0	30.7	—	216.2
Interest expense and financing fee amortization	—	(20.6)	—	(2.7)	2.5	(20.8)
Other income, net	—	3.4	—	5.0	(2.5)	5.9
Income before income taxes and equity in net income of affiliate and subsidiaries	0.4	165.9	2.0	33.0	—	201.3
Income tax benefit (provision)	0.3	(51.2)	(0.8)	(6.4)	—	(58.1)
Income before equity in net income of affiliate and subsidiaries	0.7	114.7	1.2	26.6	—	143.2
Equity in net income of affiliate	0.2	—	—	0.2	(0.2)	0.2
Equity in net income of subsidiaries	142.5	27.8	—	—	(170.3)	—
Net income	143.4	142.5	1.2	26.8	(170.5)	143.4
Other comprehensive income	10.0	—	—	10.0	(10.0)	10.0
Comprehensive income	$153.4	$142.5	$1.2	$ 36.8	$(180.5)	$153.4

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Condensed Consolidating Statements of Operations
For the Six Months Ended July 2, 2015

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	$—	$3,183.5	$125.4	$ 373.3	$ (241.3)	$3,440.9
Operating costs and expenses						
Cost of sales	—	2,654.1	120.5	322.9	(241.3)	2,856.2
Selling, general and administrative	4.5	93.4	1.3	6.2	—	105.4
Research and development	—	13.0	—	0.7	—	13.7
Total operating costs and expenses	4.5	2,760.5	121.8	329.8	(241.3)	2,975.3
Operating (loss) income	(4.5)	423.0	3.6	43.5	—	465.6
Interest expense and financing fee amortization	—	(29.7)	—	(4.0)	3.7	(30.0)
Other income, net	—	4.6	—	0.8	(3.7)	1.7
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(4.5)	397.9	3.6	40.3	—	437.3
Income tax benefit (provision)	1.1	(96.6)	(1.3)	(4.3)	—	(101.1)
(Loss) income before equity in net income of affiliate and subsidiaries	(3.4)	301.3	2.3	36.0	—	336.2
Equity in net income of affiliate	0.6	—	—	0.6	(0.6)	0.6
Equity in net income of subsidiaries	339.6	38.4	—	—	(378.0)	—
Net income	336.8	339.7	2.3	36.6	(378.6)	336.8
Other comprehensive income (loss)	0.4	(0.8)	—	1.2	(0.4)	0.4
Comprehensive income	$337.2	$338.9	$2.3	$ 37.8	$ (379.0)	$337.2

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Condensed Consolidating Statements of Operations
For the Six Months Ended July 3, 2014

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	$—	$3,274.1	$187.0	$ 415.5	$ (344.8)	$3,531.8
Operating costs and expenses						
Cost of sales	—	2,798.8	182.1	357.1	(344.8)	2,993.2
Selling, general and administrative	1.1	103.5	1.4	8.9	—	114.9
Research and development	—	12.5	—	0.6	—	13.1
Total operating costs and expenses	1.1	2,914.8	183.5	366.6	(344.8)	3,121.2
Operating (loss) income	(1.1)	359.3	3.5	48.9	—	410.6
Interest expense and financing fee amortization	—	(55.8)	—	(5.5)	5.1	(56.2)
Other income, net	—	6.9	—	5.4	(5.1)	7.2
(Loss) income before income taxes and equity in net income of affiliate and subsidiaries	(1.1)	310.4	3.5	48.8	—	361.6
Income tax benefit (provision)	0.2	(67.8)	(1.3)	3.9	—	(65.0)
(Loss) income before equity in net income of affiliate and subsidiaries	(0.9)	242.6	2.2	52.7	—	296.6
Equity in net income of affiliate	0.4	—	—	0.4	(0.4)	0.4
Equity in net income of subsidiaries	297.5	54.8	—	—	(352.3)	—
Net income	297.0	297.4	2.2	53.1	(352.7)	297.0
Other comprehensive income	10.2	—	—	10.2	(10.2)	10.2
Comprehensive income	$307.2	$297.4	$2.2	$ 63.3	$ (362.9)	$307.2

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Condensed Consolidating Balance Sheet
July 2, 2015

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Current assets						
Cash and cash equivalents	$—	$928.9	$—	$ 29.8	$—	$958.7
Accounts receivable, net	—	708.9	25.1	199.2	(370.0)	563.2
Inventory, net	—	1,196.4	184.8	376.6	—	1,757.8
Deferred tax asset - current	—	33.7	—	—	—	33.7
Other current assets	—	91.5	—	3.4	—	94.9
Total current assets	—	2,959.4	209.9	609.0	(370.0)	3,408.3
Property, plant and equipment, net	—	1,302.6	340.9	183.6	—	1,827.1
Pension assets, net	—	200.9	—	16.0	—	216.9
Investment in subsidiary	909.5	281.4	—	—	(1,190.9)	—
Equity in net assets of subsidiaries	1,051.5	250.5	—	—	(1,302.0)	—
Other assets	—	338.2	80.0	25.7	(319.1)	124.8
Total assets	$1,961.0	$5,333.0	$630.8	$ 834.3	$(3,182.0)	$5,577.1
Current liabilities						
Accounts payable	$—	$614.2	$248.5	$ 184.3	$(370.0)	$677.0
Accrued expenses	—	230.1	1.3	25.4	—	256.8
Profit sharing	—	40.2	—	1.5	—	41.7
Current portion of long-term debt	—	37.3	—	3.2	—	40.5
Advance payments, short-term	—	155.0	—	—	—	155.0
Deferred revenue, short-term	—	114.2	—	1.4	—	115.6
Deferred grant income liability - current	—	—	9.7	1.2	—	10.9
Other current liabilities	—	45.3	—	3.0	—	48.3
Total current liabilities	—	1,236.3	259.5	220.0	(370.0)	1,345.8
Long-term debt	—	1,101.4	—	250.2	(239.0)	1,112.6
Advance payments, long-term	—	600.8	—	—	—	600.8
Pension/OPEB obligation	—	75.3	—	—	—	75.3
Deferred grant income liability - non-current	—	—	61.6	28.9	—	90.5
Deferred revenue and other deferred credits	—	114.2	—	5.6	—	119.8
Other liabilities	—	324.1	—	27.2	(80.0)	271.3
Total equity	1,961.0	1,880.9	309.7	302.4	(2,493.0)	1,961.0
Total liabilities and shareholders’ equity	$1,961.0	$5,333.0	$630.8	$ 834.3	$(3,182.0)	$5,577.1

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

Condensed Consolidating Balance Sheet
December 31, 2014

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Current assets						
Cash and cash equivalents	$—	$354.6	$—	$ 23.3	$—	$377.9
Accounts receivable, net	—	730.6	33.3	211.9	(370.2)	605.6
Inventory, net	—	1,238.1	168.1	346.8	—	1,753.0
Deferred tax asset-current	—	49.8	—	3.4	—	53.2
Other current assets	—	260.3	—	2.1	—	262.4
Total current assets	—	2,633.4	201.4	587.5	(370.2)	3,052.1
Property, plant and equipment, net	—	1,263.7	337.9	182.0	—	1,783.6
Pension assets, net	—	187.8	—	15.6	—	203.4
Investment in subsidiary	907.7	281.4	—	—	(1,189.1)	—
Equity in net assets of subsidiaries	714.3	210.4	—	—	(924.7)	—
Other assets	—	352.7	80.0	22.9	(332.0)	123.6
Total assets	$1,622.0	$4,929.4	$619.3	$ 808.0	$(2,816.0)	$5,162.7
Current liabilities						
Accounts payable	$—	$573.4	$235.5	$ 172.5	$(370.2)	$611.2
Accrued expenses	—	302.3	0.8	26.0	—	329.1
Profit sharing	—	105.1	—	6.7	—	111.8
Current portion of long-term debt	—	5.7	—	3.7	—	9.4
Advance payments, short-term	—	118.6	—	—	—	118.6
Deferred revenue, short-term	—	21.7	—	1.7	—	23.4
Deferred grant income liability - current	—	—	9.0	1.2	—	10.2
Other current liabilities	—	40.5	—	4.6	—	45.1
Total current liabilities	—	1,167.3	245.3	216.4	(370.2)	1,258.8
Long-term debt	—	1,130.4	—	265.6	(251.9)	1,144.1
Advance payments, long-term	—	680.4	—	—	—	680.4
Pension/OPEB obligation	—	73.0	—	—	—	73.0
Deferred grant income liability - non-current	—	—	66.7	29.4	—	96.1
Deferred revenue and other deferred credits	—	21.2	—	6.3	—	27.5
Other liabilities	—	315.0	—	25.8	(80.0)	260.8
Total equity	1,622.0	1,542.1	307.3	264.5	(2,113.9)	1,622.0
Total liabilities and shareholders' equity	$1,622.0	$4,929.4	$619.3	$ 808.0	$(2,816.0)	$5,162.7

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

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended July 2, 2015

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities						
Net cash provided by operating activities	$—	$682.0	$17.2	$ 29.8	$—	$729.0
Investing activities						
Purchase of property, plant and equipment	—	(90.2)	(17.2)	(8.0)	—	(115.4)
Net cash used in investing activities	—	(90.2)	(17.2)	(8.0)	—	(115.4)
Financing activities						
Proceeds from issuance of debt	—	535.0	—	—	—	535.0
Principal payments of debt	—	(15.7)	—	(1.7)	—	(17.4)
Payments on term loan	—	(534.9)	—	—	—	(534.9)
Increase (decrease) in intercompany debt	—	13.0	—	(13.0)	—	—
Excess tax benefits from share-based payment arrangements	—	10.0	—	0.1	—	10.1
Taxes paid related to net shares settlement awards	—	(20.2)	—	—	—	(20.2)
Debt issuance and financing costs	—	(4.7)	—	—	—	(4.7)
Net cash used in financing activities	—	(17.5)	—	(14.6)	—	(32.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(0.7)	—	(0.7)
Net increase in cash and cash equivalents for the period	—	574.3	—	6.5	—	580.8
Cash and cash equivalents, beginning of period	—	354.6	—	23.3	—	377.9
Cash and cash equivalents, end of period	$—	$928.9	$—	$ 29.8	$—	$958.7

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

Condensed Consolidating Statements of Cash Flows
For the Six Months Ended July 3, 2014

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities						
Net cash provided by (used in) operating activities	$—	$215.3	$18.1	$(23.9)	$—	$209.5
Investing activities						
Purchase of property, plant and equipment	—	(68.1)	(18.1)	(3.4)	—	(89.6)
Proceeds from the sale of assets	—	0.4	—	—	—	0.4
Other	—	2.3	—	(2.3)	—	—
Net cash used in investing activities	—	(65.4)	(18.1)	(5.7)	—	(89.2)
Financing activities						
Proceeds from issuance of bonds	—	300.0	—	—	—	300.0
Principal payments of debt	—	(10.0)	—	(1.9)	—	(11.9)
(Decrease) increase in intercompany debt	—	(0.5)	—	0.5	—	—
Payments on bonds	—	(300.0)	—	—	—	(300.0)
Debt issuance and financing costs	—	(20.8)	—	—	—	(20.8)
Excess tax benefits from share-based payment arrangements	—	2.3	—	—	—	2.3
Proceeds (payments) from subsidiary for purchase of treasury stock	129.2	(129.2)	—	—	—	—
Purchase of treasury stock	(129.2)	—	—	—	—	(129.2)
Net cash used in financing activities	—	(158.2)	—	(1.4)	—	(159.6)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	0.2	—	0.2
Net decrease in cash and cash equivalents for the period	—	(8.3)	—	(30.8)	—	(39.1)
Cash and cash equivalents, beginning of period	—	359.2	—	61.5	—	420.7
Cash and cash equivalents, end of period	$—	$350.9	$—	$30.7	$—	$381.6

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

You should read the following discussion of our financial condition and results of operations in conjunction with the unaudited condensed consolidated financial statements and the notes to the unaudited condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q (this "Quarterly Report"). The following section may include "forward-looking statements." Forward-looking statements generally can be identified by the use of forward-looking terminology such as "anticipate," "believe," "continue," "estimate," "expect," "forecast," "intend," "plan," "project," "should," "will," and other similar words or phrases, or the negative thereof, unless the context requires otherwise. These statements reflect management's current views with respect to future events and are subject to risks and uncertainties, both known and unknown, including, but not limited to, those described in the "Risk Factors" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014 filed with the Securities and Exchange Commission ("SEC") on February 13, 2015 as subsequently amended on Form 10-K/A filed with the SEC on March 6, 2015 (our "2014 Form 10-K") and our Quarterly Report on Form 10-Q for the fiscal quarter ended April 2, 2015 (our "Q1 2015 Form 10-Q"), filed with the SEC on May 1, 2015. See also "Cautionary Statement Regarding Forward-Looking Statements." 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.

Recent Events

On July 24, 2015, the Board of Directors of the Company authorized a share repurchase program authorizing the purchase of up to $350.0 million of the Company's common stock. Repurchases may be made intermittently through December 31, 2017.

On June 8, 2015, Duane Hawkins was named Senior Vice President and General Manager - Boeing, Business and Regional Jet Programs. Mr. Hawkins was previously Senior Vice President of Operations. Ron Rabe was appointed to succeed Mr. Hawkins as Senior Vice President of Operations.

On June 2, 2015, John Pilla, the Senior Vice President/General Manager, Airbus Programs of Spirit, was reassigned to the position of Senior Vice President of Engineering and Chief Technology Officer, effective June 10, 2015. Michelle Lohmeier was appointed to succeed Mr. Pilla in his current position.

On May 12, 2015 Mr. David Coleal notified the Company of his decision to resign from his position as the Executive Vice President and General Manager - Boeing, Business & Regional Jet Programs of the Company. On May 21, 2015, the Company and Spirit entered into a Resignation and Consulting Agreement and General Release with Mr. Coleal.

On May 8, 2015, the Board of Directors of the Company approved an increase in the size of the Board from 9 to 10 members, and elected Irene M. Esteves to fill the newly created vacancy. Ms. Esteves was also named to the Audit Committee and the Risk Committee of the Board.

Overview

We are one of the largest independent non-OEM (original equipment manufacturer) aircraft parts designers and manufacturers of commercial aerostructures in the world, based on annual revenues, as well as the largest independent supplier of aerostructures to Boeing. In addition, we are one of the largest independent suppliers of aerostructures to Airbus. Boeing and Airbus are the two largest aircraft OEMs in the world. Aerostructures are structural components, such as fuselage systems, propulsion systems and wing systems for commercial and military aircraft. For the three months ended July 2, 2015, we generated net revenues of $1,698.7 million and net income of $154.9 million and for the six months ended July 2, 2015, we generated net revenues of $3,440.9 million and net income of $336.8 million.

We are organized into three principal reporting segments: (1) Fuselage Systems, which includes forward, mid and rear fuselage sections, (2) Propulsion Systems, which includes nacelles, struts/pylons and engine structural components, and (3) Wing Systems, which includes wings, wing components, flight control surfaces and other miscellaneous structural parts. 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 Fuselage Systems segment manufactures products at our facilities in Wichita, Kansas and Kinston, North Carolina, with an assembly plant in Saint-Nazaire, France for the A350 XWB program. The Propulsion Systems segment manufactures products at our facilities in Wichita and Chanute, Kansas. The Wing Systems segment manufactures products at our facilities in Tulsa and McAlester, Oklahoma; Prestwick, Scotland; Subang, Malaysia; and Kinston, North Carolina. Fuselage Systems, Propulsion Systems, Wing Systems and All Other

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represented approximately 52%, 26%, 22% and less than 1%, respectively, of our net revenues for the three and six months ended July 2, 2015.

Management’s Focus

The Company’s focus is on ensuring that our quality and operational and cost performance are world class. We have undertaken specific actions that highlight our commitment to define our core business and improve our operational performance results. At the end of 2014, we divested the G280 and G650 wing work packages at Spirit's facility in Tulsa, Oklahoma to Triumph Aerostructures- Tulsa, LLC, a subsidiary of Triumph Group, Inc. ("Triumph"). We continue to intensify our focus on the performance in our core markets of commercial aerospace and defense. We are also committed to reducing internal cost through cost saving initiatives and improving operational efficiency through centralization of functions. Additionally, we continue to add new executive talent and reassigned existing executive talent in an effort to strengthen performance in certain areas of our business.

We have taken additional actions to position the Company for future success by focusing on productivity and preparation for sustained growth. Our key objectives for 2015 include continued focus on improved performance, increased productivity, reduced cost and alignment of our business to what we do best; leveraging of our investments in support of aircraft rate increases ahead; continuation of our progress on the A350 XWB program; greater emphasis on long term growth; and implementation of a capital deployment strategy. During the first half of 2015, we have made significant progress in all of these areas which include an emphasis on reducing cost, increased productivity and operational efficiency across all aspects of the business. We continue to focus on capitalizing to prepare for aircraft rate increases. We also continue to make significant improvement on the A350 program's cost per shipset. With regard to capital deployment, we are following a balanced and disciplined approach such as our recently announced share repurchase program of up to $350.0 million.

New and Maturing Programs

We are currently performing work on several new and maturing programs, which are in various stages of development. These programs carry risks associated with design responsibility, development of production tooling, production inefficiencies during the initial phases of production, hiring and training of qualified personnel, increased capital and funding commitments, supplier performance, delivery schedules and unique contractual requirements. Our success depends on our ability to achieve performance obligations on new and maturing programs to our customers' satisfaction and manufacture products at our estimated cost.

In order to continue to reduce risk on our new and maturing programs, it will be critical that we successfully perform under revised design and manufacturing plans, achieve planned cost reductions as we enter increasing levels of production, meet customer delivery schedules, successfully resolve claims and assertions and negotiate pricing with our customers and suppliers.

A350 XWB

We continue to support the development of the A350 XWB program through two contracts we have with Airbus, a fuselage contract and a wing contract, both of which are segmented into a non-recurring design engineering phase and a recurring production phase. We continue to record sales at zero margins to reflect the identified risk profile on these programs.

We also continue to support the development of the work scope for the design and tooling related to the -1000 derivative of the A350 XWB fuselage and wing contracts. Estimates for the non-recurring design engineering phase of the -1000 fuselage derivative have resulted in previously recorded forward losses on this program. There is a risk of additional forward loss if we do not successfully execute the design and engineering change process as projected.

Our A350 XWB fuselage recurring program has experienced various production inefficiencies in its earlier stages of production which resulted in previously recorded forward losses, mostly driven by early development discovery and engineering change to the aircraft design, as well as higher test and transportation costs.

Estimated revenue for the A350 XWB program includes estimates of probable recoveries asserted against our customer for changes in specifications. Although we continue to project margins on the A350 XWB fuselage and wing contracts to be near or at break-even, there is still a substantial amount of risk similar to what we have experienced on other development programs. Specifically, our ability to successfully negotiate favorable pricing and other terms with Airbus and our suppliers, to manage supplier performance, execute cost reduction strategies, hire and retain skilled production and management personnel, execute quality and manufacturing processes, manage program schedule delays and adjust to higher rate schedules, among other risks, will determine the ultimate performance of this program and these contracts. There continues to be risk of additional forward loss associated with the fuselage recurring contract as we work through production, supply chain and customer issues.

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B787 Program

As we move into a higher production rate on this program, our performance at the current contracted price depends on our continued ability to achieve cost reductions in manufacturing and support labor as well as supply chain. Improvement efforts to reduce our cost structure have been ongoing since the beginning of the program and continued as design engineering progressed for each minor model and manufacturing plans were solidified. Near-term cost improvement efforts will focus on efficiency gains within our manufacturing process and execution of sourcing strategies.

Our supply agreement for the B787 program (the "B787 Supply Agreement") provides that initial prices for the B787-9 and B787-10 are to be determined by a procedure set out in the B787 Supply Agreement, and to be documented by amendment once that amendment has been agreed to by the parties. As part of a Memorandum of Agreement that Spirit and Boeing entered into in November 2014 (the "November 2014 MOA"), the parties established near term interim prices for certain B787 shipsets, subject to resolution of recurring prices, future rate increases and other issues across multiple programs in 2015. During this period, while negotiations on these issues are ongoing, Spirit will record appropriate portions of the interim prices on certain 787-8 and 787-9 shipsets as deferred revenue, which will be recognized as revenue only if and when the parties reach resolution on the various issues. We are engaged in discussions with Boeing concerning how to determine the subsequent B787-9 and initial B787-10 prices, and have not yet reached agreement. Our ability to successfully negotiate fair and equitable prices for these models as well as overall B787 delivery volumes and our ability to achieve forecasted cost improvements on all B787 models are key factors in achieving the projected financial performance for this program.

For B787-9 deliveries in our first B787 contract block, we have applied the appropriate accounting guidance for unpriced change orders in estimating revenues which will be updated in the quarter in which final pricing is negotiated. Pending final price negotiations, we have estimated revenue for B787-9 deliveries to include assumptions around design changes from the contract configuration baseline for each B787 model.

Boeing Legacy Programs

On April 8, 2014, we entered into a Memorandum of Agreement with Boeing that established pricing terms for the B737, B747, B767 and B777 programs for the period commencing on April 1, 2014 and ending on December 31, 2015, under the Company's long-term supply contract with Boeing covering products for such programs. The new pricing terms were not applied to the period prior to April 1, 2014. The new prices do not apply to the 737 MAX, for which recurring pricing has not yet been agreed. Until the parties are able to agree upon pricing on the B737, B747, B767 and B777 platforms for the periods beyond 2015, supply agreement pricing will be determined according to then-existing prices, adjusted using a quantity-based price adjustment formula and specified annual escalation. Prices for commercial derivative models are to be negotiated in good faith by the parties based on then-prevailing market conditions. If the parties cannot agree on price, then they must engage in dispute resolution pursuant to agreed-upon procedures.

Divestiture of the Gulfstream G280 and G650 Work Packages

In December 2014, we divested the G280 and G650 wing work packages at Spirit's facility in Tulsa, Oklahoma to Triumph. We continue to supply certain parts and services to Triumph under a supply agreement entered into in connection with the transaction.

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Results of Operations

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

	Three Months Ended			Six Months Ended		
	July 2, 2015	July 3, 2014	Change from Prior Year	July 2, 2015	July 3, 2014	Change from Prior Year
	($ in millions)			($ in millions)		
Net revenues	$1,698.7	$1,803.3	(6)%	$3,440.9	$3,531.8	(3)%
Operating costs and expenses						
Cost of sales	1,407.9	1,525.9	(8)%	2,856.2	2,993.2	(5)%
Selling, general and administrative	53.8	54.4	(1)%	105.4	114.9	(8)%
Research and development	6.7	6.8	(1)%	13.7	13.1	5%
Operating income	230.3	216.2		465.6	410.6	
Interest expense and financing fee amortization	(12.1)	(20.8)	(42)%	(30.0)	(56.2)	(47)%
Other income, net	8.1	5.9	37%	1.7	7.2	(76)%
Income before income taxes and equity in net income of affiliate	226.3	201.3		437.3	361.6	
Income tax provision	(71.7)	(58.1)	23%	(101.1)	(65.0)	56%
Income before equity in net income of affiliate	154.6	143.2		336.2	296.6	
Equity in net income of affiliate	0.3	0.2	50%	0.6	0.4	50%
Net income	$154.9	$143.4		$336.8	$297.0	

Comparative shipset deliveries by model are as follows:

	Three Months Ended		Six Months Ended	
Model	July 2, 2015	July 3, 2014	July 2, 2015	July 3, 2014
B737	128	130	262	255
B747	4	4	8	9
B767	5	3	10	6
B777	25	26	51	52
B787	34	33	66	64
Total Boeing	196	196	397	386
A320 Family	120	121	255	249
A330/340	19	30	46	60
A350 XWB	9	5	15	7
A380	6	7	12	14
Total Airbus	154	163	328	330
Business/Regional Jets (1)	16	33	33	68
Total	366	392	758	784

(1) In December 2014, Spirit divested the Gulfstream G280 and G650 wing work packages to Triumph.

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For purposes of measuring production or shipset deliveries for Boeing aircraft in a given period, the term “shipset” refers to sets of structural fuselage components produced or delivered for one aircraft in such period. For purposes of measuring production or shipset deliveries for Airbus and Business/Regional Jet aircraft in a given period, the term “shipset” refers to all structural aircraft components produced or delivered for one aircraft in such period. For the purposes of measuring wing shipset deliveries, the term "shipset" refers to all wing components produced or delivered for one aircraft in such period. Other components which 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	Three Months Ended		Six Months Ended	
	July 2, 2015	July 3, 2014	July 2, 2015	July 3, 2014
	($ in millions)		($ in millions)	
Boeing	$1,426.6	$1,503.7	$2,921.7	$2,976.4
Airbus	188.5	190.2	350.7	338.8
Other(1)	83.6	109.4	168.5	216.6
Total net revenues	$1,698.7	$1,803.3	$3,440.9	$3,531.8

(1) In December 2014, Spirit divested the Gulfstream G280 and G650 wing work packages to Triumph.

Changes in Estimates

During the three months ended July 2, 2015, we recognized net favorable changes in estimates on loss programs of $2.2 million which includes favorable changes in estimates on loss programs of $3.5 million on certain Boeing fuselage programs, partially offset by forward loss charges of $1.3 million on certain Boeing propulsion programs. No changes in estimates on loss programs were recognized during the same period in the prior year. Also during the three months ended July 2, 2015, we recognized favorable cumulative catch-up adjustments related to periods prior to the second quarter of 2015 of $16.6 million. In comparison, during same period in the prior year, we recognized favorable cumulative catch-up adjustments related to periods prior to the second quarter of 2014 of $19.4 million.

During the six months ended July 2, 2015, we recognized net favorable changes in estimates on loss programs of $5.1 million which includes favorable changes in estimates on loss programs of $6.4 million on certain Boeing fuselage programs, partially offset by forward loss charges of $1.3 million on certain Boeing propulsion programs. During the same period in the prior year, we recognized forward loss charges of $1.2 million which included forward loss charges of $0.9 million on certain fuselage programs and $0.3 million on certain wing programs. Also during the six months ended July 2, 2015, we recognized favorable cumulative catch-up adjustments related to periods prior to 2015 of $24.1 million. In comparison, during the same period in the prior year, we recognized favorable cumulative catch-up adjustments related to periods prior to 2014 of $30.2 million.

Three Months Ended July 2, 2015 as Compared to Three Months Ended July 3, 2014

Net Revenues. Net revenues for the three months ended July 2, 2015 were $1,698.7 million, a decrease of $104.6 million, or 6%, compared to net revenues of $1,803.3 million for the same period in the prior year. The decrease in net revenues was primarily due to $85.3 million of lower production revenue driven by lower revenue from Gulfstream due to the divestiture of the G280 and G650 wing work packages in December 2014 and lower net revenues recognized on the B787 program in accordance with pricing terms under the B787 Supply Agreement. These decreases were partially offset by increased revenue on the A350 XWB program due to higher production deliveries. Non-recurring revenue, which includes engineering design and development activities, was lower by $11.5 million compared to the same period in the prior year. Approximately 95% of Spirit's net revenues for the second quarter of 2015 came from our two largest customers, Boeing and Airbus.

Production deliveries to Boeing remained constant at 196 shipsets during the second quarter of 2015, compared to the same period of the prior year. Production deliveries to Airbus decreased by 6% to 154 shipsets during the second quarter of 2015, primarily driven by lower production of the A330, compared to 163 shipsets delivered in the same period in the prior year. Production deliveries of business/regional jet wing and wing components decreased by 52% to 16 shipsets during the second quarter of 2015, compared to 33 shipsets delivered in the same period of the prior year primarily due to the divestiture of the G280 and G650 wing work packages in December 2014. In total, production deliveries decreased overall by 7% to 366 shipsets during the second quarter of 2015, compared to 392 shipsets for the same period in the prior year.

Cost of Sales. Cost of sales as a percentage of net revenues was 83% for the three months ended July 2, 2015, as compared to 85% for the same period in the prior year. The decrease in cost of sales as a percentage of net revenues was primarily driven by favorable labor and material cost performance on mature programs. In the second quarter of 2015, we recorded $16.6 million of favorable cumulative catch-up adjustments related to periods prior to the second quarter of 2015, primarily driven by productivity and efficiency improvements on mature programs, as well as $2.2 million of net favorable changes in estimates on loss programs. In the same period of 2014, we recorded $19.4 million of favorable cumulative catch-up adjustments related to periods prior to the second quarter of 2014.

SG&A and Research and Development. SG&A expense was $0.6 million lower for the three months ended July 2, 2015, compared to the same period in the prior year, primarily due to lower consulting and legal fees incurred during the second quarter of 2015. Research and development expense was $0.1 million lower for the three months ended July 2, 2015, compared to the same period in the prior year.

Operating Income. Operating income for the three months ended July 2, 2015 was $230.3 million, an increase of $14.1 million, compared to operating income of $216.2 million for the same period in the prior year, primarily due to favorable labor and material cost performance.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the three months ended July 2, 2015 includes $11.2 million of interest and fees paid or accrued in connection with long-term debt and $0.9 million in amortization of deferred financing costs and original issue discount, compared to $17.8 million of interest and fees paid or accrued in connection with long-term debt and $3.0 million in amortization of deferred financing costs and original issue discount for the same period in the prior year. As a result of Amendment No. 5 to our senior secured credit facility, interest expense for the three months ended July 2, 2015 includes lower interest expense on our term loan compared to the same period in the prior year. During the second quarter of 2014, we recognized an additional charge of $2.0 million for write-down of deferred financing costs, original issue discount, and third party fees related to Amendment No. 3 of our senior secured credit facility and the redemption of our 2017 Notes using proceeds from the issuance of our 2022 Notes. Additionally, on May 1, 2014, Spirit called for redemption of the remaining 2017 Notes outstanding which resulted in a call premium of $2.7 million recorded to interest expense.

Other Income, net. Other income, net for the three months ended July 2, 2015 was $8.1 million, compared to $5.9 million for the same period in the prior year. Other income was primarily driven by foreign exchange rate fluctuations as the British Pound strengthened against the U.S. Dollar. We recognized foreign currency gains on an intercompany revolver and long-term contractual rights/obligations, as well as trade and intercompany receivables/payables which are denominated in a currency other than the entity's functional currency.

Provision for Income Taxes. Our reported tax rate includes two principal components: an expected annual tax rate and discrete items resulting in additional provisions or benefits that are recorded in the quarter that an event arises. Events or items that give rise to discrete recognition could include finalizing audit examinations for open tax years, statute of limitations expiration or a change in tax law.
However, the Company has determined that a calculation of an annual effective tax rate would not represent a reliable estimate for its U.S. operations due to historical differences between forecasted and actual U.S. pre-tax earnings and

the effect of the Company's U.S. deferred tax valuation allowance, which create results with significant variations in the customary relationship between income tax expense and pre-tax income for the interim periods. Under the discrete method, the Company determines tax expense based upon actual results as if the interim period were an annual period. The discrete method was used for our U.S. pre-tax income and an annual effective rate was used for our international pre-tax income.

Based on evaluation of both the positive and negative evidence available, management determined that it was necessary to continue to maintain a valuation allowance against nearly all of its net U.S. deferred tax assets as of July 2, 2015. The net valuation allowance was decreased by $2.1 million for the three months ended July 2, 2015. The reduction reflects the realization of certain deferred tax assets within the Company’s discrete method taxable income calculation and changes in deferred tax assets associated with certain state income tax credits for the three months ended July 2, 2015. To the extent that the Company generates positive taxable income and expects, with reasonable certainty, to continue to generate positive income, we may release additional valuation allowance in future periods. Additionally, we anticipate that the Company’s net cumulative recent loss, which is a significant

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element of negative evidence, will be eliminated in the second half of 2015. If sustained levels of profitability are maintained and our evaluation and weighting of all positive evidence exceeds any remaining negative evidence, the company may reverse the majority of the remaining valuation allowance as early as the second half of 2015. This release would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period such release is recorded. The release of all or a portion of the valuation allowance may have a significant effect on our tax expense in the period it is released.

The income tax provision for the three months ended July 2, 2015 includes $68.9 million for federal taxes, $0.4 million for state taxes and $2.4 million for foreign taxes. The income tax provision for the three months ended July 3, 2014 includes $50.2 million for federal taxes, $1.5 million for state taxes and $6.4 million for foreign taxes. The effective tax rate for the three months ended July 2, 2015 was 31.7% as compared to 28.8% for 2014. The difference in the effective tax rate recorded for 2015 as compared to 2014 related primarily to the U.S. net deferred tax asset valuation allowance decrease in 2015 and the effect of certain non-deductible expenses within the company’s income tax provision in 2015. The decrease from the U.S. statutory tax rate is attributable primarily to the inclusion of U.S. net deferred tax asset valuation allowance decrease, U.S. qualified domestic production activities deduction and foreign tax rates less than the U.S. rate.

Our income tax expense for 2015 does not reflect any benefit of the Research Tax Credit attributable to 2015 as the legislation has not been extended beyond December 2014. Should the legislation be extended during the year, the Company may record additional tax benefits for 2015 Research Tax Credit.

Segments. The following table shows segment revenues and operating income for the three months ended July 2, 2015 and July 3, 2014:

	Three Months Ended	
	July 2, 2015	July 3, 2014
	($ in millions)	
Segment Revenues		
Fuselage Systems	$887.6	$905.0
Propulsion Systems	440.5	460.5
Wing Systems[1]	367.5	438.3
All Other	3.1	(0.5)
	$1,698.7	$1,803.3
Segment Operating Income		
Fuselage Systems	$168.0	$132.2
Propulsion Systems	88.2	86.2
Wing Systems	50.1	71.0
All Other	1.4	0.2
	307.7	289.6
Corporate SG&A	(53.8)	(54.4)
Research and development	(6.7)	(6.8)
Unallocated cost of sales[2]	(16.9)	(12.2)
Total operating income	$230.3	$216.2

(1) In December 2014, Spirit divested the Gulfstream G280 and G650 wing work packages to Triumph.

(2) Includes $12.0 million and $11.6 million of warranty reserve for the three months ended July 2, 2015 and July 3, 2014, respectively.

Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 52%, 26%, 22% and less than 1%, respectively, of our net revenues for the three months ended July 2, 2015.

Fuselage Systems. Fuselage Systems segment net revenues for the three months ended July 2, 2015 were $887.6 million, a decrease of $17.4 million, or 2%, compared to the same period in the prior year. The decrease in net revenues was primarily due

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to lower net revenues recognized on the B787 program, partially offset by higher production deliveries on the A350 XWB program. Fuselage Systems segment operating margins were 19% for the three months ended July 2, 2015, compared to 15% for the same period in the prior year, with the increase primarily driven by favorable labor and material cost performance on mature programs. In the second quarter of 2015, the segment recorded favorable cumulative catch-up adjustments of $10.8 million driven by productivity and efficiency improvements on mature programs, as well as $3.5 million of favorable change in estimates on loss programs. In comparison, during the second quarter of 2014, the segment recorded favorable cumulative catch-up adjustments of $2.7 million driven by productivity and efficiency improvements on mature programs.

Propulsion Systems. Propulsion Systems segment net revenues for the three months ended July 2, 2015 were $440.5 million, a decrease of $20.0 million, or 4%, compared to the same period in the prior year. The decrease in net revenues was primarily due to lower non-recurring net revenues and lower aftermarket sales, partially offset by higher production deliveries on the BR725 programs. Propulsion Systems segment operating margins were 20% for the three months ended July 2, 2015, compared to 19% for the same period in the prior year, primarily driven by favorable labor and material cost performance on mature programs. In the second quarter of 2015, the segment recorded favorable cumulative catch-up adjustments of $6.6 million driven by productivity and efficiency improvements on mature programs, offset by $1.3 million of forward loss. In comparison, during the second quarter of 2014, the segment recorded favorable cumulative catch-up adjustments of $5.0 million driven by productivity and efficiency improvements on mature programs.

Wing Systems. Wing Systems segment net revenues for the three months ended July 2, 2015 were $367.5 million, a decrease of $70.8 million, or 16%, compared to the same period in the prior year. The decrease in net revenues was primarily due to the divestiture of the G280 and G650 wing work packages in December 2014 and lower net revenue on the B787 program, partially offset by higher production deliveries on the A350 XWB program. Wing Systems segment operating margins were 14% for the three months ended July 2, 2015, compared to 16% for the same period in the prior year. In the second quarter of 2015, the segment recorded unfavorable cumulative catch-up adjustments of $0.8 million. In the second quarter of 2014, the segment recorded favorable cumulative catch-up adjustments of $11.7 million driven by productivity and efficiency improvements on mature programs.

All Other. All Other segment net revenues consist of sundry sales of miscellaneous services, tooling contracts and natural gas revenues from KIESC. In the three months ended July 2, 2015, All Other segment net revenues were $3.1 million, an increase of $3.6 million compared to the same period in the prior year primarily due to higher natural gas and sundry sales. The All Other segment recorded 45% operating margins for the three months ended July 2, 2015, compared to segment operating margins of (40%) for the same period in the prior year. The increase in segment operating margins for the three months ended July 2, 2015 was attributed to higher sundry sales.

Six Months Ended July 2, 2015 as Compared to Six Months Ended July 3, 2014

Net Revenues. Net revenues for the six months ended July 2, 2015 were $3,440.9 million, a decrease of $90.9 million, or 3%, compared to net revenues of $3,531.8 million for the same period in the prior year. The decrease in net revenues was primarily due to $73.4 million of lower production revenue driven by lower revenue from Gulfstream due to the divestiture of the G280 and G650 wing work packages in December 2014 and lower net revenues recognized on the B787 program in accordance with pricing terms under the B787 Supply Agreement. These decreases were partially offset by increased revenue on the A350 program due to higher production deliveries. Non-recurring revenue, which includes engineering design and development activities, was lower by $5.1 million compared to the same period in the prior year. Approximately 95% of Spirit’s net revenues for the second half of 2015 came from our two largest customers, Boeing and Airbus.

Production deliveries to Boeing increased by 3% to 397 shipsets during the first half of 2015, primarily driven by higher production rates on the B737 and B767 programs, compared to 386 shipsets delivered in the same period of the prior year. Production deliveries to Airbus slightly decreased by 1% to 328 shipsets during the first half of 2015, compared to 330 shipsets delivered in the same period of the prior year. Production deliveries of business/regional jet wing and wing components decreased by 51% to 33 shipsets during the first half of 2015, compared to 68 shipsets delivered in the same period of the prior year, primarily due to the divestiture of the G280 and G650 wing work packages in December 2014. In total, production deliveries decreased overall by 3% to 758 shipsets during the first half of 2015, compared to 784 shipsets for the same period in the prior year.

Cost of Sales. Cost of sales as a percentage of net revenues was 83% for the six months ended July 2, 2015, as compared to 85% for the same period in the prior year. The decrease in cost of sales as a percentage of net revenues was primarily driven by favorable labor and material cost performance on mature programs, including a favorable impact of fixed overhead absorption as a result of higher production rates. In the first half of 2015, we recorded $24.1 million of favorable cumulative catch-up adjustments related to periods prior to the first half of 2015, primarily driven by productivity and efficiency improvements on mature programs, as well as $5.1 million of net favorable changes in estimates on loss programs. In the same period of 2014, we recorded $30.2

million of favorable cumulative catch-up adjustments related to periods prior to the first half of 2014, partially offset by $1.2 million of forward loss charges.

SG&A and Research and Development. SG&A expense was $9.5 million lower for the six months ended July 2, 2015, compared to the same period in the prior year, primarily due to lower consulting and legal fees incurred during the first half of 2015. Research and development expense was $0.6 million higher for the six months ended July 2, 2015, compared to the same period in the prior year.

Operating Income. Operating income for the six months ended July 2, 2015 was $465.6 million, an increase of $55.0 million, compared to operating income of $410.6 million for the same period in the prior year, primarily due to favorable labor and material cost performance, including a favorable impact of fixed overhead absorption as a result of higher production rates, and lower SG&A expenses.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the six months ended July 2, 2015 includes $24.9 million of interest and fees paid or accrued in connection with long-term debt and $5.1 million in amortization of deferred financing costs and original issue discount, compared to $37.5 million of interest and fees paid or accrued in connection with long-term debt and $18.7 million in amortization of deferred financing costs and original issue discount for the same period in the prior year. As a result of Amendment No. 5 to our senior secured credit facility, interest expense for the six months ended July 2, 2015 includes lower interest expense on our term loan compared to the same period in the prior year. During the first half of 2014, we recognized a charge of $22.3 million for the write-down of deferred financing costs, original issue discount, third party fees and the call premium resulting from the financing activities announced during the first half of 2014, which included Amendment No. 3 to our senior secured credit facility and the redemption of our 2017 Notes using proceeds from the issuance of our 2022 Notes.

Other Income, net. Other income, net for the six months ended July 2, 2015 was $1.7 million, compared to $7.2 million for the same period in the prior year. Other income was primarily driven by foreign exchange rate gains and losses as the British Pound value fluctuated against the U.S. Dollar and the recognition of $2.0 million of losses related to the settlement of our interest rate swap agreements. We recognized foreign currency gains on an intercompany revolver and long-term contractual rights/obligations, as well as trade and intercompany receivables/payables, which are denominated in a currency other than the entity’s functional currency.

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

However, the Company has determined that a calculation of an annual effective tax rate would not represent a reliable estimate for its U.S. operations due to historical differences between forecasted and actual U.S. pre-tax earnings and the effect of the Company's U.S. deferred tax valuation allowance, which create results with significant variations in the customary relationship between income tax expense and pre-tax income for the interim periods. Under the discrete method, the Company determines tax expense based upon actual results as if the interim period were an annual period. The discrete method was used for our U.S. pre-tax income and an annual effective rate was used for our international pre-tax income.

Based on evaluation of both the positive and negative evidence available, management determined that it was necessary to continue to maintain a valuation allowance against nearly all of its net U.S. deferred tax assets as of July 2, 2015. The net valuation allowance was decreased by $44.1 million for the six months ended July 2, 2015. The reduction reflects the realization of certain deferred tax assets within the Company’s discrete method taxable income calculation and changes in deferred tax assets associated with certain state income tax credits for the six months ended July 2, 2015.

The income tax provision for the six months ended July 2, 2015 includes $96.0 million for federal taxes, $0.8 million for state taxes and $4.3 million for foreign taxes. The income tax provision for the six months ended July 3, 2014 includes $67.3 million for federal taxes, $1.6 million for state taxes and ($3.9) million for foreign taxes. The effective tax rate for the six months ended July 2, 2015 was 23.1% as compared to 18.0% for 2014. The difference in the effective tax rate recorded for 2015 as compared to 2014 related primarily to the effect of certain non-deductible expenses within the company’s income tax provision in 2015 and the release of the Malaysia tax reserve and deferred tax liabilities in the first half of 2014 as a result of formal approval of the tax holiday by the Malaysian tax authorities. The decrease from the U.S. statutory tax rate is attributable primarily to the inclusion of U.S. net deferred tax asset valuation allowance decrease, U.S. qualified domestic production activities deduction and foreign tax rates less than the U.S. rate.

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Our income tax expense for 2015 does not reflect any benefit of the Research Tax Credit attributable to 2015 as the legislation has not been extended beyond December 2014. Should the legislation be extended during the year, the Company may record additional tax benefits for 2015 Research Tax Credit.

Segments. The following table shows segment revenues and operating income for the six months ended July 2, 2015 and July 3, 2014:

	Six Months Ended	
	July 2, 2015	July 3, 2014
	($ in millions)	
Segment Revenues		
Fuselage Systems	$1,804.4	$1,763.3
Propulsion Systems	886.5	910.7
Wing Systems(1)	744.2	852.5
All Other	5.8	5.3
	$3,440.9	$3,531.8
Segment Operating Income		
Fuselage Systems	$332.5	$274.2
Propulsion Systems	183.9	166.4
Wing Systems	95.3	121.0
All Other	1.1	0.3
	612.8	561.9
Corporate SG&A	(105.4)	(114.9)
Research and development	(13.7)	(13.1)
Unallocated cost of sales(2)	(28.1)	(23.3)
Total operating income	$465.6	$410.6

(1) In December 2014, Spirit divested the Gulfstream G280 and G650 wing work packages to Triumph.
(2) Includes $22.4 million and $22.6 million of warranty reserve for the six months ended July 2, 2015 and July 3, 2014, respectively.

Fuselage Systems, Propulsion Systems, Wing Systems and All Other represented approximately 52%, 26%, 22% and less than 1%, respectively, of our net revenues for the six months ended July 2, 2015.

Fuselage Systems. Fuselage Systems segment net revenues for the six months ended July 2, 2015 were $1,804.4 million, an increase of $41.1 million, or 2%, compared to the same period in the prior year. The increase in net revenues was primarily due to higher production deliveries on the B737 and the A350 XWB programs as well as higher net revenues for non-recurring design and development activities. These increases were partially offset by lower net revenues recognized on the B787 program. Fuselage Systems segment operating margins were 18% for the six months ended July 2, 2015, compared to 16% for the same period in the prior year, with the increase primarily driven by favorable labor and material cost performance on mature programs, including a favorable impact of fixed overhead absorption as a result of higher production rates. In the first half of 2015, the segment recorded favorable cumulative catch-up adjustments of $10.3 million driven by productivity and efficiency improvements on mature programs, as well as $6.4 million of favorable changes in estimates on loss programs. In comparison, during the first half of 2014, the segment recorded favorable cumulative catch-up adjustments of $8.6 million driven by productivity and efficiency improvements on mature programs, partially offset by a forward loss charge of $0.9 million.

Propulsion Systems. Propulsion Systems segment net revenues for the six months ended July 2, 2015 were $886.5 million, a decrease of $24.2 million, or 3%, compared to the same period in the prior year. The decrease in net revenues was primarily due to lower non-recurring net revenues, partially offset by higher production deliveries on the B737 and BR725 programs. Propulsion Systems segment operating margins were 21% for the six months ended July 2, 2015, compared to 18% for the same period in

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the prior year, primarily driven by favorable labor and material cost performance on mature programs, including a favorable impact of fixed overhead absorption as a result of higher production rates. In the first half of 2015, the segment recorded favorable cumulative catch-up adjustments of $14.4 million driven by productivity and efficiency improvements on mature programs, partially offset by a forward loss charge of $1.3 million. In comparison, during the first half of 2014, the segment recorded favorable cumulative catch-up adjustments of $8.3 million driven by productivity and efficiency improvements on mature programs.

Wing Systems. Wing Systems segment net revenues for the six months ended July 2, 2015 were $744.2 million, a decrease of $108.3 million, or 13%, compared to the same period in the prior year. The decrease in net revenues was primarily due to the divestiture of the G280 and G650 wing work packages in December 2014 and lower net revenue on the B787 program, partially offset by higher production deliveries on the A350 XWB program. Wing Systems segment operating margins were 13% for the six months ended July 2, 2015, compared to 14% for the same period in the prior year. In the first half of 2015, the segment recorded unfavorable cumulative catch-up adjustments of $0.6 million. In the first half of 2014, the segment recorded favorable cumulative catch-up adjustments of $13.3 million driven by productivity and efficiency improvements on mature programs, partially offset by forward loss charges of $0.3 million.

All Other. All Other segment net revenues consist of sundry sales of miscellaneous services, tooling contracts and natural gas revenues from KIESC. In the six months ended July 2, 2015, All Other segment net revenues were $5.8 million, an increase of $0.5 million compared to the same period in the prior year, primarily due to higher sundry sales. The All Other segment recorded 19% operating margins for the six months ended July 2, 2015, compared to segment operating margins of 6% for the same period in the prior year.

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 available under our revolving credit facility. Additionally, we may receive advance payments from customers and proceeds from asset sales. 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 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.

As of July 2, 2015, we had $958.7 million of cash and cash equivalents on the balance sheet and $650.0 million of available borrowing capacity under our revolving credit facility. There were no borrowings or outstanding balances under our revolving credit facility as of July 2, 2015. Based on our planned levels of operations and our strong liquidity position, we currently expect that our cash on hand, cash flow from operations and borrowings available under our revolving credit facility will be sufficient to fund our operations, inventory growth, planned capital investments, research and development expenditures and scheduled debt service payments for at least the next twelve months.

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Cash Flows

The following table provides a summary of our cash flows for the six months ended July 2, 2015 and July 3, 2014:

	For the six months ended	
	July 2, 2015	July 3, 2014
	($ in millions)	
Net income	$336.8	$297.0
Adjustments to reconcile net income	89.8	91.9
Changes in working capital	302.4	(179.4)
Net cash provided by operating activities	729.0	209.5
Net cash used in investing activities	(115.4)	(89.2)
Net cash used in financing activities	(32.1)	(159.6)
Effect of exchange rate change on cash and cash equivalents	(0.7)	0.2
Net increase (decrease) in cash and cash equivalents for the period	580.8	(39.1)
Cash and cash equivalents, beginning of period	377.9	420.7
Cash and cash equivalents, end of period	$958.7	$381.6

Six Months Ended July 2, 2015 as Compared to Six Months Ended July 3, 2014

Operating Activities. For the six months ended July 2, 2015, we had a net cash inflow of $729.0 million from operating activities, an increase of $519.5 million, compared to a net cash inflow of $209.5 million for the same period in the prior year. The increase in net cash provided by operating activities was primarily due to $183.3 million higher cash receipts from customers for production deliveries, including settlement of retainage receivable, $113.3 million higher cash receipts from customers for non-recurring activities, including deferred revenue payments, compared to the same period in the prior year. Cash paid for operating expenses was $180.1 million lower, partially attributed to the divestiture of the G280 and G650 wing work packages in December 2014, compared to the same period in the prior year. Net tax refunds received during the first half of 2015 were $27.3 million higher compared to the same period in the prior year.

Investing Activities. For the six months ended July 2, 2015, we had a net cash outflow of $115.4 million for investing activities, an increase in outflow of $26.2 million compared to a net cash outflow of $89.2 million for the same period in the prior year. During the first six months of 2015, investing activities consisted primarily of capital expenditures for construction in progress to support increasing production rates. In comparison, during the first six months of 2014, capital expenditures consisted primarily of construction in progress and machinery and equipment to support increasing production rates.

Financing Activities. For the six months ended July 2, 2015, we had a net cash outflow of $32.1 million for financing activities, a decrease in outflow of $127.5 million, compared to a net cash outflow of $159.6 million for the same period in the prior year. During the six months ended July 2, 2015, we entered into Amendment No. 5 to our senior secured Credit Agreement which resulted in debt issuance costs of $4.7 million. During the six months ended July 3, 2014, we entered into Amendment No. 3 to our senior secured Credit Agreement and redeemed our 2017 Notes using proceeds from the issuance of our 2022 Notes. Debt issuance costs for the six months ended July 3, 2014 totaled $20.8 million and consisted of third party fees and tender and consent fees. In connection with a secondary offering by Onex and certain other stockholders during the first half of 2014, we repurchased 4 million shares of class A common stock for $129.2 million. In the first quarter of 2015, payments on debt other than the financing activity were $17.4 million compared to $11.9 million in the same period in the prior year.

Future Cash Needs and Capital Spending

Our primary future cash needs will consist of working capital, debt service, research and development and capital expenditures, including potential share repurchases, dividend payments, merger and acquisition or disposition activities. 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, including the B737, B787 and the A350 XWB programs. In response to announced customer production rate increases, we are evaluating various plans to

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relieve capacity constraints. We also require capital to develop new technologies for the next generation of aircraft, which may not be funded by our customers. Capital expenditures for the six months ended July 2, 2015 totaled $115.4 million, as compared to $89.6 million for the same period in 2014. We plan to fund future capital expenditures and cash requirements from cash on hand, cash generated by operations, customer cash advances, borrowings available under our revolving credit facility and proceeds from asset sales, if any.

The Board of Directors recently authorized a share repurchase program authorizing the purchase of up to $350.0 million of the Company's common stock. Repurchases may be made intermittently through December 31, 2017. We intend to fund repurchases under the share repurchase program from cash on hand.

Pension and Other Post Retirement Benefit Obligations

Our U.S. pension plan remained fully funded at July 2, 2015 and we anticipate non-cash pension income for 2015 to remain at or near the same level as 2014. Our plan investments are broadly diversified and we do not anticipate a near-term requirement to make cash contributions to our U.S. pension plan. See Note 13, Pension and Other Post-Retirement Benefits, for more information on the Company's pension plans.

Debt and Other Financing Arrangements

On March 18, 2015, Spirit AeroSystems, Inc., as borrower, Spirit AeroSystems Holdings, Inc., as parent guarantor, and certain of its subsidiaries entered into Amendment No. 5 (the "Amendment") to the Company's senior secured Credit Agreement, dated as of April 18, 2012, as amended by Amendment No. 1, dated as of October 26, 2012, Amendment No. 2, dated as of August 2, 2013, Amendment No. 3, dated as of March 18, 2014 and Amendment No. 4, dated as of June 3, 2014 (the "Credit Agreement"). The Amendment provided for a new $535.0 million senior secured term loan A (the "Term Loan") with a maturity date of March 18, 2020, which replaces the term loan B which had an amount outstanding of approximately $534.9 million (the "Term Loan B") that was scheduled to mature on September 15, 2020. The Term Loan bears interest, at Spirit's option, at either LIBOR plus 1.75% or a defined "base rate" plus 0.75%, subject to adjustment to amounts between and including LIBOR plus 1.75% and LIBOR plus 2.50% (or amounts between and including base rate plus 0.75% and base rate plus 1.50%, as applicable) based on changes to Spirit's debt-to-EBITDA ratio. The principal obligations under the Term Loan are to be repaid in equal quarterly installments of $6.7 million, with the remaining balance due at maturity of the Term Loan. The Amendment maintained substantially the same prepayment requirements and covenant structure under the Credit Agreement, and provided the Company with some additional flexibility with respect to certain activities. Spirit used the proceeds of the Term Loan to pay off the Term Loan B and to pay a portion of the fees and expenses payable in connection with the Amendment.

Substantially all of Spirit's assets, including inventory and property, plant and equipment, continue to be pledged as collateral for both the Term Loan and the revolving credit facility. As of July 2, 2015, the outstanding balance of the Term Loan was $521.6 million. As a result of extinguishment of the Term Loan B during the first quarter of 2015, the Company recognized a loss on extinguishment of debt of $3.6 million. Of this total charge, $3.1 million is reflected within amortization of deferred financing fees and $0.5 million is reflected within amortization expense on the Condensed Consolidated Statement of Cash Flows for the six months ended July 2, 2015.

Senior Notes. In November 2010, the Company issued $300.0 million in aggregate principal amount 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 $300,000,000.0 million as of July 2, 2015.

In March 2014, the Company issued $300.0 million in aggregate principal amount of 5.25% Senior Notes due March 15, 2022 (the "2022 Notes") with interest payable, in cash in arrears, on March 15 and September 15 of each year, beginning September 15, 2014. The 2022 Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis, by the Company and its existing and future domestic subsidiaries that guarantee Spirit's obligations under its amended senior secured credit facility. The carrying value of the 2022 Notes was $299.5 million as of July 2, 2015.

Advances and Deferred Revenue on the B787 Program. Boeing has made advance payments to Spirit under the B787 Supply Agreement, which advance payments are required to be repaid to Boeing by way of offset against the purchase price for future shipset deliveries. On April 8, 2014, the Company signed a memorandum of agreement with Boeing which suspended advance repayments related to the B787 program for a period of twelve months beginning April 1, 2014. Repayment recommenced on April 1, 2015 and any repayments which otherwise would have become due during such twelve-month period will offset the purchase price for shipset 1,001 and beyond. In the event Boeing does not take delivery of a sufficient number of shipsets to repay

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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 million due on December 15th of each year until the advance payments have been fully recovered by Boeing. As of July 2, 2015, the amount of advance payments and deferred revenue received by us from Boeing under the B787 Supply Agreement and not yet repaid or recognized as revenue was approximately $748.5 million.

Advances on the A350 Fuselage Program. In March 2012, we signed a Memorandum of Agreement with Airbus providing for Airbus to make advance payments to us in 2012. The advance payments are offset against the recurring price of A350 XWB shipsets invoiced by Spirit, at a rate of $1.25 million per shipset. We received $250.0 million in advance payments in 2012 and the balance that had not been repaid as of July 2, 2015 was $211.0 million.

Malaysian Facility Agreement. The Company’s wholly-owned subsidiary, Spirit AeroSystems Malaysia SDN BHD is party to a Facility Agreement for a term loan facility with the Malaysian Export-Import Bank for Ringgit Malaysia (“RM”) 69.2 million (approximately USD $20.0 million equivalent) (the “Malaysia Facility”). The Malaysia Facility requires quarterly principal repayments of RM 3.3 million (approximately USD $1.0 million equivalent) 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 July 2, 2015 was $4.9 million.

French Factory Capital Lease Agreement. The Company’s indirect wholly-owned subsidiary, Spirit AeroSystems France SARL is party to a capital lease agreement for €9.0 million (approximately USD $13.1 million equivalent) with a subsidiary of BNP Paribas Bank. Lease payments under the capital lease agreement are variable, subject to the three-month Euribor rate plus 2.20%. Lease payments are due quarterly through April 2025. As of July 2, 2015, the Saint-Nazaire capital lease balance was $7.6 million.

Nashville Design Center Capital Lease Agreement. During the second quarter of 2015, the Company terminated its capital lease agreement for a portion of an office building in Nashville, Tennessee resulting in the capital lease balance at July 2, 2015 of zero.

Credit Ratings

The Company's credit rating at the end of the second quarter of 2015 was a BB, positive outlook by Standard & Poor's Rating Services and a Ba1, stable outlook by Moody's Investors Services.

Our credit ratings are reviewed periodically by the rating agencies listed above.

The credit rating agencies consider many factors when assigning their ratings, such as the global economic environment and its possible impact on our financial performance, as well as certain financial metrics. Accordingly, it is possible the rating agencies could downgrade our credit ratings from their current levels. This could significantly influence the interest rate of any future debt financings.

A debt security credit rating is not a recommendation to buy, sell or hold a security. 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. Accordingly, each rating should be considered independent of other ratings.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report contains certain “forward-looking statements” that may involve many risks and uncertainties. Forward-looking statements reflect our current expectations or forecasts of future events. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “should,” “will,” and other similar words or phrases, or the negative t 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:

- our ability to continue to grow our business and execute our growth strategy, including the timing, execution and profitability of new and maturing programs;
- our ability to perform our obligations and manage costs related to our new and maturing commercial, business aircraft and military development programs and the related recurring production;
- margin pressures and the potential for additional forward losses on new and maturing programs;
- our ability to accommodate, and the cost of accommodating, announced increases in the build rates of certain aircraft;
- the effect on aircraft demand and build rates of changing customer preferences for business aircraft, including the effect of global economic conditions on the business aircraft market and expanding conflicts or political unrest in the Middle East or Asia;
- customer cancellations or deferrals as a result of global economic uncertainty;
- the effect of economic conditions in the industries and markets in which we operate in the U.S. and globally and any changes therein, including fluctuations in foreign currency exchange rates;
- the success and timely execution of key milestones such as receipt of necessary regulatory approvals and customer adherence to their announced schedules;
- our ability to successfully negotiate future pricing under our supply agreements with Boeing, Airbus and our other customers;
- our ability to enter into profitable supply arrangements with additional customers;
- the ability of all parties to satisfy their performance requirements under existing supply contracts with Boeing and Airbus, our two major customers, and other customers, and the risk of nonpayment by such customers;
- any adverse impact on Boeing’s and Airbus’ production of aircraft resulting from cancellations, deferrals or reduced orders by their customers or from labor disputes or acts of terrorism;
- any adverse impact on the demand for air travel or our operations from the outbreak of diseases or epidemic or pandemic outbreaks;
- our ability to avoid or recover from cyber-based or other security attacks, information technology failures or other disruptions;
- returns on pension plan assets and the impact of future discount rate changes on pension obligations;
- our ability to borrow additional funds or refinance debt;
- competition from commercial aerospace original equipment manufacturers and other aerostructures suppliers;
- the effect of governmental laws, such as U.S. export control laws and U.S. and foreign anti-bribery laws such as the Foreign Corrupt Practices Act and the United Kingdom Bribery Act, and environmental laws and agency regulations, both in the U.S. and abroad;
- any reduction in our credit ratings;
- our dependence on our suppliers, as well as the cost and availability of raw materials and purchased components;

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- our ability to recruit and retain highly-skilled employees and our relationships with the unions representing many of our employees;
- spending by the U.S. and other governments on defense;
- the possibility that our cash flows and borrowing facilities may not be adequate for our additional capital needs or for payment of interest on and principal of our indebtedness;
- our exposure under our existing senior secured revolving credit facility to higher interest payments should interest rates increase substantially;
- the effectiveness of any interest rate hedging programs;
- the effectiveness of our internal control over financial reporting;
- the outcome or impact of ongoing or future litigation, claims and regulatory actions; and
- our exposure to potential product liability and warranty claims.

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 sections captioned “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2014 Form 10-K, our Q1 2015 Form 10-Q and this Quarterly Report on Form 10-Q for a more complete discussion of these and other factors that may affect our business.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a result of our operating and financing activities, we are exposed to various market risks that may affect our consolidated results of operations and financial position. These market risks include fluctuations in interest rates, which impact the amount of interest we must pay on our variable rate debt. In addition to other information set forth in this report, you should carefully consider the factors discussed in Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" in our 2014 Form 10-K which could materially affect our business, financial condition or results of operations. There have been no material changes in our market risk since the filing of our 2014 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer have evaluated our disclosure controls as of July 2, 2015 and have concluded that these disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934) are effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time period specified in the Security and Exchange Commission rules and forms. These disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit is accumulated and communicated to management of the Company, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the second quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding any recent material development relating to our legal proceedings since the filing of our 2014 Form 10-K is included in Note 18, Commitments, Contingencies and Guarantees to our condensed consolidated financial statements included in Part I of this Quarterly Report and incorporated herein by reference.

Item 1A. Risk Factors

In addition to other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, Item 1A, “Risk Factors,” in our 2014 Form 10-K, which could materially affect our business, financial condition or results of operations. There have been no material changes to the Company’s risk factors previously disclosed in our 2014 Form 10-K.

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, 2014, approximately 83% and 10% of our net revenues were generated from sales to Boeing and Airbus, respectively. Although our strategy, in part, is 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. Although we are a party to various supply contracts with Boeing and Airbus which obligate Boeing and Airbus to purchase all of their requirements for certain products from us, those agreements generally do not require specific minimum purchase volumes. In addition, if we breach certain obligations under these supply agreements and Boeing or Airbus exercises its right to terminate such agreements, our business will be materially adversely affected. Further, if we are unable to perform our obligations under these supply agreements to the customer's satisfaction, Boeing or Airbus could 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. Furthermore, if Boeing or Airbus (1) experiences a decrease in requirements for the products which we supply to it; (2) experiences a major disruption in its business, such as a strike, work stoppage or slowdown, a supply-chain problem or a decrease in orders from its customers; (3) files for bankruptcy protection; or (4) fails to perform its contractual obligations under its agreements with us; our business, financial condition and results of operations could be materially adversely affected.

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Item 6. Exhibits

Article I. Exhibit Number	Section 1.01 Exhibit
10.1*	Amendment No. 12 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc. dated as of April 9, 2015.
10.2*	Amendment No. 14 to Special Business Provisions, between The Boeing Company and Spirit AeroSystems, Inc. dated as of April 21, 2015.
10.3*	Employment Agreement between Spirit AeroSystems, Inc. and Michelle Lohmeier, effective as of June 10, 2015.
10.4*	Employment Agreement between Spirit AeroSystems, Inc. and Ron Rabe, effective as of June 9, 2015.
10.5*	Resignation and Consulting Agreement between Spirit AeroSystems, Inc. and David Coleal, effective as of May 21, 2015.
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 that portions of the exhibit have been omitted and separately filed with the Securities and Exchange Commission pursuant to a request for confidential treatment.
*	Filed herewith
**	Furnished herewith

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Signatures

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

SPIRIT AEROSYSTEMS HOLDINGS, INC.

Signature	Title	Date
/s/ Sanjay Kapoor Sanjay Kapoor	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	July 31, 2015

Signature	Title	Date
/s/ Mark J. Suchinski Mark J. Suchinski	Vice President and Corporate Controller (Principal Accounting Officer)	July 31, 2015

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