Spirit AeroSystems Holdings, Inc.
Form 10-K
February 10, 2017
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549
Form 10-K
(Mark One)

þ	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended December 31, 2016
Or	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from to

Commission File Number 001-33160
Spirit AeroSystems Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	20-2436320
(State of Incorporation)	(I.R.S. Employer Identification Number)

3801 South Oliver
Wichita, Kansas 67210
(Address of principal executive offices and zip code)
Registrant's telephone number, including area code:
(316) 526-9000
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing price of the class A common stock on June 30, 2016, as reported on the New York Stock Exchange was approximately $5,471,118,287.

As of February 2, 2017, the registrant had outstanding 121,626,875 shares of class A common stock, $0.01 par value per share, and zero shares of class B common stock, $0.01 par value per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2017 Annual Meeting of Stockholders to be filed not later than 120 day after the end of the fiscal year covered by this Report are incorporated herein by reference in Part III of this Annual Report on Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report 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 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 our two major customers, Boeing and Airbus, 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;
- the effect of potential changes in tax law, such as those outlined in recent proposals on U.S. Tax Reform;
- 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 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 this Annual Report for a more complete discussion of these and other factors that may affect our business.

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PART I

Item 1. Business

Our Company

Unless the context otherwise indicates or requires, as used in this Annual Report, references to "we," "us," "our," or the "Company" refer to Spirit AeroSystems Holdings, Inc., its subsidiaries and predecessors. References to "Spirit" refer only to our subsidiary, Spirit AeroSystems, Inc., and references to "Spirit Holdings" or "Holdings" refer only to Spirit AeroSystems Holdings, Inc. References to "Boeing" refer to The Boeing Company and references to "Airbus" refer to Airbus S.A.S., a division of Airbus Group SE. References to "OEM" refer to commercial aerospace original equipment manufacturer.

We are one of the largest independent non-OEM 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 fuselages, propulsion systems and wing systems for commercial and military aircraft. For the twelve months ended December 31, 2016, we generated net revenues of $6,792.9 million, and had net income of $469.7 million.

We derive our revenues primarily through long-term supply agreements with Boeing and Airbus. For the twelve months ended December 31, 2016, approximately 81% and 15% of our net revenues were generated from sales to Boeing and Airbus, respectively. We are currently the sole-source supplier for nearly all of the products we sell to Boeing and Airbus. We are a critical partner to our customers due to the broad range of products we currently supply to them and our leading design and manufacturing capabilities using both metallic and composite materials. Under our supply agreements with Boeing and Airbus, we supply products for the life of the aircraft program (other than the A350 XWB and A380), excluding Airbus commercial derivative models. For the A350 XWB and A380, we have long-term requirements contracts with Airbus.

We manufacture aerostructures for every Boeing commercial aircraft currently in production, including the majority of the airframe content for the Boeing B737, the most popular major commercial aircraft in history. As a result of our unique capabilities both in process design and composite materials, we were awarded a contract that makes us the largest aerostructures content supplier on the Boeing B787, Boeing's next generation twin aisle aircraft. In addition, we are one of the largest content suppliers of wing systems for the Airbus A320 family. We are a significant supplier for the Airbus A380 and the Airbus A350 XWB (Xtra Wide-Body). Sales related to the commercial aircraft market, some of which may be used in military applications, represented approximately 99% of our net revenues for the twelve-month period ended December 31, 2016.

Since Spirit's incorporation, the Company has expanded its customer base to include Northrop Grumman, Sikorsky, Rolls-Royce, Bombardier, Mitsubishi Aircraft Corporation, Bell Helicopter, Southwest Airlines, United Airlines and American Airlines. The Company has its headquarters in Wichita, Kansas, with manufacturing facilities in Tulsa and McAlester, Oklahoma; Prestwick, Scotland; Wichita, Kansas; Kinston, North Carolina; Saint-Nazaire, France; and Subang, Malaysia.

Our History

Spirit Holdings was incorporated in the state of Delaware on February 7, 2005, and commenced operations on June 17, 2005 through the acquisition of Boeing's operations in Wichita, Kansas; Tulsa, Oklahoma and McAlester, Oklahoma (the "Boeing Acquisition") by an investor group led by Onex Partners LP and Onex Corporation (together with its affiliates, "Onex"). As of August 2014, Onex no longer held any investment in the Company. Boeing's commercial aerostructures manufacturing operations in Wichita, Kansas and Tulsa and McAlester, Oklahoma, are referred to in this Report as "Boeing Wichita." Spirit Holdings, Spirit's parent company, has had publicly traded shares on the New York Stock Exchange under the ticker "SPR" since November 2006.

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

including any commercial derivative models.

On April 1, 2006, we became a supplier to Airbus through our acquisition of the aerostructures division of BAE Systems (Operations) Limited, referred to in this Report as "BAE Systems." The acquired division of BAE Systems is referred to in this Report as "BAE Aerostructures," and the acquisition of BAE Aerostructures is referred to as the "BAE Acquisition." BAE Aerostructures was subsequently renamed Spirit AeroSystems (Europe) Limited and is referred to in this report as "Spirit Europe."

Our Relationship with Boeing

Supply Agreement with Boeing for B737, B747, B767 and B777 Programs

Overview. In connection with the Boeing Acquisition, Spirit entered into long-term supply agreements under which we became Boeing's exclusive supplier for substantially all of the products and services provided by Boeing Wichita to Boeing prior to the closing of the Boeing Acquisition. The main supply contract is primarily comprised of two separate agreements: (1) the Special Business Provisions, or Sustaining SBP, which sets forth the specific terms of the supply arrangement with regard to Boeing's B737, B747, B767 and B777 aircraft and (2) the General Terms Agreement, or GTA, which sets forth other general contractual provisions relating to our various supply arrangements with Boeing, including provisions relating to termination, events of default, assignment, ordering procedures, inspections and quality controls. The summary below describes provisions contained in both the Sustaining SBP and the GTA as both agreements govern the main supply arrangement. We refer to the Sustaining SBP, the GTA and any related purchase order or contract collectively as the "Supply Agreement." The Supply Agreement is a requirements contract which covers certain products, including fuselages, struts/pylons and nacelles (including thrust reversers), wings and wing components, as well as tooling, for Boeing B737, B747, B767 and B777 commercial aircraft programs for the life of these programs, including any commercial derivative models. During the term of the Supply Agreement and absent default by Spirit, Boeing is obligated to purchase from Spirit all of its requirements for products covered by the Supply Agreement. Although Boeing is not required to maintain a minimum production rate, Boeing is subject to a maximum production rate above which it must negotiate with us regarding responsibility for non-recurring expenditures related to a capacity increase.

Pricing. The initial pricing terms for recurring products under the Supply Agreement expired in May 2013. Under these terms, prices were adjusted each year based on a quantity-based price adjustment formula described in the Supply Agreement whereby average per-unit prices are higher at lower volumes and lower at higher volumes. Prices are subject to adjustment for abnormal inflation (above a specified level in any year) and for certain production, schedule and other changes. See "Changes" below.

In April 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 pricing terms were not applied to the period prior to April 1, 2014 and do not apply to the B737 MAX, for which recurring pricing has not yet been agreed. Since the parties were unable to agree upon pricing on the B737, B747, B767 and B777 programs for the periods beyond 2015, an interim payment mechanism was triggered for deliveries under the Supply Agreement commencing January 1, 2016. This interim payment mechanism is based upon existing prices, adjusted using a quantity-based price adjustment formula and specified annual escalation. The interim payment mechanism is subject to adjustment when follow-on pricing is agreed upon. 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.

Tooling. Under the Supply Agreement, Boeing owns all tooling used in production or inspection of products covered by the Supply Agreement. Spirit is responsible for providing all new tooling required for manufacturing and delivering products under the Supply Agreement, and Boeing acquires title to such tooling upon completion of the manufacturing of the tools and payment by Boeing. Because Boeing owns this tooling, Spirit may not sell, lease, dispose of or encumber any of it. Spirit does, however, have the option to procure certain limited tooling needed to manufacture and deliver both Boeing and non-Boeing parts.

Although Boeing owns the tooling, Spirit has the limited right to use this tooling without any additional charge to perform its obligations to Boeing under the Supply Agreement and also to provide aftermarket services in accordance with the rights granted to Spirit under other related agreements, including royalty-bearing license agreements. Boeing is entitled to use the tooling only under limited circumstances. Spirit is responsible for maintaining and insuring the tooling. Spirit's rights to use the tooling are subject to the termination provisions of the Supply Agreement.

Changes. Upon written notification to Spirit, Boeing has the right to make changes within the general scope of work performed by Spirit under the Supply Agreement. If any such change increases or decreases the cost or time required

to perform, Boeing and Spirit must negotiate an equitable adjustment (based on rates, factors and methodology set forth in the Supply Agreement) to the price or schedule to reflect the change, except that Spirit will be responsible for absorbing the cost of certain changes. The Supply Agreement also provides for equitable adjustments to product prices if there are order accelerations or decelerations, depending on lead times identified in the Supply Agreement. In addition, the Supply Agreement provides for equitable adjustments to recurring part prices as well as the price of non-recurring work upon the satisfaction of certain conditions and upon certain minimum dollar thresholds being met.

Additional Spirit Costs. In the event that Boeing rejects a product manufactured by Spirit, Boeing is entitled to repair or rework such product, and Spirit is required to pay all reasonable costs and expenses incurred by Boeing related thereto. In addition,

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Spirit is required to reimburse Boeing for costs expended in providing Spirit and/or Spirit's contractors the technical or manufacturing assistance with respect to Spirit nonperformance issues.

Termination for Convenience. Subject to the restrictions prohibiting Boeing from manufacturing certain products supplied by Spirit or purchasing such products from any other supplier, Boeing may, at any time, terminate all or part of any order under the Supply Agreement by written notice to Spirit. If Boeing terminates all or part of an order, Spirit is entitled to compensation for certain costs.

Termination of Airplane Program. If Boeing decides not to initiate or continue production of a Boeing commercial aircraft model B737, B747, B767 or B777 or commercial derivative because it determines there is insufficient business basis for proceeding, Boeing may terminate such model or derivative, including any order therefor, by written notice to Spirit. In the event of such a termination, Boeing will be liable to Spirit for any orders issued prior to the date of the termination notice and may also be liable for certain termination costs.

Events of Default and Remedies. It is an "event of default" under the Supply Agreement if Spirit:

(1) fails to deliver products as required by the Supply Agreement;

(2) fails to provide certain "assurances of performance" required by the Supply Agreement;

(3) breaches the provisions of the Supply Agreement relating to intellectual property and proprietary information;

(4) participates in the sale, purchase or manufacture of airplane parts without the required approval of the Federal Aviation Administration, or FAA, or appropriate foreign regulatory agency;

(5) fails under certain requirements to maintain a system of quality assurance;

(6) fails to comply with other obligations under the Supply Agreement (which breach continues for more than 10 days after notice is received from Boeing);

(7) is unable to pay its debts as they become due, dissolves or declares bankruptcy; or

(8) breaches the assignment provisions of the Supply Agreement (which breach continues for more than 10 days after notice is received from Boeing).

If an event of default occurs, Boeing has the right to exercise various remedies set forth in the Supply Agreement, including the right to manufacture or to otherwise obtain substitute products, cancel any or all outstanding orders under the Supply Agreement, and/or terminate the Supply Agreement. Boeing is limited, however, in its ability to cancel orders or terminate the Supply Agreement for the defaults described in items (1), (2) and (6) above. In such cases, Boeing may not cancel orders unless the event of default is material and has an operational or financial impact on Boeing and may not terminate the Supply Agreement unless there are repeated, material events of default and certain other criteria are satisfied. Boeing may only terminate the Supply Agreement with respect to the aircraft program affected by the event of default. If two or more programs are affected by the event of default, Boeing may terminate the entire Supply Agreement. Boeing may also require Spirit to transfer tooling, raw material, work-in-process and other inventory and certain intellectual property to Boeing in return for reasonable compensation.

Excusable Delay. If delivery of any product is delayed by circumstances beyond Spirit's reasonable control, and without Spirit's or its suppliers' or subcontractors' error or negligence (including, without limitation, acts of God, war, terrorist acts, fires, floods, epidemics, strikes, unusually severe weather, riots and acts of government), or by any material act or failure to act by Boeing, each being an "excusable delay," then, subject to certain exceptions, Spirit's delivery obligations will be extended. If delivery of any product is delayed by an excusable delay for more than three months, Boeing may cancel all or part of any order for the delayed products.

If delivery of any product constituting more than 25% of the shipset value for one or more models of program airplanes is delayed by an excusable delay for more than five months, Boeing may cancel the Sustaining SBP as it applies to such models of program airplanes, and neither party will have any liability to the other, other than as described in the above paragraph under the heading "Events of Default and Remedies."

Assignment. Spirit may not assign its rights under the Supply Agreement other than with Boeing's consent, which Boeing may not unreasonably withhold unless the assignment is to a disqualified person. A disqualified person is one: (1) whose principal business is as an OEM of commercial aircraft, space vehicles, satellites or defense systems; (2) that Boeing reasonably believes will not be able to perform its obligations under the Supply Agreement; (3) that, after giving effect to the transaction, would be a supplier of more than 40% by value of the major structural

components of any Boeing program then in production; or (4) who is,

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or is an affiliate of, a commercial airplane operator or is one of five named corporate groups. Sale of majority voting power or of all or substantially all of Spirit's assets to a disqualified person is considered an assignment.

B787 Supply Agreement with Boeing

Overview. Spirit and Boeing also entered into a long-term supply agreement for Boeing's B787 program, or the B787 Supply Agreement, which covers the life of the program and commercial derivatives. The B787 Supply Agreement is a requirements contract pursuant to which Spirit is Boeing's exclusive supplier for the forward fuselage, fixed and moveable leading wing edges, engine pylons and related tooling for the B787. While the B787 Supply Agreement does not provide for a minimum or maximum production rate, the agreement acknowledges that Spirit is responsible for capitalization to support a rate of ten shipsets per month. If Boeing decides to increase production above ten shipsets per month, and if a certain percentage of the profit margin of the additional revenue due to the increase is not projected to recover expenditures required to increase the production rate beyond that level, Spirit will negotiate with Boeing regarding an equitable price adjustment.

Pricing. Pricing for the initial configuration of the B787-8 model is generally established through 2021, with prices decreasing as cumulative volume levels are met over the life of the 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"), Boeing and Spirit established interim prices for certain B787 shipsets, and the parties agreed to negotiate future rate increases, recurring prices, and other issues across multiple programs during 2015. Since we were unable to reach agreement with Boeing on these issues by the end of 2015, once the parties agree upon appropriate pricing for the B787-9, Boeing will be entitled to a retroactive adjustment on certain B787 payments which were based on the interim pricing. The amount we received that is subject to a retroactive adjustment was recorded as deferred revenue, and has not been recognized by us as revenue. 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.

Prices are subject to adjustment for abnormal inflation (above a specified level in any year) and for certain production, schedule and other specific changes, including design changes from the contract configuration baseline for each B787 model. In addition, the B787 Supply Agreement provides for both parties to participate in an annual price adjustment process for each B787 model, which involves an evaluation of the cost impact to Spirit as a result of Boeing-directed changes and could result in price adjustments in either direction.

Advance Payments. 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. Advance repayments were scheduled to be spread evenly over the remainder of the first 1,000 B787 shipsets delivered to Boeing, except that pursuant to an amendment to the B787 Supply Agreement entered into in April 2014, advance repayments were suspended from April 1, 2014 through March 31, 2015, and any repayments that otherwise would have become due during such 12-month period will be made by offset against the purchase price for shipset 1,001 through 1,120.

In the event Boeing does not take delivery of a sufficient number of shipsets to repay the full amount of advances prior to the termination of the B787 program or the B787 Supply Agreement, any advances not then repaid will be applied against any outstanding payments then due by Boeing to us, and any remaining balance will be repaid in annual installments of $42.0 million due on December 15th of each year until the advance payments have been fully recovered by Boeing. The amendment described above also changed the treatment of advances paid by Boeing for certain non-recurring work into a nonrefundable payment in full for such work.

Accordingly, portions of the advance repayment liability are included as current and long-term liabilities in our consolidated balance sheet. As of December 31, 2016, the amount of advance payments received by us from Boeing not yet repaid was $427.5 million.

Termination of Airplane Program. If Boeing decides not to continue production of the B787 airplane program because it determines, after consultation with Spirit, that there is an insufficient business basis for proceeding, Boeing may terminate the B787 airplane program, including any orders, by written notice to Spirit. In the event of such a

termination, Boeing will be liable to Spirit for costs incurred in connection with any orders issued prior to the date of the termination notice and may also be liable for certain termination costs and for compensation for any tools, raw materials or work-in-process requested by Boeing in connection with the termination.

Events of Default and Remedies.   It is an "event of default" under the B787 Supply Agreement if Spirit:

(1) fails to deliver products as required by the B787 Supply Agreement;

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(2) breaches the provisions of the B787 Supply Agreement relating to intellectual property and proprietary information;
(3) participates in the sale, purchase or manufacture of airplane parts without the required approval of the FAA or appropriate foreign regulatory agency;
(4) fails under certain requirements to maintain a system of quality assurance;
(5) fails to comply with other obligations under the B787 Supply Agreement (which breach continues for more than 15 days after notice is received from Boeing);
(6) is unable to pay its debts as they become due, dissolves or declares bankruptcy;
(7) fails to comply with U.S. export control laws; or
(8) breaches the assignment provisions of the B787 Supply Agreement.

If an event of default occurs, Boeing has the right to exercise various remedies set forth in the B787 Supply Agreement, including the right to manufacture or to otherwise obtain substitute products, cancel any or all outstanding orders under the B787 Supply Agreement and/or terminate the B787 Supply Agreement. Before terminating any order or the B787 Supply Agreement, Boeing is required to work with Spirit to attempt to agree on a satisfactory recovery plan. Boeing may also require Spirit to transfer tooling, raw material, work-in-process and other inventory and certain intellectual property to Boeing in return for reasonable compensation.

Assignment.   Spirit may not assign its rights under the B787 Supply Agreement or any related order other than with Boeing's consent, which Boeing may not unreasonably withhold unless the assignment is to a disqualified person. A disqualified person is one: (1) whose principal business is as an OEM of commercial aircraft, space vehicles, satellites or defense systems; (2) that Boeing reasonably believes will not be able to perform its obligations under the B787 Supply Agreement; (3) that, after giving effect to the transaction, would be a supplier of more than 40% by value of the major structural components of any Boeing program then in production; or (4) who is, or is an affiliate of, a commercial airplane operator or is one of five named corporate groups. Sale of majority voting power or of all or substantially all of Spirit's assets to a disqualified person is considered an assignment.

License of Intellectual Property

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

Except as Boeing otherwise agrees, Spirit may only use Boeing proprietary information and materials (such as tangible and intangible confidential, proprietary and/or trade secret information and tooling) in the performance of its obligations under the Supply Agreement. Spirit is prohibited from selling products manufactured using Boeing proprietary information and materials to any person other than Boeing without Boeing's authorization.

Spirit has granted to Boeing a license to Spirit proprietary information and materials and software and related products for use in connection with the testing, certification, use, sale or support of a product covered by the Supply Agreement, or the manufacture, testing, certification, use, sale or support of any aircraft including and/or utilizing a product covered by the Supply Agreement. Spirit has also granted to Boeing a license to use Spirit intellectual property to the extent such intellectual property interferes with Boeing's use of products or intellectual property belonging to Boeing under the Supply Agreement.

To protect Boeing against Spirit's default, Spirit has granted to Boeing a license, exercisable on such default to practice and/or use, and license for others to practice and/or use on Boeing's behalf, Spirit's intellectual property and tooling related to the development, production, maintenance or repair of products in connection with making, using and selling products. As a part of the foregoing license, Spirit must, at the written request of and at no additional cost to Boeing, promptly deliver to Boeing any such licensed property considered by Boeing to be necessary to exercise Boeing's rights under the license.

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

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Boeing may use Spirit IP for work on the B787 program and Spirit may license it to third parties for work on such program. Spirit may also not unreasonably withhold consent to the license of such intellectual property to third parties for work on other Boeing programs, provided that it may require a reasonable royalty to be paid and, with respect to commercial airplane programs, that Spirit has been offered an opportunity, to the extent commercially feasible, to work on such programs.

Each party is free to use Joint IP in connection with work on the B787 and other Boeing programs, but each must obtain the consent of the other to use it for other purposes. If either party wishes to license Joint IP to a third party for work on a Boeing program other than the B787, then the other party may require a reasonable royalty, but may not unreasonably withhold its consent, as long as (if the program in question is another Boeing commercial airplane program) Spirit has been offered an opportunity, to the extent commercially feasible, to perform work for the particular program.

Spirit is entitled to use Boeing IP for the B787 program, and may require Boeing to license it to subcontractors for the same purpose.

Additional License From Boeing. Boeing has licensed certain intellectual property rights to Spirit under a Hardware Material Services General Terms Agreement, or HMSGTA, and Supplemental License Agreements, or SLAs, under the HMSGTA. The HMSGTA and SLAs grant Spirit licenses to use Boeing intellectual property to perform maintenance, repair and overhaul of aircraft and aircraft components for customers other than Boeing. These agreements also permit Spirit to use knowledge obtained by Spirit personnel prior to the closing of the Boeing Acquisition. Spirit also may obtain additional SLAs from Boeing and those SLAs will also supersede the restrictions on Spirit's use of Boeing's proprietary information and materials described above. Spirit pays Boeing royalties for the use of these licenses.

In February 2016, Spirit's SLA with Boeing which allowed Spirit to manufacture and sell spare parts to parties other than Boeing using Boeing intellectual property was not renewed. This SLA was not a material component of our business.

Intellectual Property

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

Our Products

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 wing components, flight control surfaces and other miscellaneous structural parts. The Fuselage Systems segment manufactures products at our facilities in Wichita, Kansas and Kinston, North Carolina, with an assembly plant for the A350 XWB in Saint-Nazaire, France. The Propulsion Systems segment manufactures products at our facilities in Wichita, Kansas, and 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 and Wing Systems represented approximately 52%, 26%, and 22%, of our net revenues for the twelve months ended December 31, 2016, respectively. All other activities fall within the All Other segment, representing less than 1% of our net revenues for the twelve months ended December 31, 2016, 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.

As the programs we are involved in move through their life cycles, we classify them based on where they fall in the life cycle. The following table summarizes the program phases and programs in each category.

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Program Phases	Life Cycle	Aircraft Program
New	Generally early in development phase Significant design evolution Typically has not achieved certifications	Sikorsky CH53-K, Mitsubishi Regional Jet, B737 Max, B777X, Bell V280
Maturing	Generally in early production phase Typically certification is achieved in this phase Less design evolution than in new program phase Typically few contract blocks completed	B787, Rolls-Royce BR725, KC-46, A350 XWB, Bombardier CSeries
Mature	Generally at full-rate production Certification has been achieved Stable design Typically several contract blocks completed	B737NG, B747, B767, B777, A320 Family, A330, A380, Boeing P-8

Commercial Aircraft Structures

We design, engineer and manufacture large commercial aircraft structures such as fuselages, nacelles (including thrust reversers), struts/pylons, wing structures and flight control surfaces. We are the largest independent supplier of aerostructures to Boeing and one of the largest independent suppliers of aerostructures to Airbus. Sales related to the commercial aircraft structures market, some of which may be used in military applications, represented approximately 99% of our net revenues for the year ended December 31, 2016.

Our structural components, in particular the forward fuselage and nacelles, are among the most complex and highly engineered structural components and represent a significant percentage of the costs of each aircraft. We are currently the sole-source supplier for nearly all of the products we sell to Boeing and Airbus. We typically sell a package of aerostructure components, referred to as a shipset, to our customers.

The following table summarizes the major commercial programs that we currently have under long-term contract by product and aircraft program.

Product	Description	Aircraft Program
Fuselage Systems		
Forward Fuselage	Forward section of fuselage which houses flight deck, passenger cabin and cargo area	B737, B747, B767, B777, B787
Other Fuselage Sections	Mid-section and other sections of the fuselage and certain other structural components, including floor beams	B737, B747, B777, A350 XWB
Propulsion Systems		
Nacelles (including Thrust Reversers)	Aerodynamic structure surrounding engines	B737, B747, B767, B777, Rolls-Royce BR725 Engine
Struts/Pylons	Structure that connects engine to the wing	B737, B747, B767, B777, B787, Mitsubishi Regional Jet, Bombardier CSeries
Wing Systems		
Flight Control Surfaces	Flaps and slats	B737, B777
Wing Structures	Wing framework which consists mainly of spars, ribs, fixed leading edge, stringers, trailing edges and flap track beams	B737, B747, B767, B777, B787, A320 family, A330, A350 XWB, A380

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Military Equipment

In addition to providing aerostructures for commercial aircraft, we also design, engineer and manufacture structural components for military aircraft. We have been awarded a significant amount of work for Boeing's P-8, C40 and KC-46 Tanker. The Boeing P-8, C40 and KC-46 Tanker are commercial aircraft modified for military use. Other military programs for which we provide products include the development of the Sikorsky CH-53K and Bell Helicopter V280 tilt-rotor, and various other programs. In 2016, the United States Secretary of the Air Force announced Spirit as one of seven subcontractors on the long range strike bomber, called the B-21 Raider program. A portion of our defense business is classified by the U.S. Government, including the B-21 Raider program, and cannot be specifically described. The operating results of these classified contracts are included in our consolidated financial statements.

The following table summarizes the major non-classified military programs that we currently have under contract by product and military program. Rotorcraft is part of the Fuselage Systems segment and low observables, radome and other military are part of the Wing Systems segment.

Product	Description	Military Program
Low Observables	Radar absorbent and translucent materials	Various
Rotorcraft	Forward cockpit and cabin	Sikorsky CH-53K Development Program
	Fuselage	Bell Helicopter V280 Development Program
Other Military	Fabrication, bonding, assembly, testing, tooling, processing, engineering analysis, and training	Various

Global Customer Support & Services

We provide rotable assets, components, repair solutions and engineering services. Our inventory of rotable assets is available for lease, exchange and purchase. Additionally, our global repair stations are staffed with technicians specializing in advanced composite repair techniques. We provide maintenance, repair and overhaul (MRO) services for both metallic and composite components, either on site or at certified MRO stations. We are equipped with original production manufacturing (OPM) tooling and specialize in service bulletin maintenance for Spirit nacelle components.

The following table summarizes our aftermarket products and services:

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

Our Competitive Strengths

We believe our key competitive strengths include:

Leading Position in the Growing Commercial Aerostructures Market. We are one of the largest independent non-OEM commercial aerostructures manufacturers with an estimated 20% market share of the global market. Based on their published aircraft backlog figures, Boeing and Airbus had a combined backlog of 12,589 commercial aircraft as of December 31, 2016, and 12,582 commercial aircraft as of December 31, 2015. We are under contract to provide aerostructure products for nearly all of the aircraft that comprise this commercial aircraft backlog. We are currently the sole-source supplier for nearly all of the products we sell to Boeing and Airbus. The significant Boeing and Airbus aircraft order backlog for scheduled deliveries, and our strong relationships with Boeing and Airbus, should enable us to continue to grow our profit from our core commercial aerostructures business.

Participation on High-Volume and Major Growth Programs. We derive a high proportion of our Boeing revenues from the high-volume B737 program and a high proportion of our Airbus revenues from the high-volume A320 program. Boeing's backlog consists of approximately 4,450 B737s (more than eight years of backlog at current build rates), including the 737 MAX orders, and Airbus' backlog consists of approximately 5,650 aircraft in the A320 family (nearly ten years of backlog at current build rates),

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including A320 NEO orders. The B737 and A320 families are Boeing's and Airbus' best-selling commercial airplanes, respectively. We have also been awarded a significant amount of work on major twin-aisle programs, the B777, B787 and A350 XWB.

Stable Base Business. We have entered into long-term supply agreements with Boeing and Airbus, our two largest customers, making us the exclusive supplier for most of the products covered by these contracts. Our supply agreements with Boeing provide that we will continue to supply essentially all of the products we currently supply to Boeing for the life of the current aircraft programs, including commercial derivative models. The principal supply agreements we have entered into with Boeing make us Boeing's exclusive source for substantially all of the products covered by the agreements.

Under our supply agreements with Airbus, we supply most of our products for the life of the aircraft program, including commercial derivative models. For the A380 and A350 XWB, we have long-term requirements contracts with Airbus that cover a fixed number of units.

Strong Incumbent and Competitive Position. We have a strong incumbent position on the products we currently supply to Boeing and Airbus, forged by long-standing relationships and long-term supply agreements. Several members of our management team have a long history of working in the aerospace industry. We believe our management team possesses inherent knowledge of and relationships with Boeing and Airbus that may not be matched to a corresponding degree between other suppliers and these two OEMs.

We believe that OEMs incur significant costs to change aerostructures suppliers once contracts are awarded. Such changes after contract award require additional testing and certification, which may create production delays and significant costs for both the OEM and the new supplier. We also believe it would be cost prohibitive for other suppliers to duplicate our facilities and the thousands of major pieces of equipment that we own or operate. The combined insurable replacement value of all the buildings and equipment we own or operate is $8.2 billion, including $2.7 billion for buildings, $2.6 billion for equipment that we own and $2.9 billion for other equipment used in the operation of our business. The insurable values represent the estimated replacement cost of buildings and equipment used in our operations and covered by property insurance, and exceed the fair value of assets acquired as determined for financial reporting purposes. As a result, we believe that as long as we continue to meet our customers' requirements, the probability that they change suppliers on our current statement of work is quite low. Our incumbent position also provides us with a competitive advantage with respect to new business from our customers.

Industry-Leading Technology, Design Capabilities and Manufacturing Expertise. Spirit, independently, and previously as Boeing Wichita, has over 85 years of experience designing and manufacturing large-scale, complex aerostructures. We possess industry-leading engineering capabilities that include significant expertise in structural design, technology development, test, and regulatory certification (FAA and international civil aviation authorities). We specialize in the use of metallic and composite materials, conducting stress analyses to ensure structural integrity, systems engineering to ensure customer and regulatory requirements are clearly identified and managed, and acoustics technology.

Drawing on talent across the globe, Spirit is an industry leader in aerospace engineering. We possess knowledge and manufacturing know-how that customers depend on and that would be difficult for other suppliers to replicate. In addition to our engineering expertise, we have strong manufacturing and technological capabilities. Our manufacturing processes are highly automated, delivering efficiency and quality, and we have expertise in manufacturing aerostructures using both metallic and composite materials. We have strong technical expertise in bonding and metals fabrication, assembly, tooling and composite manufacturing, including the handling of all composite material grades and fabricating large-scale complex contour composites. We provide aftermarket support for the products we design and build.

We believe our technological, engineering and manufacturing capabilities separate us from many of our competitors and give us a significant competitive advantage to grow our business and increase our market share. The fact that we are one of the major external suppliers of forward fuselages for large commercial aircraft demonstrates our industry leadership. The forward fuselage is one of the most complex and technologically advanced aerostructures on a commercial aircraft because it must satisfy the aircraft's contour requirements; balance strength, aerodynamics and

weight; and house the cockpit and avionics.
Competitive and Predictable Labor Cost Structure. Our labor contracts provide for established wage levels that are aligned with the local market and a limited number of job categories, resulting in greater flexibility in work assignment programs and increased productivity. We have successfully negotiated long-term labor agreements with each of the five unions representing factory and office workers in our U.S. locations. As a result, we expect our labor costs to be stable and predictable through 2020.
Experienced Management Team. We have an experienced and proven management team with significant aerospace and defense industry experience. We continue to add new talent to our management team and realign our existing talent pool. Our management team has successfully expanded our business and established the stand-alone operations of our business, and is actively working to reduce costs. Many of our executives and senior managers have lengthy experience working with our primary customers, including Boeing and Airbus, which provides us with detailed insight into how we can better serve our customers.

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Operating Segments

We operate in three principal segments: Fuselage Systems, Propulsion Systems and Wing Systems. Revenue from Boeing represents a substantial portion of our revenues in all segments. Wing Systems includes significant revenues from Airbus. We serve customers in addition to Boeing and Airbus across our three principal segments; however, these customers currently do not represent a significant portion of our revenues, and are not expected to in the near future. All other activities fall within the All Other segment, principally made up of sundry sales of miscellaneous services, tooling contracts, and sales of natural gas through a tenancy-in-common with other companies that have operations in Wichita, Kansas.

The Fuselage Systems segment includes development, production and marketing of forward, mid and rear fuselage sections and systems, primarily to aircraft OEMs, as well as related spares and MRO. The Fuselage Systems segment manufactures products at our facilities in Wichita, Kansas; Kinston, North Carolina; and Saint-Nazaire, France.

The 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 facility in Wichita, Kansas.

The Wing Systems segment includes development, production and marketing of wings and wing components (including flight control surfaces) and other miscellaneous structural parts primarily to aircraft OEMs, as well as related spares and MRO services. These activities take place at the Company's facilities in Tulsa and McAlester, Oklahoma; Kinston, North Carolina; Prestwick, Scotland; and Subang, Malaysia. For financial information by business segment and geographic area see Note 23, "Segment and Geographical Information," in the Consolidated Financial Statements of this Annual Report on Form 10-K.

Business Development

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

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

Customers

Our primary customers are aircraft OEMs. Boeing and Airbus are our two largest customers. We are the largest independent aerostructures supplier to Boeing and one of the largest independent suppliers to Airbus. We entered into long-term supply agreements with our customers to provide aerostructure products to aircraft programs.

We have established long-standing relationships with our customers due to our diverse product offerings, leading design and manufacturing capabilities using both metallic and composite materials, and competitive pricing.

Boeing. For the twelve months ended December 31, 2016, approximately 81% of our revenues were from sales to Boeing. We have a long history as a Boeing supplier, with over 10 years as a stand-alone business after a proud 75+ year history as a Boeing division. As part of the Boeing Acquisition, we entered into a long-term supply agreement under which we are Boeing's exclusive supplier for substantially all of the products and services provided by Boeing Wichita prior to the Boeing Acquisition for the life of the programs. In addition, Boeing selected us to be the design leader for the Boeing B787 forward fuselage based in part on our expertise with composite technologies and we currently build the Boeing B787 forward fuselage, engine pylon, fixed leading edge and moveable leading edge.

We believe our relationship with Boeing will allow us to continue to be an integral partner with Boeing in the designing, engineering and manufacturing of complex aerostructures.

Airbus. For the twelve months ended December 31, 2016, approximately 15% of our revenues were from sales to Airbus. As a result of the BAE Acquisition, we became one of the largest independent aerostructures suppliers to

Airbus, and we have expanded our relationship through new business wins since the BAE Acquisition. Under our supply agreement with Airbus for the A320, A330 and A340 families, we supply products for the life of the aircraft program. For the A350 XWB and A380 programs, we have long-term requirements contracts with Airbus. We believe we can leverage our relationship with Airbus and our history of delivering high-quality products to further increase our sales to Airbus and continue to partner with Airbus on new programs going forward.

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We are a significant supplier of the composite fuselage structure for the Airbus A350 XWB. To accommodate this and other work, we expanded our operations in 2011 with the opening of a manufacturing facility in Kinston, North Carolina and an assembly plant in Saint-Nazaire, France, which assembles the center fuselage sections it receives from the Kinston, North Carolina facility before transporting the completed assembled unit to Airbus. In addition, we have a contract with Airbus to design and manufacture a major wing structure for the A350 XWB program. Spirit Europe designs and assembles the wing fixed leading edge structure primarily at its facility in Prestwick, Scotland. The composite front spar is built at the facility in Kinston, North Carolina with sub-assemblies being manufactured at the Spirit AeroSystems Malaysia facility in Subang, Malaysia.

Although most of our revenues are obtained from sales inside the U.S., we generated $1,142.8 million, $934.9 million and $830.9 million in sales to international customers for the twelve months ended December 31, 2016, 2015 and 2014, respectively, primarily to Airbus. The international revenue is included primarily in the Wing Systems segment. All other segment revenues are primarily from U.S. sales. Approximately 4% of our long-lived assets based on book value are located in the United Kingdom as part of Spirit Europe with approximately another 4% of our long-lived assets located in countries outside the United States and the United Kingdom. For financial information by business segment and geographic area see Note 23, "Segment and Geographical Information," in the Consolidated Financial Statements of this Annual Report on Form 10-K.

Expected Backlog

As of December 31, 2016, our expected backlog associated with large commercial aircraft, business and regional jet, and military equipment deliveries through 2022, calculated based on contractual and historical product prices and expected delivery volumes, was approximately $47.1 billion. This is an increase of $200.0 million from our corresponding estimate as of the end of 2015. Backlog is calculated based on the number of units Spirit is under contract to produce on our fixed quantity contracts, and Boeing and Airbus announced backlog on our supply agreements. The number of units may be subject to cancellation or delay by the customer prior to shipment, depending on contract terms. The level of unfilled orders at any given date during the year may be materially affected by the timing of our receipt of firm orders and additional airplane orders, and the speed with which those orders are filled. Accordingly, our expected backlog as of December 31, 2016 may not necessarily represent the actual amount of deliveries or sales for any future period. Approximately 15% of our backlog as of December 31, 2016 is expected to be converted into sales in 2017.

Manufacturing and Engineering

Manufacturing

Our expertise is in designing, engineering and manufacturing large-scale, complex aerostructures. We maintain state-of-the-art manufacturing facilities in Wichita, Kansas; Tulsa, Oklahoma; McAlester, Oklahoma; Kinston, North Carolina; Prestwick, Scotland; Saint-Nazaire, France; and Subang, Malaysia.

Our core manufacturing competencies include:

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

Our manufacturing expertise is supported by our state-of-the-art equipment. We have thousands of major pieces of equipment installed in our customized manufacturing facilities. For example, for the manufacture of the B787 composite forward fuselage, we installed one of the largest autoclaves in the world. An autoclave is an enclosure device used in the manufacture of composite structures that generates controlled internal heat and pressure conditions used to cure and bond certain resins. We installed a two comparable autoclave as well as other specialized machines in Kinston, North Carolina to support our work on the A350 XWB. We intend to continue to make the appropriate investments in our facilities to support and maintain our industry-leading manufacturing expertise.

Engineering

Spirit AeroSystems is an industry leader in aerospace engineering with access to talent across the globe. The purpose of the engineering organization is to provide continuous support for new and ongoing designs, technology innovation and development for customer advancements, and production-related process improvements. We possess a broad base of engineering skills for

design, analysis, test, certification, tooling and support of major fuselage, wing and propulsion assemblies using both metallic and composite materials. In addition, our regulatory certification expertise helps ensure associated designs and design changes are compliant with applicable regulations.

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

Research and Development

We believe that world-class research and development helps to maintain our position as an advanced partner to our OEM customers' new product development teams. As a result, we spend capital and financial resources on our research and development, including $23.8 million for the year ended December 31, 2016, $27.8 million for the year ended December 31, 2015, and $29.3 million for the year ended December 31, 2014. Through our research, we strive to develop unique intellectual property and technologies that will improve our OEM customers' products and, at the same time, position us to win work on new products. Our development effort primarily focuses on preparing for the initial production of new products and improving manufacturing processes on our current work. It also serves as an ongoing process that helps develop ways to reduce production costs and streamline manufacturing processes.

Our research and development is geared toward the architectural design of our principal products: fuselage systems, propulsion systems and wing systems. We are currently focused on research in areas such as advanced metallic joining, low-cost composites, acoustic attenuation, efficient structures, systems integration, advanced design and analysis methods, and new material systems. Other items that are expensed relate to research and development that is not funded by the customer. We collaborate with universities, research facilities and technology partners in our research and development.

Suppliers and Materials

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

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

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

Competition

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

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

Environmental Matters

Our operations and facilities are subject to various environmental, health and safety laws and regulations, including federal, state, local and foreign government requirements, governing, among other matters, the emission, discharge, handling and disposal of regulated materials, the investigation and remediation of contaminated sites, and permits required in connection with our operations. Our operations are designed, maintained and operated to promote protection of human health and the environment. Although we believe that our operations and facilities are in material compliance with applicable environmental and worker protection laws and regulations, management cannot provide assurance that future changes in such laws or their enforcement, or the nature of our operations will not require us to

make significant additional expenditures to ensure continued compliance. Further, we could incur substantial costs, including costs to reduce air emissions, clean-up costs, fines and sanctions, and third-party property damage or personal injury claims as a result of violations of or liabilities under environmental laws, relevant common law or the environmental permits required for our operations.

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New regulations or more stringent enforcement of existing requirements could also result in additional compliance costs. For example, various governments have enacted or are considering enactment of laws to reduce emissions of carbon dioxide and other so-called greenhouse gases ("GHG"). In particular, the U.S. Environmental Protection Agency (the "EPA") has promulgated regulations that require certain of our facilities to report annual GHG emissions and require operating permits to be issued for certain of our facilities. In the absence of a national price for carbon-based air pollutant emissions, new legislation from Congress, or information relative to additional regulation from the EPA, we are not in a position at this time to estimate the costs which may result from these or similar actions.

United States

Under some environmental laws in the United States, a current or previous owner or operator of a contaminated site may be held liable for the entire cost of investigation, removal or remediation of regulated materials at such property, whether or not the owner or operator knew of, or was responsible for, the presence of such regulated materials. Persons who arrange for disposal or treatment of hazardous materials also may be liable for the costs of investigation, removal or remediation of those substances at a disposal or treatment site, regardless of whether the affected site is owned or operated by them. Because we own and/or operate a number of facilities that have a history of industrial or commercial use and because we arrange for the disposal of regulated materials at many disposal sites, we may and do incur costs for investigation, removal and remediation.

The Asset Purchase Agreement for the Boeing Acquisition, referred to herein as the "Asset Purchase Agreement", provides, with limited exceptions, that Boeing is responsible for environmental liabilities relating to conditions existing at the Wichita, Kansas and Tulsa and McAlester, Oklahoma facilities as of the Boeing Acquisition date. For example, Boeing is subject to an administrative consent order issued by the Kansas Department of Health and Environment, or KDHE, to contain and clean up contaminated groundwater, which underlies a majority of the Wichita site. Pursuant to the KDHE order, Boeing has a long-term remediation plan in place, and containment and remediation efforts are underway. We are responsible for any environmental conditions that we cause at these facilities following the Boeing Acquisition.

United Kingdom

In the United Kingdom, remediation of contaminated land may be compelled by the government in certain situations. If a property is to be redeveloped, the local authority, in its planning role, may require remediation as a condition to issuing a permit. In addition, in situations in which the contamination is causing harm to human health or polluting the environment, the local authority may use its environmental legislative powers to force remediation so that the impacted areas are "suitable for use." If contamination is polluting the property of a third party or causing loss, injury or damage, the third party may file an action against the owner or operator of the source in common law based on negligence or nuisance to recover the value of the loss, injury or damage sustained.

Other International Sites

Our interests in other international sites are subject to foreign government environmental laws and regulations. It is our policy and practice to comply with all requirements, both domestic and international. We believe that our procedures are properly designed to prevent unreasonable risk of environmental damage and resulting financial liability in connection with our business.

Employees

At December 31, 2016, we had approximately 14,400 employees; 12,700 located in our four U.S. facilities, 900 located in our two U.K. facilities, 700 located in our Malaysia facilities and 100 in our French facilities.

Our principal U.S. collective bargaining agreements were with the following unions as of December 31, 2016:

Union	Percent of our U.S. Employees Represented	Status of the Agreements with Major Union
The International Association of Machinists and Aerospace Workers (IAM)	56%	We have two major agreements; one expiring in June 2020 and one in December 2024.
The Society of Professional Engineering Employees in Aerospace (SPEEA)	20%	We have two major agreements; one expiring in December 2018 and one in

		January 2021.
The International Union, Automobile, Aerospace and Agricultural Implement Workers of America (UAW)	10%	We have one major agreement expiring in November 2020.
The International Brotherhood of Electrical Workers (IBEW)	1%	We have one major agreement expiring in September 2020.

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Approximately 69% of our U.K. employees are represented by one union, Unite (Amicus Section). In 2013, the Company negotiated two separate ten-year pay agreements, with the Manual Staff bargaining and the Monthly Staff bargaining groups of the Unite union. These agreements fundamentally cover basic pay and variable at risk pay, while other employee terms and conditions generally remain the same from year to year until both parties agree to change them. The current pay agreements expire December 31, 2022.

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

We consider our relationships with our employees to be satisfactory.

Government Contracts

Companies engaged in supplying defense-related equipment and services to U.S. Government agencies, either directly or by subcontract, are subject to business risks specific to the defense industry. These risks include the ability of the U.S. Government to unilaterally: (1) suspend or debar us from receiving new prime contracts or subcontracts; (2) terminate existing contracts; (3) reduce the value of existing contracts; (4) audit our contract-related costs and fees, including allocated indirect costs; and (5) control and potentially prohibit the export of our products.

Most U.S. Government contracts for which we subcontract can be terminated by the U.S. Government either for its convenience or if the prime contractor defaults by failing to perform under the contract. In addition, the prime contractor typically has the right to terminate our subcontract for its convenience or if we default by failing to perform under the subcontract. Termination for convenience provisions generally provide only for our recovery of costs incurred or committed, settlement expenses and profit on the work completed prior to termination. Termination for default provisions generally provide for the subcontractor to be liable for excess costs incurred by the prime contractor in procuring undelivered items from another source.

In order to be eligible to perform on U.S. Government classified contracts, Spirit holds a facility security clearance ("FCL") at the "Secret" level. As a cleared entity, Spirit must comply with the requirements of the National Industrial Security Program Operating Manual ("NISPOM") and any other applicable U.S. Government industrial security regulations. Failure to follow the requirements of the NISPOM or any other applicable U.S. Government industrial security regulations could, among other things, result in termination of Spirit's FCL, which in turn would preclude us from being awarded classified contracts or, under certain circumstances, performing on our existing classified contracts.

A portion of our defense business is classified by the U.S. Government and cannot be specifically described. The operating results of these classified contracts are included in our consolidated financial statements. The business risks associated with classified contracts historically have not differed materially from those of our other U.S. Government contracts. Our internal controls addressing the financial reporting of classified contracts are consistent with our internal controls for our non-classified contracts.

Governmental Regulations

The commercial aircraft component industry is highly regulated by the Federal Aviation Administration, or FAA, in the United States, the Joint Aviation Authority, or JAA, in Europe and other agencies throughout the world. The military aircraft component industry is governed by military quality specifications. We, and the components we manufacture, are required to be certified by one or more of these entities or agencies, and, in some cases, by individual OEMs, to engineer and service parts and components used in specific aircraft models.

We must also satisfy the requirements of our customers, including OEMs and airlines that are subject to FAA regulations, and provide these customers with products and services that comply with the government regulations applicable to commercial flight operations. In addition, the FAA requires that various maintenance routines be performed on aircraft components. We believe that we currently satisfy or exceed these maintenance standards in our repair and overhaul services. We also maintain several FAA-approved repair stations.

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

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

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Available Information

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

We make available through our Internet website, under the heading "Investor Relations", our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements and amendments to those reports after we electronically file such materials with the Securities and Exchange Commission ("SEC").

Copies of our key corporate governance documents, including our Corporate Governance Guidelines, Code of Ethics and Business Conduct, Transactions with Related Persons Policy, Finance Code of Professional Conduct and charters for our Audit Committee, Risk Committee, Compensation Committee and Corporate Governance and Nominating Committee are also available on our website.

Our filed Annual and Quarterly Reports, Proxy Statement and other reports previously filed with the SEC are also available to the public through the SEC's website at http://www.sec.gov. Materials we file with the SEC may also be read and copied at the SEC's Public Reference Room at 100 F Street, NE, Washington D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330.

Item 1A. Risk Factors

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

Risk Factors Related to Our Business and Industry

Our commercial business is cyclical and sensitive to commercial airlines' profitability. The business of commercial airlines is, in turn, affected by global economic conditions and geo-political considerations.

We compete in the aerostructures segment of the aerospace industry. Our customers' business, and therefore our own, is directly affected by the financial condition of commercial airlines and other economic factors, including global economic conditions and geo-political considerations that affect the demand for air transportation. Specifically, our commercial business is dependent on the demand from passenger airlines and cargo carriers for the production of new aircraft. Accordingly, demand for our commercial products is tied to the worldwide airline industry's ability to finance the purchase of new aircraft and the industry's forecasted demand for seats, flights, routes and cargo capacity. Availability of financing to non-U.S. customers depends in part on the Export-Import Bank of the United States (the "Ex-Im Bank"). The Ex-Im Bank's Charter expired on June 30, 2015 but was reauthorized in December 2015 and is authorized through September 30, 2019. However, until the U.S. Senate confirms members sufficient to reconstitute a quorum of the Ex-Im Bank's board of directors, it will not be able to approve any transaction totaling more than $10.0 million. Additionally, the size and age of the worldwide commercial aircraft fleet affects the demand for new aircraft and, consequently, for our products. Such factors, in conjunction with evolving economic conditions, cause the market in which we operate to be cyclical to varying degrees, thereby affecting our business and operating results.

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

Our business could be materially adversely affected if one of our components causes an aircraft accident.

Our operations expose us to potential liabilities for personal injury or death as a result of the failure of an aircraft component that has been designed, manufactured or serviced by us or our suppliers. While we believe that our liability

insurance coverage is sufficient to protect us in the event of future product liability claims, it may not be adequate. Also, we may not be able to maintain insurance coverage in the future at an acceptable cost. Any such liability not covered by insurance or for which third-party indemnification is not available could require us to dedicate a substantial portion of our cash flows to make payments on such liability, which could have a material adverse effect on our business, financial condition and results of operations.

An accident caused by one of our components could also damage our reputation for quality products. We believe our customers consider safety and reliability as key criteria in selecting a provider of aerostructures. If an accident were to be caused by one of

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our components, or if we were to otherwise fail to maintain a satisfactory record of safety and reliability, our ability to retain and attract customers could be materially adversely affected.

Our business could be materially adversely affected by product warranty obligations.

Our operations expose us to potential liability for warranty claims made by customers or third parties with respect to aircraft components that have been designed, manufactured, or serviced by us or our suppliers. Material product warranty obligations could have a material adverse effect on our business, financial condition and results of operations.

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, 2016, approximately 81% and 15% 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.

Our largest customer, Boeing, operates in a very competitive business environment.

Boeing operates in a highly competitive industry. Competition from Airbus, Boeing's main competitor, as well as from regional jet makers and other foreign manufacturers of commercial single-aisle aircraft, has intensified as these competitors expand aircraft model offerings and competitively price their products. As a result of this competitive environment, Boeing continues to face pressure on product offerings and sale prices. While we do have supply agreements with Airbus, we currently have substantially more business with Boeing and thus any adverse effect on Boeing's production of aircraft resulting from this competitive environment may have a material adverse effect on our business, financial condition and results of operations.

Our business depends, in large part, on sales of components for a single aircraft program, the B737.

For the twelve months ended December 31, 2016, approximately 46% of our net revenues were generated from sales of components to Boeing for the B737 aircraft. While we have entered into long-term supply agreements with Boeing to continue to provide components for the B737 for the life of the aircraft program, including commercial and the military P-8 derivatives, Boeing does not have any obligation to purchase components from us for any replacement for the B737 that is not a commercial derivative model. If we were unable to obtain significant aerostructures supply business for any B737 replacement program, our business, financial condition and results of operations could be materially adversely affected.

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

While we have entered into long-term supply agreements with Boeing to provide components for the B737, B747, B767 and B777 and their commercial derivatives for the life of these aircraft programs, Boeing does not have any obligation to purchase components from us for any subsequent variant of these aircraft that is not a commercial derivative as defined by the Supply Agreement. Boeing has publicly announced its intention to update the B777 with a next-generation twin-engine aircraft program currently named the Boeing 777X. If the changes to the aircraft are later deemed significant enough to disqualify it as a commercial derivative of the B777 under the Supply Agreement, or Boeing successfully establishes it is not capable of being FAA certificated by amendment to an existing Type Certification through addition of a new minor model or by a Supplemental Type Certificate, there is a risk that we may not be engaged by Boeing on the 777X to generally the same extent of Spirit's involvement in the B777,

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or at all. If we are unable to obtain significant aerostructures supply business for any update or replacement program for the B777 or any other aircraft program for which we provide significant content, our business, financial condition and results of operations could be materially adversely affected.

We may be required to repay Boeing up to approximately $427.5 million of advance payments related to the B787 Supply Agreement. The advances must be repaid in the event that Boeing does not take delivery of a sufficient number of shipsets prior to the termination of the aircraft 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. Advance repayments were scheduled to be spread evenly over the remainder of the first 1,000 B787 shipsets delivered to Boeing, except that advance repayments were suspended from April 1, 2014 through March 31, 2015 and any repayments that otherwise would have become due during such 12-month period will be made by offset against the purchase price for shipset 1,001 through 1,120.

In the event Boeing does not take delivery of a sufficient number of shipsets to repay the full amount of advances prior to the termination of the B787 program or the B787 Supply Agreement, any advances not then repaid will be applied against any outstanding payments then due by Boeing to us, and any remaining balance will be repaid in annual installments of $42.0 million on December 15th of each year until the advance payments have been fully recovered by Boeing.

Accordingly, portions of the advance repayment liability are included as current and long-term liabilities in our consolidated balance sheet. As of December 31, 2016, the amount of advance payments received by us from Boeing under the B787 Supply Agreement and not yet repaid was approximately $427.5 million.

We may be required to repay Airbus up to approximately $113.8 million of advance payments. The advances must be repaid in the event that Airbus does not take delivery of a sufficient number of shipsets prior to the date set out in the advance agreement.

In February 2012, Spirit and Airbus entered into an agreement whereby Spirit received a series of payments totaling $250.0 million, which were recorded as advance payments within our consolidated balance sheet.

The agreement provides for repayment of the $250.0 million in cash advances made by Airbus to be offset against the purchase price of the first 200 Section 15 A350 XWB shipsets delivered to Airbus prior to December 31, 2017. Under the terms of the agreement, if in the course of 2016, Airbus, in its reasonable opinion, had anticipated 200 units would not be ordered and paid for by the end of 2017, both Airbus and Spirit would agree on a revised repayment amount to ensure the entire advance is repaid prior to December 31, 2017. In no circumstance would the repayment amount exceed the recurring price of each shipset. We received no indication from Airbus in 2016 that it anticipated 200 units would not be ordered and paid for by the end of 2017.

Portions of the advance repayment liability are included as current and long-term liabilities in our consolidated balance sheet. As of December 31, 2016, the amount of advance payments received by us from Airbus under the advance agreement and not yet repaid was approximately $113.8 million.

The profitability of certain of our new and maturing programs depends significantly on the assumptions surrounding satisfactory settlement of claims and assertions.

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

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

New or maturing programs with new technologies typically carry risks associated with design responsibility, development of new production tools, hiring and training of qualified personnel, increased capital and funding commitments, ability to meet customer specifications, delivery schedules and unique contractual requirements,

supplier performance, ability of the customer to meet its contractual obligations to us, and our ability to accurately estimate costs associated with such programs. In addition, any new or maturing aircraft program may not generate sufficient demand or may experience technological problems or significant delays in the regulatory certification or manufacturing and delivery schedule. If we were unable to perform our obligations under new or maturing programs to the customer's satisfaction or manufacture products at our estimated costs, if we were to experience unexpected fluctuations in raw material prices or supplier problems leading to cost overruns, if we were unable to successfully perform under revised design and manufacturing plans or successfully resolve claims and assertions, or if a new or maturing

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program in which we had made a significant investment was terminated or experienced weak demand, delays or technological problems, our business, financial condition and results of operations could be materially adversely affected. Some of these risks have affected our maturing programs to the extent that we have recorded significant forward losses and maintain certain of our maturing programs at zero or low margins due to our inability to overcome the effects of these risks. We continue to face similar risks as well as the potential for default, quality problems, or inability to meet weight requirements and these could result in continued zero or low margins or additional forward losses, and the risk of having to write-off additional inventory if it were deemed to be unrecoverable over the life of the program. In addition, beginning new work on existing programs also carries risks associated with the transfer of technology, knowledge and tooling.

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

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

The Company recognizes revenue under the contract method of accounting and estimates revenue and cost for contract blocks that span a period of multiple years. The contract method of accounting requires judgment on a number of underlying assumptions to develop our estimates. Due to the significant length of time over which revenue streams are generated, the variability of future period estimated revenue and cost may be adversely affected if circumstances or underlying assumptions change. For additional information on our accounting policies for recognizing revenue and profit, please see our discussion under “Management’s Discussion and Analysis - Critical Accounting Policies” in this Form 10-K.

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

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

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

On October 8, 2016 the Company's Kinston, North Carolina site operations were temporarily shut down due to the aftermath of Hurricane Matthew which disrupted utility service to the site and caused flooding around the streets and highways surrounding the facility (the "Event"). The Company immediately implemented its emergency management and disaster recovery plans, initially suspended operations to ensure the safety of its employees, took measures to protect property, performed a comprehensive damage evaluation, and developed a plan for systematically resuming production. The Company's work-in-process, production equipment and capabilities remained intact, and the Company resumed production with a reduced workforce on October 12, 2016.

The Company maintains broad insurance coverage for both property damage and business interruption. While the Company expects the insurance proceeds would be sufficient to cover most of the business interruption expenses,

certain deductibles and limitations will apply and no assurance can be made that all recovery costs will be covered.

We actively consider divestitures from time to time. Engagement in divestiture activity could disrupt our business and present risks not contemplated at the time of the divestiture.

Divestitures which we may pursue could involve numerous potential risks, including the following:

- difficulties in the separation of operations, services, products and personnel;
- diversion of resources and management's attention from the operation of our business;
- loss of key employees;
- damage to our existing customer, supplier and other business relationships;

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- negative effects on our reported results of operations from disposition-related charges, amortization expenses related to intangibles and/or charges for impairment of long-term assets;
- the need to agree to retain or assume certain current or future liabilities in order to complete the divestiture; and
- the expenditure of substantial legal and other fees, which may be incurred whether or not a transaction is consummated.

As a result of the aforementioned risks, among others, the pursuit of any divestiture may not lead to increased stockholder value.

Future commitments to our customers to increase production rates depend on our ability to expand production at our manufacturing facilities.

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

We operate in a very competitive business environment.

Competition in the aerostructures segment of the aerospace industry is intense. Although we have entered into supply agreements with Boeing and Airbus under which we are their exclusive supplier for certain aircraft parts, we will face substantial competition from both OEMs and non-OEM aerostructures suppliers in trying to expand our customer base and the types of parts we make.

OEMs may choose not to outsource production of aerostructures due to, among other things, their own direct labor and other overhead considerations and capacity utilization at their own facilities. Consequently, traditional factors affecting competition, such as price and quality of service, may not be significant determinants when OEMs decide whether to produce a part in-house or to outsource.

Our principal competitors among non-OEM aerostructures suppliers are Aernnova, Aircelle S.A., Fuji Heavy Industries, Ltd., GKN Aerospace, Kawasaki Heavy Industries, Inc., Mitsubishi Heavy Industries, Nordam, Sonaca, Triumph Group, Inc., Latecoere S.A., and Nexcelle. Some of our competitors have greater resources than we do and, therefore, may be able to adapt more quickly to new or emerging technologies and changes in customer requirements, or devote greater resources to the promotion and sale of their products than we can. Providers of aerostructures have traditionally competed on the basis of cost, technology, quality and service. We believe that developing and maintaining a competitive advantage will require continued investment in product development, engineering, supply-chain management and sales and marketing, and we may not have enough resources to make such investments. For these reasons, we may not be able to compete successfully in this market or against our competitors, which could have a material adverse effect on our business, financial condition and results of operations.

High switching costs may substantially limit our ability to obtain business that is currently under contract with other suppliers.

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

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

Our financial performance is affected by the availability of qualified personnel and the cost of labor. A majority of our workforce is represented by unions. If our workers were to engage in a strike, work stoppage or other slowdown, we could experience a significant disruption of our operations, which could cause us to be unable to deliver products to our customers on a timely basis and could result in a breach of our supply agreements. This could result in a loss of business and an increase in our operating expenses, which could have a material adverse effect on our business, financial condition and results of operations. In addition,

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our non-unionized labor force may become subject to labor union organizing efforts, which could cause us to incur additional labor costs and increase the related risks that we now face.

We have certain commitments to keep major programs in Wichita, Kansas until 2020 in certain circumstances. This may prevent us from being able to offer our products at prices that are competitive in the marketplace and could have a material adverse effect on our ability to generate new business.

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

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

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

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

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

Our business is subject to regulation in the United States and internationally.

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

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

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

A determination that we have failed to comply with one or more of these export controls or trade sanctions could result in civil or criminal penalties, including the imposition of fines upon us as well as the denial of export privileges and debarment from participation in U.S. government contracts. Additionally, restrictions may be placed on the export

of technical data and goods in the future as a result of changing geopolitical conditions. Any one or more of such sanctions could have a material adverse effect on our business, financial condition and results of operations.

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

Our operations are subject to extensive regulation under environmental, health and safety laws and regulations in the United States and other countries in which we operate. We may be subject to potentially significant fines or penalties, including criminal sanctions, if we fail to comply with these requirements. We have made, and will continue to make, significant capital and other

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expenditures to comply with these laws and regulations. We cannot predict with certainty what environmental legislation will be enacted in the future or how existing laws will be administered or interpreted. Our operations involve the use of large amounts of hazardous substances and regulated materials and generate many types of wastes, including emissions of hexavalent chromium and volatile organic compounds, and so-called greenhouse gases such as carbon dioxide. Spills and releases of these materials may subject us to clean-up liability for remediation and claims of alleged personal injury, property damage and damage to natural resources, and we may become obligated to reduce our emissions of hexavalent chromium, volatile organic compounds and/or greenhouse gases. We cannot give any assurance that the aggregate amount of future remediation costs and other environmental liabilities will not be material.

Boeing, our predecessor at the Wichita facility, is under an administrative consent order issued by the Kansas Department of Health and Environment to contain and remediate contaminated groundwater, which underlies a majority of our Wichita facility. Pursuant to this order and its agreements with us, Boeing has a long-term remediation plan in place, and treatment, containment and remediation efforts are underway. If Boeing does not comply with its obligations under the order and these agreements, we may be required to undertake such efforts and make material expenditures.

In connection with the BAE Acquisition, we acquired a manufacturing facility in Prestwick, Scotland that is adjacent to contaminated property retained by BAE Systems. The contaminated property may be subject to a regulatory action requiring remediation of the land. It is also possible that the contamination may spread into the property we acquired. BAE Systems has agreed to indemnify us, subject to certain contractual limitations and conditions, for certain clean-up costs and other losses, liabilities, expenses and claims related to existing pollution on the acquired property, existing pollution that migrates from the acquired property to a third party's property and any pollution that migrates to our property from property retained by BAE Systems. If BAE Systems does not comply with its obligations under the BAE Acquisition agreement, we may be required to undertake such efforts and make material expenditures.

In the future, contamination may be discovered at or emanating from our facilities or at off-site locations where we send waste. The remediation of such newly discovered contamination, related claims for personal injury or damages, or the enactment of new laws or a stricter interpretation of existing laws, may require us to make additional expenditures, some of which could be material. See "Business — Environmental Matters".

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

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the SEC has adopted rules regarding certain minerals and metals, known as conflict minerals, originating from the Democratic Republic of Congo (DRC) and adjoining countries. These rules include annual due diligence, disclosure and reporting requirements for those companies that manufacture or contract to manufacture products that contain such conflict minerals. We have, and expect to continue to, incur additional costs and expenses, which may be significant, in order to comply with these rules, including for due diligence to determine whether conflict minerals are necessary to the functionality or production of any of our products and, if so, to verify the sources of such conflict minerals; and to implement any changes we deem necessary to our products, processes, or sources of supply as a result of such diligence and verification activities. Compliance with these rules could adversely affect the sourcing, supply and pricing of materials used in certain of our products. As there may be only a limited number of suppliers offering conflict minerals from sources outside of the DRC or adjoining countries, or that have been independently verified as not funding armed conflict in those countries, we cannot assure that we will be able to obtain such verified minerals from such suppliers in sufficient quantities or at competitive prices. Since our supply chain is complex, we may not ultimately be able to sufficiently verify the origin of the conflict minerals used in our products through the due diligence procedures that we implement, which may adversely affect our reputation with our customers, shareholders, and other stakeholders. In such event, we may also face difficulties in satisfying customers who require that all of the components in our products be certified as “conflict free.” If we are not able to meet such requirements, customers may choose to disqualify us as a supplier, which may require us to write off inventory that cannot be sold. Any one or a combination of these factors could harm our business, reduce market demand for our products, and adversely affect

our profit margins, net sales, and overall financial results. We may face similar risks in connection with any other regulations focusing on social responsibility or ethical sourcing that may be adopted in the future.

Significant consolidation in the aerospace industry could make it difficult for us to obtain new business.

Suppliers in the aerospace industry have consolidated and formed alliances to broaden their product and integrated system offerings and achieve critical mass. This supplier consolidation is in part attributable to aircraft manufacturers more frequently awarding long-term sole-source or preferred supplier contracts to the most capable suppliers, thus reducing the total number of suppliers. If this consolidation were to continue, it may become more difficult for us to be successful in obtaining new customers.

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We may be materially adversely affected by high fuel prices.

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

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

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

Moreover, we are dependent upon the ability of our suppliers to provide materials and components that meet specifications, quality standards and delivery schedules. Our suppliers' failure to provide expected raw materials or component parts that meet our technical specifications could adversely affect production schedules and contract profitability. We may not be able to find acceptable alternatives, and any such alternatives could result in increased costs for us and possible forward losses on certain contracts. Even if acceptable alternatives are found, the process of locating and securing such alternatives might be disruptive to our business and might lead to termination of our supply agreements with our customers.

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

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

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

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

In order to be successful, we must attract, retain, train, motivate, develop and transition qualified executives and other key employees, including those in managerial, manufacturing and engineering positions. Identifying, developing

internally or hiring externally, training and retaining qualified executives and engineers are critical to our future, and competition for experienced employees in the aerospace industry, and in particular in Wichita, Kansas where the majority of our manufacturing and executive offices are located, can be intense. In order to attract and retain executives and other key employees in a competitive marketplace,

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we must provide a competitive compensation package, including cash- and share-based compensation. A significant portion of our cash-based incentive compensation is conditioned on our achievement of certain designated financial performance targets, and a portion of our share-based incentive awards is conditioned on our achievement of certain designated financial performance targets and our stock price performance, which makes the size of a particular year's awards uncertain. If employees do not receive share-based incentive awards with a value they anticipate, if our share-based compensation otherwise ceases to be viewed as a valuable benefit, if our total compensation package is not viewed as being competitive, or if we do not obtain the shareholder approval needed to continue granting share-based incentive awards in the amounts we believe are necessary, our ability to attract, retain, and motivate executives and key employees could be weakened. The failure to successfully hire executives and key employees or the loss of any executives and key employees could have a significant impact on our operations. Further, changes in our management team may be disruptive to our business and any failure to successfully transition and assimilate key new hires or promoted employees could adversely affect our business and results of operations.

We are subject to the requirements of the National Industrial Security Program Operating Manual ("NISPOM") for our Facility Security Clearance ("FCL"), which is a prerequisite for our ability to perform on classified contracts for the U.S. Government.

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

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

We derive a significant portion of our revenues from sales by Boeing and Airbus to customers outside the United States. In addition, for the twelve months ended December 31, 2016, direct sales to our non-U.S. customers accounted for approximately 17% of our net revenues. We expect that our and our customers' international sales will continue to account for a significant portion of our net revenues for the foreseeable future. As a result, we are subject to risks of doing business internationally, including:

- changes in regulatory requirements;
- domestic and foreign government policies, including requirements to expend a portion of program funds locally and governmental industrial cooperation requirements;
- fluctuations in foreign currency exchange rates;
- the complexity and necessity of using foreign representatives and consultants;
- uncertainties and restrictions concerning the availability of funding credit or guarantees;
- imposition of tariffs and embargos, export controls and other trade restrictions;
- the difficulty of management and operation of an enterprise spread over various countries;
- compliance with a variety of foreign laws, as well as U.S. laws affecting the activities of U.S. companies abroad, including the Foreign Corrupt Practices Act, the U.K. Bribery Act and other applicable anti-bribery laws; and
- economic and geopolitical developments and conditions, including international hostilities, acts of terrorism and governmental reactions, inflation, trade relationships and military and political alliances.

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

Our fixed-price contracts and requirements to re-negotiate pricing at specified times may commit us to unfavorable terms.

We provide most of our products and services through long-term contracts in which the pricing terms are fixed based on certain production volumes. Accordingly, there is the risk that we will not be able to sustain a cost structure that is consistent with assumptions used in bidding on contracts. Increased or unexpected costs may reduce our profit

margins or cause us to sustain losses on these contracts. Other than certain increases in raw material costs which can be passed on to our customers, in most instances we must fully absorb cost overruns, notwithstanding the difficulty of estimating all of the costs we will incur in performing

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these contracts and in projecting the ultimate level of sales that we may achieve. Our failure to anticipate technical problems, estimate delivery reductions, estimate costs accurately or control costs during performance of a fixed-price contract may reduce the profitability of a contract or cause a loss.
This risk particularly applies to products such as the Boeing B787, in respect of which our performance at the contracted price depends on our being able to achieve production cost reductions as we gain production experience (although Spirit can recoup from Boeing half of any overruns within a certain percentage of shipset prices). When we initially negotiated the B787-8 pricing, we assumed that a contractually mandated joint-effort by Boeing and Spirit to reduce costs and increase production efficiency, as well as favorable trends in volume, learning curve efficiencies and future pricing from suppliers would reduce our production costs over the life of the B787 program, thus maintaining or improving the margin on each B787 we produced. Pricing for the initial configuration of the B787-8 is generally established through 2021, with prices decreasing as cumulative volume levels are achieved. Prices are subject to adjustment for abnormal inflation (above a specified level in any year) and for certain production, schedule and other specific changes. 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"), Boeing and Spirit established interim prices for certain B787 shipsets, and the parties agreed to negotiate future rate increases, recurring prices, and other issues across multiple programs during 2015. Since we were unable to reach agreement with Boeing on these issues by the end of 2015, once the parties agree upon appropriate pricing for the B787-9, Boeing will be entitled to a retroactive adjustment on certain B787 payments which were based on the interim pricing. The amount we received that is subject to a retroactive adjustment was recorded as deferred revenue, and has not been recognized by us as revenue. 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 rate investments, and our ability to achieve forecasted cost improvements on all B787 models, are key factors in achieving the projected financial performance for this program. Additionally, we cannot give any assurance that our development of new technologies or capabilities will be successful or that we will be able to reduce our B787 production costs over the life of the program. A failure to reduce production costs or to obtain pricing as we have anticipated could result in the need to record additional forward losses for this program.
Many of our other production cost estimates also contain pricing terms which anticipate cost reductions over time. In addition, although we have entered into these fixed price contracts with our customers, they may nonetheless seek to re-negotiate pricing with us in the future. Any such higher costs or re-negotiations could materially adversely affect our profitability, margins and revenues.
Certain of our long-term supply agreements provide for re-negotiation of established pricing terms at specified times. In particular, pricing terms under our supply agreement with Boeing for the B737, B747, B767 and B777 programs, which accounted for 65% of our net revenues in 2016, expired in May 2013, thus activating interim pricing provisions under the Supply Agreement.

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. The pricing terms were not applied to the period prior to April 1, 2014 and did not apply to the 737 MAX, for which recurring pricing has not yet been agreed. Since the parties were unable to agree upon pricing on the B737, B747, B767 and B777 programs for the periods beyond 2015, an interim payment mechanism was triggered for deliveries under the supply contract commencing January 1, 2016. This interim payment mechanism is based upon existing prices, adjusted using a quantity-based price adjustment formula and specified annual escalation. The interim payment mechanism is subject to adjustment when follow-on pricing is agreed upon. 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.

If we agree on future pricing that provides us with operating margins that are lower than those which we currently experience, or if we are unable to agree on future pricing terms and the default pricing terms remain in effect for an extended period of time, our business, financial condition and results of operations could be materially adversely affected.

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

We are involved in a number of litigation matters. These claims may divert financial and management resources that would otherwise be used to benefit our operations. No assurances can be given that the results of these matters will be favorable to us. An adverse resolution of any of these lawsuits could have a material impact on our financial position and results of operations. In addition, we are sometimes subject to government inquiries and investigations of our business due, among other things, to the

heavily regulated nature of our industry and our participation on government programs. Any such inquiry or investigation could potentially result in an adverse ruling against us, which could have a material impact on our financial position and operating results.

If we are unable to protect our information technology infrastructure against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.

We rely on information technology networks and systems to manage and support a variety of business activities, including procurement and supply chain, engineering support, and manufacturing. Our information technology systems, some of which are managed by third-parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. In addition, security failures or breaches could result in unauthorized disclosure of confidential information. If our information technology systems suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, our manufacturing process could be disrupted, resulting in late deliveries or even no deliveries if there is a total shutdown.

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

Our business depends on using certain intellectual property and tooling that we have rights to use under license grants from Boeing. These licenses contain restrictions on our use of Boeing intellectual property and tooling and may be terminated if we default under certain of these restrictions. If Boeing terminates our licenses to use Boeing intellectual property or tooling as a result of default or otherwise, or fails to honor its obligations under certain licenses, our business would be materially affected. See "Business — Our Relationship with Boeing — License of Intellectual Property." In addition to the licenses with Boeing, we license some of the intellectual property needed for performance under some of our supply contracts from our customers under those supply agreements. We must honor our contractual commitments to our customers related to intellectual property and comply with infringement laws governing our use of intellectual property. In the event we obtain new business from new or existing customers, we will need to pay particular attention to these contractual commitments and any other restrictions on our use of intellectual property to make sure that we will not be using intellectual property improperly in the performance of such new business. In the event we use any such intellectual property improperly, we could be subject to an infringement claim by the owner or licensee of such intellectual property.

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

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

We spent $23.8 million on research and development during the twelve months ended December 31, 2016. Our expenditures on our research and development efforts may not create any new sales opportunities or increases in productivity that are commensurate with the level of resources invested.

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

Any future business combinations, acquisitions, mergers, or joint ventures will expose us to risks, including the risk that we may not be able to successfully integrate these businesses or achieve expected operating synergies.

We actively consider strategic transactions from time to time. We evaluate acquisitions, joint ventures, alliances and co-production programs as opportunities arise, and we may be engaged in varying levels of negotiations with potential competitors at any time. We may not be able to effect transactions with strategic alliance, acquisition or co-production program candidates on commercially reasonable terms or at all. If we enter into these transactions, we also may not realize the benefits we anticipate. In addition, we may not be able to obtain additional financing for these transactions.

The integration of companies that have previously been operated separately involves a number of risks, including, but not limited to:

- demands on management related to the increase in size after the transaction;
- the diversion of management's attention from the management of daily operations to the integration of operations;
- difficulties in the assimilation and retention of employees;
- difficulties in the assimilation of different cultures and practices, as well as in the assimilation of geographically dispersed operations and personnel, who may speak different languages;

- difficulties combining operations that use different currencies or operate under different legal structures;
- difficulties in the integration of departments, systems (including accounting systems), technologies, books and records and procedures, as well as in maintaining uniform standards, controls (including internal accounting controls), procedures and policies;
- compliance with the Foreign Corrupt Practices Act, the U.K. Bribery Act and other applicable anti-bribery laws; and
- constraints (contractual or otherwise) limiting our ability to consolidate, rationalize and/or leverage supplier arrangements to achieve integration.

Consummating any acquisitions, joint ventures, alliances or co-production programs could result in the incurrence of additional debt and related interest expense, as well as unforeseen contingent liabilities.

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

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

Our business jet programs are sensitive to consumer preferences in the business jet market.

Our business jet program success is tied to demand for products from the manufacturers with whom we contract. The business jet market is impacted by consumer preference for different business jet models. If demand for new aircraft from our customers decreases, there would likely be a corresponding decrease in demand for our business jet products, and our business, financial condition and results of operations could be materially adversely affected.

Risk Factors Related to Our Capital Structure

Our substantial debt could adversely affect our financial condition and our ability to operate our business. The terms of the indentures governing our long-term bonds and our senior credit facility impose significant operating and financial restrictions on our company and our subsidiaries, which could also adversely affect our operating flexibility and put us at a competitive disadvantage by preventing us from capitalizing on business opportunities.

As of December 31, 2016, we had total debt of $1,086.7 million, including $485.2 million of borrowings under our senior credit facility, $590.7 million of long-term bonds, a $1.0 million Malaysian loan and $9.8 million of capital lease obligations. In addition to our debt, as of December 31, 2016, we had $20.7 million of letters of guarantee outstanding.

The terms of the indentures governing our long-term bonds and our senior credit facility impose significant operating and financial restrictions on us, which limit our ability, among other things, to:

- incur additional debt or issue preferred stock;
- pay dividends or make distributions to our stockholders;
- repurchase or redeem our capital stock;
- make investments;
- incur liens;
- enter into transactions with our stockholders and affiliates;
- sell certain assets;
- acquire the assets of, or merge or consolidate with, other companies; and
- incur restrictions on the ability of our subsidiaries to make distributions or transfer assets to us.

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These restrictions could have consequences, including the following:

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

Our existing senior revolving credit facility, which matures on June 4, 2021, is a significant source of liquidity for our business. The failure to extend or renew this agreement could have a significant effect on our ability to invest sufficiently in our programs, fund day to day operations, or pursue strategic opportunities.

We cannot assure you that we will be able to maintain compliance with the covenants in the agreements governing our indebtedness in the future or, if we fail to do so, that we will be able to obtain waivers from the lenders and/or amend the covenants.

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

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

Global credit markets are subject to numerous risk factors, including but not limited to concerns over sovereign debt in Europe and elsewhere; the impact and effectiveness of new financial legislation and regulation in the United States and Europe; the impact of those reforms on borrowers, financial institutions and credit rating agencies; potential systemic risk resulting from the interrelationship of credit market products and participants; global governmental and central banking policies; and conflict and political instability in the Middle East and Asia. There can be no assurance that access to credit markets will continue to be available to us.

Any reduction in our credit ratings could materially and adversely affect our business or financial condition.

As of December 31, 2016, our corporate credit ratings were BBB- by Standard & Poor's Financial Services LLC ("S&P"), and Baa3 by Moody's Investors Services, Inc. ("Moody's").

The ratings reflect the agencies' assessment of our ability to pay interest and principal on our debt securities and credit agreements. A rating is not a recommendation to purchase, sell or hold securities. Each rating is subject to revision or withdrawal at any time by the assigning rating organization. Each rating agency has its own methodology for assigning ratings and, accordingly, each rating should be considered independently of all other ratings. Lower ratings would typically result in higher interest costs of debt securities when they are sold, could make it more difficult to issue future debt securities, and would require us to pledge collateral under our senior credit facility including substantially all property, plant, and equipment. In addition, a downgrade in our fixed or revolving long-term debt rating could result in an increase in borrowing costs under our senior secured credit facility and could trigger a prepayment obligation based on the excess cash flow prepayment provision under our term loan depending on our total leverage ratio. Any downgrade in our credit ratings could thus have a material adverse effect on our business or financial condition.

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

Our business plan may require the investment of new capital, which we may raise by issuing additional equity (including equity interests which may have a preference over shares of our class A common stock) or additional debt (including debt securities and/or bank loans). However, this capital may not be available at all, or when needed, or upon terms and conditions favorable to us. The issuance of additional equity in Spirit Holdings may result in significant dilution of shares of our class A common stock. We may issue additional equity in connection with or to finance acquisitions. Further, our subsidiaries could issue securities in the future to persons or entities (including our affiliates) other than us or another subsidiary. This could materially adversely affect your investment in us because it would dilute your indirect ownership interest in our subsidiaries.

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

Provisions of Spirit Holdings' certificate of incorporation and by-laws may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace or remove our current board of directors. These provisions include:

- advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- the authority of the board of directors to issue, without stockholder approval, up to 10 million shares of preferred stock with such terms as the board of directors may determine and an additional 54,421,352 shares of class A common stock (net of shares issued but subject to vesting requirements under our benefit plans.

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

Our stock price may be volatile.

Price fluctuations in our class A common stock could result from general market and economic conditions and a variety of other factors, including:

- actual or anticipated fluctuations in our operating results;
- changes in aerostructures pricing;
- our competitors' and customers' announcements of significant contracts, acquisitions or strategic investments;
- changes in our growth rates or our competitors' and customers' growth rates;
- the timing or results of regulatory submissions or actions with respect to our business;
- our inability to finance or raise additional capital;
- conditions of the aerostructure industry, in the financial markets, or economic conditions in general; and
- changes in stock market analyst recommendations regarding our class A common stock, other comparable companies or the aerospace industry in general.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Significant Properties

The location, primary use, approximate square footage and ownership status of our principal properties as of December 31, 2016 are set forth below:

Location	Primary Use	Approximate Square Footage	Owned/Leased
United States			
Wichita, Kansas[(1)]	Primary Manufacturing Facility/Offices/Warehouse	11.3 million	Owned/Leased
Tulsa, Oklahoma	Manufacturing Facility	1.8 million	Leased
McAlester, Oklahoma	Manufacturing Facility	139,600	Owned
Kinston, North Carolina	Primary Manufacturing/Office/Warehouse	840,000	Leased
United Kingdom			
Prestwick, Scotland	Manufacturing Facility	976,000	Owned
Malaysia			
Subang, Malaysia	Manufacturing	325,000	Owned/Leased
France			
Saint-Nazaire, France	Primary Manufacturing/Office	58,800	Leased
Toulouse, France	Office	3,400	Leased

(1) 94% of the Wichita facility is owned.

Our physical assets consist of 15.4 million square feet of building space located on 1,343 acres in eight facilities. We produce our fuselage systems and propulsion systems from our primary manufacturing facility located in Wichita, Kansas with some fuselage work done in our Kinston, North Carolina facility. We produce wing systems in our manufacturing facilities in Tulsa, Oklahoma; Kinston, North Carolina; Prestwick, Scotland; Saint-Nazaire, France; and Subang, Malaysia. In addition to these sites, we have a facility located in McAlester, Oklahoma dedicated to supplying machined parts and sub-assemblies to the Wichita and Tulsa facilities.

The Wichita facility, including Spirit's corporate offices, is comprised of 625 acres, 7.1 million square feet of manufacturing space, 1.5 million square feet of offices and laboratories for the engineering and design group and 2.6 million square feet for support functions and warehouses. A 128,000 square foot expansion of the Composite Fuselage Facility was completed in June 2016. This expansion is in support of the B787 program. Additionally, a 49,000 square foot expansion was completed in October 2016. This expansion supports Propulsion programs. A total of 341,000 square feet are currently vacant, with much of that space planned for backfill to support increases in rates. The Wichita site has access to transportation by rail, road and air. For air cargo, the Wichita site has access to the runways of McConnell Air Force Base.

The Tulsa facility consists of 1.8 million square feet of building space set on 160 acres. The Tulsa plant is located five miles from an international shipping port (Port of Catoosa) and is located next to the Tulsa International Airport. In December 2014 Spirit transferred the Gulfstream G280 and G650 wing packages to Triumph Group Inc. Triumph currently subleases 296,000 square feet of the Tulsa plant for manufacturing purposes. The sublease includes 261,000 square feet of manufacturing space and 35,000 square feet of office space. The McAlester site, which manufactures parts and sub-assemblies primarily for the Tulsa facility, consists of 139,600 square feet of building space on 89 acres.

The Prestwick facility consists of 976,000 square feet of building space, comprised of 514,000 square feet of manufacturing space, 254,000 square feet of office space, and 209,000 square feet of warehouse/support space. This facility is set on 100 acres. A 24,000 square foot paint complex was completed in May 2016. The Prestwick plant is located on the west coast of Scotland, approximately 33 miles south of Glasgow, within close proximity to the motorway network that provides access between England and continental Europe. It is also easily accessible by air (at

Prestwick International Airport) or by sea. We lease a portion of our Prestwick facility to the Regional Aircraft division of BAE Systems and certain other tenants.

The Malaysian manufacturing plant is located at the Malaysia International Aerospace Center (MIAC) in Subang. The 325,000 square foot leased facility is set on 45 acres and is centrally located with easy access to Kuala Lumpur, Malaysia's capital city, as well as nearby ports and airports. The facility assembles composite panels for wing components. The total square footage includes

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a 65,000 square foot warehouse and a 2,600 square foot paint storage building, both of which are owned by Spirit and were constructed in 2012 for shipping/receiving and parts storage to make room for additional manufacturing space in the existing building.
The Wichita and Tulsa manufacturing facilities have significant scale to accommodate the very large structures that are manufactured there, including, in Wichita, entire fuselages. Three of the U.S. facilities are in close proximity, with approximately 175 miles between Wichita and Tulsa and 90 miles between Tulsa and McAlester. Currently, these U.S. facilities utilize approximately 97% of the available building space. The Prestwick manufacturing facility currently utilizes only 74% of the space; of the remaining space, 15% is leased and 11% is vacant.
The Kinston, North Carolina facility supports the manufacturing of composite panels and wing components. The primary manufacturing site and off-site leased spaces total 318 acres and 840,000 square feet. In addition to the primary manufacturing facility, this includes three additional buildings leased from the NC Global Transpark Authority: a 27,800 square foot warehouse/office supporting receiving needs, a 26,400 square foot warehouse providing tooling storage, and a 121,000 square foot manufacturing facility supporting light manufacturing. An 11,500 square foot expansion to the existing Autoclave & Shipping Center was completed in October 2015.
The Saint-Nazaire, France site was built on 6.25 acres and totals 58,800 square feet. This facility receives center fuselage frame sections for the Airbus A350 XWB from the facility in Kinston, North Carolina. Sections designed and manufactured in North Carolina are shipped across the Atlantic, received in Saint-Nazaire, and assembled before being transported to Airbus. Additionally, a 3,400 square foot office area in Toulouse, France is leased for engineering support.

Item 3. Legal Proceedings

Information concerning the litigation and other legal proceedings in which the Company is involved may be found in Note 19 under the sub-heading "Litigation" in this Annual Report and that information is hereby incorporated by reference.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

Listed below are the names, ages, positions held, and biographies of all executive officers of Spirit Holdings. Executive officers hold office until their successors are elected or appointed at the next annual meeting of the Board of Directors, or until their death, retirement, resignation, or removal.
Tom C. Gentile III, 52. Mr. Gentile became President and Chief Executive Officer on August 1, 2016. From April 2016 to July 2016, Mr. Gentile served as Executive Vice President and Chief Operating Officer. From 2014 to his appointment with the Company, Mr. Gentile served as President and Chief Operating Officer of GE Capital where he oversaw GE Capital's global operations, IT and capital planning and served on its board of directors. Mr. Gentile had been employed by GE since 1998, and prior to his most recent position, held the position of President and CEO of GE Healthcare's Healthcare Systems division from 2011 until 2014 and the position of President and CEO of GE Aviation Services from 2008 until 2011. Mr. Gentile received his Bachelor of Arts degree in economics and Master of Business Administration degree from Harvard University, and also studied International Relations at the London School of Economics.
Stacy Cozad, 46. Ms. Cozad joined Spirit as Senior Vice President, General Counsel and Corporate Secretary on January 4, 2016. Prior to joining Spirit, she served as Southwest Airlines' associate general counsel for litigation from October 2006 to December 2015, overseeing all litigation for the airline. Prior to that Ms. Cozad was an associate and partner in private law practices from September 1997 to September 2006, working on high-profile litigation cases. Ms. Cozad earned a Bachelor of Arts degree in behavioral science from Concordia University Texas and her Juris Doctor degree from Pepperdine University.

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Duane Hawkins, 58. Mr. Hawkins became Senior Vice President and General Manager of Boeing and Defense Programs in July 2015. From July 2013 to June 2015, Mr. Hawkins served as Senior Vice President - Operations. In that position, he had responsibility and oversight for Defense, Supply Chain Management, Fabrication, Global Quality, and Operations, including global footprint, Manufacturing Engineering, Industrial Engineering, Lean and Tooling. Prior to joining Spirit, Mr. Hawkins was Vice President, Deputy Air Warfare Systems at Raytheon Missile Systems. From 2010 to 2012, Mr. Hawkins was Vice President, Deputy Land Combat Systems at Raytheon Missile Systems. Prior positions at Raytheon Missile Systems also include Vice President, Deputy Supply Chain Management and Standard Missile Program Director. From 1994 to 2001, Mr. Hawkins was President of Defense Research Inc., and from 1993 to 1994 he was Vice President, Engineering at the company. He was factory manager for Hughes Missile Systems/ General Dynamics from 1991 to 1993, and Chief of Manufacturing Engineering for General Dynamics Missile Systems from 1988 to1991. Mr. Hawkins holds a Bachelor of Science degree in manufacturing/industrial engineering from Brigham Young University and an MBA from Regis University.

Sanjay Kapoor, 56. Mr. Kapoor became Executive Vice President and Chief Financial Officer in August 2016. From September 2013 to July 2015, Mr. Kapoor served as Senior Vice President and Chief Financial Officer. Mr. Kapoor joined Spirit from Raytheon where he most recently served as Vice President of Integrated Air & Missile Defense for Raytheon Integrated Defense Systems (IDS). Prior to this role, Mr. Kapoor was IDS Vice President of Finance and Chief Financial Officer from 2004 to 2008. Mr. Kapoor also served as CFO at United Technologies' Pratt and Whitney Power Systems Division. His tenure at Pratt and Whitney also included roles as Director of Aftermarket Services for the Power Systems Business, controller for the Turbine Module Center and business manager for new commercial programs. Mr. Kapoor received his bachelor's degree in technology from the Indian Institute of Technology and a dual Masters of Business Administration degree in finance and entrepreneurial management from The Wharton School at the University of Pennsylvania.

Krisstie Kondrotis, 51. Ms. Kondrotis became Senior Vice President - Business Development and Business & Regional Jets in August 2016. From December 2014 to July 2016, Ms. Kondrotis served as Senior Vice President-Business Development. Prior to joining Spirit, she served as Sector Vice President for Business Development at Northrop Grumman Corporation from 2013 to December 2014, Executive Vice President for Business Development and Strategy at CACI, International from 2011 to 2013, Vice President for Business Development and Strategy at General Dynamics Information Technology - Intelligence Solutions Division from 2007 to 2011 and Director of F-22 Business Development at Lockheed Martin Corporation from 2005 to 2007. She is a Syracuse University National Security Studies fellow, and is a graduate of the Lockheed Martin Program Management Institute at Carnegie Mellon University. She holds a Masters of Business Administration in Operations Management from Regis University, Denver, Colorado, and a Bachelor of Science in Finance from University of Northern Colorado, Greeley.

Michelle J. Lohmeier, 54. Ms. Lohmeier became Senior Vice President and General Manager of Airbus Programs in June 2015. Ms. Lohmeier has extensive aerospace experience from several positions at Raytheon Company, most recently as Vice President of the Land Warfare Systems product line at Raytheon Missile Systems. In that position, Lohmeier had responsibility for the development and production of all Army and United States Marine Corps (USMC) missile programs. Previously, Ms. Lohmeier was the program director for the design, development and production implementation of the Standard Missile-6 weapon system for the United States Navy. Ms. Lohmeier also served as the production chief engineer for the AMRAAM Program. In addition, Ms. Lohmeier directed Software Engineering, where she was responsible for software development, software quality and configuration management for all Missile Systems programs. She began her career with Hughes Aircraft Company in 1985 as a system test engineer. Ms. Lohmeier earned a bachelor's degree and a master's degree in systems engineering from the University of Arizona.

Samantha J. Marnick, 46. Ms. Marnick became Executive Vice President - Chief Administration Officer in August 2016. From October 2012 to July 2016, Ms. Marnick served as Senior Vice President - Chief Administration Officer. From January 2011 to September 2012, Ms. Marnick served as Senior Vice President of Corporate Administration and Human Resources. From March 2008 to December 2010, Ms. Marnick served as Vice President Labor Relations & Workforce Strategy responsible for labor relations, global human resource project management office, compensation

and benefits, and workforce planning. Ms. Marnick previously served as Director of Communications and Employee Engagement from March 2006 to March 2008. Prior to joining the Company, Ms. Marnick was a senior consultant and Principal for Mercer Human Resource Consulting holding management positions in both the United Kingdom and in the United States. Prior to that Ms. Marnick worked for Watson Wyatt, the UK's Department of Health and Social Security and The British Wool Marketing Board. Ms. Marnick holds a master's degree from the University of Salford in Corporate Communication Strategy and Management.

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John Pilla, 57. Mr. Pilla became Senior Vice President of Engineering and Chief Technology Officer in June 2015. Prior to that, Mr. Pilla served as the Senior Vice President/General Manager - Airbus and A350 XWB Program Management from May 2013 through June 2015. Mr. Pilla previously served as the Senior Vice President/General Manager, Propulsion Systems Segment from July 2009 through May 2013 as well as the Senior Vice President/General Manager of the Wing Segment from September 2012 through May 2013. From July 2011 to May 2013, he was also responsible for the Aftermarket Customer Support Organization. From April 2008 to July 2009, Mr. Pilla was Chief Technology Officer of Spirit Holdings and he served as Vice President/General Manager-787 of Spirit Holdings and/or Spirit, a position he assumed at the date of the Boeing Acquisition in June 2005 and held until March 2008. He received his master's degree in Aerospace Structures Engineering and a Masters of Business Administration degree from Wichita State University.

Ron Rabe, 51. Mr. Rabe became a Senior Vice President of Operations in June 2015. Most recently, Mr. Rabe was Eaton Corporation’s vice president of global manufacturing and supply chain, vehicle group from June 2011 to June 2015. In that role he had responsibility for global operations of more than 40 sites, including with respect to supply chain, quality, materials, advanced manufacturing and lean manufacturing. From September 2009 to June 2011 Rabe worked at Eaton Aerospace Group, leading global operations on conveyance systems and operational support for the F-35, CH-53K, 787, and A350 new programs. Mr. Rabe also led operations for the global vehicle group and was responsible for opening new sites in China, India and Mexico from 2000 to 2009. He started his career at the Boeing Company in Wichita in 1986. Mr. Rabe holds a Bachelor of Science degree from Newman University and a Masters of Business Administration degree from Ross School of Business at University of Michigan in Ann Arbor.

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Part II

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

Our class A common stock has been quoted on the NYSE under the symbol "SPR" since November 21, 2006. Prior to that time, there was no public market for our stock. As of February 2, 2017, there were approximately 816 holders of record of class A common stock. However, we believe that many additional holders of our class A common stock are unidentified because a substantial number of shares are held of record by brokers or dealers for their customers in street names. The closing price on February 2, 2017 was $54.70 per share as reported by the NYSE.

As of October 13, 2016, the remaining shares of our class B common stock were converted into class A common stock and as a result no shares of class B common stock remain outstanding. Our class B common stock is neither listed nor publicly traded.

The following table sets forth for the indicated periods the high and low closing sales price for our class A common stock on the NYSE.

	2016		2015	
Fiscal Quarter	High	Low	High	Low
1st	$50.70	$40.50	$52.46	$41.89
2nd	$48.98	$41.74	$56.35	$50.33
3rd	$46.13	$41.61	$57.16	$47.62
4th	$61.26	$44.54	$55.67	$47.68

Dividend Policy

We did not pay any cash dividends in 2016 or 2015. On November 1, 2016 the Company announced that its Board of Directors declared a $0.10 per share quarterly cash dividend on the outstanding common stock of the Company which totaled $12.0 million and was paid on January 9, 2017 to shareholders of record at the close of business on December 19, 2016. On January 27, 2017, the Company announced that its Board of Directors declared a $0.10 per share quarterly cash dividend on the outstanding common stock of the Company payable on April 10, 2017 to shareholders of record at the close of business on March 20, 2017. Any future determination to continue to pay dividends will be at the discretion of our Board of Directors and will depend upon, among other factors, our results of operations, financial condition, capital requirements and contractual restrictions, including the requirements of financing agreements to which we may be a party. No assurance can be given that cash dividends will continue to be declared and paid at historical levels or at all.

Securities Authorized for Issuance under Equity Compensation Plans

The following table represents restricted shares outstanding under the Omnibus Incentive Plan as of December 31, 2016.

Equity Compensation Plan Information

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuances Under the Equity Compensation Plans (Excluding Securities

					Reflected in Column (a))
	(a)		(b)		(c)
Restricted Stock Awards					
Equity compensation plans approved by security holders[1][2]	341,690	[3]	N/A		7,116,555
Equity compensation plans not approved by security holders[2]	—		—		—
Total	341,690	[3]	$	—	7,116,555

(1) Approved by previous security holders in place before our initial public offering. Amendments were approved by the Company's stockholders in 2008 and 2011. On April 30, 2014, the Company's Board of Directors approved an Omnibus Incentive Plan

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(the “Omnibus Plan”), which replaced the Long-Term Incentive Plan (the “Prior Plan”). The Omnibus Plan was subsequently approved by the Company’s stockholders at the Company’s 2014 annual stockholder’s meeting. No new awards will be granted under the Prior Plan. Outstanding awards under the Prior Plan will continue to be governed by the terms of such plan until terminated or canceled. The adoption of the Omnibus Plan was non-dilutive to the Company's stockholders.

(2) Our equity compensation plan provides for the issuance of incentive awards to officers, directors, employees and consultants in the form of stock appreciation rights, restricted stock, restricted stock units and deferred stock, in lieu of cash compensation.

(3) Represents the maximum amount of additional shares that may be issued as performance-based LTI awards under the Omnibus Plan based on the Company’s total shareholder return ("TSR") relative to the TSR of a group of the Company’s peers over three-year performance periods ending April 30, 2017, December 31, 2017 and December 31, 2018. The amount of shares that could be granted under these awards may range from 0-200% based on our TSR performance. On the initial grant dates for these performance-based awards, the Company grants shares of restricted stock in the amount that would vest after the completion of the three-year measuring period if the Company achieves target TSR by ranking at 50% in the peer group. If the Company’s TSR percentile ranking relative to its peer group achieves the maximum performance goal by ranking at 90% or greater, the amount of shares awarded will equal 200% of the target, and these additional shares that would be issued upon achievement of maximum performance (in excess of the amount of shares that vest at target performance, which have already been issued) are represented by the specified amount in the table under this item.

Stock Performance

The following graph shows a comparison from December 31, 2011 through December 31, 2016 of cumulative total return of our class A common stock, Standard & Poor's 500 Stock Index, and the Standard & Poor's 500 Aerospace & Defense Index. Such returns are based on historical results and are not intended to suggest future performance. We did not make any dividend payments on our class A common stock during the period covered by the following graph.

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Company/Index	INDEXED RETURNS Years Ending Base Period 12/31/11	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2016
Spirit AeroSystems Holdings, Inc.	100	81.67	164.00	207.12	240.95	281.28
S&P 500 Index	100	116.00	153.57	174.60	177.01	198.18
S&P 500 Aerospace & Defense Index	100	114.56	177.48	197.77	208.52	247.93

Issuer Purchases of Equity Securities

On July 29, 2015, the Company announced that our Board of Directors authorized a share repurchase program for the purchase of up to $350.0 million of our common stock (the "2015 Share Repurchase Program").

On January 27, 2016, the Company announced that our Board of Directors authorized an additional new share repurchase program for the purchase of up to $600.0 million of our common stock (the "2016 Share Repurchase Program").

During the twelve month period ended December 31, 2016, the Company repurchased 14.2 million shares of its class A common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934 for $649.6 million, which consisted of the remaining $50.0 million balance from the 2015 Share Repurchase Program and the entirety of the 2016 Repurchase Program.

On November 1, 2016 the Company announced that our Board of Directors authorized a share repurchase program for the purchase of up to $600.0 million of our common stock (the "2017 Share Repurchase Program").

During the three months ended December 31, 2016 we did not repurchase any of our common stock that is registered pursuant to Section 12 of the Securities Exchange Act of 1934.

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Item 6. Selected Financial Data

SELECTED CONSOLIDATED FINANCIAL INFORMATION AND OTHER DATA

The following table sets forth our selected consolidated financial data for each of the periods indicated. Financial data is derived from the audited consolidated financial statements of Spirit Holdings. The audited consolidated financial statements for the years ended December 31, 2016, December 31, 2015 and December 31, 2014 are included in this Annual Report. You should read the information presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our combined and consolidated financial statements and related notes contained elsewhere in the Annual Report.

	Spirit Holdings Twelve Months Ended				
	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
	(Dollars in millions, except per share data)				
Statement of Income Data:					
Net revenues	$6,792.9	$ 6,643.9	$ 6,799.2	$ 5,961.0	$ 5,397.7
Cost of sales[1]	5,803.6	5,532.3	5,711.0	6,059.5	5,245.3
Selling, general and administrative expenses[2]	228.3	220.8	233.8	200.8	172.2
Impact of severe weather event	12.1	—	—	30.3	(146.2)
Research and development	23.8	27.8	29.3	34.7	34.1
Loss on divestiture of programs[3]	—	—	471.1	—	—
Operating income (loss)	725.1	863.0	354.0	(364.3)	92.3
Interest expense and financing fee amortization	(57.3)	(52.7)	(88.1)	(70.1)	(82.9)
Other (expense) income, net	(7.3)	(2.2)	(3.5)	3.6	2.0
Income (loss) before income taxes and equity in net income (loss) of affiliates	660.5	808.1	262.4	(430.8)	11.4
Income tax (provision) benefit	(192.1)	(20.6)	95.9	(191.1)	24.1
Equity in net income (loss) of affiliates	1.3	1.2	0.5	0.5	(0.7)
Net income (loss)	$469.7	$ 788.7	$ 358.8	$ (621.4)	$ 34.8
Net income (loss) per share, basic	$3.72	$ 5.69	$ 2.55	$ (4.40)	$ 0.24
Shares used in per share calculation, basic	126.1	138.4	140.0	141.3	140.7
Net income (loss) per share, diluted	$3.70	$ 5.66	$ 2.53	$ (4.40)	$ 0.24
Shares used in per share calculation, diluted	127.0	139.4	141.6	141.3	142.7
Dividends declared per common share	$0.10	$ —	$ —	$ —	$ —

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	Spirit Holdings Twelve Months Ended				
	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013	December 31, 2012
	(Dollars in millions)				
Other Financial Data:					
Cash flow provided by (used in) operating activities	$716.9	$ 1,289.7	$ 361.6	$ 260.6	$ 544.4
Cash flow used in investing activities	$(253.4)	$ (357.4)	$ (239.6)	$ (268.2)	$ (248.8)
Cash flow used in financing activities	$(718.7)	$ (351.1)	$ (164.2)	$ (13.9)	$ (34.6)
Capital expenditures	$(254.0)	$ (360.1)	$ (220.2)	$ (234.2)	$ (236.1)
Consolidated Balance Sheet Data:					
Cash and cash equivalents	$697.7	$ 957.3	$ 377.9	$ 420.7	$ 440.7
Accounts receivable, net	$660.5	$ 537.0	$ 605.6	$ 550.8	$ 420.7
Inventories, net	$1,515.3	$ 1,774.4	$ 1,753.0	$ 1,842.6	$ 2,410.8
Property, plant & equipment, net	$1,991.6	$ 1,950.7	$ 1,783.6	$ 1,803.3	$ 1,698.5
Total assets	$5,405.2	$ 5,764.5	$ 5,162.7	$ 5,107.2	$ 5,415.3
Total debt	$1,086.8	$ 1,120.2	$ 1,153.5	$ 1,167.3	$ 1,176.2
Long-term debt	$1,060.0	$ 1,085.3	$ 1,144.1	$ 1,150.5	$ 1,165.9
Total equity	$1,928.8	$ 2,120.0	$ 1,622.0	$ 1,481.0	$ 1,996.9

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(1) Included in 2016 costs of sales are net forward loss charges of $118.2 million. Included in 2015 costs of sales are net favorable changes in estimates on loss programs totaling $10.8 million. Included in 2014 costs of sales are net favorable changes in estimates on loss programs totaling $26.1 million. Included in 2013 cost of sales are forward loss charges of $1,133.3 million. Included in 2012 cost of sales are forward loss charges of $644.7 million. Includes cumulative catch-up adjustments of $36.6 million, $41.6 million, $60.4 million, $95.5 million and $14.7 million for periods prior to the twelve months ended December 31, 2016, 2015, 2014, 2013 and 2012, respectively.

(2) Includes non-cash stock compensation expenses of $42.5 million, $26.0 million, $16.4 million, $19.6 million and $15.3 million for the respective periods starting with the twelve months ended December 31, 2016.

(3) On December 8, 2014, Spirit entered into an Asset Purchase Agreement with Triumph Aerostructures - Tulsa, LLC, a wholly-owned subsidiary of Triumph Group Inc. ("Triumph"), to sell Spirit’s G280 and G650 programs, consisting of the design, manufacture and support of structural components for the Gulfstream G280 and G650 aircraft in Spirit’s facilities in Tulsa, Oklahoma to Triumph. The transaction closed on December 30, 2014.

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Item 7. 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 audited consolidated financial statements, the notes to the audited consolidated financial statements and the "Selected Consolidated Financial Information and Other Data" appearing elsewhere in this Annual Report. This section includes "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," "may," "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 this Annual Report. 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 January 27, 2017, the Company announced that its Board of Directors declared a $0.10 per share quarterly cash dividend on the outstanding common stock of the Company payable on April 10, 2017 to shareholders of record at the close of business on March 20, 2017.

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 fuselages, propulsion systems and wing systems for commercial and military aircraft. For the twelve months ended December 31, 2016, we generated net revenues of $6,792.9 million and net income of $469.7 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 facility in Wichita, 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 represented approximately 52%, 26%, 22% and less than 1%, respectively, of our net revenues for the twelve months ended December 31, 2016.

Market Trends

The financial health of the commercial airline industry has a direct and significant effect on our commercial aircraft programs. The global industry is believed to have achieved a net profit in 2016, which marked the seventh straight year of overall airline profit. 2017 is expected to continue the pattern of profitability, though the overall profit is forecasted to decline slightly relative to 2016. Key drivers of airline profitability, and consequently, demand for commercial aircraft include airline passenger and cargo traffic trends. Principal factors influencing traffic levels are economic growth and political stability. Any significant downturn in global or regional economic stability, or exogenous shocks such as warfare, terrorism or a pandemic, could suppress traffic and negatively affect demand for our key customers' products.

Demand for commercial aerostructures is driven by demand for new aircraft. The combined Boeing and Airbus backlogs have increased more than 80% since December 2009. The year-end 2016 combined backlog was 12,589

aircraft. High backlog levels are expected to continue to drive increasing production forecasts in the near term from both Boeing and Airbus.

Management's Focus

The Company's focus is on ensuring that our quality and operational and cost performance are world class. As part of our efforts to position the Company for future success, we completed several key initiatives in 2016 by focusing on restructuring and reducing our internal costs, continued execution on the A350 program, and cash generation with disciplined cash deployment.

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As we continue to position the Company for future success, our focus in 2017 will revolve around executing our supply chain strategy, improving our productivity, and meeting our customers’ requirements for production rate changes. Additionally, we will strive to become more innovative by investing in technology and automation. These investments will be aimed at reducing costs and allowing us to meet increasing production rates on many of our programs as well as ensuring we are remaining competitive for the next generation of aircraft. Additionally, we will focus on positioning ourselves for growth within both the commercial and defense markets. Considering the strong demand for commercial aircraft and the expected continued need for defense aircraft for the foreseeable future, both markets offer possibilities for growth.

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. The Company has previously recorded forward loss charges on new and maturing programs. If the risks are not mitigated, then the Company could record additional forward loss charges.

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. In addition, we 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.

Our A350 XWB fuselage recurring program 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.

During the second quarter of 2016, Spirit signed a memorandum of agreement with Airbus (the "Airbus 2016 MOA") which, in part, materially reset the pricing for 800 units on the A350 XWB fuselage and wing requirements contracts. The Airbus 2016 MOA was negotiated to economically compensate Spirit for significant engineering changes to aircraft design. The new pricing provided the Company with a higher degree of certainty of revenue that will be realized over the 800 unit contracts. Further, the Company analyzed A350 XWB market demand using third party publications as well as Airbus firm orders which indicated that the sustained demand for the A350 XWB program was in excess of 800 units in the second quarter of 2016. The Company determined that due to the higher degree of precision of the A350 XWB revenue along with the strong, sustained market demand, it was appropriate to extend the accounting block quantity to 800 units. The contract block quantity change was made in accordance with applicable accounting guidance as well as the Company’s accounting policies and past practices. As a result of the Airbus 2016 MOA, the Company updated its estimated revenues that will be realized over the 800 unit A350 XWB fuselage and wing contract accounting blocks.

While the Company continued to make progress on the A350 XWB Fuselage program the Company experienced various disruption and production inefficiencies that exceeded estimates made in previous quarters primarily related to achieving production rate increases. As a result of these disruptions and inefficiencies, cost estimates were updated in the second quarter of 2016 to account for increased labor costs in fabrication and assembly and expedited shipping costs to meet current and future customer production rate increases. The Company also updated its estimates in the second quarter of 2016 due to uncertainty of supply chain cost reductions and achievement of cost affordability projects.

The changes in revenue and cost estimates during the second quarter of 2016 (as described above) resulted in an additional forward loss charge of $135.7 million on the A350 XWB Fuselage program and an $8.2 million favorable cumulative catch-up adjustment on the A350 XWB Wing program. Increased scrap and rework as well as increased production labor costs resulted in an additional net forward loss charge of $6.1 million recorded during the fourth quarter of 2016.

Although the Airbus 2016 MOA was a comprehensive agreement which that reduced financial risk, strengthened our partnership with Airbus and positioned Spirit to extend our collaboration with them in the future, the Company could record additional forward loss charges if there are further changes to revenue and cost estimates and/or if risks are not mitigated.

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B787 Program

As we continue on our second contract block on the B787 program, our performance for this program depends on our continued ability to achieve cost reductions in our manufacturing and support labor and supply chain as well as our ability to successfully negotiate fair and equitable prices on the B787-9 and B787-10.

We regularly commence work and incorporate customer-directed changes prior to negotiating pricing terms for engineering work, work related to the modification of the product, and/or other statement of work. We typically have the legal right to negotiate pricing for customer-directed changes. In those cases, we assert to our customers our contractual rights to be paid the additional revenue or cost reimbursement the Company expects to receive upon finalizing pricing terms.

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 documented by amendment once that amendment has been agreed to by the parties. As part of the November 2014 MOA, Boeing and Spirit established interim prices for certain B787 shipsets, and the parties agreed to negotiate future rate increases, recurring prices, and other issues across multiple programs during 2015. Since we were unable to reach agreement with Boeing on these issues by the end of 2015, once the parties agree upon appropriate pricing for the B787-9, Boeing will be entitled to a retroactive adjustment on certain B787 payments which were based on the interim pricing. The amount we received that is subject to a retroactive adjustment was recorded as deferred revenue, and has not been recognized by us as revenue. 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 rate investments, 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 and B787-10 deliveries in our second B787 contract block, we have applied the applicable accounting guidance for unpriced change orders in estimating total block revenues which will be updated as part of the Company’s Estimate at Completion process until the final pricing is negotiated. Pending final price negotiations, we have estimated revenue for B787-9 and B787-10 deliveries to include assumptions around changes from the contract configuration baseline for each B787 model. See Note 2 "Summary of Significant Accounting Policies," for additional detail.

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. Since the parties have been unable to agree upon pricing on the B737, B747, B767 and B777 programs for the periods beyond 2015, an interim payment mechanism has been triggered for deliveries under the supply contract commencing January 1, 2016. This interim payment mechanism is based upon existing prices, adjusted using a quantity-based price adjustment formula and specified annual escalation. The interim payment mechanism is subject to adjustment when follow-on pricing is agreed upon. 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.

In February 2016, Spirit's contract with Boeing, which allowed Spirit to manufacture and sell spare parts to parties other than Boeing using Boeing intellectual property, was not renewed. This contract was not a material component of our business.

Program Inventory

Program inventory as a percentage of total assets was 28%, 31% and 34% at December 31, 2016, 2015 and 2014, respectively. The change in inventory in 2016 was primarily due to a decline in inventory for the A350 XWB program, primarily driven by an increase in the forward loss provision due to forward loss charges recognized during 2016. Under the percentage-of-completion method of contract accounting, investments in new and maturing contracts,

including contractual pre-production costs and recurring production costs in excess of the projected average cost to manufacture all units in the contract block, initially accumulate in inventory for the related contract. Typically once production has reached a point where the cost to produce a shipset falls below such projected average cost, the inventory balance for such program begins to decrease. Deferred inventory costs are evaluated for recoverability through their inclusion in the total costs used in the calculation of each contract block's estimated profit margin. When the estimated total contract block costs exceed total estimated contract block revenues, a forward loss is recorded and an inventory reserve is established.

Divestiture of Gulfstream G280 and G650 Work Packages

In December 2014, we entered into an agreement to transfer the Gulfstream G280 and G650 wing work packages at our Oklahoma facilities to Triumph. Spirit paid Triumph $160.0 million in cash at closing of the transaction, which occurred on

December 30, 2014. We continue to supply certain parts and services to Triumph under a supply agreement entered into in connection with the transaction.

Basis of Presentation

The financial statements include Spirit's financial statements and the financial statements of its majority-owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America. Investments in business entities in which we do not have control, but have the ability to exercise influence over operating and financial policies, are accounted for by the equity method. Our joint venture, Taikoo Spirit AeroSystems Composite Co. Ltd. ("TSACCL") is accounted for by this method. Kansas Industrial Energy Supply Company ("KIESC"), a tenancy-in-common with other Wichita companies established to purchase natural gas, is fully consolidated as Spirit owns 77.8% of the entity's equity. All intercompany balances and transactions have been eliminated in consolidation. The Company's U.K. subsidiary uses local currency, the British pound, as its functional currency; the Malaysian subsidiary uses the British pound and our Singapore subsidiary uses the Singapore dollar. All other foreign subsidiaries and branches use the U.S. dollar as their functional currency.

As part of the monthly consolidation process, the functional currency is translated to U.S. dollars using the end-of-month currency translation rate for balance sheet accounts and average period currency translation rates for revenue and income accounts as defined by FASB authoritative guidance on foreign currency translation.

Critical Accounting Policies

The following discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to inventory, income taxes, financing obligations, warranties, pensions and other post-retirement benefits and contingencies and litigation. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Management believes that the quality and reasonableness of our most critical policies enable the fair presentation of our financial position and results of operations. However, the sensitivity of financial statements to these methods, assumptions and estimates could create materially different results under different conditions or using different assumptions.

The following are our most critical accounting policies, which are those that require management's most subjective and complex judgments, requiring the use of estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

Use of Estimates

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

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.

Actual results could differ from those estimates and assumptions.

Revenues and Profit Recognition

A significant portion of the Company's revenues are recognized under long-term, volume-based pricing contracts, requiring delivery of products over several years. The Company recognizes revenue under the contract method of accounting and records sales and profits on each contract in accordance with the percentage-of-completion method of accounting, primarily using the units-of-delivery method. The units-of-delivery method recognizes revenue based upon the number of units delivered during a period based upon contract price, as under this method expenditures are recognized as the cost allocable to the delivered units. Costs allocable to undelivered units are reported in the balance sheet as inventory. The method is used in circumstances in which

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an entity produces units of a basic product under production-type contracts in a continuous or sequential production process to buyers' specifications. Recurring long-term production contracts are usually divided into contract blocks for this purpose, with each block treated as a separate contract for "units-of-delivery" production-type contract accounting purposes.

The total quantity of production units to be delivered under a contract may be set as a single contract accounting block, or it can be split into multiple blocks. Unless the life of the contract is so long that it prevents reliable estimates, the entire contract will typically be set as the contract accounting block quantity. "Life-of-program" or "requirements-based" contracts often lead to continuing sales of more than twenty years. Since this is much longer than can be reliably estimated, Spirit uses parameters based on the contract facts and circumstances to determine the length of the contract block. This analysis includes: considering the customer's firm orders, internal assessment of the market, reliability of cost estimates, potential segmentation of non-recurring elements of the contract, and other factors. Contract block sizes may also be determined based on certain contractual terms such as pricing renegotiation dates, such that certain contract blocks may use an approximate date instead of a defined unit quantity in order to increase the ability to estimate accurately given that the renegotiated pricing is unknown for the planning block. Shorter contract blocks for mature, ongoing programs are common due to the presence of recent cost history and probable forecast accuracy. Initial contract blocks often require a longer time period and a greater number of units in order to take into account the higher cost of early units due to a steeper experience curve and pre-production design costs. As these programs mature, costs stabilize and efficiencies are realized, subsequent contract block length shortens to take into account the steady state of the continuing production.

Revenues from non-recurring design work are recognized based on substantive milestones or use of the cost-to-cost method, that are indicative of our progress toward completion depending on facts and circumstances. We follow the requirements of Financial Accounting Standards Board ("FASB") authoritative guidance on accounting for the performance of construction-type and certain production-type contracts (the contract method of accounting), and use the cumulative catch-up method in accounting for revisions in estimates. Under the cumulative catch-up method, the impacts of revisions in estimates are recognized immediately when changes in estimated contract profitability become known.

A profit rate is estimated based on the difference between total revenues and total costs over a contract block. Total revenues at any given time include actual historical revenues up to that time plus future estimated revenues. Total costs at any given time include actual historical costs up to that time plus future estimated costs. Estimated revenues include negotiated or expected values for units delivered, estimates of probable recoveries asserted against the customer for changes in specifications, price adjustments for contract and volume changes, escalation and assumed but currently unnegotiated price increases for derivative models. Costs include the estimated cost of certain pre-production efforts (including non-recurring engineering and planning subsequent to completion of final design) plus the estimated cost of manufacturing a specified number of production units. Estimates take into account assumptions related to future labor performance and rates, and projections related to material and overhead costs including expected "learning curve" cost reductions over the term of the contract. Estimated revenues and costs also take into account the expected impact of specific contingencies that we believe are probable.

Estimates of revenues and costs for our contract blocks span a period of multiple years and are based on a substantial number of underlying assumptions. We believe that the underlying assumptions are sufficiently reliable to provide a reasonable estimate of the profit to be generated. However, due to the significant length of time over which revenue streams will be generated, the variability of the revenue and cost streams can be significant if the assumptions change. Estimates of profit margins for contract accounting blocks are typically reviewed at least annually or at an earlier point if evidence suggests a change in margin may be necessary. Assuming the initial estimates of sales and costs under the contract block are accurate, the percentage-of-completion method results in the profit margin being recorded evenly as revenue is recognized under the contract block. Changes in these underlying estimates due to revisions in sales and cost estimates may result in profit margins being recognized unevenly over a contract block as such changes are accounted for on a cumulative basis in the period estimates are revised, which we refer to as cumulative catch-up adjustments. The Company's estimate at completion estimating process is not solely an accounting process, but is

instead an integrated part of the management of our business, involving numerous personnel in our planning, production control, contracts, cost management, supply chain and program and business management functions.

For revenues not recognized under the contract method of accounting, the Company recognizes revenues from the sale of products at the point of passage of title, which is generally at the time of shipment. Shipping and handling costs are included in cost of sales. Revenues earned from providing maintenance services, including any contracted research and development, are recognized when the service is complete or other contractual milestones are attained. Revenues from non-recurring design work are recognized based on substantive milestones that are indicative of our progress toward completion.

A significant portion of the Company's future revenues is expected to be derived from new or maturing programs. There are several risks inherent to such programs. In the design and engineering phase, we may incur costs in excess of our forecasts due to several factors, including cost overruns, customer directed change orders and delays in the overall program. We may also incur higher than expected recurring production costs, which may be caused by a variety of factors, including the future impact of engineering changes (or other change orders) or our inability to secure contracts with our suppliers at projected cost levels. Our ability to recover these excess costs from the customer will depend on several factors, including our rights under our contracts for

such programs. In determining our profits and losses in accordance with the percentage-of-completion method of contract accounting, we are required to make significant assumptions regarding our future costs and revenues, as well as the estimated number of units to be manufactured under the contract and other variables. We continually review and update our assumptions based on market trends and our most recent experience. If we make material changes to our assumptions, such as a reduction in the estimated number of units to be produced under the contract (which could be caused by emerging market trends or other factors), an increase in future production costs or a change in the recoverability of increased design or production costs, we may experience negative cumulative catch-up adjustments related to revenues previously recognized. In some cases, we may recognize forward loss amounts. For a broader description of the various types of risks we face related to new and maturing programs, see "Risk Factors - Risk Factors Related to Our Business and Industry."

Inventory

Raw materials are stated at lower of cost (principally on an actual or average cost basis) or market. Inventoried costs attributed to units delivered under long-term contracts are based on the estimated average cost of all units expected to be produced and are determined under the learning curve concept which anticipates a predictable decrease in unit costs. Lower unit costs are achieved as tasks and production techniques become more efficient through repetition, supply chain costs are reduced as contracts are negotiated and design changes result in lower cost. This cost averaging usually results in an increase in inventory (referred to as "excess-over-average" or "deferred production costs") during the early years of a contract. These costs are deferred only to the extent the amount of actual or expected excess-over-average is reasonably expected to be fully offset by lower-than-average costs in future periods of a contract. If in-process inventory plus estimated costs to complete a specific contract exceed the actual plus anticipated remaining sales value of such contract, such excess is charged to cost of sales in the period the loss becomes known, thus reducing inventory to estimated realizable value. Costs in inventory include amounts relating to contracts with long production cycles, some of which are not expected to be realized within one year.

The Company reviews its general stock materials and spare parts inventory each quarter to identify impaired inventory, including excess or obsolete inventory, based on historical sales trends and expected production usage. Impaired inventories are written off to work-in-process in the period identified.

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 the realization of 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.

Finished goods inventory is stated at its estimated average per unit cost based on all units expected to be produced.

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 recovered over a certain number of shipset deliveries. Capitalized pre-production may be amortized over multiple blocks.

Income Taxes

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

A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. When determining the amount of net deferred tax assets that are more likely than not to be realized, we assess all available positive and

negative evidence. The weight given to the positive and negative evidence is commensurate with the extent the evidence may be objectively verified.

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

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loss in subsequent periods. We use the flow-through accounting method for tax credits. Under this method, tax credits reduce income tax expense.

Our effective tax rate may be adversely impacted by, among other things, changes in U.S. and non-U.S. tax laws in the countries in which we operate, and changes in the mix of our earnings among countries with differing statutory tax rates. The Trump Administration has included as part of its agenda a potential reform of U.S. tax laws. In addition, the "Tax Reform Blueprint" published by the House of Representatives includes a framework for the potential issues that may affect our tax position. The content of final legislation, the timing for enactment and the reporting periods that would be impacted cannot be determined at this time.

Pensions and Other Post-Retirement Benefits

We account for pensions and other post-retirement benefits in accordance with FASB authoritative guidance on employers' accounting for pensions, post-retirement benefits other than pensions, defined benefit pension and other post-retirement plans (See Note 13, "Pension and Other Post-Retirement Benefits," for additional detail on these plans).

Assumptions used in determining the benefit obligations and the annual expense for our pension and post-retirement benefits other than pensions are evaluated and established in conjunction with an independent actuary.

We set the discount rate assumption annually for each of our retirement-related benefit plans as of the measurement date, based on a review of projected cash flows and long-term high-quality corporate bond yield curves. The discount rate determined on each measurement date is used to calculate the benefit obligation as of that date, and is also used to calculate the net periodic benefit expense/(income) for the upcoming plan year.

We derive assumed expected rate of return on pension assets from the long-term expected returns based on the investment allocation by class specified in our investment policy. The expected return on plan assets determined on each measurement date is used to calculate the net periodic benefit expense/(income) for the upcoming plan year.

Assumed health care cost trend rates have a significant effect on the amounts reported for the post-retirement health care plans. To determine the health care cost trend rates, we consider national health trends and adjust for our specific plan designs and locations.

Stock-Based Compensation and Other Share-Based Payments

Many of the Company's employees are participants in various stock compensation plans. The Company accounts for stock option plans, restricted share plans and other stock-based payments in accordance with FASB authoritative guidance pertaining to share-based payment. The expense attributable to the Company's employees is recognized over the period the amounts are earned and vested, as described in Note 15, "Stock Compensation."

Impairment or Disposal of Long-Lived Assets and Goodwill

Spirit 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. Assets must be classified as either held-for-use or available-for-sale. An impairment loss is recognized when the carrying amount of an asset that is held for use exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available. For assets available-for-sale, an impairment loss is recognized when the carrying amount exceeds the fair value less cost to sell. The Company performs an annual impairment test for goodwill in the fourth quarter of each year, in accordance with FASB authoritative guidance pertaining to goodwill and other intangible assets, or more frequently, if an event occurs or circumstances change that would more likely than not reduce fair value below current value.

New Accounting Standards

For a listing of new accounting standards see Note 2, "Summary of Significant Accounting Policies - New Accounting Standards."

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Results of Operations

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

	Twelve Months Ended		
	December 31, 2016[1]	December 31, 2015[1][2]	December 31, 2014[2]
	($ in millions)		
Net revenues	$6,792.9	$6,643.9	$6,799.2
Cost of sales	5,803.6	5,532.3	5,711.0
Gross profit	989.3	1,111.6	1,088.2
Selling, general and administrative expenses	228.3	220.8	233.8
Impact of severe weather event	12.1	—	—
Research and development	23.8	27.8	29.3
Loss on divestiture of programs (see Note 26)	—	—	471.1
Operating income	725.1	863.0	354.0
Interest expense and financing fee amortization	(57.3)	(52.7)	(88.1)
Other expense, net	(7.3)	(2.2)	(3.5)
Income before income taxes and equity in net income of affiliate	660.5	808.1	262.4
Income tax (provision) benefit	(192.1)	(20.6)	95.9
Income before equity in net income of affiliate	468.4	787.5	358.3
Equity in net income of affiliate	1.3	1.2	0.5
Net income	$469.7	$788.7	$358.8

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(1) See "Twelve Months Ended December 31, 2016 as Compared to Twelve Months Ended December 31, 2015" for detailed discussion of operating data.

(2) See "Twelve Months Ended December 31, 2015 as Compared to Twelve Months Ended December 31, 2014" for detailed discussion of operating data.

Comparative shipset deliveries by model are as follows:

Model	Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
B737	500	502	493
B747	8	15	18
B767	25	18	14
B777	96	102	99
B787	127	126	118
Total Boeing	756	763	742
A320 Family[1]	574	494	505
A330/340[2]	74	77	113
A350	69	37	16
A380	22	24	29
Total Airbus	739	632	663
Business/Regional Jets[3]	88	62	140
Total	1,583	1,457	1,545

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(1) Third quarter 2016 A320 deliveries have been updated to include composite units. A320 deliveries were 135 and 427 for the three and nine month periods ended September 29, 2016, respectively.
(2) Airbus publicly announced reduction in A330 production rate.
(3) In December 2014, Spirit divested the Gulfstream G280 and G650 wing work packages to Triumph.

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	Twelve Months Ended December 31, 2016	December 31, 2015	December 31, 2014
	($ in millions)		
Boeing	$5,502.6	$ 5,596.6	$ 5,619.9
Airbus	992.7	760.5	710.4
Other[1]	297.6	286.8	468.9
Total net revenues	$6,792.9	$ 6,643.9	$ 6,799.2

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

Changes in Estimates

During the twelve months ended December 31, 2016, we recognized total changes in estimates of ($81.6) million which includes net forward loss charges of $118.2 million and favorable cumulative catch-up adjustments related to periods prior to 2016 of $36.6 million. Net forward loss charges were primarily driven by various disruption and production inefficiencies related to achieving production rate increases on the A350 XWB Fuselage program. Favorable cumulative catch-up adjustments for the periods prior to 2016 were primarily driven by productivity and efficiency improvements, favorable cost performance, mitigation of risk on maturing programs and favorable pricing negotiations on a maturing program.

During the twelve months ended December 31, 2015, we recognized total changes in estimates of $52.4 million which includes favorable cumulative catch-up adjustments related to periods prior to 2015 of $41.6 million and favorable changes in estimates on loss programs of $10.8 million, which is net of forward loss charges of $6.9 million. Favorable cumulative catch-up adjustments for the periods prior to 2015 and changes in estimates on loss programs were primarily driven by productivity and efficiency improvements, favorable cost performance, mitigation of risk, benefits from increased production rates related to the absorption of fixed costs and favorable pricing negotiations on a maturing program. Forward loss charges were due to a production rate decrease on a mature program.

During the twelve months ended December 31, 2014, we recognized total changes in estimates of $86.5 million which includes favorable cumulative catch-up adjustments related to periods prior to 2014 of $60.4 million and favorable changes in estimates on loss programs of $26.1 million, which is net of forward loss charges of $1.2 million. Favorable cumulative catch-up adjustments for the periods prior to 2014 and changes in estimates on loss programs were primarily driven by productivity and efficiency improvements, favorable cost performance, mitigation of risk, benefits from increased production rates related to the absorption of fixed costs, increased statement of work on mature programs and favorable pricing negotiations on a maturing program.

The Company is currently working on several new and maturing programs which are in various stages of development, including the B787, A350 XWB and 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

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requirements. The Company has previously recorded forward loss charges on these programs. If the risks related to these programs are not mitigated, then the Company could record additional forward loss charges.

Twelve Months Ended December 31, 2016 as Compared to Twelve Months Ended December 31, 2015

Net Revenues. Net revenues for the twelve months ended December 31, 2016 were $6,792.9 million, an increase of $149.0 million, or 2%, compared with net revenues of $6,643.9 million for the prior year. The increase was primarily due to higher production deliveries on the A350 XWB and B767, higher revenues recognized on certain nonrecurring Boeing programs and one-time claim settlements with customers, partially offset by lower production deliveries on the B747 and B777 and lower revenue recognized on the B787 program in accordance with pricing terms under the B787 Supply Agreement, all of which net to a $141.4 million increase in revenue. Approximately 96% of Spirit's net revenues in 2015 came from our two largest customers, Boeing and Airbus.

Deliveries to Boeing decreased to 756 shipsets during 2016, compared to 763 shipsets delivered in the prior year, as decreased production deliveries on the B747 and B777 offset increased production deliveries on the B767 and B787. Deliveries to Airbus increased by 17% to 739 shipsets during 2016, compared to 632 shipsets delivered in the prior year, primarily driven by higher production of the A320 and A350 XWB programs. Production deliveries of business/regional jet wing and wing components increased to 88 shipsets during 2016, compared to 62 shipsets delivered in the prior year. In total, shipset deliveries increased 9% to 1,583 shipsets in 2016 compared to 1,457 shipsets in 2015.

Gross Profit. Gross profit was $989.3 million for the twelve months ended December 31, 2016, as compared to $1,111.6 million for the same period in the prior year. The decrease in gross profit was primarily driven by the recognition of forward loss charges on the A350 XWB fuselage program during 2016.

SG&A and Research and Development. SG&A expense was $7.5 million higher for the twelve months ended December 31, 2016, as compared to the same period in the prior year, primarily due to expenses related to executive retirements and severance including stock compensation. Research and development expense for the twelve months ended December 31, 2016 was $4.0 million lower, as compared to the same period in the prior year, due to fewer internal projects underway.

Impact of Severe Weather Event. During the fourth quarter of 2016, the Company recorded a $12.1 million charge against operating income related to the aftermath of Hurricane Matthew which caused the Company's Kinston, North Carolina site operations to temporarily shut down.

Operating Income. Operating income for the twelve months ended December 31, 2015 was $725.1 million, which was $137.9 million lower than operating income of $863.0 million for the prior year. The decrease in operating income was primarily the result of net forward loss charges recognized during the second quarter of 2016.

Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the twelve months ended December 31, 2016 includes $38.0 million of interest and fees paid or accrued in connection with long-term debt and $19.3 million in amortization of deferred financing costs and original issue discount, compared to $45.8 million of interest and fees paid or accrued in connection with long-term debt and $6.9 million in amortization of deferred financing costs and original issue discount for the prior year. During 2016, we recognized $15.8 million in interest expense for the write-down of deferred financing costs, original issue discount and third party fees and a call premium resulting from the financing activities that occurred during the second quarter of 2016 which included the amendment and restatement of our senior credit agreement and redemption of our senior notes due in 2020 using proceeds from the issuance of our senior notes due in 2026. In March 2015, we entered into Amendment No. 5 to our senior credit facility which resulted in a loss on extinguishment of debt charge of $3.6 million. Additionally, interest expense for 2016 reflects lower average interest rates on our term loan and bonds compared to the prior year.

Other Expense, net. Other expense, net for the twelve months ended December 31, 2016 was $7.3 million, compared to $2.2 million for the same period in the prior year. Other expense, net during 2016 was primarily driven by foreign exchange rate losses as the British Pound value weakened against the U.S. Dollar.

Provision for Income Taxes. The income tax provision for the twelve months ended December 31, 2016, was $192.1 million compared to $20.6 million for the prior year. The 2016 effective tax rate was 29.1% as compared to 2.6% for 2015. The difference in the effective tax rate recorded for 2016 as compared to 2015 is primarily related to the release

of the valuation allowance on U.S. federal deferred tax assets in 2015. The decrease from the U.S. statutory tax rate is attributable primarily to the inclusion of the tax effects of the U.S. qualified domestic production activities deduction, foreign rates less than the U.S. rate, the generation of state income tax credits, excess tax benefits in respect of share-based compensation in the income tax provision and federal research tax credits.

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Segments. The following table shows segment revenues and operating income for the twelve months ended December 31, 2016, 2015 and 2014:

	Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
	($ in millions)		
Segment Revenues			
Fuselage Systems	$3,498.8	$ 3,447.0	$ 3,354.9
Propulsion Systems	1,777.3	1,750.7	1,737.2
Wing Systems	1,508.7	1,437.7	1,695.9
All Other	8.1	8.5	11.2
	$6,792.9	$ 6,643.9	$ 6,799.2
Segment Operating Income (Loss)[1]			
Fuselage Systems	$468.6	$ 607.3	$ 557.3
Propulsion Systems	325.9	378.2	354.9
Wing Systems	223.6	178.5	244.6
All Other	1.6	1.3	3.4
	1,019.7	1,165.3	1,160.2
Corporate SG&A	(228.3)	(220.8)	(233.8)
Unallocated impact of severe weather event (See Note 27)	(12.1)	—	—
Research and development	(23.8)	(27.8)	(29.3)
Unallocated cost of sales[2]	(30.4)	(53.7)	(72.0)
Loss on divestiture of programs (see Note 26)	—	—	(471.1)
Total operating income (loss)	$725.1	$ 863.0	$ 354.0

(1) Inclusive of forward losses, changes in estimates on loss programs and cumulative catch-up adjustments. These changes in estimates for the periods ended December 31, 2016, 2015 and 2014 are further detailed in the segment discussions below and in Note 3, "Changes in Estimates."

(2) For 2016, includes charges of $13.8 million and $23.6 million, related to warranty reserve and early retirement incentives, respectively, offset by $7.9 million for the settlement of historical claims with suppliers. In 2015, includes charges of $40.7 million, $0.8 million, and $6.4 million related to warranty reserve, reduction in workforce and unallocated inventory write-offs, respectively. For 2014, includes charges of $52.7 million, $6.0 million, and $13.0 million related to warranty reserve, reduction in workforce and unallocated inventory write-offs, 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 twelve months ended December 31, 2016.

Fuselage Systems. Fuselage Systems segment net revenues for the twelve months ended December 31, 2016 were $3,498.8 million, an increase of $51.8 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 A350 XWB and B767 and the absence of charges related to historical non-conformance claims, partially offset by lower net revenues recognized on the B787 program in accordance with pricing terms under the B787 Supply Agreement and lower production deliveries on the B747 and B777. Fuselage Systems segment operating margins were 13% for the twelve months ended December 31, 2016, compared to 18% for the same period in the prior year, with the decrease primarily driven by the net forward loss charges recorded on the A350 XWB fuselage program. In 2016, the segment recorded favorable cumulative catch-up adjustments of $13.6 million driven by productivity and efficiency improvements on mature programs, as well as $133.4 million of net forward losses. In comparison, during 2015, the segment recorded favorable cumulative catch-up adjustments of $16.1 million driven by productivity and efficiency improvements on mature programs, as well as $8.7 million of favorable changes in estimates on loss programs.

Propulsion Systems. Propulsion Systems segment net revenues for the twelve months ended December 31, 2016 were $1,777.3 million, an increase of $26.6 million, or 2%, compared to the same period in the prior year. The increase was primarily due to higher revenue recognized on certain nonrecurring Boeing programs and increased production deliveries on the B767,

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partially offset by fewer production deliveries on the B747 and B777 and lower net revenues recognized on the B787 program in accordance with pricing terms under the B787 Supply Agreement. Propulsion Systems segment operating margins were 18% for the twelve months ended December 31, 2016, compared to 22% for the same period in the prior year. This decrease was primarily driven by lower production deliveries on the B747, the favorable cumulative catch-up adjustments recorded during 2015, increased revenue from lower-margin programs and the absence of nonrecurring customer incentive payments recorded during 2015. In 2016, the segment recorded unfavorable cumulative catch-up adjustments of $0.4 million and favorable changes in estimates on loss programs of $10.1 million. In comparison, during 2015, the segment recorded favorable cumulative catch-up adjustments of $22.8 million driven by productivity and efficiency improvements on mature programs, as well as $2.4 million of favorable changes in estimates on loss programs.

Wing Systems. Wing Systems segment net revenues for the twelve months ended December 31, 2016 were $1,508.7 million, an increase of $71.0 million, or 5%, compared to the same period in the prior year. The increase was primarily due to higher production deliveries on the A350 XWB and one-time claim settlements with customers, partially offset by lower B777 wing related activity and fewer production deliveries on the B747. Wing Systems segment operating margins were 15% for the twelve months ended December 31, 2016, compared to 12% for the same period in the prior year, primarily driven by favorable labor and material cost performance. In 2016, the segment recorded favorable cumulative catch-up adjustments of $23.4 million driven by claim settlements with customers and productivity and efficiency improvements, as well as favorable changes in estimates on loss programs of $5.1 million. In comparison, during 2015, the segment recorded favorable cumulative catch-up adjustments of $2.7 million, partially offset by net 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 twelve months ended December 31, 2016, All Other segment net revenues were $8.1 million, a decrease of $0.4 million compared to the same period in the prior year. The All Other segment recorded 20% operating margins for the twelve months ended December 31, 2016.

Twelve Months Ended December 31, 2015 as Compared to Twelve Months Ended December 31, 2014

Net Revenues. Net revenues for the twelve months ended December 31, 2015 were $6,643.9 million, a decrease of $155.3 million, or 2%, compared with net revenues of $6,799.2 million for the prior year. The decrease was primarily due to $407.2 million of lower net revenues resulting from the divestiture of the Gulfstream G280 and G650 wing work packages in December 2014, lower net revenues recognized on the B787 program in accordance with pricing terms under the B787 Supply Agreement, lower net revenues on the A320 program primarily due to unfavorable foreign currency exchange rate fluctuations and lower Global Customer Support and Services activity. These decreases were partially offset by $230.6 million of higher net revenues on the A350 XWB and B737 programs due to higher production deliveries. Approximately 95% of Spirit's net revenues in 2015 came from our two largest customers, Boeing and Airbus.

Deliveries to Boeing increased by 3% to 763 shipsets during 2015, compared to 742 shipsets delivered in the prior year primarily due to higher production of the B737 and B777. Deliveries to Airbus decreased by 5% to 632 shipsets during 2015, compared to 663 shipsets delivered in the prior year, primarily driven by Airbus' reduction of the A330 production rate and fewer deliveries of the A320 due to timing of customer demands, offset by higher production of the A350 XWB. Production deliveries of business/regional jet wing and wing components decreased by 56% to 62 shipsets during 2015, compared to 140 shipsets delivered in the prior year primarily due to the divestiture of the G280 and G650 wing work packages in December 2014. In total, shipset deliveries decreased 6% to 1,457 shipsets in 2015 compared to 1,545 shipsets in 2014.

Cost of Sales. Cost of sales as a percentage of net revenues was 83% for the twelve months ended December 31, 2015, as compared to 84% in the prior year. The slight 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 as well as favorable supply chain initiatives. In 2015, we recorded $41.6 million of favorable cumulative catch-up adjustments related to periods prior to 2015, primarily driven by productivity and efficiency improvements on mature programs, as well as $10.8 million of net

favorable changes in estimates on loss programs. In 2014, we recorded $60.4 million of favorable cumulative catch-up adjustments related to periods prior to 2014 and $26.1 million of net favorable changes in estimates on loss programs, partially offset by a $6.0 million charge related to reduction in workforce activities.

SG&A and Research and Development. SG&A expense was $13.0 million lower for the twelve months ended December 31, 2015, as compared to the same period in the prior year. The decrease was primarily due to lower consulting and legal fees incurred during 2015. Additionally, in 2014 we had a higher write-off of uncollectible accounts receivable compared to 2015. Research and development expense for the twelve months ended December 31, 2015 was $1.5 million lower compared to the same period in the prior year.

Operating Income. Operating income for the twelve months ended December 31, 2015 was $863.0 million, which was $509.0 million higher than operating income of $354.0 million for the prior year.

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Interest Expense and Financing Fee Amortization. Interest expense and financing fee amortization for the twelve months ended December 31, 2015 includes $45.8 million of interest and fees paid or accrued in connection with long-term debt and $6.9 million in amortization of deferred financing costs and original issue discount, compared to $64.8 million of interest and fees paid or accrued in connection with long-term debt and $23.3 million in amortization of deferred financing costs and original issue discount for the prior year. As a result of Amendment No. 5 to our senior secured credit facility, interest expense for the twelve months ended December 31, 2015 includes lower interest expense on our term loan compared to the same period in the prior year. During the twelve months ended December 31, 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 undertaken during 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 Expense, net. Other expense, net for the twelve months ended December 31, 2015 was $2.2 million, as compared to $3.5 million for the same period in the prior year. Other expense during 2015 was primarily driven by foreign exchange rate gains and losses as the British Pound value fluctuated against the U.S. Dollar, partially offset by income from our Kansas Development Finance Authority (KFDA) bonds. We recognized foreign currency losses on an intercompany revolver and long-term contractual rights and obligations, as well as trade and intercompany receivables and payables which are denominated in a currency other than the entity's functional currency.

Provision for Income Taxes. The income tax provision for the twelve months ended December 31, 2015, was $20.6 million compared to ($95.9) million for the prior year. The 2015 effective tax rate was 2.6% as compared to (36.5%) for 2014. The difference in the effective tax rate recorded for 2015 as compared to 2014 is primarily related to a higher valuation allowance release in 2015. Additionally, the effect of lower tax reserves, higher U.S. pre-tax income in 2015 and the effect it has on various credits and other permanent tax items contributed to the year over year effective tax rate difference. The decrease from the U.S. statutory tax rate is primarily attributable to the release of the net U.S. deferred tax asset valuation allowance, domestic production activities deduction and foreign rates less than U.S.

Fuselage Systems. Fuselage Systems segment net revenues for the twelve months ended December 31, 2015 were $3,447.0 million, an increase of $92.1 million, or 3%, compared to the same period in the prior year. The increase in net revenues was primarily due to higher production deliveries on the A350 XWB and B737 programs and higher non-recurring net revenues on several Boeing programs, partially offset by lower net revenues recognized on the B787 program, lower non-recurring revenues recognized on the A350 XWB program and resolution of historical non-conformance claims, which was treated as contra-revenue. Fuselage Systems segment operating margins were 18% for the twelve months ended December 31, 2015, compared to 17% 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 2015, the segment recorded favorable cumulative catch-up adjustments of $16.1 million driven by productivity and efficiency improvements on mature programs and favorable supply chain initiatives, as well as $8.7 million of favorable changes in estimates on loss programs, partially offset by the resolution of historical customer and supplier claims. In comparison, during 2014, the segment recorded favorable cumulative catch-up adjustments of $14.8 million driven by productivity and efficiency improvements on mature programs, as well as $9.9 million of favorable changes in estimates on loss programs.

Propulsion Systems. Propulsion Systems segment net revenues for the twelve months ended December 31, 2015 were $1,750.7 million, an increase of $13.5 million, or 1%, 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 BR725 programs, partially offset by lower non-recurring net revenues and lower Global Customer Support and Services sales. Propulsion Systems segment operating margins were 22% for the twelve months ended December 31, 2015, compared to 20% for the same period in 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 2015, the segment recorded favorable cumulative catch-up adjustments of $22.8 million driven by productivity and

efficiency improvements on mature programs, as well as favorable changes in estimates on loss programs of $2.4 million. In comparison, during 2014, the segment recorded favorable cumulative catch-up adjustments of $18.8 million driven by productivity and efficiency improvements on mature programs, as well as $16.5 million of favorable changes in estimates on loss programs.

Wing Systems. Wing Systems segment net revenues for the twelve months ended December 31, 2015 were $1,437.7 million, a decrease of $258.2 million, or 15%, 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, lower net revenues on the A320 program primarily due to unfavorable foreign currency exchange rate fluctuations and lower net revenues on the B787 and B777 programs, partially offset by higher production deliveries on the A350 XWB program and sales of wing kits to Triumph under the supply agreement entered into in connection with the divestiture of the G280 and G650 wing work packages in December 2014. Wing Systems segment operating margins were 12% for the twelve months ended December 31, 2015, compared to 14% for the same period in the prior year. In 2015, the segment recorded favorable cumulative catch-up adjustments of $2.7 million offset by net

forward loss charges of $0.3 million. In 2014, the segment recorded favorable cumulative catch-up adjustments of $26.8 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 twelve months ended December 31, 2015, All Other segment net revenues were $8.5 million, a decrease of $2.7 million compared to the same period in the prior year, primarily due to lower sundry sales. The All Other segment recorded 15% operating margins for the twelve months ended December 31, 2015.

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

In July 2015, our Board of Directors authorized a share repurchase program for the purchase of up to $350.0 million of the Company's common stock (the "2015 Share Repurchase Program"). During 2015, we repurchased 5.7 million shares of our class A common stock for $300.0 million.

In January 2016, our Board of Directors authorized a share repurchase program for the purchase of up to $600.0 million of the Company's common stock (the "2016 Share Repurchase Program").

During 2016, we repurchased 14.2 million shares of our class A common stock for $649.6 million, which included the purchase of 1.0 million shares of our class A common stock for approximately $50.0 million under the 2015 Share Repurchase Program and all of the $600.0 million of the authorized amount of the 2016 Share Repurchase Program. On November 1, 2016 the Company announced a new share repurchase program for the purchase of up to $600.0 million of the Company's common stock.

On November 1, 2016 the Company announced a $0.10 per share cash dividend on the outstanding common stock of the Company which totaled $12.0 million and was paid on January 9, 2017 to shareholders of record at the close of business on December 19, 2016.

As of December 31, 2016, we had $697.7 million of cash and cash equivalents on the balance sheet and $650.0 million of available borrowing capacity under our revolving credit facility. We had no outstanding balances under our revolving credit facility at the end of 2016. 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 twelve months ended December 31, 2016, 2015 and 2014:

	For the Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
	($ in millions)		
Net cash provided by operating activities	716.9	1,289.7	361.6
Net cash used in investing activities	(253.4)	(357.4)	(239.6)
Net cash used in financing activities	(718.7)	(351.1)	(164.2)
Effect of exchange rate change on cash and cash equivalents	(4.4)	(1.8)	(0.6)
Net (decrease) increase in cash and cash equivalents for the period	(259.6)	579.4	(42.8)
Cash and cash equivalents, beginning of period	957.3	377.9	420.7
Cash and cash equivalents, end of period	$697.7	$ 957.3	$ 377.9

Twelve Months Ended December 31, 2016 as Compared to Twelve Months Ended December 31, 2015

Operating Activities. For the twelve months ended December 31, 2016, we had a net cash inflow of $716.9 million from operating activities, a decrease of $572.8 million, compared to a net cash inflow of $1,289.7 million for the prior year. The decrease in net cash provided by operating activities was primarily due to lower cash receipts in 2016 and income tax payments during 2016 as compared to income tax refunds in 2015. In 2016, deferred revenue and advance payments from customers were lower by $290.3 million compared to 2015. Net tax payments made during 2016 were $191.4 million, a decrease in net cash provided of $261.1 million, compared to net tax refunds of $69.7 million received during the prior year.

Investing Activities. For the twelve months ended December 31, 2016, we had a net cash outflow of $253.4 million from investing activities, a decrease in outflow of $104.0 million, compared to a net cash outflow of $357.4 million for the prior year. The decrease in cash outflow was primarily driven by higher investment in capital during 2015 to support increasing production rates.

Financing Activities. For the twelve months ended December 31, 2016, we had a net cash outflow of $718.7 million for financing activities, an increase in outflow of $367.6 million as compared to a net cash outflow of $351.1 million for the same period in the prior year. During 2016, the Company repurchased 14.2 million shares of its class A common stock for $649.6 million, compared to the repurchase of 5.7 million shares of class A common stock for $300.0 million in 2015. Additionally, during 2016, we amended our credit agreement and issued $300.0 million of senior notes due in 2026 and used those proceeds along with cash on hand to repurchase $300.0 million of our senior notes due in 2020 pursuant to a tender offer and redemption. In 2015, we entered into Amendment No. 5 to our senior secured Credit Agreement.

Twelve Months Ended December 31, 2015 as Compared to Twelve Months Ended December 31, 2014

Operating Activities. For the twelve months ended December 31, 2015, we had a net cash inflow of $1,289.7 million from operating activities, an inflow increase of $928.1 million, compared to a net cash inflow of $361.6 million for the prior year. The increase in net cash inflow during 2015 as compared to 2014 was primarily driven by increased customer receipts of deferred revenue and advance payments, net tax refunds, the absence of a $160.0 million cash transfer made in 2014 related to the divestiture of our Gulfstream programs, positive settlements with customers, and improved operational performance. During 2015, deferred revenue and advance payments received were higher by $390.7 million compared to 2014, which includes receipt of $192.0 million in 2015 under the B787 interim pricing agreement, which we did not recognize as revenue. Net tax refunds received during 2015 were $69.7 million, an increase of $160.7 million, compared to net tax payments of approximately $91.0 million during the same period in the prior year.

Investing Activities.   For the twelve months ended December 31, 2015, we had a net cash outflow of $357.4 million from investing activities, an increase in outflow of $117.8 million, compared to a net cash outflow of $239.6 million for the prior year. The increase in net cash outflow was primarily driven by an increase in capital expenditures of $139.9 million during 2015 compared to 2014 due to higher investments in capital to support increasing production rates.

Financing Activities.   For the twelve months ended December 31, 2015, we had a net cash outflow of $351.1 million for financing activities, an increase in outflow of $186.9 million as compared to a net cash outflow of $164.2 million for the same period in the prior year. During 2015, the Company repurchased 5.7 million shares of its class A common stock for $300.0 million.

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Additionally, during 2015, we entered into Amendment No. 5 to our senior secured Credit Agreement which resulted in debt issuance costs of $4.7 million. During 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 in 2014 totaled $20.8 million and included third party fees and tender and consent fees. In connection with a secondary offering by Onex and certain other stockholders during 2014, we repurchased 4 million shares of class A common stock for $129.2 million. In 2015, payments on debt other than the financing activity were $36.5 million compared to $16.8 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, capital expenditures, potential share repurchases, dividend payments and 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, A320 and A350 XWB programs. In response to announced customer production rate increases, we are evaluating various plans to 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 twelve months ended December 31, 2016 totaled $254.0 million, as compared to $360.1 million for the same period in 2015, as we made a higher investment in capital in 2015 to support increasing production rates. 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.

On January 27, 2016, our Board of Directors authorized a new share repurchase program for the purchase of up to $600.0 million of the Company's common stock. Repurchases under this program were concluded during the third quarter ended September 29, 2016.

On November 1, 2016 the Company announced a new share repurchase program for the purchase of up to $600.0 million of the Company's common stock.

On November 1, 2016 the Company announced a $0.10 per share cash dividend on the outstanding common stock of the Company which totaled $12.0 million and was paid on January 9, 2017 to shareholders of record at the close of business on December 19, 2016.

Pension and Other Post-Retirement Benefit Obligations

Our U.S. pension plan remained fully funded at December 31, 2016 and we anticipate non-cash pension income for 2017 to remain at or near the same level as 2016. 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 June 6, 2016, Spirit and the Company entered into the senior unsecured Amended and Restated Credit Agreement, among Spirit, as borrower, the Company, as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents named therein (the "A&R Credit Agreement"). The A&R Credit Agreement refinanced and replaced the 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, Amendment No. 4, dated as of June 3, 2014 and Amendment No. 5 dated as of March 18, 2015 (the “Prior Credit Agreement”). Certain terms of the A&R Credit Agreement were available to Spirit based on increases to Spirit's senior unsecured debt rating provided by S&P and/or Moody’s. The A&R Credit Agreement provides for a $650.0 million revolving credit facility (the “Revolver”) and a $500.0 million term loan A facility (the “Term Loan”). Each of the Revolver and the Term Loan has a maturity date of June 4, 2021, and each bears interest, at Spirit’s option, at either LIBOR plus 1.5% or a defined “base rate” plus 0.50%, subject to adjustment to amounts between and including LIBOR plus 1.125% and LIBOR plus 2.0% (or amounts between and including base rate plus 0.125% and base rate plus

1.0%, as applicable) based on changes to Spirit's senior unsecured debt rating provided by S&P and/or Moody's, as set forth in the table below. The principal obligations under the Term Loan are to be repaid in equal quarterly installments of $6.25 million, with the remaining balance due at maturity of the Term Loan. The A&R Credit Agreement removes many of the prepayment requirements contained in the Prior Credit Agreement. The covenant structure was amended and provides the Company with some additional flexibility with respect to certain activities which were previously restricted by affirmative and negative covenants, though the A&R Credit Agreement does continue to contain customary affirmative and negative covenants available to investment grade companies, including certain financial covenants that are tested on a quarterly basis. The A&R Credit Agreement contains an accordion feature that provides Spirit with the option to increase the Revolver commitments and/or institute one or more additional term loans by an amount not to exceed $500.0 million in the aggregate, subject to the satisfaction of certain conditions and the participation of

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the lenders. Spirit used the proceeds of the Term Loan, along with cash on hand, to pay off the outstanding amounts under the term loan A under the Prior Credit Agreement and to pay a portion of the fees and expenses payable in connection with the A&R Credit Agreement.

As of December 31, 2016, the outstanding balance of the Term Loan was $487.5 million and the carrying value was $485.2 million. As a result of extinguishment and modification of the term loan A and the revolver under the Prior Credit Agreement which occurred during the second quarter of 2016, the Company recognized a loss on extinguishment of debt of $1.4 million including third party fees of $0.4 million, all of which is reflected within amortization of deferred financing fees on the Condensed Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016. As a result of extinguishment of a term loan B under the Prior Credit Agreement 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 twelve months ended December 31, 2015.

In addition to paying interest on outstanding principal under the A&R Credit Agreement, Spirit is required to pay an unused line fee at a rate per annum equal to the applicable percentage for the applicable pricing tier set forth in the table below under the heading “Commitment Fee” on the unused portion of the commitments under the revolving credit facility. Spirit is required to pay letter of credit fees at a rate per annum equal to the applicable percentage for the applicable pricing tier set forth in the table below under the heading “Letter of Credit Fee” on the amounts available to be drawn under each standby letter of credit. Spirit is also required to pay fronting fees in respect of letters of credit to the issuing banks and customary administrative fees to the administrative agent. At December 31, 2016, Spirit had no letters of credit outstanding. The Company was subject to pricing tier 3 at December 31, 2016.

Pricing Tier	Credit Rating (S&P/Moody's)	Commitment Fee	Letter of Credit Fee	LIBOR Loans	Base Rate Loans
1	≥BBB+/Baa1	0.125%	1.125%	1.125%	0.125%
2	BBB/Baa2	0.175%	1.250%	1.250%	0.250%
3	BBB-/Baa3	0.225%	1.500%	1.500%	0.500%
4	BB+/Ba1	0.275%	1.750%	1.750%	0.750%
5	≤BB/Ba2	0.350%	2.000%	2.000%	1.000%

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

The A&R Credit Agreement also contains the following financial covenants (as defined in the A&R Credit Agreement):

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

As of December 31, 2016, Spirit was and expects to remain in full compliance with all covenants contained within the A&R Credit Agreement through December 31, 2017.

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. As described below, as of July 1, 2016 the 2020 Notes were no longer outstanding.

In March 2014, the Company issued the $300.0 million 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 $293.8 million as of December 31, 2016.

On May 24, 2016 the Company commenced an offer to purchase for cash any and all of the $300.0 million outstanding principal amount of its 2020 Notes (the "Tender Offer"). Under the terms of the Tender Offer, holders of 2020 Notes who validly

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tendered their notes at or prior to May 31, 2016 would receive, in whole dollars, $1,037.25 per $1,000 principal amount of the 2020 Notes tendered.
On June 1, 2016, in order to fund the Tender Offer or otherwise acquire, redeem or repurchase the 2020 Notes, the Company issued $300.0 million in aggregate principal amount of 3.850% Senior Notes due June 15, 2026 (the "2026 Notes") with interest payable, in cash in arrears, on June 15 and December 15 of each year, beginning December 15, 2016. The indenture governing the 2026 Notes (the “2026 Notes Indenture”) requires that the 2026 Notes be guaranteed by the Company and each of Spirit’s existing and future domestic subsidiaries, if any, that may guarantee Spirit’s obligations under a senior credit facility. In addition, the 2026 Notes Indenture contains covenants that limit Spirit’s, the Company’s and certain of Spirit’s subsidiaries’ ability to create liens without granting equal and ratable liens to the holders of the 2026 Notes or to enter into sale and leaseback transactions. These covenants are subject to a number of qualifications and limitations. The 2026 Notes Indenture also provides for customary events of default. The carrying value of the 2026 Notes was $296.9 million as of December 31, 2016.
On June 1, 2016, Spirit repurchased $213.6 million aggregate principal amount of its 2020 Notes pursuant to the Tender Offer. Tender fees related to the early extinguishment of the 2020 Notes were $8.0 million, which are included within debt issuance cost on the Condensed Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016.
In addition, on June 1, 2016, Spirit called for redemption of the remaining $86.4 million aggregate principal amount of 2020 Notes outstanding following completion of the Tender Offer. The redemption price of the 2020 Notes was 103.375% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date of July 1, 2016. Following the redemption on July 1, 2016, none of the 2020 Notes remained outstanding.
As a result of the extinguishment of the 2020 Notes, the Company recognized a loss on extinguishment of the 2020 Notes of $11.5 million, all of which is reflected within amortization of deferred financing fees on the Condensed Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016.
As of December 31, 2016, we were and expect to remain in full compliance with all covenants contained in the indentures governing the 2022 Notes and the 2026 Notes through December 31, 2017.
Advances 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. Advance repayments were scheduled to be spread evenly over the remainder of the first 1,000 B787 shipsets delivered to Boeing. On April 8, 2014, the Company signed a memorandum of agreement with Boeing 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 shipsets 1,001 through 1,120. In the event Boeing does not take delivery of a sufficient number of shipsets to repay the full amount of advances prior to the termination of the B787 program or the B787 Supply Agreement, any advances not then repaid will be applied against any outstanding payments then due by Boeing to us, and any remaining balance will be repaid in annual installments of $42.0 million due on December 15th of each year until the advance payments have been fully recovered by Boeing. As of December 31, 2016, the amount of advance payments received by us from Boeing under the B787 Supply Agreement and not yet repaid was approximately $427.5 million.
Advances on the A350 XWB 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. As of December 31, 2016, the amount of advance payments received under this Memorandum of Agreement and not yet repaid was approximately $113.8 million.
Credit Ratings
As of December 31, 2016, the Company's credit ratings were BBB- by S&P and Baa3 by Moody's.
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 influence the interest rate of 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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Contractual Obligations:

The following table summarizes our contractual cash obligations as of December 31, 2016:

Contractual Obligations[1][2]	2017	2018	2019	2020	2021	2022	2023 and After	Total
	($ in millions)							
Principal payment on term loan	$25.0	$25.0	$25.0	$25.0	$387.5	$—	$—	$487.5
Interest on debt[3]	12.1	13.7	14.9	15.2	6.5	0.2	7.6	70.2
Long-term bonds						300.0	300.0	600.0
Interest on long-term bonds	27.3	27.3	27.3	27.3	27.3	19.4	40.5	196.4
Principal payment on Malaysian term loan	1.0	—	—	—	—	—	—	1.0
Non-cancelable capital lease payments	0.7	0.8	0.9	0.9	0.9	0.9	3.8	8.9
Non-cancelable operating lease payments	13.0	9.4	7.6	5.3	3.4	2.5	16.0	57.2
Other	3.5	7.4	7.4	7.3	6.5	5.8	100.3	138.2
Purchase obligations[4]	143.1	29.7	8.1	—	—	—	—	180.9
Total	$225.7	$113.3	$91.2	$81.0	$432.1	$328.8	$468.2	$1,740.3

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(1) Does not include repayment of $834.8 million of B787 advances or deferred revenue credits to Boeing, or $116.7 million of Airbus advances or deferred revenue credits, which are reflected in our consolidated balance sheet as short-term and long-term liabilities. See Note 8, "Advance Payments and Deferred Revenue/Credits."

(2) The $6.3 million of unrecognized tax benefit liability for uncertain tax positions has been excluded from this table due to uncertainty involving the ultimate settlement period. See Note 16, "Income Taxes."

(3) Interest on our Term Loan was calculated for all years using the three-month LIBOR yield curve as of December 31, 2016 plus applicable margin.

(4) Purchase obligations represent computing, tooling, and property, plant and equipment commitments as of December 31, 2016.

Off-Balance Sheet Arrangements

Other than operating leases disclosed in the notes to our financial statements included in this Annual Report, we have not entered into any off-balance sheet arrangements as of December 31, 2016.

Tax

At December 31, 2016, $17.4 million of cash and cash equivalents was held by our foreign subsidiaries, which we expect will be used primarily to fund working capital requirements, service existing obligations and invest in efforts to secure future business. We have not recorded a deferred tax liability of approximately $100.0 million related to the U.S. federal and state income taxes and foreign withholding taxes on approximately $290.0 million of undistributed earnings of foreign subsidiaries indefinitely invested outside the United States. Should we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside the United States.

The amount of current net U.S. and state tax receivables outstanding at December 31, 2016 was $5.0 million.

Expected Backlog

As of December 31, 2016, our expected backlog associated with large commercial aircraft, business and regional jet, and military equipment deliveries through 2021, calculated based on contractual and historical product prices and expected delivery volumes, was approximately $47.1 billion. This is an increase of $200.0 million from our corresponding estimate as of the end of 2015. Backlog is calculated based on the number of units Spirit is under contract to produce on our fixed quantity contracts, and Boeing and Airbus announced backlog on our supply agreements. The number of units may be subject to cancellation or delay by the customer prior to shipment, depending on contract terms. The level of unfilled orders at any given date during the year may

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be materially affected by the timing of our receipt of firm orders and additional airplane orders, and the speed with which those orders are filled. Accordingly, our expected backlog as of December 31, 2016 may not necessarily represent the actual amount of deliveries or sales for any future period. Approximately 15% of our backlog as of December 31, 2016 is expected to be converted into sales in 2017.

Foreign Operations

We engage in business in various non-U.S. markets. As of December 31, 2016, we have a foreign subsidiary with one facility in the United Kingdom, which serves as a production facility, a production facility in Malaysia, a worldwide supplier base, and a repair center for the European and Middle-Eastern regions. We purchase certain components and materials that we use in our products from foreign suppliers and a portion of our products will be sold directly to foreign customers, including Airbus, or resold to foreign end-users (i.e., foreign airlines and militaries). In addition, we operate an assembly facility in Saint-Nazaire, France to receive and assemble center fuselage frame sections for the A350 XWB commercial aircraft from the facility in Kinston, North Carolina before they are shipped to Airbus. Spirit is party to a joint venture with Hong Kong Aircraft Engineering Company Limited ("HAECO"), and its subsidiary, Taikoo Aircraft Engineering Company Limited ("TAECO"), Cathay Pacific Airways Limited, and Cal-Asia to develop and implement a state-of-the-art composite and metal bond component repair station in the Asia-Pacific region. The service center is called Taikoo Spirit AeroSystems Composite Co. Ltd.

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

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

For the twelve months ended December 31, 2016, our net revenues from direct sales to non-U.S. customers were approximately $1,142.8 million, or 17% of total net revenues for the same period. For the twelve months ended December 31, 2015, our net revenues from direct sales to non-U.S. customers were approximately $934.9 million, or 14% of total net revenues for the same period. For the twelve months ended December 31, 2014, our net revenues from direct sales to non-U.S. customers were approximately $830.9 million, or 12% of total net revenues for the same period.

Inflation

A majority of our sales are conducted pursuant to long-term contracts that set fixed unit prices, some of which provide for price adjustment for inflation. In addition, we typically consider expected inflation in determining proposed pricing when we bid on new work. Although we have attempted to minimize the effect of inflation on our business through these protections, sustained or higher than anticipated increases in costs of labor or materials could have a material adverse effect on our results of operations.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As a result of our operating and financing activities, we are exposed to various market risks that may affect our consolidated results of operations and financial position. These market risks include fluctuations in interest rates, which impact the amount of interest we must pay on our variable rate debt.

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

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Accounts receivable include amounts billed and currently due from customers, amounts earned but unbilled, particular estimated contract changes, claims in negotiation that are probable of recovery, and amounts retained by the customer pending dispute resolution. For the twelve months ended December 31, 2016, approximately 81% of our net revenues were from sales to Boeing. We continuously monitor collections and payments from customers and maintain a provision for estimated credit losses as deemed appropriate based upon historical experience and any specific customer collection issues that have been identified. While such credit losses have historically not been material, we cannot guarantee that we will continue to experience the same credit loss rates in the future.

We maintain cash and cash equivalents with various financial institutions and perform periodic evaluations of the relative credit standing of those financial institutions and from time to time we invest excess cash in liquid short-term money market funds. We have not experienced any losses in such accounts and believe that we are not exposed to any significant credit risk on cash and cash equivalents. Additionally, we monitor our defined benefit pension plan asset investments on a quarterly basis and we believe that we are not exposed to any significant credit risk in these investments.

Commodity Price and Availability Risks

In our business we use various raw materials, including aluminum, titanium, steel and composites all of which can experience price fluctuations depending on market conditions. Substantial price increases could reduce our profitability. Although our supply agreements with Boeing and Airbus allow us to pass on certain abnormal increases in component and raw material costs to Boeing and Airbus in limited situations, we may not be fully compensated for such increased costs.

Our strategic sourcing initiatives are focused on mitigating the impact of commodity price risk. We are party to collective raw material sourcing contracts arranged through Boeing and Airbus. These collective sourcing contracts allow us to obtain raw materials at pre-negotiated rates and help insulate us from market volatility across the industry for certain specialized metallic and composite raw materials used in the aerospace industry. We also have long-term supply agreements with a number of our major parts suppliers. We generally do not employ forward contracts or other financial instruments to hedge commodity price risk, although we continue to review a full range of business options focused on strategic risk management for all raw material commodities.

If one or more of our suppliers or subcontractors experiences delivery delays or other performance problems, we may be unable to meet commitments to our customers or incur additional costs. Any failure by our suppliers to provide acceptable raw materials, components, kits or subassemblies could adversely affect our production schedules and contract profitability. We assess qualification of suppliers and continually monitor them to control risk associated with such supply base reliance.

To a lesser extent, we also are exposed to fluctuations in the prices of certain utilities and services, such as electricity, natural gas, chemicals and freight. We utilize a range of long-term agreements to minimize procurement expense and supply risk in these areas.

Interest Rate Risks

As of December 31, 2016, in regard to our senior unsecured credit facility, we had no fixed rate debt and $485.2 million of variable rate debt outstanding as compared to no fixed rate debt and $508.3 million of variable rate debt outstanding as of December 31, 2015. Borrowings under our senior unsecured credit facility bear interest that varies with LIBOR. Interest rate changes generally do not affect the market value of such debt, but do impact the amount of our interest payments and, therefore, our future earnings and cash flows, assuming other factors are held constant. Assuming other variables remain constant, including levels of indebtedness, a one percentage point increase in interest rates on our variable debt would have an estimated impact on pre-tax earnings and cash flows for the next twelve months of approximately $4.92 million.

Currently we have no derivative financial instruments.

Foreign Exchange Risks

As a result of the BAE Acquisition, we have sales, expenses, assets and liabilities that are denominated in British pounds sterling. Spirit Europe's functional currency is the British pound sterling. However, sales of Spirit Europe's products to Boeing and some procurement costs are denominated in U.S. dollars and Euros. As a consequence,

movements in exchange rates could cause net sales and our expenses to fluctuate, affecting our profitability and cash flows.

In addition, even when revenues and expenses are matched, we must translate British pound sterling denominated results of operations, assets and liabilities for our foreign subsidiaries to U.S. dollars in our consolidated financial statements. Consequently, increases and decreases in the value of the U.S. dollar as compared to the British pound sterling will affect our reported results of operations and the value of our assets and liabilities on our consolidated balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in its original currency. These transactions could significantly affect the

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comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity.
In accordance with FASB authoritative guidance, the intercompany revolving credit facility with Spirit Europe is exposed to fluctuations in foreign exchange rates. The fluctuation in rates for 2016 resulted in a loss of $14.6 million reflected in other income/expense.

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Item 8. Financial Statements and Supplementary Data
SPIRIT AEROSYSTEMS HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Financial Statements of Spirit AeroSystems Holdings, Inc. for the periods ended December 31, 2016, December 31, 2015 and December 31, 2014	
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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Spirit AeroSystems Holdings, Inc.

We have audited the accompanying consolidated balance sheets of Spirit AeroSystems Holdings, Inc. as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 consolidated financial position of Spirit AeroSystems Holdings, Inc. as of December 31, 2016 and 2015 and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Spirit AeroSystems Holdings, Inc.'s internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 10, 2017 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Wichita, Kansas
February 10, 2017

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Spirit AeroSystems Holdings, Inc.
Consolidated Statements of Operations

	For the Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
	($ in millions, except per share data)		
Net Revenues	$6,792.9	$ 6,643.9	$ 6,799.2
Operating costs and expenses			
Cost of sales	5,803.6	5,532.3	5,711.0
Selling, general and administrative	228.3	220.8	233.8
Impact of severe weather event	12.1	—	—
Research and development	23.8	27.8	29.3
Loss on divestiture of programs	—	—	471.1
Total operating costs and expenses	6,067.8	5,780.9	6,445.2
Operating income	725.1	863.0	354.0
Interest expense and financing fee amortization	(57.3)	(52.7)	(88.1)
Other expense, net	(7.3)	(2.2)	(3.5)
Income before income taxes and equity in net income of affiliates	660.5	808.1	262.4
Income tax (provision) benefit	(192.1)	(20.6)	95.9
Income before equity in net income of affiliates	468.4	787.5	358.3
Equity in net income of affiliates	1.3	1.2	0.5
Net income	$469.7	$ 788.7	$ 358.8
Earnings per share			
Basic	$3.72	$ 5.69	$ 2.55
Diluted	$3.70	$ 5.66	$ 2.53
Dividends declared per common share	$0.10	$ —	$ —

See notes to consolidated financial statements

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Spirit AeroSystems Holdings, Inc.
Consolidated Statements of Comprehensive Income

	For the Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
	($ in millions)		
Net income	$469.7	$ 788.7	$ 358.8
Other comprehensive (loss) income, net of tax:			
Settlement of swap, net of tax effect of zero, ($0.4) and zero, respectively	—	0.7	—
Unrealized loss on interest rate swaps, net of tax effect of zero for all periods, respectively	—	—	(1.1)
Pension, SERP, and Retiree medical adjustments, net of tax effect of ($20.8), ($7.7) and $1.3, respectively	36.9	12.5	(78.0)
Unrealized foreign exchange loss on intercompany loan, net of tax effect of 2.5, $0.9 and $1.0, respectively	(9.9)	(3.5)	(3.5)
Foreign currency translation adjustments	(53.4)	(16.4)	(16.6)
Total other comprehensive loss	(26.4)	(6.7)	(99.2)
Total comprehensive income	$443.3	$ 782.0	$ 259.6

See notes to consolidated financial statements

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Spirit AeroSystems Holdings, Inc.
Consolidated Balance Sheets

	December 31, 2016	December 31, 2015
	($ in millions)	
Current assets		
Cash and cash equivalents	$697.7	$ 957.3
Accounts receivable, net	660.5	537.0
Inventory, net	1,515.3	1,774.4
Other current assets	36.9	30.4
Total current assets	2,910.4	3,299.1
Property, plant and equipment, net	1,991.6	1,950.7
Pension assets	282.3	246.9
Other assets	220.9	267.8
Total assets	$5,405.2	$ 5,764.5
Current liabilities		
Accounts payable	$579.7	$ 618.2
Accrued expenses	216.2	230.2
Profit sharing	101.4	61.6
Current portion of long-term debt	26.7	34.9
Advance payments, short-term	199.3	178.3
Deferred revenue, short-term	312.1	285.5
Deferred grant income liability — current	14.4	11.9
Other current liabilities	94.4	37.7
Total current liabilities	1,544.2	1,458.3
Long-term debt	1,060.0	1,085.3
Advance payments, long-term	342.0	507.4
Pension/OPEB obligation	43.9	67.7
Deferred revenue and other deferred credits	146.8	170.0
Deferred grant income liability — non-current	63.4	82.3
Other liabilities	276.1	273.5
Equity		
Preferred stock, par value $0.01, 10,000,000 shares authorized, no shares issued	—	—
Common stock, Class A par value $0.01, 200,000,000 shares authorized, 121,642,556 and 135,617,589 shares issued and outstanding, respectively	1.2	1.4
Common stock, Class B par value $0.01, 150,000,000 shares authorized, zero and 121 shares issued and outstanding, respectively	—	—
Additional paid-in capital	1,078.9	1,051.6
Accumulated other comprehensive loss	(186.9)	(160.5)
Retained earnings	2,113.9	1,656.2
Treasury stock, at cost (23,936,092 and 9,691,865 shares, respectively)	(1,078.8)	(429.2)
Total shareholders' equity	1,928.3	2,119.5
Noncontrolling interest	0.5	0.5
Total equity	1,928.8	2,120.0
Total liabilities and equity	$5,405.2	$ 5,764.5

See notes to consolidated financial statements

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

	Common Stock		Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Retained Earnings/ Accumulated Deficit	Total
	Shares	Amount					
	($ in millions, except share data)						
Balance — December 31, 2013	144,798,123	$ 1.4	$ 1,025.0	$—	$ (54.6)	$ 508.7	$ 1,480.5
Net income	—	—	—	—	—	358.8	358.8
Employee equity awards	719,214	—	8.2	—	—	—	8.2
Stock forfeitures	(249,444)	—	—	—	—	—	—
Net shares settled	(256,332)	—	—	—	—	—	—
Excess tax benefits from share-based payment arrangements	—	—	2.4	—	—	—	2.4
SERP shares issued	77,562	—	—	—	—	—	—
Treasury shares	(4,000,000.0)	—	—	(129.2)	—	—	(129.2)
Other comprehensive loss	—	—	—	—	(99.2)	—	(99.2)
Balance — December 31, 2014	141,089,123	$ 1.4	$ 1,035.6	$ (129.2)	$ (153.8)	$ 867.5	$ 1,621.5
Net income	—	—	—	—	—	788.7	788.7
Employee equity awards	653,011	—	26.0	—	—	—	26.0
Stock forfeitures	(170,789)	—	—	—	—	—	—
Net shares settled	(395,447)	—	(20.7)	—	—	—	(20.7)
Excess tax benefits from share-based payment arrangements	—	—	10.7	—	—	—	10.7
SERP shares issued	133,677	—	—	—	—	—	—
Treasury shares	(5,691,865)	—	—	(300.0)	—	—	(300.0)
Other comprehensive loss	—	—	—	—	(6.7)	—	(6.7)
Balance — December 31, 2015	135,617,710	$ 1.4	$ 1,051.6	$ (429.2)	$ (160.5)	$ 1,656.2	$ 2,119.5
Net income	—	—	—	—	—	469.7	469.7
Dividends Declared	—	—	—	—	—	(12.0)	(12.0)
Employee equity awards	856,232	—	42.5	—	—	—	42.5
Stock forfeitures	(280,349)	—	—	—	—	—	—
Net shares settled	(335,436)	—	(15.2)	—	—	—	(15.2)
Excess tax benefits from share-based payment arrangements	—	—	(0.2)	—	—	—	(0.2)
SERP shares issued	28,626	—	—	—	—	—	—
Treasury shares	(14,244,227)	(0.2)	0.2	(649.6)	—	—	(649.6)
Other comprehensive loss	—	—	—	—	(26.4)	—	(26.4)
Balance — December 31, 2016	121,642,556	$ 1.2	$ 1,078.9	$ (1,078.8)	$ (186.9)	$ 2,113.9	$ 1,928.3

See notes to consolidated financial statements

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Spirit AeroSystems Holdings, Inc.
Consolidated Statements of Cash Flows

	For the Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
	($ in millions)		
Operating activities			
Net income (loss)	$469.7	$ 788.7	$ 358.8
Adjustments to reconcile net income (loss) to net cash provided by operating activities			
Depreciation expense	208.6	180.5	170.2
Amortization expense	0.2	0.6	5.8
Amortization of deferred financing fees	19.3	6.9	23.3
Accretion of customer supply agreement	4.9	2.6	1.1
Employee stock compensation expense	42.5	26.0	16.4
Excess tax benefit of share-based payment arrangements	0.1	(10.7)	(2.6)
Loss from interest rate swaps	—	—	0.5
Loss (gain) from hedge contracts	—	1.6	(1.4)
Loss from foreign currency transactions	17.4	8.6	10.5
Loss on divestiture of programs	—	—	471.1
Loss on disposition of assets	0.4	14.7	13.7
Deferred taxes	0.9	(162.2)	(8.4)
Long-term tax benefit	—	—	(1.2)
Pension and other post retirement benefits, net	3.5	(26.0)	(24.0)
Grant liability amortization	(11.9)	(10.4)	(8.6)
Equity in net income of affiliates	(1.3)	(1.2)	(0.5)
Changes in assets and liabilities			
Accounts receivable, net	(139.1)	62.2	(64.7)
Inventory, net	207.8	(44.2)	(332.2)
Accounts payable and accrued liabilities	(34.3)	(89.1)	(22.1)
Profit sharing/deferred compensation	40.5	(50.0)	73.8
Advance payments	(144.4)	(113.3)	(52.9)
Income taxes receivable/payable	(3.3)	251.9	(177.9)
Deferred revenue and other deferred credits	12.4	407.3	2.2
Cash transferred on divestiture of programs	—	—	(160.0)
Other	23.0	45.2	70.7
Net cash provided by operating activities	716.9	1,289.7	361.6
Investing activities			
Purchase of property, plant and equipment	(254.0)	(360.1)	(220.2)
Proceeds from sale of assets	0.6	2.7	0.5
Change in Restricted Cash	—	—	(19.9)
Net cash used in investing activities	(253.4)	(357.4)	(239.6)
Financing activities			
Proceeds from issuance of debt	—	535.0	—
Proceeds from issuance of bonds	299.8	—	300.0
Principal payments of debt	(36.4)	(36.5)	(16.8)
Payments on term loan	—	(534.9)	—
Payments on bonds	(300.0)	—	(300.0)

Taxes paid related to net share settlement awards	(15.2)	(20.7)	—
Excess tax benefit of share-based payment arrangements	(0.1)	10.7	2.6
Debt issuance and financing costs	(17.2)	(4.7)	(20.8)
Purchase of treasury stock	(649.6)	(300.0)	(129.2)
Net cash used in financing activities	(718.7)	(351.1)	(164.2)
Effect of exchange rate changes on cash and cash equivalents	(4.4)	(1.8)	(0.6)
Net (decrease) increase in cash and cash equivalents for the period	(259.6)	579.4	(42.8)
Cash and cash equivalents, beginning of period	957.3	377.9	420.7
Cash and cash equivalents, end of period	$697.7	$ 957.3	$ 377.9

See notes to consolidated financial statements

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

	For the Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
	($ in millions)		
Supplemental information			
Interest paid	$45.2	$ 51.5	$ 69.2
Income taxes (refunded) paid	$191.4	$ (69.7)	$ 91.1

See notes to consolidated financial statements

1. Nature of Business

Spirit Holdings was incorporated in the state of Delaware on February 7, 2005, and commenced operations on June 17, 2005 through the acquisition of Boeing's operations in Wichita, Kansas; Tulsa, Oklahoma and McAlester, Oklahoma (the "Boeing Acquisition") by an investor group led by Onex Partners LP and Onex Corporation (together with its affiliates, "Onex"). Holdings provides manufacturing and design expertise in a wide range of fuselage, propulsion and wing products and services for aircraft original equipment manufacturers and operators through its subsidiary, Spirit AeroSystems, Inc. ("Spirit"). The Company has its headquarters in Wichita, Kansas, with manufacturing facilities in Tulsa and McAlester, Oklahoma; Prestwick, Scotland; Wichita, Kansas; Kinston, North Carolina and Subang, Malaysia. The Company has an assembly facility in Saint-Nazaire, France.

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

The Company participates in a joint venture, Taikoo Spirit AeroSystems Composite Co. Ltd. ("TSACCL"), of which Spirit's ownership interest is 31.5%. TSACCL was formed to develop and implement a state-of-the-art composite and metal bond component repair station in the Asia-Pacific region.

In March, June and August 2014, certain selling stockholders sold 22,915,300 shares of the Company's class A common stock at prices to the public ranging from $28.62 to $35.90 per share in secondary offerings of the Company's class A common stock. Following the August 2014 offering, Onex no longer held any investment in the Company.

On December 8, 2014, Spirit entered into an Asset Purchase Agreement with Triumph Aerostructures - Tulsa, LLC, a wholly-owned subsidiary of Triumph Group Inc. (“Triumph”), to sell Spirit’s G280 and G650 programs (“Gulfstream programs”), consisting of the design, manufacture and support of structural components for the Gulfstream G280 and G650 aircraft in Spirit’s facilities in Tulsa, Oklahoma to Triumph (the “Gulfstream Transaction”). The transaction closed on December 30, 2014.

The accompanying consolidated financial statements include the Company’s financial statements and the financial statements of its majority owned or controlled subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and Regulation S-X. All intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior year financial statements and notes to conform to the 2016 presentation.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements include the Company’s financial statements and the financial statements of its majority owned or controlled subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and Regulation S-X. Investments in business entities in which the Company does not have control, but has the ability to exercise influence over operating and financial policies, including TSACCL, are accounted for under the equity method. KIESC is fully consolidated as the Company owns 77.8% of the entity's equity. All intercompany balances and transactions have been eliminated in consolidation. The Company's U.K. subsidiary uses local currency, the British pound, as its functional currency; the

Malaysian subsidiary uses the British pound and the Singapore subsidiary uses the Singapore dollar. All other foreign subsidiaries and branches use the U.S. dollar as their functional currency.

As part of the monthly consolidation process, the functional currencies of the Company's international subsidiaries are translated to U.S. dollars using the end-of-month translation rate for balance sheet accounts and average period currency translation rates for revenue and income accounts.

Use of Estimates

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

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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.

Actual results could differ from those estimates and assumptions.

Revenues and Profit Recognition

A significant portion of the Company's revenues are recognized under long-term, volume-based pricing contracts, requiring delivery of products over several years. The Company recognizes revenue under the contract method of accounting and records sales and profits on each contract in accordance with the percentage-of-completion method of accounting, primarily using the units-of-delivery method. Under the units-of-delivery method revenue is recognized based upon the number of units delivered during a period and the contract price and expenditures are recognized as the cost allocable to the delivered units. Costs allocable to undelivered units are reported in the balance sheet as inventory. The method is used in circumstances in which an entity produces units of a basic product under production-type contracts in a continuous or sequential production process to buyers' specifications. Recurring long-term production contracts are usually divided into contract blocks for this purpose, with each block treated as a separate contract for "units-of-delivery" production-type contract accounting purposes.

The total quantity of production units to be delivered under a contract may be set as a single contract accounting block, or it can be split into multiple blocks. Unless the life of the contract is so long that it prevents reliable estimates, the entire contract will typically be set as the contract accounting block quantity. "Life-of-program" or "requirements-based" contracts often lead to continuing sales of more than twenty years. Since this is much longer than can be reliably estimated, Spirit uses parameters based on the contract facts and circumstances to determine the length of the contract block. This analysis includes: considering the customer's firm orders, internal assessment of the market, reliability of cost estimates, potential segmentation of non-recurring elements of the contract, and other factors. Contract block sizes may also be determined based on certain contractual terms such as pricing renegotiation dates, such that certain contract blocks may use an approximate date instead of a defined unit quantity in order to increase the ability to estimate accurately given that the renegotiated pricing is unknown for the planning block. Shorter contract blocks for mature, ongoing programs are common due to the presence of recent cost history and probable forecast accuracy. Initial contract blocks often require a longer time period and a greater number of units in order to take into account the higher cost of early units due to a steeper experience curve and pre-production design costs. As these programs mature, costs stabilize and efficiencies are realized, subsequent contract block length shortens to take into account the steady state of the continuing production.

Revenues from non-recurring design work are recognized based on substantive milestones or use of the cost-to-cost method, that are indicative of the Company's progress toward completion depending on facts and circumstances. The Company follows the requirements of Financial Accounting Standards Board ("FASB") authoritative guidance on accounting for the performance of construction-type and certain production-type contracts (the contract method of accounting), and uses the cumulative catch-up method in accounting for revisions in estimates. Under the cumulative catch-up method, the impacts of revisions in estimates are recognized immediately when changes in estimated contract profitability become known.

A profit rate is estimated based on the difference between total revenues and total costs over a contract block. Total revenues at any given time include actual historical revenues up to that time plus future estimated revenues. Total costs at any given time include actual historical costs up to that time plus future estimated costs. Estimated revenues include negotiated or expected values for units delivered, estimates of probable recoveries asserted against the customer for changes in specifications, price adjustments for contract and volume changes, escalation and assumed but currently unnegotiated price increases for derivative models. Costs include the estimated cost of certain

pre-production efforts (including non-recurring engineering and planning subsequent to completion of final design) plus the estimated cost of manufacturing a specified number of production units. Estimates take into account assumptions related to future labor performance and rates, and projections related to material and overhead costs including expected "learning curve" cost reductions over the term of the contract. Estimated revenues and costs also take into account the expected impact of specific contingencies that the Company believes are probable.

Estimates of revenues and costs for the Company's contract blocks span a period of multiple years and are based on a substantial number of underlying assumptions. The Company believes that the underlying assumptions are sufficiently reliable to provide a reasonable estimate of the profit to be generated. However, due to the significant length of time over which revenue streams will be generated, the variability of the revenue and cost streams can be significant if the assumptions change. Estimates of profit margins for contract accounting blocks are typically reviewed at least annually or at an earlier point if evidence suggests a change in margin may be necessary. Assuming the initial estimates of sales and costs under the contract block are accurate, the percentage-

of-completion method results in the profit margin being recorded evenly as revenue is recognized under the contract block. Changes in these underlying estimates due to revisions in sales and cost estimates may result in profit margins being recognized unevenly over a contract block as such changes are accounted for on a cumulative basis in the period estimates are revised, which the Company refers to as cumulative catch-up adjustments. The Company's Estimate at Completion estimating process is not solely an accounting process, but is instead an integrated part of the management of the Company's business, involving numerous personnel in the Company's planning, production control, contracts, cost management, supply chain and program and business management functions.

Spirit regularly commences work and incorporates customer-directed changes prior to negotiating pricing terms for engineering work, for work related to the modification of the product, and/or other statements of work. Spirit typically has the legal right to negotiate pricing for customer-directed changes. In those cases, Spirit asserts to its customers its contractual rights to be paid the additional revenue or cost reimbursement the Company expects to receive upon finalizing pricing terms.

Spirit’s 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 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"), Boeing and Spirit established interim prices for certain B787 shipsets, and the parties agreed to negotiate future rate increases, recurring prices, and other issues across multiple programs during 2015. Since Spirit was unable to reach agreement with Boeing on these issues by the end of 2015, once the parties agree upon appropriate pricing for the B787-9, Boeing will be entitled to a retroactive adjustment on certain B787 payments which were based on the interim pricing. The amount Spirit received that is subject to a retroactive adjustment was recorded as deferred revenue, and has not been recognized by the Company as revenue. Spirit is engaged in discussions with Boeing concerning how to determine the subsequent B787-9 and initial B787-10 prices, and the parties have not yet reached agreement. Spirit’s ability to successfully negotiate fair and equitable prices for these models as well as overall B787 delivery volumes and rate investments, and its 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 and B787-10 deliveries in the Company's second B787 contract block, the Company has applied the applicable accounting guidance for unpriced change orders in estimating total block revenues which will be updated as part of the Company’s Estimate at Completion process until the final pricing is negotiated. Pending final price negotiations, the Company has estimated revenue for B787-9 and B787-10 deliveries to include assumptions around changes from the contract configuration baseline for each B787 model.

For revenues not recognized under the contract method of accounting, the Company recognizes revenues from the sale of products at the point of passage of title, which is generally at the time of shipment. Shipping and handling costs are included in cost of sales. Revenues earned from providing maintenance services, including any contracted research and development, are recognized when the service is complete or other contractual milestones are attained. Revenues from non-recurring design work are recognized based on substantive milestones or use of the cost-to-cost method, that are indicative of the Company's progress toward completion. Non-recurring revenues, which are derived primarily from engineering and design efforts, were $302.1, $307.4 and $305.5 for each of the periods ended December 31, 2016, 2015 and 2014, respectively. As required by FASB authoritative guidance related to accounting for consideration given by a vendor to a customer certain payments are amortized as a reduction to revenues on units delivered.

Research and Development

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Consistent with industry practice, the Company classifies unbilled receivables related to contracts accounted for under the long-term contract method of accounting, as current. The Company determines an allowance for doubtful accounts based on a review of outstanding receivables. Account balances are charged off against the allowance after the potential for recovery is considered remote. The Company's allowance for doubtful accounts was approximately $5.2 and $6.1 at December 31, 2016 and December 31, 2015, respectively.

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

Inventory

Raw materials are stated at lower of cost (principally on an actual or average cost basis) or market. Inventoried costs attributed to units delivered under long-term contracts are based on the estimated average cost of all units expected to be produced and are determined under the learning curve concept which anticipates a predictable decrease in unit costs. Lower unit costs are achieved as tasks and production techniques become more efficient through repetition, supply chain costs are reduced as contracts are negotiated and design changes result in lower cost. This cost averaging usually results in an increase in inventory (referred to as "excess-over-average" or "deferred production costs") during the early years of a contract. These costs are deferred only to the extent the amount of actual or expected excess-over-average is reasonably expected to be fully offset by lower-than-average costs in future periods of a contract. If in-process inventory plus estimated costs to complete a specific contract exceed the actual plus anticipated remaining sales value of such contract, such excess is charged to cost of sales in the period the loss becomes known, thus reducing inventory to estimated realizable value. Costs in inventory include amounts relating to contracts with long production cycles, some of which are not expected to be realized within one year.

The Company reviews its general stock materials and spare parts inventory each quarter to identify impaired inventory, including excess or obsolete inventory, based on historical sales trends and expected production usage. Impaired inventories are written off to work-in-process in the period identified.

Property, Plant and Equipment

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

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

The Company capitalizes certain costs, such as software coding, installation and testing, that are incurred to purchase or to create and implement internal-use computer software. The Company's capitalization policy includes specifications that the software must have a service life greater than one year, is legally and substantially owned by Spirit, and has an acquisition cost of greater than $0.1.

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

Impairment or Disposal of Long-Lived Assets and Goodwill

Spirit reviews capital and amortizing intangible assets (long-lived assets) for impairment on an annual basis or whenever events or changes in circumstances indicate that the recorded amount may not be recoverable. Under the standard, assets must be classified as either held-for-use or available-for-sale. An impairment loss is recognized when the recorded amount of an asset that is held for use exceeds the projected undiscounted future net cash flows expected from its use and disposal, and is measured as the amount by which the recorded amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available. For assets available-for-sale, an impairment loss is recognized when the recorded amount exceeds the fair value less cost to sell.

The Company performs an annual impairment test for goodwill in the fourth quarter of each

year, or more frequently, if an event occurs or circumstances change that would more likely than not reduce fair value below current value.

Deferred Financing Costs

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

Derivative Instruments and Hedging Activity

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

Fair Value of Financial Instruments

Financial instruments are measured in accordance with FASB authoritative guidance related to fair value measurements. This guidance clarifies the definition of fair value, prescribes methods for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value, and expands disclosures about fair value measurements. See Note 10, "Fair Value Measurements."

Income Taxes

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

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

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

Stock-Based Compensation and Other Share-Based Payments

Many of the Company's employees are participants in various stock compensation plans. The expense attributable to the Company's employees is recognized over the period the amounts are earned and vested, as described in Note 15, "Stock Compensation."

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-15, Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments (“ASU

2016-15”). ASU 2016-15 provides guidance on eight specific cash flow classification issues. Current GAAP does not include specific guidance on these eight cash flow classification issues. The amendments of this ASU are effective for reporting periods beginning after

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December 15, 2017, with early adoption permitted. The adoption of ASU 2016-15 is not expected to have a material impact on the Company's consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). ASU 2016-09 identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. ASU 2016-09 will be effective for annual periods beginning after December 15, 2016. Early adoption is permitted. The Company elected to early adopt these amendments beginning in the second quarter of 2016. Beginning in that quarter, excess tax benefits or deficiencies in respect of stock-based compensation were reflected in the Consolidated Statements of Operations as a component of the income tax provision. Previously, they were recognized in equity as part of additional paid-in-capital. Also, beginning in that quarter, the Company's Consolidated Statement of Cash Flows presents excess tax benefits or deficiencies as an operating activity. Accordingly, the Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016 includes a $4.6 increase to net cash provided by operating activities. The Company has also elected to account for forfeitures using an expected estimate rather than recording forfeitures as they occur as permitted by ASU 2016-09. See Note 15, Income Taxes, for information regarding the additional impact on the Company's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). This update requires recognition of lease assets and lease liabilities on the balance sheet of lessees. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim reporting periods within those years. Early adoption is permitted. ASU 2016-02 requires a modified retrospective transition approach and provides certain optional transition relief. The Company is currently evaluating the new guidance to determine the impact it may have to the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”, “ASC 606”), which requires recognition of revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB has issued several updates to ASU 2014-09 which must be adopted concurrently with ASU 2014-09.
Under ASC 606, revenue is recognized when control of promised goods or services transfers to a customer and is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. The major provisions include determining enforceable rights and obligation between parties, defining performance obligations as the units of accounting under contract, accounting for variable consideration, and determining whether performance obligations are satisfied over time or at a point of time. Additionally, ASC 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.
ASC 606 will be effective for us beginning January 1, 2018 and early adoption as of January 1, 2017 is permitted. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (“full retrospective method”), or retrospectively with the cumulative effect of initially applying ASC 606 recognized at the date of initial application (“the modified retrospective method”). The Company is adopting ASC 606 effective January 1, 2018 and the Company expects to do so using the modified retrospective method.
In 2016, we established a cross-functional team to assess and prepare for implementation of the new standard. We are progressing in our assessment of the impact of ASC 606 and ASC 340-40 and are concurrently gathering business requirements for the implementation of ASC 606.

While further analysis of ASC 606 and a review of all material contracts is underway the adoption of ASC 606 may impact the amounts and timing of revenue recognition and the accounting treatment of deferred production costs. Under ASC 606, the units-of-delivery method is no longer viable and some performance obligations may be satisfied over time which may change the timing of recognition of revenue and associated production costs for certain contracts.

3. Changes in Estimates

The Company has a Company-wide quarterly Estimate at Completion (EAC) process in which management assesses the progress and performance of the Company's contracts. This process requires management to review each program’s progress towards completion by evaluating the program schedule, changes to identified risks and opportunities, changes to estimated contract

revenues and estimated contract costs over the current contract block and any outstanding contract matters. Risks and opportunities include management's judgment about the cost associated with a program’s ability to achieve the schedule, technical requirements (e.g., a newly-developed product versus a mature product) and any other contract requirements. The majority of the Company's fixed priced contracts are life of aircraft program contracts. Due to the span of years it may take to complete a contract block and the scope and nature of the work required to be performed on those contracts, the estimation of total revenue and costs at completion is complicated and subject to many variables and, accordingly, is subject to change. When adjustments in estimated total contract block revenue or estimated total cost are required, any changes from prior estimates for delivered units are recognized in the current period as a cumulative catch-up adjustment for the inception-to-date effect of such changes. Cumulative catch-up adjustments are driven by several factors including improved production efficiencies, assumed rate of production, the rate of overhead absorption, changes to scope of work and contract modifications. When estimates of total costs to be incurred on a contract block exceed estimates of total revenue to be earned, a provision for the entire loss on the contract block is recorded in the period in which the loss is determined. Changes in estimates are summarized below:

Changes in Estimates	December 31, 2016	December 31, 2015	December 31, 2014
Favorable (Unfavorable) Cumulative Catch-up Adjustments by Segment			
Fuselage	13.6	16.1	14.8
Propulsion	(0.4)	22.8	18.8
Wing	23.4	2.7	26.8
Total Favorable Cumulative Catch-up Adjustment	36.6	41.6	60.4
(Forward Loss) and Changes in Estimates on Loss Programs by Segment			
Fuselage	(133.4)	8.7	9.9
Propulsion	10.1	2.4	16.5
Wing	5.1	(0.3)	(0.3)
Total (Forward Loss) and Change in Estimate on Loss Program	(118.2)	10.8	26.1
Total Change in Estimate	(81.6)	52.4	86.5
EPS Impact (diluted per share based on statutory rates)	(0.40)	0.24	0.38

(1) Includes ($141.8) forward loss charge on the A350 XWB program for the twelve months ended December 31, 2016.

2016 Changes in Estimates

Favorable cumulative catch-up adjustments for the periods prior to 2016 were primarily driven by productivity and efficiency improvements, favorable cost performance, mitigation of risk on maturing programs and favorable pricing negotiations on a maturing program.

During the second quarter of 2016, Spirit signed a memorandum of agreement with Airbus (the "Airbus 2016 MOA") which, in part, materially reset the pricing for 800 units on the A350 XWB Fuselage and Wing requirements contracts. The Airbus 2016 MOA was negotiated to economically compensate Spirit for significant engineering changes to aircraft design. The new pricing provided the Company with a higher degree of certainty of revenue that will be realized over the 800 unit contracts. Further, the Company analyzed A350 XWB market demand using third party publications as well as Airbus firm orders which indicated that the sustained demand for the A350 XWB program was in excess of 800 units. The Company determined that due to the higher degree of precision of the A350 XWB revenue

along with the strong, sustained market demand, it was appropriate to extend the accounting block quantity to 800 units in the second quarter of 2016. The contract block quantity change was made in accordance with applicable accounting guidance as well as the Company’s accounting policies and past practices. As a result of the Airbus 2016 MOA, the Company updated its estimated revenues that will be realized over the 800 unit A350 XWB Fuselage and Wing contract accounting blocks.

While the Company continued to make progress on the A350 XWB Fuselage program, the Company experienced various disruption and production inefficiencies that exceeded estimates made in previous quarters primarily related to achieving production rate increases. As a result of these disruptions and inefficiencies, cost estimates were updated in the second quarter of 2016 to account for increased labor costs in fabrication and assembly and expedited shipping costs to meet current and future customer production rate increases. The Company also updated its estimates in the second quarter of 2016 due to uncertainty of supply chain cost reductions and achievement of cost affordability projects. The changes in revenue and cost estimates during the second quarter of 2016 resulted in a net forward loss charge of ($135.7) on the A350 XWB program. Increased scrap and rework as well as increased production labor costs resulted in an additional net forward loss charge of ($6.1) recorded on the A350 XWB program during the fourth quarter of 2016.

For the twelve months ended December 31, 2016, the changes in revenue and cost estimates during the second and fourth quarters of 2016 (as described above) resulted in a net forward loss charge of ($141.8) on the A350 XWB program. The Company could record additional forward loss charges if there are further changes to revenue and cost estimates and/or if risks are not mitigated.

2015 Changes in Estimates

Favorable cumulative catch-up adjustments for the periods prior to 2015 and changes in estimates on loss programs were primarily driven by productivity and efficiency improvements, favorable cost performance, mitigation of risk, benefits from increased production rates related to the absorption of fixed costs and favorable pricing negotiations on a maturing program. Forward loss charges were due to a production rate decrease on a mature program.

2014 Changes in Estimates

Favorable cumulative catch-up adjustments for the periods prior to 2014 and changes in estimates on loss programs were primarily driven by productivity and efficiency improvements, favorable cost performance, mitigation of risk, benefits from increased production rates related to the absorption of fixed costs, increased statement of work on mature programs and favorable pricing negotiations on a maturing program.

4. Accounts Receivable, net

Accounts receivable, net consists of the following:

	December 31, 2016	December 31, 2015
Trade receivables	$ 647.3	$ 524.3
Other	18.4	18.8
Less: allowance for doubtful accounts	(5.2)	(6.1)
Accounts receivable, net	$ 660.5	$ 537.0

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

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. Capitalized pre-production may be amortized over multiple blocks. See contract block and orders table noted below.

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, net of forward loss provisions, will be fully recovered over the contract block quantities noted in the contract block and orders table below. 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. Sales significantly under estimates or costs significantly over estimates could result in losses on these contracts in future periods.

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.

Forward loss provisions on contract blocks are recorded in the period in which they become evident and included in inventory with any remaining amount reflected in accrued contract liabilities.

Inventories are summarized as follows:

	December 31, 2016	December 31, 2015
Raw materials	$ 281.9	$ 253.8
Work-in-process	788.6	854.4
Finished goods	30.9	65.7
Product inventory	1,101.4	1,173.9
Capitalized pre-production[(1)]	103.5	167.8
Deferred production[(2)]	717.4	1,315.4
Forward loss provision[(3)]	(407.0)	(882.7)
Total inventory, net	$ 1,515.3	$ 1,774.4

For contract blocks that have not closed, the following non-product inventory amounts were included in the summarized inventory table above:

(1) For the period ended December 31, 2016, $83.7 and $15.2 on the A350 XWB and Rolls-Royce BR725 programs, respectively. For the period ended December 31, 2015, $42.1, $94.2 and $25.9 on the B787, A350 XWB and Rolls-Royce BR725 programs, respectively.

(2) For the period ended December 31, $657.2 and $114.6 on the A350 XWB and Rolls-Royce BR725 programs, respectively. For the period ended December 31, 2015, $558.5, $679.4 and $95.7 on the B787, A350 XWB and Rolls-Royce BR725 programs, respectively.

(3) For the period ended December 31, 2016, ($253.7) and ($140.8) on the A350 XWB and Rolls-Royce BR725 programs, respectively. For the period ended December 31, 2015, ($606.0), ($113.8) and ($134.1) on the B787, A350 XWB and Rolls-Royce BR725 programs, respectively.

Significant amortization of capitalized pre-production and deferred production inventory has occurred over the following contract block deliveries and will continue to occur over the following contract blocks:

Model	Current Block Deliveries	Contract Block Quantity
A350 XWB	133	800
Rolls-Royce BR725	257	350

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6. Property, Plant and Equipment, net

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

	December 31, 2016	December 31, 2015
Land	$ 14.9	$ 16.5
Buildings (including improvements)	642.5	585.4
Machinery and equipment	1,367.0	1,210.6
Tooling	982.4	927.2
Capitalized software	268.8	219.7
Construction-in-progress	193.7	278.6
Total	3,469.3	3,238.0
Less: accumulated depreciation	(1,477.7)	(1,287.3)
Property, plant and equipment, net	$ 1,991.6	$ 1,950.7

Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs of $123.1, $139.0 and $113.4 for the twelve months ended December 31, 2016, 2015 and 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 $18.6, $16.9 and $18.3 for the twelve months ended December 31, 2016, 2015 and 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 that an impairment of $8.3 primarily related to obsolete machinery and equipment and tooling, $10.0 primarily related to obsolete machinery and equipment and $13.1 primarily related to abandoned construction-in-progress projects was necessary for the twelve months ended December 31, 2016, 2015 and 2014, respectively.

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7. Other Assets
Other assets are summarized as follows:

	December 31, 2016	December 31, 2015
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	(1.8)	(1.6)
Accumulated amortization-favorable leasehold interest	(4.2)	(3.8)
Intangible assets, net	2.2	2.8
Deferred financing		
Deferred financing costs	38.5	36.8
Less: Accumulated amortization-deferred financing costs[(1)]	(32.2)	(30.3)
Deferred financing costs, net[(1)]	6.3	6.5
Other		
Goodwill — Europe	2.3	2.7
Equity in net assets of affiliates	4.4	3.2
Supply agreement[(2)]	17.0	29.3
Restricted Cash	19.9	19.9
Deferred Tax Asset - non-current	128.8	162.8
Other	40.0	40.6
Total	$ 220.9	$ 267.8

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(1) In accordance with ASU 2015-03, reflects a retrospective reclassification for the period ended December 31, 2015 of $13.0 net deferred financing costs to a direct deduction from the carrying amount of the related debt liability. See Note 12, "Debt" for further detail.
(2) Under agreements with a customer and a supplier, certain payments accounted for as consideration given by the Company to a customer and supplier 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 shipsets 1,001 through 1,120.

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.

In November 2014, Spirit and Boeing entered into a Memorandum of Agreement (the "November 2014 MOA"). As part of the November 2014 MOA, Boeing and Spirit established interim prices for certain B787 shipsets, and the parties agreed to negotiate future rate increases, recurring prices and other issues across multiple programs during 2015. Since the Company was unable to reach agreement with Boeing on these issues by the end of 2015, once the parties agree upon appropriate pricing for the B787-9, Boeing will be entitled to a retroactive adjustment on certain B787 payments which were based on the interim pricing. The amount Spirit received that is subject to a retroactive adjustment was recorded as deferred revenue, and has not been recognized by the Company as revenue. The Company is engaged in discussions with Boeing concerning how to determine the subsequent B787-9 and initial B787-10 prices, and the parties have not yet reached agreement.

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

	December 31, 2016	December 31, 2015
B787	$ 834.8	$ 909.3
Boeing — All other programs	18.6	13.8
A350 XWB	116.7	183.5
Airbus — All other programs	2.2	4.0
Other	27.9	30.6
Total advance payments and deferred revenue/credits	$ 1,000.2	$ 1,141.2

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:

	2016	2015
Balance, January 1	$94.2	$106.3
Grant liability amortized	(11.9)	(10.4)
Exchange rate	(4.5)	(1.7)
Total liability related to deferred grant income, December 31	$77.8	$94.2

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

	2016	2015
Balance, January 1	$106.6	$113.2
Amortization	(5.0)	(5.0)
Exchange rate	4.4	(1.6)
Total asset value related to deferred grant income, December 31	$106.0	$106.6

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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.
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments and derivative contracts whose value is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Observable inputs, such as current and forward interest rates and foreign exchange rates, are used in determining the fair value of our interest rate swaps and foreign currency hedge contracts.
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of assets and liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

	Fair Value Measurements December 31, 2015			At December 31, 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	$90.2	$ 90.2	$ —	$ 90.2	$ —	$ —

At December 31, 2016, the Company did not hold any cash within money market funds.

The Company's long-term debt includes a senior unsecured 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:

	December 31, 2016			December 31, 2015		
	Carrying Amount	Fair Value		Carrying Amount	Fair Value	
Senior secured term loan A (including current portion)	$485.2	$484.8	(2)	$505.8	$501.6	(2)
Senior unsecured notes due 2020	—	—	(1)	296.3	310.5	(1)
Senior unsecured notes due 2022	293.8	307.0	(1)	292.7	304.8	(1)
Senior unsecured notes due 2026	296.9	292.4	(1)	—	—	(1)
Malaysian loan	1.0	0.9	(2)	3.2	2.8	(2)
Total	$1,076.9	$1,085.1		$1,098.0	$1,119.7	

(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 inception of the hedge 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 unsecured 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 unsecured credit facility.

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 twelve months ended December 31, 2015. In total, the Company paid $2.0 as a result of the settlement of the interest rate swap agreements.

As of December 31, 2016 and December 31, 2015, the Company had no outstanding interest rate swap agreements.

12. Debt

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

	December 31, 2016		December 31, 2015	
	Current	Noncurrent	Current[1]	Noncurrent[1]
Senior unsecured term loan A	$24.9	$ 460.3	$26.1	$ 479.7
Senior notes due 2020	—	—	—	296.3
Senior notes due 2022	—	293.8	—	292.7
Senior notes due 2026	—	296.9	—	—
Malaysian term loan	1.0	—	2.1	1.1
Present value of capital lease obligations	0.8	9.0	0.6	8.5
Other	—	—	6.1	7.0
Total	$26.7	$ 1,060.0	$34.9	$ 1,085.3

(1) In connection with the Company's adoption of ASU No. 2015-03 relating to the presentation of debt issuance costs, debt balances at December 31, 2015 include unamortized debt issuance costs of $13.0. These unamortized debt issuance costs were previously included in other long-term assets in the Company's Condensed Consolidated Balance Sheet at December 31, 2015.

Senior Secured Credit Facilities

On June 6, 2016, Spirit and the Company entered into the senior unsecured Amended and Restated Credit Agreement, among Spirit, as borrower, the Company, as parent guarantor, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents named therein (the "A&R Credit Agreement"). The A&R Credit Agreement refinanced and replaced the 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, Amendment No. 4, dated as of June 3, 2014 and Amendment No. 5 dated as of March 18, 2015 (the “Prior Credit Agreement”). Certain terms of the A&R Credit Agreement were available to Spirit based on increases to Spirit's senior

unsecured debt rating provided by Standard & Poor's Financial Services LLC ("S&P") and/or Moody's Investors Service, Inc. ("Moody's"). The A&R Credit Agreement provides for a $650.0 revolving credit facility

(the "Revolver") and a $500.0 term loan A facility (the "Term Loan"). Each of the Revolver and the Term Loan has a maturity date of June 4, 2021, and each bears interest, at Spirit's option, at either LIBOR plus 1.5% or a defined "base rate" plus 0.50%, subject to adjustment to amounts between and including LIBOR plus 1.125% and LIBOR plus 2.0% (or amounts between and including base rate plus 0.125% and base rate plus 1.0%, as applicable) based on changes to Spirit's senior unsecured debt rating provided by S&P and/or Moody's, as set forth in the table below. The principal obligations under the Term Loan are to be repaid in equal quarterly installments of $6.25, with the remaining balance due at maturity of the Term Loan. The A&R Credit Agreement removes many of the prepayment requirements contained in the Prior Credit Agreement. The covenant structure was amended and provides the Company with some additional flexibility with respect to certain activities which were previously restricted by affirmative and negative covenants, though the A&R Credit Agreement does continue to contain customary affirmative and negative covenants available to investment grade companies, including certain financial covenants that are tested on a quarterly basis. The A&R Credit Agreement contains an accordion feature that provides Spirit with the option to increase the Revolver commitments and/or institute one or more additional term loans by an amount not to exceed $500.0 in the aggregate, subject to the satisfaction of certain conditions and the participation of the lenders. Spirit used the proceeds of the Term Loan, along with cash on hand, to pay off the outstanding amounts under the term loan A under the Prior Credit Agreement and to pay a portion of the fees and expenses payable in connection with the A&R Credit Agreement.

As of December 31, 2016, the outstanding balance of the Term Loan was $487.5 and the carrying value was $485.2. As a result of extinguishment and modification of the term loan A and the revolver under the Prior Credit Agreement which occurred during the second quarter of 2016, the Company recognized a loss on extinguishment of debt of $1.4 including third party fees of $0.4, all of which is reflected within amortization of deferred financing fees on the Condensed Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016. As a result of extinguishment of a term loan B under the Prior Credit Agreement 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 twelve months ended December 31, 2015.

In addition to paying interest on outstanding principal under the A&R Credit Agreement, Spirit is required to pay an unused line fee at a rate per annum equal to the applicable percentage for the applicable pricing tier set forth in the table below under the heading "Commitment Fee" on the unused portion of the commitments under the revolving credit facility. Spirit is required to pay letter of credit fees at a rate per annum equal to the applicable percentage for the applicable pricing tier set forth in the table below under the heading "Letter of Credit Fee" on the amounts available to be drawn under each standby letter of credit. Spirit is also required to pay fronting fees in respect of letters of credit to the issuing banks and customary administrative fees to the administrative agent. At December 31, 2016, Spirit had no letters of credit outstanding. The Company was subject to pricing tier 3 at December 31, 2016.

Pricing Tier	Credit Rating (S&P/Moody's)	Commitment Fee	Letter of Credit Fee	LIBOR Loans	Base Rate Loans
1	≥BBB+/Baa1	0.125%	1.125%	1.125%	0.125%
2	BBB/Baa2	0.175%	1.250%	1.250%	0.250%
3	BBB-/Baa3	0.225%	1.500%	1.500%	0.500%
4	BB+/Ba1	0.275%	1.750%	1.750%	0.750%
5	≤BB/Ba2	0.350%	2.000%	2.000%	1.000%

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

The A&R Credit Agreement also contains the following financial covenants (as defined in the A&R Credit Agreement):

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

As of December 31, 2016, Spirit was and expects to remain in full compliance with all covenants contained within the A&R Credit Agreement through December 31, 2017.

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. As described below, as of July 1, 2016 the 2020 Notes were no longer outstanding.

In March 2014, the Company issued the $300.0 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 $293.8 as of December 31, 2016.

On May 24, 2016 the Company commenced an offer to purchase for cash any and all of the $300.0 outstanding principal amount of its 2020 Notes (the “Tender Offer”). Under the terms of the Tender Offer, holders of 2020 Notes who validly tendered their notes at or prior to May 31, 2016 would receive, in whole dollars, $1,037.25 per $1,000 principal amount of the 2020 Notes tendered.

On June 1, 2016, in order to fund the Tender Offer or otherwise acquire, redeem or repurchase the 2020 Notes, the Company issued $300.0 in aggregate principal amount of 3.850% Senior Notes due June 15, 2026 (the "2026 Notes") with interest payable, in cash in arrears, on June 15 and December 15 of each year, beginning December 15, 2016. The indenture governing the 2026 Notes (the “2026 Notes Indenture”) requires that the 2026 Notes be guaranteed by the Company and each of Spirit’s existing and future domestic subsidiaries, if any, that may guarantee Spirit’s obligations under a senior credit facility. In addition, the 2026 Notes Indenture contains covenants that limit Spirit’s, the Company’s and certain of Spirit’s subsidiaries’ ability to create liens without granting equal and ratable liens to the holders of the 2026 Notes or to enter into sale and leaseback transactions. These covenants are subject to a number of qualifications and limitations. The 2026 Notes Indenture also provides for customary events of default. The carrying value of the 2026 Notes was $296.9 as of December 31, 2016.

On June 1, 2016, Spirit repurchased $213.6 aggregate principal amount of its 2020 Notes pursuant to the Tender Offer. Tender fees related to the early extinguishment of the 2020 Notes were $8.0, which are included within debt issuance cost on the Condensed Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016.

In addition, on June 1, 2016, Spirit called for redemption of the remaining $86.4 aggregate principal amount of 2020 Notes outstanding following completion of the Tender Offer. The redemption price of the 2020 Notes was 103.375% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date of July 1, 2016. Following the redemption on July 1, 2016, none of the 2020 Notes remained outstanding.

As a result of the extinguishment of the 2020 Notes, the Company recognized a loss on extinguishment of the 2020 Notes of $11.5, all of which is reflected within amortization of deferred financing fees on the Condensed Consolidated Statement of Cash Flows for the twelve months ended December 31, 2016.

As of December 31, 2016, we were and expect to remain in full compliance with all covenants contained in the indentures governing the 2022 Notes and the 2026 Notes through December 31, 2017.

13. Pension and Other Post-Retirement Benefits

Multi-employer Pension Plan

In connection with the collective bargaining agreement signed with the International Association of Machinists and Aerospace Workers ("IAM"), the Company contributes to a multi-employer defined benefit pension plan ("IAM

National Pension Fund"). The level of contribution, as specified in the bargaining agreement was, in whole dollars, $1.75 per hour of employee service as of July 1, 2015. The IAM bargaining agreement provides for a $0.05 per hour increase, in whole dollars, effective July 1 of each year through 2019.

The collective bargaining agreement with the International Union, Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") requires the Company to contribute a specified amount per hour of service to the IAM National

Pension Fund. The specified amount was $1.60 in 2016. Per the negotiated UAW collective bargaining agreement, the pension contributions, in whole dollars, will be as follows:
Effective 1/1/2016 — $1.60
Effective 1/1/2018 — $1.65
Effective 1/1/2019 — $1.70
Effective 1/1/2020 — $1.75
The risk of this multi-employer plan is different from single-employer plans in the following aspects:

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

The following table summarizes the multi-employer plan to which the Company contributes:

Pension Fund	EIN/Pension Plan Number	Pension Protection Act Zone Status 2015	2016	FIP/RP Status Pending/ Implemented	Contributions of the Company 2014	2015	2016	Surcharge Imposed	Expiration Date of Collective-Bargaining Agreement
IAM National Pension Fund	51-60321295	Green	Green	No	$33.1	$29.8	$26.9	No	IAM June 27, 2020 UAW November 30, 2020

Pension Fund	Year Company Contributions to Plan Exceeded More Than 5 Percent of Total Contributions (as of December 31 of the Plan's Year-End)
IAM National Pension Fund	2014, 2015, 2016

Defined Contribution Plans
The Company contributes to a defined contribution plan available to all U.S. employees, excluding IAM and UAW represented employees. Under the plan, the Company makes a matching contribution of 75% of the employee contribution to a maximum 8% of eligible individual employee compensation. In addition, non-matching contributions based on an employee's age and years of service are paid at the end of each calendar year for certain employee groups. The Company recorded $33.8, $34.1 and $36.0 in contributions to these plans for the twelve months ended December 31, 2016, 2015 and 2014, respectively.
On April 1, 2006, as part of the acquisition of BAE Aerostructures, the Company established a defined contribution pension plan for those employees who are hired after the date of acquisition. Under the plan, the Company contributes 8% of base salary while participating employees are required to contribute 4% of base salary. The Company recorded $3.8 in contributions to this plan for the period ended December 31, 2016, $7.0 in contributions for the period ended December 31, 2015 and $7.0 in contributions for the period ended December 31, 2014.
Defined Benefit Pension Plans
Effective June 17, 2005, pension assets and liabilities were spun-off from three Boeing qualified plans into four qualified Spirit AeroSystems plans for each Spirit employee who did not retire from Boeing by August 1, 2005. Effective December 31, 2005, all four qualified plans were merged together. In addition, Spirit has one nonqualified plan providing supplemental benefits to executives (SERP) who transferred from a Boeing nonqualified plan to a Spirit AeroSystems plan and elected to keep their benefits in this plan. Both plans are frozen as of the date of the Boeing Acquisition (i.e., no future service benefits are being earned in these plans). The Company intends to fund its qualified pension plan through a trust. Pension assets are placed in trust solely for the benefit of the pension plans'

participants and are structured to maintain liquidity that is sufficient to pay benefit obligations.

On April 1, 2006, as part of the acquisition of BAE Aerostructures, the Company established a defined benefit pension plan for those employees that had pension benefits remaining in BAE Systems' pension plan. In accordance with U.K. legislation, the plan and its assets are managed by an independent trustee company. The investment strategy adopted by this trustee is documented in a Statement of Investment Principles in line with U.K. legislation. The principles for the investment strategy are to maximize the long-term rate of return on plan assets within an acceptable level of risk while maintaining adequate funding levels. The trustee has invested the plan assets in pooled arrangements with authorized investment companies which were selected to be consistent with the plan's overall investment principles and strategy. Effective December 31, 2013, the U.K. pension plan was closed and benefits were frozen and thereafter subject only to statutory pension revaluation.

Other Post-Retirement Benefit Plans

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

Obligations and Funded Status

The following tables reconcile the funded status of both pension and post-retirement medical benefits to the balance on the consolidated balance sheets for the fiscal years 2016 and 2015. Benefit obligation balances presented in the tables reflect the projected benefit obligation (PBO) and accumulated benefit obligation (ABO) for the Company's pension plans, and accumulated post-retirement benefit obligations (APBO) for the Company's post-retirement medical plan. The Company uses an end of fiscal year measurement date of December 31 for the Company's U.S. pension and post-retirement medical plans.

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U.S. Plans	Pension Benefits		Other Post-Retirement Benefits	
	Periods Ended December 31,		Periods Ended December 31,	
	2016	2015	2016	2015
Change in projected benefit obligation:				
Beginning balance	$1,011.1	$1,124.4	$73.3	$77.5
Service cost	—	—	1.8	2.2
Employee contributions	—	—	0.8	0.5
Interest cost	42.8	44.4	2.1	2.2
Actuarial losses (gains)	12.9	(113.5)	(16.7)	(6.1)
Special Termination Benefits	23.6	—	3.1	—
Plan Amendments	—	—	(7.2)	—
Benefits paid	(54.4)	(44.2)	(5.7)	(3.0)
Projected benefit obligation at the end of the period	$1,036.0	$1,011.1	$51.5	$73.3
Assumptions used to determine benefit obligation:				
Discount rate	4.15%	4.38%	3.21%	3.43%
Rate of compensation increase	N/A	N/A	N/A	N/A
Medical assumptions:				
Trend assumed for the year	N/A	N/A	6.93%	7.27%
Ultimate trend rate	N/A	N/A	4.50%	4.50%
Year that ultimate trend rate is reached	N/A	N/A	2038	2038
Change in fair value of plan assets:				
Beginning balance	$1,243.2	$1,310.9	$—	$—
Actual return (loss) on assets	114.1	(23.6)	—	—
Employer contributions to plan	—	0.1	4.9	2.5
Employee contributions to plan	—	—	0.8	0.5
Benefits paid	(54.4)	(44.2)	(5.7)	(3.0)
Expenses paid	—	—	—	—
Ending balance	$1,302.9	$1,243.2	$—	$—
Reconciliation of funded status to net amounts recognized:				
Funded status (deficit)	$266.8	$232.1	$(51.5)	$(73.3)
Net amounts recognized	$266.8	$232.1	$(51.5)	$(73.3)
Amounts recognized in the balance sheet:				
Noncurrent assets	$268.1	$233.3	$—	$—
Current liabilities	—	(0.1)	(8.9)	(6.8)
Noncurrent liabilities	(1.3)	(1.1)	(42.6)	(66.5)
Net amounts recognized	$266.8	$232.1	$(51.5)	$(73.3)
Amounts not yet reflected in net periodic benefit cost and included in AOCI:				
Accumulated other comprehensive (loss) income	$(114.4)	$(146.2)	$32.5	$9.5
Cumulative employer contributions in excess of net periodic benefit cost	381.2	378.3	(84.0)	(82.8)
Net amount recognized in the balance sheet	$266.8	$232.1	$(51.5)	$(73.3)
Information for pension plans with benefit obligations in excess of plan assets:				

Projected benefit obligation/APBO	$1.2	$1.2	$51.5	$73.3
Accumulated benefit obligation	1.2	1.2	—	—

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U.K. Plans	Pension Benefits Periods Ended December 31, 2016	2015
Change in projected benefit obligation:		
Beginning balance	$82.8	$89.1
Service cost	1.0	1.2
Interest cost	2.9	3.3
Actuarial losses (gains)	17.4	(3.2)
Benefits paid	(0.8)	(1.6)
Expense paid	(1.0)	(1.2)
Plan settlements	(5.5)	—
Exchange rate changes	(14.7)	(4.8)
Projected benefit obligation at the end of the period	$82.1	$82.8
Assumptions used to determine benefit obligation:		
Discount rate	2.70 %	4.00 %
Rate of compensation increase	3.20 %	3.10 %
Change in fair value of plan assets:		
Beginning balance	$96.4	$104.7
Actual return (loss) on assets	25.3	(0.1)
Company contributions	—	0.1
Plan settlements	(6.5)	—
Expenses paid	(1.0)	(1.1)
Benefits paid	(0.8)	(1.6)
Exchange rate changes	(17.2)	(5.6)
Ending balance	$96.2	$96.4
Reconciliation of funded status to net amounts recognized:		
Funded status	14.2	13.6
Net amounts recognized	$14.2	$13.6
Amounts recognized in the balance sheet:		
Noncurrent assets	$14.2	$13.6
Net amounts recognized	$14.2	$13.6
Amounts not yet reflected in net periodic benefit cost and included in AOCI:		
Accumulated other comprehensive loss	(0.2)	(3.9)
Prepaid pension cost	14.4	17.5
Net amount recognized in the balance sheet	$14.2	$13.6
Information for pension plans with benefit obligations in excess of plan assets:		
Projected benefit obligation/APBO	$—	$—
Accumulated benefit obligation	—	—
Fair value of assets	$—	$—

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Annual Expense
The components of pension and other post-retirement benefit plans expense for the U.S. plans and the assumptions used to determine benefit obligations for each of the periods ended December 31, 2016, 2015 and 2014 are as follows:

	Pension Benefits			Other Post-Retirement Benefits		
	Periods Ended December 31,			Periods Ended December 31,		
U.S. Plans	2016	2015	2014	2016	2015	2014
Components of net periodic benefit cost (income):						
Service cost	$—	$—	$—	$1.8	$2.2	$2.3
Interest cost	42.7	44.4	45.9	2.1	2.2	2.7
Expected return on plan assets	(74.9)	(78.1)	(76.1)	—	—	—
Amortization of net loss	5.7	3.7	—	—	—	—
Amortization of prior service costs	—	—	—	(0.9)	—	—
Special Termination Benefits	23.6	—	1.7	3.1	—	1.7
Net periodic benefit (income) cost	(2.9)	(30.0)	(28.5)	6.1	4.4	6.7
Other changes recognized in OCI:						
Total recognized in OCI (income) loss	$(31.8)	$(15.5)	$72.0	$(23.0)	$(6.1)	$0.8
Total recognized in net periodic benefit cost and OCI	$(34.7)	$(45.5)	$43.5	$(16.9)	$(1.7)	$7.5
Assumptions used to determine net periodic benefit costs:						
Discount rate	4.38 %	3.99 %	4.89 %	3.43 %	3.14 %	3.89 %
Expected return on plan assets	6.00 %	6.00 %	6.50 %	N/A	N/A	N/A
Salary increases	N/A	N/A	N/A	N/A	N/A	N/A
Medical Assumptions:						
Trend assumed for the year	N/A	N/A	N/A	7.27 %	7.62 %	8.50 %
Ultimate trend rate	N/A	N/A	N/A	4.50 %	4.50 %	4.50 %
Year that ultimate trend rate is reached	N/A	N/A	N/A	2038	2030	2030

The estimated net gain that will be amortized from other comprehensive income into net periodic benefit cost over the next fiscal year is zero for Pension Benefits and $2.2 for Other Post-Retirement Benefits plans.

The components of the pension benefit plan expense for the U.K. plans and the assumptions used to determine benefit obligations for each of the periods ended December 31, 2016, 2015 and 2014 are as follows:

	Pension Benefits Periods Ended December 31,		
U.K. Plans	2016	2015	2014
Components of net periodic benefit cost (income):			
Service cost	$1.0	$1.2	$0.7
Interest cost	2.9	3.3	3.6
Expected return on plan assets	(3.6)	(4.9)	(5.7)
Net periodic benefit income (cost)	$0.3	$(0.4)	$(1.4)
Other changes recognized in OCI:			
Total (loss) income recognized in OCI	$(4.6)	$1.5	$6.8
Total recognized in net periodic benefit cost and OCI	$(4.3)	$1.1	$5.4
Assumptions used to determine net periodic benefit costs:			
Discount rate	4.00 %	3.80 %	4.75 %
Expected return on plan assets	4.30 %	4.80 %	5.80 %
Salary increases	3.10 %	3.05 %	3.25 %

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

Assumptions

The Company sets the discount rate assumption annually for each of its retirement-related benefit plans as of the measurement date, based on a review of projected cash flow and a long-term high-quality corporate bond yield curve. The discount rate determined on each measurement date is used to calculate the benefit obligation as of that date, and is also used to calculate the net periodic benefit (income)/cost for the upcoming plan year. During 2015, the mortality assumption for the U.S. plans was updated to Mercer's MRP-2007 generational mortality tables for non-annuitants and Mercer's MILES-2010 generational tables for the Auto, Industrial Goods and Transportation group for annuitants both reflecting Mercer's MMP-2007 improvement scale. In 2016, the Company incorporated the MMP-2016 improvement scale. A blue collar adjustment is reflected for the hourly union participants and a white collar adjustment is reflected for all other participants. Actuarial gains and losses are amortized using the corridor method over the average working lifetimes of active participants/membership.

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

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. To determine the health care cost trend rates the Company considers national health trends and adjusts for its specific plan design and locations. The trend and aging assumptions were updated during 2016 to reflect more current trends. A one-percentage point increase in the initial through ultimate assumed health care trend rates would have increased the accumulated post-retirement benefit obligation by $2.5 at December 31, 2016 and the aggregate service and interest cost components of non-pension post-retirement benefit expense for 2016 by $0.2. A one-percentage point decrease would have decreased the obligation by $2.3 and the aggregate service and interest cost components of non-pension post-retirement benefit expense for 2016 by $0.1.

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U.S. Plans

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

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

Investment guidelines include that no security, except issues of the U.S. Government, shall comprise more than 5% of total Plan assets and further, no individual portfolio shall hold more than 7% of its assets in the securities of any single entity, except issues of the U.S. Government. The following derivative transactions are prohibited — leverage, unrelated speculation and "exotic" collateralized mortgage obligations or CMOs. Investments in hedge funds, private placements, oil and gas and venture capital must be specifically approved by the Company in advance of their purchase.

The Company's plans have asset allocations for the U.S., as of December 31, 2016 and December 31, 2015, as follows:

	2016	2015
Asset Category — U.S.		
Equity securities — U.S.	29 %	29 %
Equity securities — International	4 %	4 %
Debt securities	65 %	65 %
Real estate	2 %	2 %
Total	100%	100%

U.K. Plans

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

Equity securities	35%
Debt securities	60%
Property	5 %

The Company's plans have asset allocations for the U.K., as of December 31, 2016 and December 31, 2015, as follows:

	2016	2015
Asset Category — U.K.		
Equity securities	24 %	34 %
Debt securities	71 %	60 %
Other	5 %	6 %
Total	100%	100%

Projected contributions and benefit payments

Required pension contributions under Employee Retirement Income Security Act (ERISA) regulations are expected to be zero in 2017 and discretionary contributions are not expected in 2017. SERP and post-retirement medical plan contributions in 2017 are not expected to exceed $8.9. Expected contributions to the U.K. plan for 2017 are zero.

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

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

U.S.	Pension Plans	Other Post-Retirement Benefit Plans
2017	$ 51.3	$ 8.9
2018	$ 36.3	$ 7.6
2019	$ 39.9	$ 5.9
2020	$ 43.4	$ 5.2
2021	$ 46.8	$ 5.0
2022-2026	$ 281.3	$ 20.8

U.K.	Pension Plans
2017	$ 0.8
2018	$ 0.8
2019	$ 0.8
2020	$ 0.8
2021	$ 0.9
2022-2026	$ 4.6

Fair Value Measurements

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

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

Collective Investment Trusts — These investments are public investment vehicles valued using market prices and performance of the fund. The trust allocates notional units to the policy holder based on the underlying notional unit buy (offer) price using the middle market price plus transaction costs. These investments are classified within level 2 of the valuation hierarchy. In addition, the collective investment trust includes a real estate fund which is classified within level 3 of the valuation hierarchy.

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

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As of December 31, 2016 and December 31, 2015, the pension plan assets measured at fair value on a recurring basis were as follows:

Description	December 31, 2016 Total	At December 31, 2016 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary Cash Investments	$ 0.2	$0.2	$ —	$ —
Collective Investment Trusts	96.0	—	91.2	4.8
Commingled Equity and Bond Funds	1,302.9	—	1,302.9	—
	$ 1,399.1	$0.2	$ 1,394.1	$ 4.8

Description	December 31, 2015 Total	At December 31, 2015 Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Temporary Cash Investments	$ 0.6	$0.6	$ —	$ —
Collective Investment Trusts	95.8	—	90.2	5.6
Commingled Equity and Bond Funds	1,243.2	—	1,243.2	—
	$ 1,339.6	$0.6	$ 1,333.4	$ 5.6

The table below sets forth a summary of changes in the fair value of the Plan's level 3 investment assets and liabilities for the years ended December 31, 2016 and December 31, 2015:

Description	December 31, 2016 Beginning Fair Value	Purchases	Gain (Loss)	Sales, Maturities, Settlements, Net	Exchange rate	Ending Fair Value
Collective Investment Trusts	$5.6	$ —	$ 0.1	$ —	$ (0.9)	$ 4.8
	$5.6	$ —	$ 0.1	$ —	$ (0.9)	$ 4.8

Description	December 31, 2015 Beginning Fair Value	Purchases	Gain (Loss)	Sales, Maturities, Settlements, Net	Exchange rate	Ending Fair Value

Collective Investment Trusts	$5.3	$ —	$ 0.6	$ —	$ (0.3)	$ 5.6
	$5.3	$ —	$ 0.6	$ —	$ (0.3)	$ 5.6

14. Capital Stock

Holdings has authorized 360,000,000 shares of stock. Of that, 200,000,000 shares are class A common stock, par value $0.01 per share, one vote per share, 150,000,000 shares are class B common stock, par value $0.01 per share, one vote per share and 10,000,000 shares are preferred stock, par value $0.01 per share.

In March, June and August 2014, certain selling stockholders sold 22,915,300 shares of the Company's class A common stock at prices to the public ranging from $28.62 to $35.90 per share in secondary offerings of the Company's class A common stock. Following the August offering, Onex no longer held any investment in the Company.

In association with the Boeing Acquisition, Spirit executives with balances in Boeing's Supplemental Executive Retirement Plan (SERP) were authorized to purchase a fixed number of units of Holdings "phantom stock" at $3.33 per unit based on the present value of their SERP balances. Under this arrangement, 860,244 phantom units were purchased. Any payment on account of units may be made in cash or shares of common stock at the sole discretion of Holdings. The balance of SERP units was 64,170 and 94,143 as of December 31, 2016 and December 31, 2015, respectively.

Repurchases of Common Stock

During the period ended December 31, 2015, the Company repurchased 5.7 million shares of its class A common stock for $300.0.

During the period ended December 31, 2016, the Company repurchased 14.2 million shares of its class A common stock for $649.6.

15. 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.

On April 30, 2014, the Company’s Board of Directors approved an Omnibus Incentive Plan (the "Omnibus Plan"), which replaces the Executive Incentive Plan, Short-Term Incentive Plan, Long-Term Incentive Plan and Director Stock Plan (collectively referred to as "Prior Plans"). No new awards will be granted under the 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 adoption of the Omnibus Plan was non-dilutive to the Company's stockholders.

For the fiscal period ended December 31, 2016, Holdings has recognized a net total of $42.5 of stock compensation expense. The entire $42.5 of net stock compensation expense recorded in 2016 was charged directly to selling, general and administrative expense. Holdings recognized a total of $26.0 and $16.4 of stock compensation expense for the periods ended December 31, 2015 and December 31, 2014, respectively.

Executive Incentive Plan

The Company's Executive Incentive Plan, or EIP, was designed to provide participants with the opportunity to acquire an equity interest in the Company through direct purchase of shares of the Company's class B common stock at prices established by the Board of Directors or through grants of class B restricted common stock with performance based vesting.

Prior to 2014, the Company had issued restricted shares as part of the Company's EIP. The restricted shares were granted in groups of four shares. Participants do not have the unrestricted rights of stockholders until those shares vest. The shares may vest upon a liquidity event, with the number of shares vested based upon a participant's number of years of service to the Company, the portion of the investment by Onex and its affiliates liquidated through the date of the liquidity event and the return on invested capital by Onex and its affiliates through the date of the liquidity event. If a specific type of liquidity event has not occurred by the 10th year, shares may vest based on a valuation of the Company.

The Company's initial public offering in November 2006 (the "IPO") and secondary offerings in May 2007, April 2011 and March, June and August 2014 were considered liquidity events under the EIP. In the August 2014 secondary offering, Onex sold 100% of its remaining investment in the Company and as a result all remaining EIP shares vested upon the liquidity event. Subsequent to the liquidity event, the Company no longer awards shares under this plan.

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The following table summarizes the activity of restricted shares under the EIP for the periods ended December 31, 2016, 2015 and 2014:

	Shares (Thousands)	Value[1]
Executive Incentive Plan		
Nonvested at December 31, 2013	869	$ 9.8
Vested during period	(869)	(9.8)
Forfeited during period	—	—
Nonvested at December 31, 2014	—	—
Vested during period	—	—
Forfeited during period	—	—
Nonvested at December 31, 2015	—	—
Vested during period	—	—
Forfeited during period	—	—
Nonvested at December 31, 2016	—	$ —

(1) Value represents grant date fair value.

Board of Directors Stock Awards

The Company's Director Stock Plan provided non-employee directors the opportunity to receive grants of restricted shares of class A common stock, or Restricted Stock Units (RSUs) or a combination of both common stock and RSUs. The class A common stock grants and RSU grants vest one year from the grant date. The RSU grants are payable upon the director's separation from service. The Board of Directors or its authorized committee were authorized to make discretionary grants of shares or RSUs from time to time. Since the adoption of the Omnibus Plan in April 2014, grants of equity to directors are made under the Omnibus Plan instead of the Director Stock Plan.

For each non-employee director of the Company, at least one-half of their annual director compensation is required to be paid in the form of a grant of class A common stock and/or RSUs, as elected by each director. In addition, each director may elect to have all or any portion of the remainder of their annual director compensation paid in cash or in the form of a grant of class A stock and/or RSUs. If participants cease to serve as directors within a year of the grant, the restricted shares and/or RSUs are forfeited. In 2016, the Board of Directors authorized a grant of 26,480 shares of restricted class A common stock, valued at $1.2 based on the share price of the Company's common stock at the grant dates. Additionally, 14,372 shares of class A common stock, including 6,568 Restricted Stock Units, with an aggregate grant date fair value of $0.7 awarded under the Company's Director Stock Plan vested during the twelve months ended December 31, 2016. The Company expensed a net amount of $1.2 for the Board of Directors shares for the period ended December 31, 2016. The Company expensed $1.1 and $0.9 for the periods ended December 31, 2015 and December 31, 2014, respectively. The Company's unamortized stock compensation related to these restricted shares is $0.5 which will be recognized over a weighted average remaining period of 5 months. The intrinsic value of the unvested shares based on the value of the Company's stock at December 31, 2016 was $1.5, based on the value of the Company's stock and the number of unvested shares.

The following table summarizes stock and RSU grants to members of the Company's Board of Directors for the periods ended December 31, 2016, 2015 and 2014:

	Shares		Value[1]	
	Class A	Class B	Class A	Class B
	(Thousands)			
Board of Directors Stock Grants				
Nonvested at December 31, 2013	39	—	$0.9	$ —
Granted during period	32	—	1.1	—
Vested during period	(37)	—	(0.8)	—
Forfeited during period	(4)	—	(0.1)	—
Nonvested at December 31, 2014	30	—	1.1	—
Granted during period	21	—	1.1	—
Vested during period	(27)	—	(1.0)	—
Forfeited during period	(3)	—	(0.1)	—
Nonvested at December 31, 2015	21	—	1.1	—
Granted during period	26	—	1.2	—
Vested during period	(21)	—	(1.1)	—
Forfeited during period	—	—	—	—
Nonvested at December 31, 2016	26	—	$1.2	$ —

(1) Value represents grant date fair value.

Short-Term Incentive Plan

The Short-Term Incentive Program under the Omnibus Plan enables eligible employees to receive incentive benefits in the form of restricted stock in the Company, cash, or both, as determined by the Board of Directors or its authorized committee. Effective in the first quarter of 2014, the Company made the determination to pay its short term incentive awards, which are based on Company performance, 100% in cash.

The following table summarizes the activity of the restricted shares under the STIP for the twelve months ended December 31, 2016, 2015 and 2014:

	Shares (Thousands)	Value[1]
Short-Term Incentive Plan		
Nonvested at December 31, 2013	62	$ 1.0
Granted during period	—	—
Vested during period	(62)	(1.0)
Forfeited during period	—	—
Nonvested at December 31, 2014	—	—
Granted during period	—	—
Vested during period	—	—
Forfeited during period	—	—
Nonvested at December 31, 2015	—	—
Granted during period	—	—
Vested during period	—	—
Forfeited during period	—	—
Nonvested at December 31, 2016	—	$ —

(1) Value represents grant date fair value.

Long-Term Incentive Awards

The Fourth Amended and Restated Long-Term Incentive Plan ("LTIP") was designed to encourage retention of key employees, and awards were made under the LTIP for this purpose prior to the adoption of the Omnibus Plan.

The Omnibus Plan approved on April 30, 2014 includes a Long-Term Incentive Award (LTIA) for the 2014 plan year and forward. The awards are based on the new LTIA design that 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 market-based restricted stock that will vest on the third-year anniversary of the grant date contingent upon total shareholder return (TSR) compared to a group of the Company’s peers.

For the twelve months ended December 31, 2016, 623,620 shares of class A common stock with an aggregate grant date fair value of $27.4 were granted under the service-based portion of the Company's LTIA. In addition, 206,132 shares of class A common stock with an aggregate grant date fair value of $10.9 were granted under the market-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 a group of the Company's peers. Additionally, 503,543 shares of class A common stock with an aggregate grant date fair value of $14.9 awarded under the Company's LTIP and LTIA vested during the twelve months ended December 31, 2016.

During the quarter ended December 31, 2015, 2,829 shares of class A common stock with an aggregate grant date fair value of $0.2 were granted under the service-based portion of the Company's LTIA.

For the twelve months ended December 31, 2015, 535,648 shares of class A common stock with an aggregate grant date fair value of $26.6 were granted under the service-based portion of the Company's LTIA . In addition, 96,423 shares of class A common stock with an aggregate grant date fair value of $6.2 were granted under the market-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 a group of the Company's peers. Additionally, 878,706 shares of class A common stock with an aggregate grant date fair value of $21.6 awarded under the Company's LTIP vested during the twelve months ended 2015.

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During the quarter ended December 31, 2014, 7,314 shares of class A common stock with an aggregate grant date fair value of $0.3 were granted under the service-based portion of the Company's LTIA. In addition, 600 shares of class A common stock with an aggregate grant date fair value of less than $0.1 were granted under the market-based portion of the Company's LTIA.

For the twelve months ended December 31, 2014, the Board of Directors approved grants of 564,509 shares of class A common stock with an aggregate grant date fair value of $19.0 under the service-based portion of the Company's LTIA under the Omnibus Plan and such shares will vest annually in three equal installments beginning on the one-year anniversary of the grant date. Additionally, 125,212 shares of class A common stock with an aggregate grant date fair value of $5.6 were granted under the market-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 the total shareholder return compared to a group of the Company's peers. Additionally, 547,982 shares of class A common stock with an aggregate grant date fair value of $12.5 awarded under the Company's LTIP vested during 2014.

The Company expensed a net total of $41.3 for the unvested class A LTIP and LTIA shares in the twelve months ended December 31, 2016. The Company expensed a net total of $24.9 and $15.4 for class A LTIP and LTIA shares for the twelve month periods ended December 31, 2015 and December 31, 2014, respectively.

The Company's unamortized stock compensation related to these unvested class A shares is $32.3 which will be recognized over a weighted average remaining period of 1.6 years. The intrinsic value of the unvested class A LTIA shares at December 31, 2016 was $90.6, based on the value of the Company's common stock and the number of unvested shares.

The following table summarizes the activity of the restricted shares under the LTIP and LTIA for the twelve month periods ended December 31, 2016, 2015 and 2014:

	Shares		Value[1]	
	Class A (Thousands)	Class B	Class A	Class B
Long-Term Incentive Plan/Long-Term Incentive Award under Omnibus Plan				
Nonvested at December 31, 2013	2,358	—	$52.3	$ —
Granted during period	690	—	24.6	—
Vested during period	(548)	—	(12.5)	—
Forfeited during period	(245)	—	(6.1)	—
Nonvested at December 31, 2014	2,255	—	58.3	—
Granted during period	632	—	32.8	—
Vested during period	(879)	—	(21.6)	—
Forfeited during period	(171)	—	(5.1)	—
Nonvested at December 31, 2015	1,837	—	64.4	—
Granted during period	830	—	38.3	—
Vested during period	(830)	—	(24.5)	—
Forfeited during period	(280)	—	(10.9)	—
Nonvested at December 31, 2016	1,557	—	$67.3	$ —

(1) Value represents grant date fair value.

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16. Income Taxes

The following summarizes pretax income:

	2016	2015	2014
U.S.	$593.3	$739.4	$194.2
International	67.2	68.7	68.2
Total (before equity earnings)	$660.5	$808.1	$262.4

The tax provision contains the following components:

	2016	2015	2014
Current			
Federal	$158.0	$175.5	$(91.0)
State	3.6	3.5	(0.9)
Foreign	29.2	5.5	4.0
Total current	$190.8	$184.5	$(87.9)
Deferred			
Federal	$20.0	$(119.1)	$—
State	(1.0)	(48.9)	(2.0)
Foreign	(17.7)	4.1	(6.0)
Total deferred	1.3	(163.9)	(8.0)
Total tax provision (benefit)	$192.1	$20.6	$(95.9)

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

	2016		2015		2014	
Tax at U.S. Federal statutory rate	$231.2	35.0 %	$283.3	35.0 %	$91.8	35.0 %
State income taxes, net of Federal benefit	11.6	1.8	15.0	1.9	4.1	1.6
State income tax credits, net of Federal benefit	(9.4)	(1.4)	(4.1)	(0.5)	(9.0)	(3.4)
Foreign rate differences	(13.5)	(2.0)	(13.5)	(1.7)	(12.3)	(4.7)
Research and Experimentation	(3.6)	0.6	(3.3)	(0.4)	(3.0)	(1.1)
Domestic Production Activities Deduction	(16.4)	(2.5)	(17.8)	(2.2)	—	—
Interest on assessments	0.6	0.1	(1.0)	(0.1)	(3.7)	(1.4)
Excess tax benefits	(4.6)	(0.7)	—	—	—	—
Valuation Allowance - U.S. Deferred Tax Asset	—	—	(241.9)	(29.9)	(167.2)	(63.7)
Other	(3.8)	(0.6)	3.9	0.5	3.4	1.2
Total provision (benefit) for income taxes	$192.1	29.1 %	$20.6	2.6 %	$(95.9)	(36.5)%

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

	2016	2015
Long-term contracts	$127.7	$142.4
Post-retirement benefits other than pensions	19.1	27.2
Pension and other employee benefit plans	(77.5)	(64.4)
Employee compensation accruals	68.0	52.6
Depreciation and amortization	(154.4)	(124.6)
Inventory	1.7	2.1
Interest swap contracts	—	—
State income tax credits	71.7	70.5
Accruals and reserves	91.7	85.8
Deferred production	(3.7)	(2.4)
Deferred gain — severe weather event	—	(21.2)
Net operating loss carryforward	3.7	0.6
Other	(5.7)	(3.8)
Net deferred tax asset	142.3	164.8
Valuation allowance	(13.6)	(15.1)
Net deferred tax asset	$128.7	$149.7

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

	2016	2015
Non-current deferred tax assets	128.8	162.8
Non-current deferred tax liabilities	(0.1)	(13.1)
Net non-current deferred tax assets	$128.7	$149.7
Total deferred tax asset	$128.7	$149.7

The following is a roll forward of the deferred tax valuation allowance at December 31, 2016, 2015 and 2014:

Deferred Tax Asset Valuation Allowance	2016	2015	2014
Balance, January 1	$15.1	$257.3	$396.5
US deferred tax asset	—	(109.3)	40.4
Income tax credits	(0.9)	(57.4)	9.1
Depreciation and amortization	(0.1)	119.6	16.3
Long-term contracts	—	(194.6)	(205.0)
Other	(0.6)	(0.5)	—
Balance, December 31	$13.5	$15.1	$257.3

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

The Company continues to maintain $13.5 in valuation allowances primarily against separate company state income tax credit deferred tax assets.

We consider the earnings of all non-US subsidiaries to be indefinitely invested outside the United States on the basis of estimates that future domestic cash generation will be sufficient to meet future domestic cash needs and our specific plans for

reinvestment of those subsidiary earnings. We have not recorded a deferred tax liability of approximately $100.0 related to the U.S. federal and state income taxes and foreign withholding taxes on approximately $290.0 of undistributed earnings of foreign subsidiaries indefinitely invested outside the United States. Should we decide to repatriate the foreign earnings, we would need to adjust our income tax provision in the period we determined that the earnings will no longer be indefinitely invested outside the United States.

The beginning and ending unrecognized tax benefits reconciliation is as follows:

	2016	2015	2014
Beginning balance	$6.2	$5.9	$18.4
Gross increases related to current period tax positions	—	—	—
Gross increases related to prior period tax positions	0.1	0.3	0.9
Gross decreases related to prior period tax positions	—	—	(13.4)
Statute of limitations' expiration	—	—	—
Settlements	—	—	—
Ending balance	$6.3	$6.2	$5.9

Included in the December 31, 2016 balance was $4.1 in unrecognized tax benefits which, if ultimately recognized, will reduce the Company's effective tax rate. The Internal Revenue Service's examination of the Company's 2015 U.S. Federal income tax return is substantially complete. The Company will continue to participate in the Compliance Assurance Process ("CAP") program for its 2016 and 2017 tax years. The CAP program's objective is to resolve issues in a timely, contemporaneous manner and eliminate the need for a lengthy post-filing examination. 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 2013 tax return. The Directorate General of Public Finance closed its examination of 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.

The Company reports interest and penalties, if any, related to unrecognized tax benefits in the income tax provision. As of December 31, 2016, and December 31, 2015, there was no accrued interest on the unrecognized tax benefit liability included in the consolidated balance sheets and there was no impact of interest on the Company's unrecognized tax benefit liability during 2016 and 2015.

As a result of the early adoption of ASU 2016-09, during the twelve months ended December 31, 2016, share-based compensation excess tax benefits of $4.6 were reflected in the Consolidated Statements of Income as a component of the income tax provision and the Consolidated Statement of Cash Flows included a $4.6 increase to net cash provided by operating activities. Accounting guidance requires that this item is treated as a discrete adjustment to our tax rate, which is reflected in the 29.1% effective tax rate for the twelve months ended December 31, 2016.

The Company continues to operate under a tax holiday in Malaysia effective through September 2024. In 2014, the Company received formal approval of the tax holiday from the Malaysian tax authorities, with conditional renewals once every five years beginning in September 2014. The Company expects to meet the requirements for the conditional renewals. The Company's 2016 income tax expense reflects $6.6 of Malaysia tax holiday benefit for the year ended December 31, 2016.

At December 31, 2016, the Company had total North Carolina state net operating loss carryforwards of $17.0 which begin to expire in 2026.

On December 18, 2015, the President signed legislation making permanent the U.S. Research Tax Credit so that it applies for amounts paid or accrued on or after January 1, 2015. The Company's income tax expense for 2016 reflects the benefit of the Research Tax Credit attributable to 2016 of $3.6.

Included in the deferred tax assets at December 31, 2016 are $48.1 in Kansas High Performance Incentive Program ("HPIP") Credit, $8.2 in Kansas Research & Development ("R&D") Credit, and $2.7 in Kansas Business and Jobs Development Credit, totaling $59.0 in gross Kansas state income tax credit carryforwards, net of federal benefit. The HPIP Credit provides a 10% investment tax credit for qualified business facilities located in Kansas for which $3.6

expires in 2027, $9.7 expires in 2028, $11.7 expires in 2029, $8.9 expires in 2030, $5.3 expires in 2031, and the remainder expires in 2032. The R&D Credit provides a credit for qualified research and development expenditures conducted within Kansas. This credit can be carried forward indefinitely. The

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Business and Jobs Development Credit provides a tax credit for increased employment in Kansas. This credit can be carried forward indefinitely.

Included in the deferred tax assets at December 31, 2016 are $5.5 in North Carolina Investing in Business Property Credit, $3.9 in North Carolina Investment in Real Property Credit, and $3.2 in North Carolina Creating Jobs Credit, totaling $12.6 in gross North Carolina state income tax credit carryforwards, net of federal benefit. The Investing in Business Property Credit provides a 7% investment tax credit for property located in a North Carolina development area and the Investment in Real Property Credit provides a 30% investment tax credit for real property located in a North Carolina development area. The Creating Jobs Credit provides a tax credit for increased employment in North Carolina. These North Carolina state income tax credits can be carried forward 20 years. It is management's opinion that none of these North Carolina state income tax credits will be utilized before they expire and a $12.6 valuation allowance is recorded against the deferred tax asset, net of federal benefit.

The Company had $7.4 and $6.8 of income tax receivable as of December 31, 2016 and December 31, 2015, respectively, which is reflected within other current assets on the Consolidated Balance Sheet.

17. 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 period ended December 31, 2016. On November 1, 2016 the Company announced that its Board of Directors declared a $0.10 per share quarterly cash dividend on the outstanding common stock of the Company which totaled $12.0 and was paid on January 9, 2017 to shareholders of record at the close of business on December 19, 2016. Any future determination to continue 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, including the requirements of financing agreements to which the Company is party. The Company accounts for treasury stock under the cost method and includes treasury stock as a component of stockholders’ equity. As of December 31, 2016, no treasury shares have been reissued or retired.

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

	For the Twelve Months Ended								
	December 31, 2016			December 31, 2015			December 31, 2014		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount	Loss	Shares	Per Share Amount
Basic EPS									
Income available to common shareholders	$469.4	126.1	$ 3.72	$788.0	138.4	$ 5.69	$357.2	140.0	$ 2.55
Income allocated to participating securities	0.3	0.1		0.7	0.1		1.6	0.6	
Net income (loss)	$469.7			$788.7			$358.8		
Diluted potential common shares		0.8			0.9			1.0	
Diluted EPS									
Net income (loss)	$469.7	127.0	$ 3.70	$788.7	139.4	$ 5.66	$358.8	141.6	$ 2.53

The balance of outstanding common shares presented in the consolidated statement of shareholders' equity was 121.6 million, 135.6 million and 141.1 million at December 31, 2016, 2015 and 2014, respectively. Included in the

outstanding common shares were 1.6 million, 1.9 million and 2.3 million of issued but unvested shares at December 31, 2016, 2015 and 2014, respectively, which are excluded from the basic EPS calculation.

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Accumulated Other Comprehensive Loss
Accumulated Other Comprehensive Loss, net of tax, is summarized by component as follows:

	December 31, 2016	December 31, 2015
Pension	$ (98.5)	$ (121.5)
Interest rate swaps	—	(0.4)
SERP/ Retiree medical	20.5	6.1
Foreign currency impact on long term intercompany loan	(19.1)	(9.2)
Currency translation adjustment	(89.8)	(35.5)
Total accumulated other comprehensive loss	$ (186.9)	$ (160.5)

Amortization of the pension plans' net loss reclassified from accumulated other comprehensive loss and realized into costs of sales and selling, general and administrative on the consolidated statements of operations was $5.7, $3.7 and zero for the twelve months ended December 31, 2016, 2015 and 2014, respectively.
Noncontrolling Interest
Noncontrolling interest at December 31, 2016 remained unchanged from the prior year at $0.5.
Repurchases of Common Stock
On July 29, 2015, the Company announced that our Board of Directors authorized a share repurchase program for the purchase of up to $350.0 of our common stock (the "2015 Share Repurchase Program"). During the period ended December 31, 2015, the Company repurchased 5.7 million shares of its class A common stock for $300.0.
On January 27, 2016, the Company announced that our Board of Directors authorized an additional new share repurchase program for the purchase of up to $600.0 of our common stock (the "2016 Share Repurchase Program"). On November 1, 2016, the Company's Board of Directors authorized a share repurchase program for the purchase of up to $600.0 of the Company's common stock (the "2017 Share Repurchase Program").
During the period ended December 31, 2016, the Company repurchased 14.2 million shares of its class A common stock for $649.6, which consisted of the remaining $50.0 from the 2015 Share Repurchase Program and approximately all of the $600.0 of the authorized amount of the 2016 Share Repurchase Program.

18. Related Party Transactions
In December 2014, Onex acquired approximately a 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 twelve months ended December 31, 2016 and 2015, sales from AIT to the Company and its subsidiaries were $13.7 and $18.5, respectively. The amounts owed to AIT and recorded as accrued liabilities were $0.5 and $4.0 as of December 31, 2016 and December 31, 2015, respectively. Tawfiq Popatia, a former director of Spirit Holdings, is a Managing Director of Onex Corporation.

19. 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 $25.0 for each of the periods ended December 31, 2016 and December 31, 2015, 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, we receive 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. We review such requests and notices and take appropriate action. We have 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, we are 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, we are required to participate in certain government investigations regarding environmental remediation actions.

On December 5, 2014, Boeing filed a complaint in Delaware Superior Court, Complex Commercial Litigation Division, entitled The Boeing Co. v. Spirit AeroSystems, Inc., No. N14C-12-055 (EMD). 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 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 estimates the UAW Arbitration decision to have a net present value of $39.0. In regard to the Harkness Class Action, the district court approved a settlement in an amount of $90.0. In addition to the amounts related to the UAW Arbitration and Harkness Class Action, Boeing seeks indemnification for more than $10.0 in attorneys' fees it alleges it expended to defend the UAW Arbitration and Harkness Class Action, as well as for the reasonable fees, costs and expenses Boeing expends litigating the case against Spirit. Following a motion to dismiss (which was denied by Court Order dated August 14, 2015), Spirit answered Boeing's Complaint and asserted a Counterclaim against Boeing, on the ground that the liabilities at issue were Boeing's responsibility under the APA. Spirit's Counterclaim alleges breach of contract and seeks a declaratory judgment regarding Spirit's right to indemnification from Boeing under the APA. Spirit's Counterclaim seeks to recover the amounts that Spirit spent litigating the Harkness Class Action, responding to Boeing's indemnification demands concerning the Harkness Class Action and UAW Arbitration, and also litigating the current lawsuit against Boeing. On December 20, 2016, Boeing and Spirit moved for summary judgment. Summary judgment briefing will be completed on February 9, 2017. A decision on the summary judgment motions is not expected until the second quarter of 2017. Trial is presently scheduled for May 2017. Spirit intends to defend vigorously against the allegations in this lawsuit.

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. On July 5, 2016, the U.S. Court of Appeals for the Tenth Circuit affirmed the District Court's dismissal. On July 20, 2016, the plaintiffs filed a petition for rehearing and rehearing en banc. On August 2, 2016, the Court of Appeals denied the petition. The plaintiffs did not file a petition for a writ of certiorari by the October 31, 2016 deadline, and this matter is now closed.

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Commitments

The Company leases equipment and facilities under various non-cancelable capital and operating leases. The capital leasing arrangements extend through 2026. Minimum future lease payments under these leases at December 31, 2016 are as follows:

	Operating	Capital Present Value	Interest	Total
2017	$ 10.9	$0.7	$ 0.3	$11.9
2018	$ 7.3	$0.8	$ 0.3	$8.4
2019	$ 5.5	$0.9	$ 0.3	$6.7
2020	$ 4.1	$0.9	$ 0.3	$5.3
2021	$ 3.0	$0.9	$ 0.2	$4.1
2022 and thereafter	$ 12.5	$4.7	$ 7.9	$25.1

Operating lease payments were as follows:

	2016	2015	2014
Minimum rentals	$15.4	$17.8	$20.5
Total	$15.4	$17.8	$20.5

Spirit's aggregate capital commitments totaled $180.9 and $187.2 at December 31, 2016 and December 31, 2015, respectively.

The Company paid $0.1 and $0.3 in interest expense related to the capital leases for periods ended December 31, 2016 and December 31, 2015, respectively.

Guarantees

Contingent liabilities in the form of letters of guarantee have been provided by the Company. Outstanding guarantees were $20.7 and $20.1 at December 31, 2016 and December 31, 2015, respectively.

Restricted Cash

The Company was required to maintain $19.9 of restricted cash as of both December 31, 2016 and December 31, 2015 related to certain collateral requirements for obligations under its workers' compensation programs. 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 current liabilities and other liabilities in the Condensed Consolidated Balance Sheet.

The warranty balance presented in the table below includes unresolved warranty claims that are in dispute in regards to their value as well as their contractual liability. The Company estimated the total costs related to some of these claims, however there is significant uncertainty surrounding the disposition of these disputed claims and as such, the ultimate determination of the provision's adequacy requires significant management judgment. Specific provisions totaling $99.0 and $78.0 were recorded

against disputed warranty claims as of December 31, 2016 and December 31, 2015, respectively. These specific provisions represent the Company's best estimate of reasonably possible warranty costs. Should the Company incur higher than expected warranty costs and/or discover new or additional information related to these warranty provisions, the Company may incur charges that exceed these recorded amounts. The Company utilized available information to make appropriate assessments, however the Company recognizes that data on actual claims experience is of limited duration and therefore, claims projections are subject to judgment. Disputed warranty claims in excess of the specific warranty provision were $209.0 and $192.0, as of December 31, 2016 and December 31, 2015, respectively.

The following is a roll forward of the service warranty and extraordinary rework balance at December 31, 2016, 2015 and 2014:

	2016	2015	2014
Balance, January 1	$158.7	$119.9	$68.7
Charges to costs and expenses	16.7	43.8	53.7
Payouts	(9.5)	(4.8)	(1.8)
Write-offs, net of recoveries	—	—	—
Exchange rate	(2.2)	(0.2)	(0.7)
Balance, December 31	$163.7	$158.7	$119.9

Bonds

Spirit utilized City of Wichita issued Industrial Revenue Bonds ("IRBs") to finance self-constructed and purchased real property at its Wichita site. Tax benefits associated with IRBs include provisions for a ten-year complete property tax abatement and a Kansas Department of Revenue sales tax exemption on all IRB funded purchases. Spirit and its predecessor purchased these IRBs so they are bondholders and debtor / lessee for the property purchased with the IRB proceeds.

Spirit recorded the property net of a capital lease obligation to repay the IRB proceeds on its consolidated balance sheet. Gross assets and liabilities associated with these IRBs were $399.7 and $404.7 as of December 31, 2016 and December 31, 2015, respectively.

20. Other Expense, Net

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

	For the Twelve Months Ended		
	December 31, 2016	December 31, 2015	December 31, 2014
KDFA bond	$3.4	$ 3.9	$ 3.3
Rental and miscellaneous income (expense)[1]	0.3	(2.0)	0.8
Interest Income	3.6	2.1	0.6
Foreign currency losses	(14.6)	(6.2)	(8.2)
Total	$(7.3)	$ (2.2)	$ (3.5)

(1) Includes $2.0 of losses for the period ended December 31, 2015 related to the settlement of interest rate swap agreements as further detailed in Note 11, "Derivative and Hedging Activities."

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

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21. Significant Concentrations of Risk

Economic Dependence

The Company's largest customer (Boeing) accounted for approximately 81%, 84% and 83% of the revenues for the periods ended December 31, 2016, 2015 and 2014, respectively. Approximately 56% and 48% of the Company's accounts receivable balance at December 31, 2016 and December 31, 2015, respectively, was attributable to Boeing. The Company's second largest customer (Airbus) accounted for approximately 15%, 11% and 10% of the revenues for the periods ended December 31, 2016, 2015 and 2014, respectively. Approximately 28% and 30% of the Company's accounts receivable balance at December 31, 2016 and December 31, 2015, respectively, was attributable to Airbus.

Employees

As of December 31, 2016, the Company had approximately 12,700 employees located in the Company's four U.S. facilities. Approximately 87% of the Company's U.S. employees are represented by five unions.
As of December 31, 2016, the Company had 900 employees located in the Company's two U.K. facilities. Approximately 69%, of the Company's U.K. employees are represented by one union.

22. Supplemental Balance Sheet Information

Accrued expenses and other liabilities consist of the following:

	December 31, 2016	December 31, 2015
Accrued expenses		
Accrued wages and bonuses	$ 32.9	$ 32.7
Accrued fringe benefits	117.5	121.1
Accrued interest	5.3	5.6
Workers' compensation	6.7	7.5
Property and sales tax	15.5	25.9
Warranty/extraordinary rework reserve — current	2.9	3.5
Other	35.4	33.9
Total	$ 216.2	$ 230.2
Other liabilities		
Deferred tax liability — non-current	$ 0.1	$ 13.1
Warranty/extraordinary rework reserve — non-current	160.8	155.2
Customer cost recovery[1]	40.7	57.8
Other	74.5	47.4
Total	$ 276.1	$ 273.5

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(1) As part of the B787 Amendment, Spirit agreed to pay Boeing for work to complete initial production units; $17.0 in customer cost recovery is reported in other current liabilities on the Condensed Consolidated Balance Sheet

23. Segment and Geographical Information

The Company operates in three principal segments: Fuselage Systems, Propulsion Systems and Wing Systems. Revenue from Boeing represents a substantial portion of our revenues in all segments. Wing Systems also includes significant revenues from Airbus. Approximately 96% of the Company's net revenues for the twelve months ended December 31, 2016 came from the Company's two largest customers, Boeing and Airbus. All other activities fall within the All Other segment, principally made up of sundry sales of miscellaneous services, tooling contracts and sales of natural gas through a tenancy-in-common with other companies that have operations in Wichita, Kansas. The Company's primary profitability measure to review a segment’s operating

performance is segment operating income before corporate selling, general and administrative expenses, research and development and unallocated cost of sales.

Corporate selling, general and administrative expenses include centralized functions such as accounting, treasury and human resources that are not specifically related to the Company's operating segments and are not allocated in measuring the operating segments' profitability and performance and net profit margins. Research and development includes research and development efforts that benefit the Company as a whole and are not unique to a specific segment. Unallocated cost of sales includes general costs not directly attributable to segment operations, such as warranty, early retirement and other incentives. All of these items are not specifically related to the Company's operating segments and are not utilized in measuring the operating segments' profitability and performance.

The Company's Fuselage Systems segment includes development, production and marketing of forward, mid and rear fuselage sections and systems, primarily to aircraft OEMs (OEM refers to aircraft original equipment manufacturer), as well as related spares and maintenance, repairs and overhaul (MRO) services. The Fuselage Systems segment manufactures products at the Company's facilities in Wichita, Kansas and Kinston, North Carolina. The Fuselage Systems segment also includes an assembly plant for the A350 XWB aircraft in Saint-Nazaire, France.

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

The Company's Wing Systems segment includes development, production and marketing of wings and wing components (including flight control surfaces) 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.

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.

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The following table shows segment revenues and operating income for the twelve months ended December 31, 2016, 2015 and 2014:

	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015	Twelve Months Ended December 31, 2014
Segment Revenues			
Fuselage Systems	$ 3,498.8	$ 3,447.0	$ 3,354.9
Propulsion Systems	1,777.3	1,750.7	1,737.2
Wing Systems	1,508.7	1,437.7	1,695.9
All Other	8.1	8.5	11.2
	$ 6,792.9	$ 6,643.9	$ 6,799.2
Segment Operating Income (Loss) [1]			
Fuselage Systems	$ 468.6	$ 607.3	$ 557.3
Propulsion Systems	325.9	378.2	354.9
Wing Systems	223.6	178.5	244.6
All Other	1.6	1.3	3.4
	1,019.7	1,165.3	1,160.2
Corporate SG&A	(228.3)	(220.8)	(233.8)
Unallocated impact of severe weather event (see Note 27)	(12.1)	—	—
Research and development	(23.8)	(27.8)	(29.3)
Unallocated cost of sales[2]	(30.4)	(53.7)	(72.0)
Loss on divestiture of programs (see Note 26)	—	—	(471.1)
Total operating income	$ 725.1	$ 863.0	$ 354.0

(1) Inclusive of forward losses, changes in estimate on loss programs and cumulative catch-up adjustments. These changes in estimates for the periods ended December 31, 2016, 2015 and 2014 are further detailed in Note 3 "Changes in Estimates."

(2) For 2016, includes charges of $13.8 and $23.6, related to warranty reserve and early retirement incentives, respectively, offset by $7.9 for the settlement of historical claims with suppliers. For 2015, includes charges of $40.7, $0.8, and $6.4 related to warranty reserve, reduction in workforce and unallocated inventory write-offs, respectively. In 2014, includes charges of $52.7, $6.0, and $13.0 related to warranty reserve, reduction in workforce and unallocated inventory write-offs, respectively.

Most of the Company's revenue is obtained from sales inside the United States however the Company does generate international sales, primarily from sales to Airbus. The following chart illustrates the split between domestic and foreign revenues:

	Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014	
Revenue Source[1]	Net Revenues	Percent of Total Net Revenues	Net Revenues	Percent of Total Net Revenues	Net Revenues	Percent of Total Net Revenues
United States	$5,650.1	83 %	$5,709.0	86 %	$5,968.3	88 %
International						
United Kingdom	690.7	10 %	570.1	9 %	587.5	8 %
Other	452.1	7 %	364.8	5 %	243.4	4 %

Total International	1,142.8	17	%	934.9	14	%	830.9	12	%
Total Revenues	$6,792.9	100	%	$6,643.9	100	%	$6,799.2	100	%

(1) Net Revenues are attributable to countries based on destination where goods are delivered.

Most of the Company's long-lived assets are located within the United States. Approximately 4% of the Company's long-lived assets based on book value are located in the United Kingdom as part of Spirit Europe with approximately another 4% of the Company's total long-lived assets located in countries outside the United States and the United Kingdom. The following chart illustrates the split between domestic and foreign assets:

Asset Location	Year Ended December 31, 2016 Total Long-Lived Assets	Percent of Total Long-Lived Assets		Year Ended December 31, 2015 Total Long-Lived Assets	Percent of Total Long-Lived Assets		Year Ended December 31, 2014 Total Long-Lived Assets	Percent of Total Long-Lived Assets	
United States	$1,828.2	92	%	$1,755.6	90	%	$1,598.2	90	%
International									
United Kingdom	80.0	4	%	95.0	5	%	124.2	7	%
Other	83.4	4	%	100.1	5	%	61.2	3	%
Total International	163.4	8	%	195.1	10	%	185.4	10	%
Total Long-Lived Assets	$1,991.6	100	%	$1,950.7	100	%	$1,783.6	100	%

24. Quarterly Financial Data (Unaudited)

2016	Quarter Ended December 31, 2016(1)	September 29, 2016(2)	June 30, 2016(3)	March 31, 2016(4)
Revenues	$1,570.0	$ 1,711.4	$1,829.9	$1,681.6
Gross profit	$236.8	$ 272.0	$157.9	$322.6
Operating income	$160.9	$ 214.4	$83.3	$266.5
Net income	$108.2	$ 145.1	$44.8	$171.6
Earnings per share, basic	$0.90	$ 1.16	$0.35	$1.30
Earnings per share, diluted	$0.89	$ 1.16	$0.35	$1.29

2015	Quarter Ended December 31, 2015(5)	October 1, 2015(6)	July 2, 2015(7)	April 2, 2015(8)
Revenues	$1,609.4	$1,593.6	$1,698.7	$1,742.2
Gross profit	$274.3	$252.6	$290.8	$293.9
Operating income	$205.8	$191.6	$230.3	$235.3
Net income	$138.3	$313.6	$154.9	$181.9
Earnings per share, basic	$1.02	$2.25	$1.11	$1.31
Earnings per share, diluted	$1.01	$2.24	$1.11	$1.30

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(1) Fourth quarter 2016 earnings include the impact of net favorable changes in estimate of $7.5, as well as $11.8 related to early retirement incentives.
(2) Third quarter 2016 earnings includes the impact of net unfavorable changes in estimate of $5.5.
(3) Second quarter 2016 earnings include the impact of net unfavorable changes in estimate of $134.7.
(4)

First quarter 2016 earnings includes the impact of net favorable changes in estimate of $47.2, as well as $11.8 related to early retirement incentives.

(5) Fourth quarter 2015 earnings include the impact of net favorable changes in estimate of $14.2.

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(6) Third quarter 2015 earnings includes the impact of net favorable changes in estimate of $19.0, as well as valuation allowance release of $189.4.
(7) Second quarter 2015 earnings include the impact of net favorable changes in estimate of $18.8 .
(8) First quarter 2015 earnings includes the impact of net favorable changes in estimate $14.9, as well as valuation allowance release $42.0.

25. Condensed Consolidating Financial Information

The 2020 Notes, 2022 Notes, and 2026 Notes were 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"). Following the A&R Credit Agreement, the 2022 Notes and 2026 Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and no subsidiaries are guarantors to any of Spirit's senior notes. As of July 1, 2016, Spirit redeemed the 2020 Notes. For comparative purposes, all statements below have been updated to reflect the effects of the A&R Credit Agreement on the guarantor structure.

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

(i) Holdings, as the parent company and parent guarantor to the A&R Credit Agreement, as further detailed in Note 12, Debt;
(ii) Spirit, as the subsidiary issuer of the 2022 Notes and the 2026 Notes, as well as the 2020 Notes which were outstanding through July 1, 2016;
(iii) The Company's subsidiaries, (the "Subsidiary Non-Guarantors"), on a combined basis;
(iv) Consolidating entries and eliminations representing adjustments to (a) eliminate intercompany transactions between or among Holdings and the Subsidiary Non-Guarantors, (b) eliminate the investments in the Company's subsidiaries and (c) record consolidating entries; and
(v) Holdings and its subsidiaries on a consolidated basis.

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Condensed Consolidating Statements of Operations and Comprehensive Income
For the Twelve Months Ended December 31, 2016

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	$ —	$ 6,124.6	$ 1,284.2	$ (615.9)	$ 6,792.9
Operating costs and expenses					
Cost of sales	—	5,255.0	1,164.5	(615.9)	5,803.6
Selling, general and administrative	8.7	203.6	16.0	—	228.3
Impact of severe weather event	—	12.1	—	—	12.1
Research and development	—	20.8	3.0	—	23.8
Total operating costs and expenses	8.7	5,491.5	1,183.5	(615.9)	6,067.8
Operating (loss) income	(8.7)	633.1	100.7	—	725.1
Interest expense and financing fee amortization	—	(57.0)	(7.8)	7.5	(57.3)
Other income (expense), net	—	14.9	(14.7)	(7.5)	(7.3)
(Loss) income before income taxes and equity in net income of affiliates and subsidiaries	(8.7)	591.0	78.2	—	660.5
Income tax benefit (provision)	2.6	(179.2)	(15.5)		(192.1)
(Loss) income before equity in net income of affiliates and subsidiaries	(6.1)	411.8	62.7	—	468.4
Equity in net income of affiliates	1.3	—	1.3	(1.3)	1.3
Equity in net income of subsidiaries	474.5	62.6	—	(537.1)	—
Net income	469.7	474.4	64.0	(538.4)	469.7
Other comprehensive loss	(26.4)	(26.4)	(61.3)	87.7	(26.4)
Comprehensive income	$ 443.3	$ 448.0	$ 2.7	$ (450.7)	$ 443.3

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Spirit AeroSystems Holdings, Inc.
Notes to the Consolidated Financial Statements — (Continued)
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Condensed Consolidating Statements of Operations and Comprehensive Loss
For the Twelve Months Ended December 31, 2015

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	$—	$6,096.1	$ 1,030.6	$ (482.8)	$6,643.9
Operating costs and expenses					
Cost of sales	—	5,095.4	919.7	(482.8)	5,532.3
Selling, general and administrative	7.1	194.9	18.8	—	220.8
Research and development	—	25.7	2.1	—	27.8
Total operating costs and expenses	7.1	5,316.0	940.6	(482.8)	5,780.9
Operating (loss) income	(7.1)	780.1	90.0	—	863.0
Interest expense and financing fee amortization	—	(52.2)	(7.8)	7.3	(52.7)
Other income (expense), net	—	11.3	(6.3)	(7.2)	(2.2)
(Loss) income before income taxes and equity in net income of affiliates and subsidiaries	(7.1)	739.2	75.9	0.1	808.1
Income tax benefit (provision)	0.1	(8.4)	(12.3)		(20.6)
(Loss) income before equity in net income of affiliates and subsidiaries	(7.0)	730.8	63.6	0.1	787.5
Equity in net income of affiliates	1.2	—	1.2	(1.2)	1.2
Equity in net income of subsidiaries	794.5	63.6	—	(858.1)	—
Net income	788.7	794.4	64.8	(859.2)	788.7
Other comprehensive loss	(6.7)	(6.7)	(21.1)	27.8	(6.7)
Comprehensive income	$782.0	$787.7	$ 43.7	$ (831.4)	$782.0

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Notes to the Consolidated Financial Statements — (Continued)
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Condensed Consolidating Statements of Operations and Comprehensive Income
For the Twelve Months Ended December 31, 2014

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Revenues	$—	$6,242.2	$ 1,131.2	$ (574.2)	$6,799.2
Operating costs and expenses					
Cost of sales	—	5,270.2	1,015.0	(574.2)	5,711.0
Selling, general and administrative	13.2	200.8	19.8	—	233.8
Research and development	—	27.9	1.4	—	29.3
Loss on sale of Gulfstream programs (see Note 26)	—	471.1	—	—	471.1
Total operating costs and expenses	13.2	5,970.0	1,036.2	(574.2)	6,445.2
Operating (loss) income	(13.2)	272.2	95.0	—	354.0
Interest expense and financing fee amortization	—	(87.4)	(9.8)	9.1	(88.1)
Other income (expense), net	—	13.7	(8.1)	(9.1)	(3.5)
(Loss) income before income taxes and equity in net income of affiliates and subsidiaries	(13.2)	198.5	77.1	—	262.4
Income tax (provision) benefit	(0.8)	98.0	(1.3)		95.9
(Loss) income before equity in net income of affiliates and subsidiaries	(14.0)	296.5	75.8	—	358.3
Equity in net income of affiliates	0.5	—	0.5	(0.5)	0.5
Equity in net income of subsidiaries	372.3	75.7	—	(448.0)	—
Net income	358.8	372.2	76.3	(448.5)	358.8
Other comprehensive loss	(99.2)	(73.9)	(25.3)	99.2	(99.2)
Comprehensive income	$259.6	$298.3	$ 51.0	$ (349.3)	$259.6

Condensed Consolidating Balance Sheet
December 31, 2016

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Current assets					
Cash and cash equivalents	$—	$680.1	$ 17.6	$ —	$697.7
Accounts receivable, net	—	785.0	249.4	(373.9)	660.5
Inventory, net	—	1,058.8	456.5	—	1,515.3
Other current assets	—	29.0	7.9	—	36.9
Total current assets	—	2,552.9	731.4	(373.9)	2,910.4
Property, plant and equipment, net	—	1,462.3	529.3	—	1,991.6
Pension assets	—	268.1	14.2	—	282.3
Investment in subsidiary	1,928.8	544.4	—	(2,473.2)	—
Other assets	—	398.9	101.4	(279.4)	220.9
Total assets	$1,928.8	$5,226.6	$ 1,376.3	$ (3,126.5)	$5,405.2
Current liabilities					
Accounts payable	$—	$527.0	$ 426.6	$ (373.9)	$579.7
Accrued expenses	—	192.8	23.4	—	216.2
Profit sharing	—	97.2	4.2	—	101.4
Current portion of long-term debt	—	25.1	1.6	—	26.7
Advance payments, short-term	—	199.3	—	—	199.3
Deferred revenue, short-term	—	310.8	1.3	—	312.1
Deferred grant income liability — current	—	—	14.4	—	14.4
Other current liabilities	—	94.2	0.2	—	94.4
Total current liabilities	—	1,446.4	471.7	(373.9)	1,544.2
Long-term debt	—	1,052.5	206.9	(199.4)	1,060.0
Advance payments, long-term	—	342.0	—	—	342.0
Pension/OPEB obligation	—	43.9	—	—	43.9
Deferred grant income liability — non-current	—	—	63.4	—	63.4
Deferred revenue and other deferred credits	—	143.4	3.4	—	146.8
Other liabilities	—	349.5	6.6	(80.0)	276.1
Total equity	1,928.8	1,848.9	624.3	(2,473.2)	1,928.8
Total liabilities and shareholders' equity	$1,928.8	$5,226.6	$ 1,376.3	$ (3,126.5)	$5,405.2

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Condensed Consolidating Balance Sheet
December 31, 2015

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Current assets					
Cash and cash equivalents	$—	$894.2	$ 63.1	$ —	$957.3
Accounts receivable, net	—	686.3	216.5	(365.8)	537.0
Inventory, net	—	1,229.0	545.3	0.1	1,774.4
Other current assets	—	24.4	6.0	—	30.4
Total current assets	—	2,833.9	830.9	(365.7)	3,299.1
Property, plant and equipment, net	—	1,393.1	557.6	—	1,950.7
Pension assets	—	233.3	13.6	—	246.9
Investment in subsidiary	2,120.0	537.8	0.1	(2,657.9)	—
Other assets	—	504.7	104.0	(340.9)	267.8
Total assets	$2,120.0	$5,502.8	$ 1,506.2	$ (3,364.5)	$5,764.5
Current liabilities					
Accounts payable	$—	$538.2	$ 445.8	$ (365.8)	$618.2
Accrued expenses	—	195.0	35.2	—	230.2
Profit sharing	—	58.3	3.3	—	61.6
Current portion of long-term debt	—	32.2	2.7	—	34.9
Advance payments, short-term	—	178.3	—	—	178.3
Deferred revenue, short-term	—	281.7	3.8	—	285.5
Deferred grant income liability — current	—	—	11.9	—	11.9
Other current liabilities	—	34.7	3.0	—	37.7
Total current liabilities	—	1,318.4	505.7	(365.8)	1,458.3
Long-term debt	—	1,075.7	270.6	(261.0)	1,085.3
Advance payments, long-term	—	507.4	—	—	507.4
Pension/OPEB obligation	—	67.7	—	—	67.7
Deferred grant income liability — non-current	—	—	82.3	—	82.3
Deferred revenue and other deferred credits	—	165.6	4.4	—	170.0
Other liabilities	—	328.2	25.3	(80.0)	273.5
Total equity	2,120.0	2,039.8	617.9	(2,657.7)	2,120.0
Total liabilities and shareholders' equity	$2,120.0	$5,502.8	$ 1,506.2	$ (3,364.5)	$5,764.5

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

Condensed Consolidating Statements of Cash Flows
For the Twelve Months Ended December 31, 2016

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities					
Net cash provided by operating activities	$ —	$645.9	$ 71.0	$ —	$716.9
Investing activities					
Purchase of property, plant and equipment	—	(206.4)	(47.6)		(254.0)
Proceeds from sale of assets	—	0.6	—	—	0.6
Other	—	0.4	(0.4)	—	—
Net cash used in investing activities	—	(205.4)	(48.0)	—	(253.4)
Financing activities					
Proceeds from issuance of bonds	—	299.8	—	—	299.8
Principal payments of debt	—	(33.9)	(2.5)	—	(36.4)
Collection on (repayment of) intercompany debt	—	61.6	(61.6)	—	—
Payments on term loan	—	(300.0)	—	—	(300.0)
Debt issuance and financing costs	—	(17.2)	—	—	(17.2)
Taxes paid related to net share settlement awards	—	(15.2)	—	—	(15.2)
Excess tax benefits from share-based payment arrangements	—	(0.1)	—	—	(0.1)
Proceeds (payments) from subsidiary for purchase of treasury stock	649.6	(649.6)	—	—	—
Purchase of treasury stock	(649.6)	—	—	—	(649.6)
Net cash used in financing activities	—	(654.6)	(64.1)	—	(718.7)
Effect of exchange rate changes on cash and cash equivalents	—	—	(4.4)	—	(4.4)
Net decrease in cash and cash equivalents for the period	—	(214.1)	(45.5)	—	(259.6)
Cash and cash equivalents, beginning of period	—	894.2	63.1	—	957.3
Cash and cash equivalents, end of period	$ —	$680.1	$ 17.6	$ —	$697.7

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Spirit AeroSystems Holdings, Inc.
Notes to the Consolidated Financial Statements — (Continued)
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Condensed Consolidating Statements of Cash Flows
For the Twelve Months Ended December 31, 2015

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities					
Net cash provided by operating activities	$ —	$1,167.5	$ 122.2	$ —	$1,289.7
Investing activities					
Purchase of property, plant and equipment	—	(273.3)	(86.8)		(360.1)
Proceeds from sale of assets	—	2.7	—	—	2.7
Change in restricted cash	—	—	—	—	—
Other	—	(0.2)	0.2	—	—
Net cash used in investing activities	—	(270.8)	(86.6)	—	(357.4)
Financing activities					
Proceeds from issuance of bonds	—	535.0	—	—	535.0
Principal payments of debt	—	(33.4)	(3.1)	—	(36.5)
Collection on (repayment of) intercompany debt	—	(8.9)	8.9	—	—
Payments on term loan	—	(534.9)	—	—	(534.9)
Debt issuance and financing costs	—	(4.7)	—	—	(4.7)
Taxes paid related to net share settlement awards	—	(20.7)	—	—	(20.7)
Excess tax benefits from share-based payment arrangements	—	10.5	0.2	—	10.7
Proceeds (payments) from subsidiary for purchase of treasury stock	300.0	(300.0)	—	—	—
Purchase of treasury stock	(300.0)	—	—	—	(300.0)
Net cash used in (provided by) financing activities	—	(357.1)	6.0	—	(351.1)
Effect of exchange rate changes on cash and cash equivalents	—	—	(1.8)	—	(1.8)
Net increase in cash and cash equivalents for the period	—	539.6	39.8	—	579.4
Cash and cash equivalents, beginning of period	—	354.6	23.3	—	377.9
Cash and cash equivalents, end of period	$ —	$894.2	$ 63.1	$ —	$957.3

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

Condensed Consolidating Statements of Cash Flows
For the Twelve Months Ended December 31, 2014

	Holdings	Spirit	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Operating activities					
Net cash provided by operating activities	$ —	$312.8	$ 48.8	$ —	$361.6
Investing activities					
Purchase of property, plant and equipment	—	(147.4)	(72.8)		(220.2)
Proceeds from sale of assets	—	0.5	—	—	0.5
Change in restricted cash	—	(19.9)	—	—	(19.9)
Other	—	2.3	(2.3)	—	—
Net cash used in investing activities	—	(164.5)	(75.1)	—	(239.6)