UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended April 3, 2014

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

3801 South Oliver

Wichita, Kansas 67210

(Address of principal executive offices and zip code)

Registrant s telephone number, including area code:

(316) 526-9000

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

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

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

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

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

As of April 25, 2014, the registrant had outstanding 127,506,422 shares of class A common stock, $0.01 par value per share, and 17,212,760 shares of class B common stock, $0.01 par value per share.

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PART 1. FINANCIAL INFORMATION

Item 1. ***Financial Statements (unaudited)***

Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Statements of Operations

(unaudited)

	For the Three Months Ended	
	April 3, 2014	March 28, 2013
	($ in millions, except per share data)	
Net revenues	$ 1,728.5	$ 1,442.2
Operating costs and expenses		
Cost of sales	1,467.3	1,237.1
Selling, general and administrative	60.5	44.3
Impact from severe weather event		8.8
Research and development	6.3	7.5
Total operating costs and expenses	1,534.1	1,297.7
Operating income	194.4	144.5
Interest expense and financing fee amortization	(35.4)	(17.6)
Interest income	0.1	0.1
Other income (expense), net	1.2	(9.9)
Income before income taxes and equity in net income (loss) of affiliates	160.3	117.1
Income tax provision	(6.9)	(35.7)
Income before equity in net income (loss) of affiliates	153.4	81.4
Equity in net income (loss) of affiliates	0.2	(0.2)
Net income	$ 153.6	$ 81.2
Earnings per share		
Basic	$ 1.08	$ 0.57
Diluted	$ 1.07	$ 0.57

See notes to condensed consolidated financial statements (unaudited)

Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Statements of Comprehensive Income

(unaudited)

	For the Three Months Ended April 3, 2014		For the Three Months Ended March 28, 2013	
	($ in millions)			
Net income	$	153.6	$	81.2
Changes in other comprehensive income, net of tax:				
Pension, SERP, and Retiree medical adjustments, net of tax effect of zero for each of the three months ended, respectively				0.3
Unrealized foreign exchange (loss) on intercompany loan, net of tax effect of $0.1 and $1.0 for each of the three months ended, respectively		(0.2)		(3.3)
Foreign currency translation adjustments		0.4		(10.5)
Total other comprehensive income (loss)		0.2		(13.5)
Total comprehensive income	$	153.8	$	67.7

See notes to condensed consolidated financial statements (unaudited)

Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Balance Sheets

(unaudited)

	April 3, 2014	December 31, 2013
	($ in millions)	
Current assets		
Cash and cash equivalents	$ 382.1	$ 420.7
Short-term investments	0.3	
Restricted cash	72.8	
Accounts receivable, net	746.5	550.8
Inventory, net	1,868.9	1,842.6
Deferred tax asset - current	24.2	26.9
Other current assets	22.6	103.2
Total current assets	3,117.4	2,944.2
Property, plant and equipment, net	1,800.8	1,803.3
Pension assets	262.3	252.6
Other assets	121.5	107.1
Total assets	$ 5,302.0	$ 5,107.2
Current liabilities		
Accounts payable	$ 758.1	$ 753.7
Accrued expenses	253.6	220.6
Profit sharing	16.7	38.4
Current portion of long-term debt	81.6	16.8
Advance payments, short-term	54.8	133.5
Deferred revenue, short-term	25.0	19.8
Deferred grant income liability - current	8.9	8.6
Other current liabilities	129.0	144.2
Total current liabilities	1,327.7	1,335.6
Long-term debt	1,152.8	1,150.5
Advance payments, long-term	777.0	728.9
Pension/OPEB obligation	71.2	69.8
Deferred grant income liability - non-current	105.9	108.2
Deferred revenue and other deferred credits	30.0	30.9
Other liabilities	199.3	202.3
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, 127,540,704 and 120,946,429 shares issued, respectively	1.3	1.2
Common stock, Class B par value $0.01, 150,000,000 shares authorized, 17,224,491 and 23,851,694 shares issued, respectively	0.2	0.2
Additional paid-in capital	1,028.2	1,025.0
Accumulated other comprehensive (loss)	(54.4)	(54.6)
Retained earnings	662.3	508.7
Total shareholders equity	1,637.6	1,480.5
Noncontrolling interest	0.5	0.5
Total equity	1,638.1	1,481.0
Total liabilities and equity	$ 5,302.0	$ 5,107.2

See notes to condensed consolidated financial statements (unaudited)

Spirit AeroSystems Holdings, Inc.

Condensed Consolidated Statements of Cash Flows

(unaudited)

	For the Three Months Ended April 3, 2014	For the Three Months Ended March 28, 2013
	($ in millions)	
Operating activities		
Net income	$ 153.6	$ 81.2
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation expense	41.3	39.3
Amortization expense	4.7	1.3
Amortization of deferred financing fees	15.7	1.5
Accretion of customer supply agreement	0.1	0.1
Employee stock compensation expense	3.7	3.7
Excess tax benefit of share-based payment arrangements	(0.5)	
(Gain) from the ineffectiveness of hedge contracts	(0.6)	(0.8)
Loss from foreign currency transactions	1.8	10.2
(Gain) on disposition of assets		(0.1)
Deferred taxes	(0.3)	18.6
Long-term tax provision		0.7
Pension and other post retirement benefits, net	(8.0)	(3.3)
Grant income	(2.0)	(1.6)
Equity in net (income) loss of affiliates	(0.2)	0.2
Changes in assets and liabilities		
Accounts receivable	(196.7)	(167.7)
Inventory, net	(51.6)	(94.4)
Accounts payable and accrued liabilities	50.6	71.4
Profit sharing/deferred compensation	(21.7)	(10.0)
Advance payments	(30.6)	(12.0)
Income taxes receivable/payable	72.5	2.1
Deferred revenue and other deferred credits	4.8	(0.7)
Other	8.4	14.9
Net cash provided by (used in) operating activities	45.0	(45.4)
Investing activities		
Purchase of property, plant and equipment	(53.0)	(74.4)
Purchase of property, plant and equipment - severe weather event (see Note 4)		(5.8)
Proceeds from sale of assets	0.1	0.1
Consolidation of variable interest entity		2.1
Net cash (used in) investing activities	(52.9)	(78.0)
Financing activities		
Proceeds from issuance of bonds	300.0	
Principal payments of debt	(9.5)	(2.6)
Payments on bonds	(227.2)	
Excess tax benefit of share-based payment arrangements	0.5	
Debt issuance and financing costs	(19.2)	
Change in restricted cash	(72.8)	
Net cash (used in) financing activities	(28.2)	(2.6)
Effect of exchange rate changes on cash and cash equivalents	(2.5)	(1.6)
Net (decrease) in cash and cash equivalents for the period	(38.6)	(127.6)

Cash and cash equivalents, beginning of period		420.7		440.7
Cash and cash equivalents, end of period	$	382.1	$	313.1

See notes to condensed consolidated financial statements (unaudited)

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

1. Organization and Basis of Interim Presentation

Spirit AeroSystems Holdings, Inc. (Holdings or the Company) was incorporated in the state of Delaware on February 7, 2005, and commenced operations on June 17, 2005 through the acquisition of The Boeing Company s (Boeing) operations in Wichita, Kansas, Tulsa, Oklahoma and McAlester, Oklahoma (the Boeing Acquisition). Holdings provides manufacturing and design expertise in a wide range of products and services for aircraft original equipment manufacturers and operators through its subsidiary, Spirit AeroSystems, Inc. (Spirit). Onex Corporation (Onex) of Toronto, Canada and certain of its affiliates maintain majority voting power of Holdings. 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 assembly facilities in Saint-Nazaire, France, and Chanute, Kansas. 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.

The accompanying unaudited interim condensed consolidated financial statements include the Company s financial statements and the financial statements of its majority-owned or controlled subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and the instructions to Form 10-Q and Article 10 of Regulation S-X. The Company uses a quarter convention based upon working days, adjusted for calendar year constraints; as such, there were four additional work days for the period ended April 3, 2014 as compared to the same period in the prior year. The year-end condensed balance sheet was derived from audited financial statements, but does not include all disclosures required by GAAP. The Company s investment in TSACCL, in which the Company does not have a controlling interest, is 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, our international entities that have functional currencies other than the U.S. dollar are translated to U.S. dollars using the end-of-month translation rate for balance sheet accounts and average period currency translation rates for revenue and income accounts.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations for the interim periods. The results of operations for the three months ended April 3, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. Certain reclassifications have been made to the prior year financial statements and notes to conform to the 2014 presentation.

In connection with the preparation of the condensed consolidated financial statements, the Company evaluated subsequent events through the date the financial statements were issued. On April 8, 2014, Spirit and Boeing entered into a memorandum of agreement (MOA) related to both Spirit s long-term supply agreement for the B737, B747, B767 and B777 aircraft (the Supply Agreement) and Spirit s long-term supply agreement with Boeing for the B787 aircraft (the B787 Supply Agreement). With respect to the Supply Agreement, the MOA, among other things, waives certain amounts due to either party and contains an agreement on pricing for the B737, B747, B767 and B777 for the period April 1, 2014 through December 31, 2015. With respect to the 787 Supply Agreement, the MOA suspends advance repayments for a period of twelve months beginning April 1, 2014, which repayment will be made by offset against the purchase price for shipset 1,001 and beyond. Our financial results for the three months ended April 3, 2014 incorporate the provisions of the MOA. The interim financial statements should be read in conjunction with the audited consolidated financial statements, including the notes thereto, included in our 2013 Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on February 19, 2014 (the 2013 Form 10-K).

2. New Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (FASB ASU 2014-08). This

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

update changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. The provisions of FASB ASU 2014-08 are effective in annual periods beginning on or after December 15, 2014 and interim periods within those annual periods. The Company is currently evaluating the new guidance to determine the impact it may have to its consolidated financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (FASB ASU 2013-11). This update was issued to give explicit guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The provisions of FASB ASU 2013-11 are effective for fiscal years and interim periods beginning after December 15, 2013. The adoption of the provisions of this update did not have a material impact on the Company s consolidated financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-10, *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes* (FASB ASU 2013-10). The amendments in this update permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendment is effective for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption of the provisions of FASB ASU 2013-10 did not have a material impact on the Company s consolidated financial statements.

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities* (FASB ASU 2011-11). The amendments in this update will require an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The intention is to enhance required disclosures by improving information about financial instruments and derivative instruments that are either offset in accordance with FASB guidance or are subject to an enforceable master netting arrangement; irrespective of whether they are offset in accordance with FASB guidance. The provisions of FASB ASU 2011-11 are effective for annual and interim reporting periods beginning on or after January 1, 2013. The adoption of the provisions of FASB ASU 2011-11 did not have a material impact on the Company s consolidated financial statements.

3. Changes in Estimates

The Company accounts for its long-term contracts using the percentage-of-completion method which requires judgment relative to assessing risks, estimating contract revenues and related costs over the current contract blocks, and making assumptions for schedule and technical issues. Contract estimates are inherently complex and subject to significant variability in estimates of the cost and time required to complete the work. Most of the Company s contracts are fixed price and contract revenues are known at the inception of the contract; however, contract cost estimates can change frequently as the programs mature and changes in assumptions and/or new developments become known. Contract costs are estimated based on actual costs incurred to date and an estimate of remaining costs over the current contract block, which can extend for multiple years. When adjustments in estimated total contract block revenue or estimated total costs are required, any changes from prior estimates are recognized in the current period for the inception-to-date effect of such changes. When estimates of total costs to be incurred on a contract exceed estimates of total revenue to be earned, a provision for the entire loss on the contract is recorded in the period in which the loss is determined.

Results of operations during first quarter of 2014 include the favorable impact of cumulative catch-up adjustments of $16.6 relating to periods prior to 2014, primarily associated with productivity and efficiency improvements on mature programs. Also, in the first quarter of 2014, the Company recognized forward loss charges of $0.9 and $0.3 on its Bell V280 helicopter and G280 wing programs, respectively. Results of operations during the first quarter of 2013 include the favorable impact of cumulative catch-up adjustments of $20.3 relating to periods prior to 2013, primarily associated with productivity and efficiency improvements on mature programs, partially offset by unfavorable performance on the A350 recurring and non-recurring programs. Also in the first quarter of 2013, the Company recognized a forward loss charge of $15.3 on its B787 wing program.

The Company is currently working on several new and maturing programs, which are in various stages of development including the B787, A350, G280 and G650 programs. These programs carry risks associated with design responsibility, development of production tooling, production inefficiencies during the initial phases of production, hiring and training of qualified personnel, increased capital and funding commitments, supplier performance, delivery schedules and unique customer requirements. The Company has previously recorded forward loss charges on these programs. If the risks related to these programs are not mitigated, then the Company could record additional forward loss charges.

4. Impact from Severe Weather Event

On April 14, 2012, during a severe weather event, the Company s Wichita, Kansas facility, which includes its headquarters and manufacturing facilities for all Boeing models as well as operations for maintenance, repair and overhaul support and services (MRO), was hit by a tornado which caused significant damage to many buildings, disrupted utilities and resulted in a short suspension of production. Over the last two years, the Company used proceeds from a global insurance settlement to restore, clean-up and repair damages to its Wichita facility. Expenditures associated with Impact from Severe Weather Event concluded in 2013.

The Company recorded a charge of $8.8 for the three months ended March 28, 2013 related to the severe weather event, which represents continuing incremental freight, warehousing, facilities restoration and other costs which are recorded as incurred.

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Notes to the Condensed Consolidated Financial Statements (unaudited)

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

5. Accounts Receivable, net

Accounts receivable, net consists of the following:

	April 3, 2014	December 31, 2013
Trade receivables (1)(2)(3)	$ 737.9	$ 544.2
Other	8.9	6.8
Less: allowance for doubtful accounts	(0.3)	(0.2)
Accounts receivable, net	$ 746.5	$ 550.8

(1) Includes unbilled receivables of $35.3 and $33.5 at April 3, 2014 and December 31, 2013, respectively.

(2) Includes $135.1 held in retainage by a customer at April 3, 2014 and December 31, 2013.

(3) Includes $21.8 and $24.6 of withheld payments by a customer pending completion of retrofit work at April 3, 2014 and December 31, 2013, 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.

Also included in accounts receivable are amounts held in retainage which, as of April 3, 2014, are all related to Gulfstream and represent amounts due on G650 deliveries from 2010 through the third quarter of 2013. While the Company believes that the short-paid amount is collectible, if the Company is unable to collect this amount or if it becomes part of an overall settlement or arbitration award, recognition of additional forward losses on the G650 program could be required and the future cash flows of the Company could be significantly impacted. See Note 21, Commitments, Contingencies and Guarantees, for further discussion regarding the Company s arbitration against Gulfstream Aerospace Corporation.

6. Inventory

Inventories are summarized as follows:

	April 3, 2014	December 31, 2013
Raw materials	$ 262.1	$ 240.2
Work-in-process	1,009.0	1,057.8
Finished goods	46.8	43.7
Product inventory	1,317.9	1,341.7
Capitalized pre-production	463.2	486.2
Deferred production	1,757.2	1,661.2
Forward loss provision	(1,669.4)	(1,646.5)
Total inventory, net	$ 1,868.9	$ 1,842.6

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 and the Company believes these amounts will be fully recovered.

Spirit AeroSystems Holdings, Inc.

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

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.

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

Inventories are summarized by platform and costs below:

	April 3, 2014					
	Product Inventory					
	Inventory	Non-Recurring	Capitalized Pre-Production	Deferred Production	Forward Loss Provision(1) (2)	Total Inventory, net April 3, 2014
B747(3)	$ 92.1	$ 0.1	$ 3.4	$ (1.6)	$ (32.3)	$ 61.7
B787	246.9	14.4	143.5	580.6	(605.1)	380.3
Boeing - All other platforms(4)	406.1	1.1	7.0	(17.8)	(18.3)	378.1
A350	189.6	53.0	76.0	445.0	(120.9)	642.7
Airbus - All other platforms	81.2			17.4		98.6
G280(5)	46.6		4.7	257.0	(308.3)	
G650	64.2		186.9	402.7	(450.8)	203.0
Rolls-Royce(6)	19.7		41.7	72.3	(133.7)	
Sikorsky	0.5	7.2				7.7
Bombardier C-Series	7.2			1.6		8.8
Aftermarket	43.4					43.4
Other platforms(7)	43.5	1.1				44.6
Total	$ 1,241.0	$ 76.9	$ 463.2	$ 1,757.2	$ (1,669.4)	$ 1,868.9

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

	December 31, 2013					
	Product Inventory					
	Inventory	Non-Recurring	Capitalized Pre-Production	Deferred Production	Forward Loss Provision(1) (2)	Total Inventory, net December 31, 2013
B747(3)	$ 96.4	$ 0.1	$ 4.4	$ 1.0	$ (37.2)	$ 64.7
B787	263.9	14.7	158.2	597.3	(606.0)	428.1
Boeing - All other platforms(4)	421.4	11.5	7.0	(21.7)	(18.6)	399.6
A350	166.7	42.5	76.5	388.8	(120.8)	553.7
Airbus - All other platforms	83.2			18.8		102.0
G280(5)	46.9		4.9	233.7	(285.5)	
G650	59.2		192.7	373.3	(450.8)	174.4
Rolls-Royce(6)	15.8		42.5	69.3	(127.6)	
Sikorsky		5.4				5.4
Bombardier C-Series	9.1			0.7		9.8
Aftermarket	37.0					37.0
Other platforms(7)	67.1	0.8				67.9
Total	$ 1,266.7	$ 75.0	$ 486.2	$ 1,661.2	$ (1,646.5)	$ 1,842.6

(1) Forward loss charges taken since January 1, 2012 on blocks that have not closed.

(2) Forward loss charges taken through December 31, 2011 were reflected within capitalized pre-production and inventory for the respective programs and are therefore not reflected as part of the Forward Loss Provision figure presented. The cumulative forward loss charges, net of contract liabilities, reflected within capitalized pre-production and inventory were $3.0, $177.6 and $29.0 for the A350 XWB, G280 and Sikorsky programs, respectively.

(3) Forward loss provision of $41.1 recorded on the fuselage portion of the B747 program in 2013 exceeded the total inventory balance. The excess of charge over program inventory is classified as a contract liability and reported in other current liabilities. The total contract liability was $8.8 and $3.9 as of April 3, 2014 and December 31, 2013, respectively.

(4) Forward loss provision of $11.6 recorded in 2013 on the B767 program, of which $7.5 related to propulsion which exceeded the inventory balance for the propulsion portion of the program. The excess of charge over program inventory is classified as a contract liability and reported in other current liabilities. The total contract liability was $6.1 and $5.8 as of April 3, 2014 and December 31, 2013, respectively.

(5) Forward loss provision of $240.9 recorded in 2013 exceeded the total inventory balance. The excess of charge over program inventory is classified as a contract liability and reported in other current liabilities. The total contract liability was $51.7 and $74.2 as of April 3, 2014 and December 31, 2013, respectively.

(6) Forward loss provision of $151.0 recorded in 2012 exceeded the total inventory balance. In 2013, a forward loss provision of $21.7 and a forward loss reduction of $8.4 were recorded. The excess of the charge over program inventory is classified as a contract liability and reported in other current liabilities. The total contract liability was $30.6 and $36.7 as of April 3, 2014 and December 31, 2013, respectively.

(7) Includes over-applied and under-applied overhead.

The following is a roll forward of the capitalized pre-production costs included in the inventory balance at April 3, 2014:

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Notes to the Condensed Consolidated Financial Statements (unaudited)

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

Balance, December 31, 2013	$	486.2
Charges to costs and expenses		(23.2)
Capitalized costs		0.2
Balance, April 3, 2014	$	463.2

The following is a roll forward of the deferred production costs included in the inventory balance at April 3, 2014:

Balance, December 31, 2013	$	1,661.2
Charges to costs and expenses		(89.9)
Capitalized costs		185.5
Exchange rate		0.4
Balance, April 3, 2014	$	1,757.2

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

Model	**Contract Block Quantity**	**Orders(1)**
B787	500	899
A350 XWB	400	812
G280	250	98
G650	350	159
Rolls-Royce	350	136

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

Spirit AeroSystems Holdings, Inc.

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Current block deliveries are as follows:

Model	Current Block Deliveries
B787	195
A350 XWB	13
Business/Regional Jets	251

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

7. Property, Plant and Equipment, net

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

	April 3, 2014	December 31, 2013
Land	$ 17.9	$ 17.9
Buildings (including improvements)	568.5	566.0
Machinery and equipment	1,113.3	1,084.0
Tooling	807.2	801.6
Capitalized software	199.2	172.2
Construction-in-progress	105.1	130.2
Total	2,811.2	2,771.9
Less: accumulated depreciation	(1,010.4)	(968.6)
Property, plant and equipment, net	$ 1,800.8	$ 1,803.3

Interest costs associated with construction-in-progress are capitalized until the assets are completed and ready for use. Capitalized interest was $1.0 and $1.0 for the three months ended April 3, 2014 and March 28, 2013 respectively. Repair and maintenance costs are expensed as incurred. The Company recognized repair and maintenance costs, excluding the impact of the severe weather event, of $23.9 and $22.2 for the three months ended April 3, 2014 and March 28, 2013, 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 in accordance with FASB authoritative guidance pertaining to capitalization of costs for internal-use software. Depreciation expense related to capitalized software was $4.0 and $5.0 for the three months ended April 3, 2014 and March 28, 2013, 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 in accordance with FASB authoritative guidance on accounting for the impairment or disposal of long-lived assets. The Company evaluated the long-lived assets at our locations and determined no impairment was necessary.

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8. Other Assets

Other assets are summarized as follows:

	April 3, 2014	December 31, 2013
Intangible assets		
Patents	$ 1.9	$ 1.9
Favorable leasehold interests	6.3	6.3
Customer relationships	28.7	28.7
Total intangible assets	36.9	36.9
Less: Accumulated amortization - patents	(1.3)	(1.3)
Accumulated amortization - favorable leasehold interest	(3.2)	(3.1)
Accumulated amortization - customer relationships	(28.7)	(27.8)
Intangible assets, net	3.7	4.7
Deferred financing		
Deferred financing costs	99.7	80.5
Less: Accumulated amortization - deferred financing costs (1)	(72.0)	(56.3)
Deferred financing costs, net	27.7	24.2
Other		
Goodwill - Europe	3.0	3.0
Equity in net assets of affiliates	1.6	1.4
Customer supply agreement (2)	37.0	37.6
Other	48.5	36.2
Total	$ 121.5	$ 107.1

(1) Includes charges related to debt extinguishment.

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

The Company recognized $1.0 and $1.1 of amortization expense of intangibles for the three months ended April 3, 2014 and March 28, 2013, respectively.

9. Research and Development Milestones

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

As part of our ongoing participation in the B787-9 program, the Company received research and development milestone payments of $0.9 and $4.6 for the three months ended April 3, 2014 and March 28, 2013, respectively. Revenue and cost associated with the performance of this research and development are included in program revenue and costs. The Company expects to receive additional payments related to research and development on this program.

10. Advance Payments and Deferred Revenue/Credits

Advance payments. Advance payments are those payments made to Spirit by third parties in contemplation of the future performance of services, receipt of goods, incurrence of expenditures, or for other assets to be provided by Spirit on a contract

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and are repayable if such obligation is not satisfied. The amount of advance payments to be recovered against units expected to be delivered within a year is classified as a short-term liability, with the balance of the unliquidated advance payments classified as a long-term liability.

On April 8, 2014, the Company signed a MOA with Boeing which suspends advance repayments related to the B787 program for a period of twelve months beginning April 1, 2014 which repayment will be made by offset against the purchase price for shipset 1,001 and beyond.

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

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

	April 3, 2014	December 31, 2013
B737	$ 18.1	$ 18.7
B787	578.8	600.2
A350 XWB	241.3	243.9
Airbus All other platforms	5.8	7.3
Gulfstream	25.2	22.0
Other	17.6	21.0
Total advance payments and deferred revenue/credits	$ 886.8	$ 913.1

11. 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 our Kinston, North Carolina and Subang, Malaysia sites. Deferred grant income is being amortized as a reduction to production cost. This amortization is based on specific terms associated with the different grants. In North Carolina, the deferred grant income related to the capital investment criteria, which represents half of the grant, is being amortized over the lives of the assets purchased to satisfy the capital investment performance criteria. The other half of the deferred grant income is being amortized over a ten-year period in a manner consistent with the job performance criteria. In Malaysia, the deferred grant income is being amortized based on the lives of the eligible assets constructed with the grant funds as there are no performance criteria.

Deferred grant income liability, net consists of the following:

Balance, December 31, 2013	$	116.8
Grant liability amortized		(0.3)
Grant income recognized		(1.7)
Total asset value related to deferred grant income, April 3, 2014	$	114.8

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

Balance, December 31, 2013	$	120.3
Amortization		(1.3)
Exchange rate		0.1
Total asset value related to deferred grant income, April 3, 2014	$	119.1

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12. 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.

	April 3, 2014			Fair Value Measurements At April 3, 2014 using		
Description	**Total Carrying Amount in Balance Sheet**	**Assets Measured at Fair Value**	**Liabilities Measured at Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money Market Fund	$ 323.3	$ 323.3	$	$ 323.3	$	$
Interest Rate Swaps	$ (0.8)	$	$ (0.8)	$	$ (0.8)	$
Marketable Securities	$ 0.3	$ 0.3	$	$ 0.3	$	$

	December 31, 2013			Fair Value Measurements At December 31, 2013 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	$ 293.3	$ 293.3	$	$ 293.3	$	$
Interest Rate Swaps	$ (1.4)	$	$ (1.4)	$	$ (1.4)	$

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

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

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	April 3, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior secured term loan (including current portion)	$ 538.5	$ 537.5(1)	$ 538.2	$ 541.9(1)
Senior unsecured notes due 2017	72.0	74.5(1)	296.4	309.0(1)
Senior unsecured notes due 2020	300.0	323.3(1)	300.0	323.4(1)
Senior unsecured notes due 2022	299.4	302.2(1)		(1)
Malaysian loan	9.2	7.8(2)	10.0	8.5(2)
Total	$ 1,219.1	$ 1,245.3	$ 1,144.6	$ 1,182.8

(1) Level 1 Fair Value hierarchy

(2) Level 2 Fair Value hierarchy

See Note 14, Investments for fair value disclosure on government and corporate debt securities and marketable securities.

13. Derivative and Hedging Activities

The Company enters into interest rate swap agreements to reduce its exposure to the variable rate portion of its long-term debt. On the inception date, the Company designates a derivative contract as either a fair value or cash flow hedge in accordance with FASB guidance on accounting for derivatives and hedges and links the contract to either a specific asset or liability on the balance sheet, or to forecasted commitments or transactions. The Company assesses, both at the hedges inception and on a quarterly basis, whether the derivative item is effective in offsetting changes in fair value or cash flows. Any gains or losses on hedges are included in earnings when the underlying transaction that was hedged occurs.

The Company also considers counterparty credit risk and its own credit risk in its determination of all estimated fair values. The Company has applied these valuation techniques as of April 3, 2014 and believes it has obtained the most accurate information available for the types of derivative contracts it holds.

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

The Company has certain derivative instruments covered by master netting arrangements whereby, in the event of a default as defined by the senior secured credit facility or termination event, the non-defaulting party has the right to offset any amounts payable against any obligation of the defaulting party under the same counterparty agreement.

All assets of the Company are pledged as collateral for both the term loan and the revolving credit facility under the Company s senior secured credit facility (see Note 15, Debt).

Interest Rate Swaps

The Company enters into floating-to-fixed interest rate swap agreements periodically. As of April 3, 2014, the Company had one outstanding interest rate swap agreement which had a notional amount of $225.0.

Notional Amount	Expires	Variable Rate	Fixed Rate (1)	Effective Fixed Rate(2)	Fair Value, April 3, 2014
$ 225.0	July 2014	1 Month LIBOR	1.37%	N/A	$ (0.8)

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

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(2) As of April 3, 2014, the interest rate swap is no longer effective and therefore the effective fixed rate is not applicable.

The interest rate swap settles on a monthly basis when interest payments are made. These settlements occur through the maturity date. The fair value of the interest rate swaps was a liability (unrealized loss) of $(0.8) at April 3, 2014 and $(1.4) at December 31, 2013.

The following table summarizes the Company s fair value of outstanding derivatives at April 3, 2014 and December 31, 2013:

	Other Liability Derivatives			
	April 3, 2014		December 31, 2013	
Derivatives designated as hedging instruments				
Interest rate swaps				
Current	$	0.8	$	1.4
Total derivatives designated as hedging instruments		0.8		1.4
Total derivatives	$	0.8	$	1.4

The impact on earnings from interest rate swaps that are no longer effective was a loss of $(0.1) and $(1.1) for the three months ended April 3, 2014 and March 28, 2013, respectively.

14. Investments

The Company s investment securities consist of $3.5 in government and corporate debt securities and $0.3 of available-for-sale instruments. All of our available-for-sale securities are level 1 for purposes of fair value measurement. Unrealized gains and losses, net of tax, on available-for-sale securities are recorded in accumulated other comprehensive income (AOCI).

The amortized cost and approximate fair value of available-for-sale securities are as follows:

	April 3, 2014		December 31, 2013	
	Current	Noncurrent	Current	Noncurrent
Marketable Securities				

Cost	$ 0.3	$	$	$
Unrealized gains				
Unrealized losses				
Fair Value	$ 0.3	$	$	$

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

	April 3, 2014		December 31, 2013	
	Current	Noncurrent	Current	Noncurrent
Government and Corporate Debt Securities				
Amortized cost	$ 0.6	$ 2.9	$ 0.5	$ 3.1
Unrealized gains		0.1		0.1
Unrealized losses		(0.1)		(0.1)
Fair value	$ 0.6	$ 2.9	$ 0.5	$ 3.1

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Maturities of held-to-maturity securities at April 3, 2014 are as follows:

		Amortized Cost		Approximate Fair Value
Within One Year	$	0.6	$	0.6
One to Five Years		1.0		1.0
Five to Ten Years				
After Ten Years		1.9		1.9
Total	$	3.5	$	3.5

At April 3, 2014 and December 31, 2013, the fair value of certain held-to-maturity investments in debt and marketable securities are less than their historical cost. Total fair value of these investments was $1.3 and $1.8, respectively, for the periods then ended, which is approximately 38% and 51%, respectively, of the Company s held-to-maturity investment portfolio. These declines primarily resulted from decreases in market interest rates and failure of certain investments to maintain consistent credit quality ratings or meet projected earnings targets.

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

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

15. Debt

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

	April 3, 2014				December 31, 2013			
		Current		Noncurrent		Current		Noncurrent
Senior secured term loan	$	5.5	$	533.0	$	5.5	$	532.7
Senior notes due 2017		72.0						296.4
Senior notes due 2020				300.0				300.0
Senior notes due 2022				299.4				
Malaysian term loan		3.0		6.2		3.0		7.0

Present value of capital lease obligations		1.0		14.0		1.1		14.2
Other		0.1		0.2		7.2		0.2
Total	$	81.6	$	1,152.8	$	16.8	$	1,150.5

Senior Secured Credit Facilities

On March 18, 2014, the Company entered into Amendment No. 3 to its senior secured Credit Agreement, dated as of April 18, 2012, as amended by Amendment No. 1, dated as of October 26, 2012 and Amendment No. 2, dated as of August 2, 2013 (the Credit Agreement). The amendment provides for a new $540.4 senior secured term loan B with a maturity date of September 15, 2020, which replaces the $540.4 term loan B that was scheduled to mature on April 18, 2019. The new term loan bears interest, at Spirit s option, at LIBOR plus 2.50% with a LIBOR floor of 0.75% or base rate plus 1.50%. The amendment also provides that (i) any failure to comply with the financial covenants will not constitute an event of default with respect to the new term loan, however the financial covenants continue to apply to the revolving credit facility under the Credit Agreement and the administrative agent or the requisite number of lenders (the Requisite Revolving Lenders) may accelerate the obligations under the revolving credit facility and (ii) the financial covenants may be amended or waived by the Requisite Revolving Lenders. Substantially all of Spirit s assets, including inventory and property, plant and equipment, continue to be pledged as collateral for both the term loan, as replaced, and the revolving credit facility. As of April 3, 2014, the outstanding balance of the term loan was $539.0 and the

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carrying amount of the term loan was $538.5. As a result of extinguishment of the old term loan, the Company recognized a loss on extinguishment of debt of $4.6 and incurred third party fees of $0.3. Of this total charge of $4.9 related to extinguishment of the old term loan, $3.3 is reflected within amortization of deferred financing fees and $1.6 is reflected within amortization expense on the Condensed Consolidated Statement of Cash Flows for the three months ended April 3, 2014.

Senior Notes

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

On November 18, 2010, the Company issued $300.0 aggregate of 6.75% Senior Notes due December 15, 2020 (the 2020 Notes), with interest payable, in cash in arrears, on June 15 and December 15 of each year, beginning June 15, 2011. The 2020 Notes are fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by the Company and Spirit s existing and future domestic subsidiaries that guarantee Spirit s obligations under Spirit s senior secured credit facility. The carrying value of the 2020 Notes was $300.0 as of April 3, 2014.

On March 4, 2014, the Company commenced a cash tender offer to purchase any and all of the $300.0 outstanding principal amount of its 2017 Notes and a consent solicitation to amend the indenture governing the 2017 Notes (the 2017 Notes Indenture) and eliminate substantially all of the restrictive covenants and certain default provisions applicable to the 2017 Notes (the Tender Offer). Holders of 2017 Notes who validly tendered their 2017 Notes prior to March 17, 2014 received, in whole dollars, total consideration of $1,041.25 per $1,000 principal amount, which included a consent payment of $30.00 per $1,000 principal amount. Tender and consent fees related to the early extinguishment of debt was $9.4, which is included within debt issuance cost on the Condensed Consolidated Statement of Cash Flows for the three months ended April 3, 2014.

As a result of the extinguishment of the 2017 Notes, the Company recognized a loss on extinguishment of bonds of $11.6 and incurred third party fees of $1.1. Of this total charge of $12.7 related to extinguishment of the 2017 Notes, $10.7 is reflected within amortization of deferred financing fees and $2.0 is reflected within amortization expense on the Condensed Consolidated Statement of Cash Flows for the three months ended April 3, 2014.

On March 17, 2014, Spirit entered into a supplemental indenture to effect the proposed amendment to the 2017 Notes Indenture, which became operative on March 18, 2014 when Spirit accepted for purchase $227.2 aggregate of the 2017 Notes that were tendered prior to March 17, 2014 for an aggregate purchase price of $244.4 inclusive of accrued and unpaid interest on the purchased 2017 Notes as of March 18, 2014. The supplemental indenture is binding on the 2017 Notes not purchased in the Tender Offer. The Tender Offer expired on March 31, 2014.

On March 18, 2014, in order to fund the Tender Offer or otherwise acquire, redeem or repurchase the 2017 Notes, 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 $299.4 as of April 3, 2014.

The indenture governing the 2022 Notes (the 2022 Notes Indenture) contains covenants that limit Spirit s, the Company s and certain of Spirit s subsidiaries ability, subject to certain exceptions and qualifications, to (i) incur additional debt, (ii) pay dividends, redeem stock or make other distributions, (iii) make other restricted payments and investments, (iv) create liens without granting equal and ratable liens to the holders of the 2022 Notes, (v) enter into sale and leaseback transactions, (vi) merge, consolidate or transfer or dispose of substantially all of their assets, and (vii) enter into certain types of transactions with affiliates. These covenants are subject to a number of qualifications and limitations. In addition, the 2022 Notes Indenture limits Spirit s, the Company s and the guarantor subsidiaries ability to engage in businesses other than businesses in which such companies are engaged on the date of issuance of the 2022 Notes and related businesses.

In addition, the 2022 Notes Indenture provides for customary events of default which include (subject in certain cases to customary grace and cure periods), among other things: failure to make payments on the 2022 Notes when due, failure to comply with covenants under the 2022 Notes Indenture, failure to pay certain other indebtedness or acceleration of maturity of

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certain other indebtedness, failure to satisfy or discharge certain final judgments and occurrence of certain bankruptcy events. If an event of default occurs, the trustee or holders of at least 25% of the aggregate principal amount of the then outstanding 2022 Notes may, among other things, declare the entire outstanding balance of principal of and interest on all outstanding Notes to be immediately due and payable. If an event of default involving certain bankruptcy events occurs, payment of principal of and interest on the 2022 Notes will be accelerated without the necessity of notice or any other action on the part of any person.

On April 1, 2014, Spirit notified the trustee for the 2017 Notes of its election to call for redemption on May 1, 2014 the $72.8 aggregate of 2017 Notes outstanding following the expiration of the Tender Offer and instructed the trustee to provide notice of such redemption to the holders of the 2017 Notes. The 2017 Notes will be redeemed at a redemption price equal to 103.75% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date. Following the redemption, none of the 2017 Notes will remain outstanding. The carrying value of the 2017 Notes was $72.0 as of April 3, 2014.

Malaysian Facility Agreement

On June 2, 2008, the Company s wholly-owned subsidiary, Spirit AeroSystems Malaysia SDN BHD entered into a Facility Agreement for a term loan facility for Ringgit Malaysia (RM) 69.2 (approximately USD $20.0 equivalent) (the Malaysia Facility), with the Malaysian Export-Import Bank. The Malaysia Facility requires quarterly principal repayments of RM3.3 (approximately USD $1.0 equivalent) from September 2011 through May 2017 and quarterly interest payments payable at a fixed interest rate of 3.50% per annum. The Malaysia Facility loan balance as of April 3, 2014 was $9.2.

French Factory Capital Lease Agreement

On July 17, 2009, the Company s indirect wholly-owned subsidiary, Spirit AeroSystems France SARL entered into a capital lease agreement for 9.0 (approximately USD $13.1 equivalent) with a subsidiary of BNP Paribas Bank to be used towards the construction of our aerospace-related component assembly plant in Saint-Nazaire, France. Lease payments under the capital lease agreement are variable, subject to the three-month Euribor rate plus 2.20%. Lease payments are due quarterly through April 2025. As of April 3, 2014, the Saint-Nazaire capital lease balance was $10.5.

Nashville Design Center Capital Lease Agreement

On September 21, 2012, the Company entered into a capital lease agreement for $2.6 for a portion of an office building in Nashville, Tennessee to be used for design of aerospace components. Lease payments under the capital lease agreement are due monthly, and are subject to yearly rate increases until the end of the lease term of 124 months. As of April 3, 2014, the Nashville Design Center capital lease balance was $2.4.

16. Pension and Other Post-Retirement Benefits

	Defined Benefit Plans For the Three Months Ended			
Components of Net Periodic Pension Income		**April 3, 2014**		**March 28, 2013**
Service cost	$		$	1.9
Interest cost		12.9		11.7
Expected return on plan assets		(22.3)		(21.3)
Amortization of net loss				3.1
Net periodic pension income	$	(9.4)	$	(4.6)

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Components of Other Benefit Expense	**Other Benefits For the Three Months Ended April 3, 2014**		**March 28, 2013**	
Service cost	$	0.7	$	0.7
Interest cost		0.7		0.6
Net periodic other benefit expense	$	1.4	$	1.3

Employer Contributions

The Company expects to contribute zero dollars to the U.S. qualified pension plan and a combined total of approximately $2.9 for the Supplemental Executive Retirement Plan (SERP) and post-retirement medical plans in 2014. Effective December 31, 2013, the BAE Aerostructures pension plan benefits were frozen due to an amendment which closed the plan. Our projected contributions to the U.K. pension plan for 2014 are $1.3, of which $0.3 was contributed by the end of the first quarter of 2014. The Company anticipates contributing the additional $1.0 to the U.K. pension plan during the remainder of 2014. The entire amount contributed and the projected contributions can vary based on exchange rate fluctuations.

17. Stock Compensation

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

For the three months ended April 3, 2014, Holdings recognized a net total of $3.7 of stock compensation expense, which is net of stock forfeitures, as compared to $3.7 of stock compensation expense, net of forfeitures, for the three months ended March 28, 2013. The entire $3.7 of stock compensation expense recorded for the three months ended April 3, 2014 was recorded as selling, general and administrative expense in accordance with FASB authoritative guidance. That amount includes zero accelerated vesting expense for participants meeting the conditions for Qualifying Retirement under the Short-Term Incentive Plan or STIP. The entire $3.7 of stock compensation expense recorded for the three months ended March 28, 2013 was recorded as selling, general and administrative expense, which includes $0.4 accelerated vesting expense for participants meeting the conditions for Qualifying Retirement under the Short-Term Incentive Plan or STIP.

During the quarter ended April 3, 2014, 62,080 shares of Class A common stock awarded under the STIP with an aggregate grant date fair value of $1.0 vested. In the first quarter of 2014, the Company made the determination to pay its short-term incentive awards, which are based on the Company s performance, fully in cash.

18. Income Taxes

The process for calculating our income tax expense involves estimating actual current taxes due plus assessing temporary differences arising from differing treatment for tax and accounting purposes that are recorded as deferred tax assets and liabilities. Deferred tax assets are periodically evaluated to determine their recoverability. The total net deferred tax liability at April 3, 2014 and December 31, 2013 were $(16.0) and $(15.8), respectively. This increase is primarily due to changes in the value of North Carolina tax losses carried forward and capital allowances taken into taxable income in the United Kingdom (U.K.), netted with a reduction to the Malaysia deferred tax liability as a result of securing the tax holiday.

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

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

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

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

Based on these criteria and the relative weighting of both the positive and negative evidence available, and in particular the activity surrounding the Company s prior earnings history including the forward losses previously recognized in the U.S., management determined that it was necessary to continue to maintain a valuation allowance against nearly all of its net U.S. deferred tax assets as of April 3, 2014. At each reporting date, management considers all available positive and negative evidence, both new and historical, that could impact the future realization of deferred tax assets. Management will consider a release of the valuation allowance once there is sufficient positive evidence that it is more likely than not that the deferred tax assets will be realized, or when it is clearly demonstrated that the underlying deferred tax asset has been realized due to positive taxable income in the period the temporary difference was reversed. Any release of the valuation allowance will be recorded as a tax benefit increasing net income or other comprehensive income.

The net valuation allowance was decreased by $31.5 for the three months ended April 3, 2014. The adjustment is related to the realization of certain deferred tax assets within the Company s discrete method taxable income calculation for the period ending April 3, 2014 and recording an additional valuation allowance against certain state income tax credits. To the extent that the Company generates positive taxable income and expects, with reasonable certainty, to continue to generate positive income the Company may release additional valuation allowance in future periods. This release would result in the recognition of certain deferred tax assets and a decrease to income tax expense for the period such release is recorded. The release of all or a portion of the valuation allowance will have a significant effect on our tax expense in the period it is released.

The Company will continue to operate under a tax holiday in Malaysia effective through September 2024. During the first quarter, 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. As a result of this approval, the Company released $12.2 of tax reserves and $0.7 of deferred tax liabilities into earnings during the quarter.

Our income tax expense for 2014 does not reflect any benefit of the U.S. Federal Research Tax Credit attributable to 2014 as the legislation has not been extended beyond December 2013. Should the legislation be extended during the year, the Company may record additional tax benefits for 2014 Research Tax Credit.

The 4.3% effective tax rate for the three months ended April 3, 2014 differs from the 30.5% effective tax rate for the same period in 2013 primarily due to the U.S. net deferred tax asset valuation allowance decrease and the Malaysia tax reserve release in 2014 and the inclusion of 2012 and 2013 U.S. Federal Research Tax Credit in 2013.

The Company is participating in the Internal Revenue Service s Compliance Assurance Process (CAP) program for our 2013 tax year. Additionally, we have been selected for the Compliance Maintenance phase of the CAP program for the 2014 tax year. The CAP program s objective is to resolve issues in a timely, contemporaneous manner and eliminate the need for a lengthy post-filing examination. HM Revenue & Customs is currently examining our 2009-2011 U.K. income tax returns. The Directorate General of Public Finance is currently examining our 2011 and 2012 France income tax returns. While a change could result from the ongoing examinations, the Company expects no material change in its recorded unrecognized tax benefit liability in the next 12 months.

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19. Equity

Earnings per Share Calculation

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

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

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

	For the Three Months Ended					
	April 3, 2014			March 28, 2013		
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic EPS						
Income available to common shareholders	$ 152.4	141.6	$ 1.08	$ 80.4	141.0	$ 0.57
Income allocated to participating securities	1.2	1.1		0.8	1.4	
Net income	$ 153.6			$ 81.2		
Diluted potential common shares		1.0			0.7	
Diluted EPS						
Net income	$ 153.6	143.7	$ 1.07	$ 81.2	143.1	$ 0.57

The balance of outstanding common shares presented in the condensed consolidated balance sheets was 144.7 million and 143.7 million at April 3, 2014 and March 28, 2013, respectively. Included in the outstanding common shares were 3.0 million and 2.6 million of issued but unvested shares at April 3, 2014 and March 28, 2013, respectively, which are excluded from the basic EPS calculation.

Accumulated Other Comprehensive Loss

Accumulated Other Comprehensive Loss is summarized by component as follows:

	For the Three Months Ended April 3, 2014	For the Twelve Months Ended December 31, 2013
Pension	$ (52.8)	$ (52.7)
SERP/Retiree medical	3.1	3.1
Foreign currency impact on long term intercompany loan	(2.4)	(2.2)
Currency translation adjustment	(2.3)	(2.8)
Total accumulated other comprehensive (loss)	$ (54.4)	$ (54.6)

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Noncontrolling Interest

The balance of noncontrolling interest presented in the consolidated balance sheet was $0.5 and $1.8 at April 3, 2014 and March 28, 2013, respectively. Noncontrolling interest reported in 2013 includes Spirit s interest in a joint venture named Spirit-Progresstech LLC, Spirit sold its interest in that joint venture on December 19, 2013.

20. Related Party Transactions

The Company paid $0.1 and less than $0.1 to a subsidiary of Onex for services rendered for the three month periods ended April 3, 2014 and March 28, 2013, respectively. Management believes the amounts charged were reasonable in relation to the services provided.

A former director and executive of the Company is a member of the Board of Directors of Rockwell Collins, Inc., a supplier of manufacturing parts to the Company. Under the commercial terms of the arrangement with the supplier, Spirit paid $0.1 and less than $0.1 for the three month periods ended April 3, 2014 and March 28, 2013, respectively. The amounts owed to Rockwell Collins and recorded as accrued liabilities were less than $0.1 as of April 3, 2014 and March 28, 2013.

A former director and executive of the Company is a member of the Board of Directors of a Wichita, Kansas bank that provides banking services to Spirit. In connection with the banking services provided to Spirit, the Company pays fees consistent with commercial terms that would be available to unrelated third parties. Such fees are not material to the Company.

21. 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 financial position or liquidity. Consistent with the requirements of authoritative guidance on accounting for contingencies, the

Company had an accrual of less than $1.0 related to the following litigation matters as of April 3, 2014 and December 31, 2013. 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.

In December 2005, a federal grand jury sitting in Topeka, Kansas issued subpoenas regarding the vapor degreasing equipment at our Wichita, Kansas facility. The government s investigation appeared to focus on whether the degreasers were operating within permit parameters and whether chemical wastes from the degreasers were disposed of properly. The subpoenas covered a time period both before and after our purchase of the Wichita, Kansas facility. Subpoenas were issued to Boeing, Spirit and individuals who were employed by Boeing prior to the Boeing Acquisition, but are now employed by us. The Company responded to the subpoena and provided additional information to the government as requested. On March 25, 2008, the U.S. Attorney s Office informed the Company that it was closing its criminal file on the investigation. The Company understands that a civil investigation into this matter may be ongoing but the Company has not been contacted about this matter since the closing of the criminal investigation. Management believes the resolution of this matter will not materially affect the Company s financial position, results of operations or liquidity.

On February 16, 2007, an action entitled Harkness et al. v. The Boeing Company et al. was filed in the U.S. District Court for the District of Kansas. The defendants were served in early July 2007. The defendants included Spirit AeroSystems Holdings, Inc., Spirit AeroSystems, Inc., the Spirit AeroSystems Holdings Inc. Retirement Plan for the International Brotherhood of Electrical Workers (IBEW), Wichita Engineering Unit (SPEEA WEU) and Wichita Technical and Professional Unit (SPEEA WTPU) Employees, and the Spirit AeroSystems Retirement Plan for International Association of Machinists and Aerospace Workers (IAM) Employees, along with Boeing and Boeing retirement and health plan entities. The named plaintiffs are twelve

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former Boeing employees, eight of whom were or are employees of Spirit. The plaintiffs assert several claims under the Employee Retirement Income Security Act and general contract law and brought the case as a class action on behalf of similarly situated individuals. The putative class consists of approximately 2,500 current or former employees of Spirit. The parties agreed to class certification. The sub-class members who asserted claims against the Spirit entities are those individuals who, as of June 2005, were employed by Boeing in Wichita, Kansas, were participants in the Boeing pension plan, had at least 10 years of vesting service in the Boeing plan, were in jobs represented by a union, were between the ages of 49 and 55, and who went to work for Spirit on or about June 17, 2005. Although there were many claims in the suit, the plaintiffs claims against the Spirit entities, asserted under various theories, were (1) that the Spirit plans wrongfully failed to determine that certain plaintiffs are entitled to early retirement bridging rights to pension and retiree medical benefits that were allegedly triggered by their separation from employment by Boeing and (2) that the plaintiffs pension benefits were unlawfully transferred from Boeing to Spirit in that their claimed early retirement bridging rights are not being afforded these individuals as a result of their separation from Boeing, thereby decreasing their benefits. The plaintiffs initially sought a declaration that they were entitled to the early retirement pension benefits and retiree medical benefits, an injunction ordering that the defendants provide the benefits, damages pursuant to breach of contract claims and attorney fees. On June 20, 2013, the district court entered an order dismissing all claims against the Spirit entities with prejudice. Plaintiffs claims against Boeing entities remain pending in the litigation. Boeing has notified Spirit that it believes it is entitled to indemnification from Spirit for any indemnifiable damages it may incur in the Harkness litigation, under the terms of the asset purchase agreement from the Boeing Acquisition between Boeing and Spirit. Spirit disputes Boeing s position on indemnity. Management believes the resolution of this matter will not materially affect the Company s financial position, results of operations or liquidity.

On July 21, 2005, the International Union, Automobile, Aerospace and Agricultural Implement Workers of America (UAW) filed a grievance against Boeing on behalf of certain former Boeing employees in Tulsa and McAlester, Oklahoma, regarding issues that parallel those asserted in Harkness et al. v. The Boeing Company et al. Boeing denied the grievance, and the UAW subsequently filed suit to compel arbitration, which the parties eventually agreed to pursue. The arbitration was conducted in January 2008. In July 2008, the arbitrator issued an opinion and award in favor of the UAW. The arbitrator directed Boeing to reinstate the seniority of the employees and afford them the benefits appurtenant thereto. On March 5, 2009, the arbitrator entered an Opinion and Supplemental Award that directed Boeing to award certain benefits to UAW members upon whose behalf the grievance was brought, notwithstanding the prior denial of such benefits by the Boeing Plan Administrator. On April 10, 2009, Boeing filed a Complaint in the United States District Court for the Northern District of Illinois, seeking a ruling that the arbitrator exceeded his authority in granting the Supplemental Award. On September 16, 2009, the District Court entered an order affirming the arbitrator s Supplemental Award. Boeing appealed the District Court s decision to the U.S. Seventh Circuit Court of Appeals, which affirmed the District Court s decision. Boeing previously notified Spirit of its intent to seek indemnification from Spirit for any indemnifiable damages it may incur in the UAW matter, pursuant to the terms of the asset purchase agreement from the Boeing Acquisition. Spirit disputes Boeing s position on indemnity. Management believes the resolution of this matter will not materially affect the Company s financial position, results of operations or liquidity.

On May 11, 2009, Spirit filed a lawsuit in the United States District Court for the District of Kansas against SPS Technologies LLC (SPS) and Precision Castparts Corp. Spirit s claims are based on the sale by SPS of certain non-conforming nut plate fasteners to Spirit between August 2007 and August 2008. Many of the fasteners were used on assemblies that Spirit sold to a customer. In the fall of 2008, Spirit discovered the non-conformity and notified the customer of the discrepancy. Subsequently, Spirit and the customer removed and replaced nut plates on various in-process aircraft assemblies and subsequently agreed to an appropriate cost related to those efforts. Spirit s lawsuit seeks damages, including damages related to these efforts, under various theories, including breach of contract and breach of implied warranty.

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 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. The Company intends to vigorously defend against these allegations, and management believes the resolution of this matter will not materially affect the Company s financial position, results of operations, or liquidity.

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In August 2013, the Company instituted a demand for arbitration against Gulfstream Aerospace Corporation. Spirit seeks damages from Gulfstream for its incomplete payments to Spirit for the wings Spirit manufactures for the G650 airplane, as well as other damages and relief. Gulfstream counterclaimed against Spirit in the arbitration, seeking liquidated damages for delayed deliveries of wings, as well as other damages and relief. The parties have selected arbitrators, and currently expect the arbitration hearing will take place in the first quarter of 2015. The Company intends to vigorously prosecute and defend the claims in arbitration. Management believes the resolution of this matter will not materially affect the Company s financial position, results of operations or liquidity.

SEC Matters

In October 2012, Spirit was advised by the Staff of the Securities and Exchange Commission that they are conducting an inquiry that the Company believes to be focused on the timing of forward losses recognized in the third quarter of 2012. The Company is fully cooperating with the inquiry. The Company cannot predict or determine whether any proceeding may be instituted as a result of the inquiry or the outcome of any proceeding that may be instituted.

Guarantees

Contingent liabilities in the form of letters of credit, letters of guarantee and performance bonds have been provided by the Company. As of both April 3, 2014 and December 31, 2013, outstanding letters of credit were $19.9. Outstanding guarantees were $23.9 and $24.8 at April 3, 2014 and December 31, 2013, respectively.

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

The Company provides service and warranty policies on its products. Liability under service and warranty policies is based upon specific claims and a review of historical warranty and service claim experience. Adjustments are made to accruals as claim data and historical experience change. In addition, the Company incurs discretionary costs to service its products in connection with product performance or quality issues.

The following is a roll forward of the service warranty and extraordinary rework balance at April 3, 2014:

Balance, December 31, 2013	$	68.7
Charges to costs and expenses		11.1
Balance, April 3, 2014	$	79.8

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22. Other Income (Expense), Net

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

	For the Three Months Ended	
	April 3, 2014	March 28, 2013
KDFA bond	$ 1.0	$ 0.9
Rental and miscellaneous income		0.1
Foreign currency gains (loss)	0.2	(10.9)
Total	$ 1.2	$ (9.9)

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

23. Segment Information

The Company operates in three principal segments: Fuselage Systems, Propulsion Systems and Wing Systems. Substantially all revenues in the three principal segments are from Boeing, with the exception of Wing Systems, which includes revenues from Airbus and other customers. Approximately 94% of the Company s net revenues for the three months ended April 3, 2014 came from our 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, impact of severe weather event, 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 our operating segments and are not allocated in measuring the operating segments profitability and performance and net profit margins. Corporate selling, general and administrative expenses also includes the remaining incremental costs associated with property repairs, clean up and recovery costs related to the severe weather event at the Company s Wichita facility. 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 our 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. The Fuselage Systems segment manufactures products at our facilities in Wichita, Kansas and Kinston, North Carolina. The Fuselage Systems segment also includes an assembly plant for the A350 XWB aircraft in Saint-Nazaire, France.

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

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

The Company s segments are consistent with the organization and responsibilities of management reporting to the chief operating decision-maker for the purpose of assessing performance. The Company s definition of segment operating income differs from net profit margin as presented in its primary financial statements and a reconciliation of the segment and consolidated results is provided in the table set forth below.

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

The following table shows segment revenues and operating income for the three months ended April 3, 2014 and March 28, 2013:

	Three Months Ended	
	April 3, 2014	March 28, 2013
Segment Revenues		
Fuselage Systems	$ 858.3	$ 717.9
Propulsion Systems	450.2	375.3
Wing Systems	414.2	343.3
All Other	5.8	5.7
	$ 1,728.5	$ 1,442.2
Segment Operating Income		
Fuselage Systems (1)	$ 142.0	$ 126.4
Propulsion Systems (2)	80.2	68.4
Wing Systems (3)	50.0	20.5
All Other	0.1	1.6
	272.3	216.9
Corporate SG&A (4)	(60.5)	(44.3)
Impact from severe weather event		(8.8)
Research and development (5)	(6.3)	(7.5)
Unallocated cost of sales (6)	(11.1)	(11.8)
Total operating income	$ 194.4	$ 144.5

(1) For 2014, net of $0.9 forward loss charge recorded on the Bell V280 helicopter program. Also includes favorable cumulative catch-up adjustments of $9.0 and $11.0 for the three months ended April 3, 2014 and March 28, 2013, respectively.

(2) Includes favorable cumulative catch-up adjustments of $4.8 and $9.7 for the three months ended April 3, 2014 and March 28, 2013, respectively.

(3) For 2014, net of $0.3 forward loss charge recorded on the G280 wing program. For 2013, net of $15.3 forward loss charge recorded for the B787 wing program. Also includes favorable cumulative catch-up adjustments of $2.8 for the three months ended April 3, 2014 and unfavorable cumulative catch-up adjustments of $0.4 for the three months ended March 28, 2013.

(4) For 2013, corporate SG&A of $2.3, $1.2 and $1.2 was reclassified from segment operating income for the Fuselage, Propulsion and Wing Systems, respectively, to conform to current year presentation.

(5) For 2013, research and development of $2.7, $1.9 and $1.1 was reclassified from segment operating income Fuselage, Propulsion and Wing Systems, respectively, to conform to current year presentation.

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(6) Includes $11.1 of warranty reserve for 2014. For 2013, includes $10.0 of warranty reserve and $1.8 related to early retirement incentives.

24. Condensed Consolidating Financial Information

The 2017 Notes and the 2020 Notes are fully and unconditionally guaranteed on a joint and several senior unsecured basis by the Company and its 100% owned domestic subsidiaries, other than Spirit (the Subsidiary Guarantors).

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

(i) Holdings, as the parent company;

(ii) Spirit, as the subsidiary issuer of the 2017 Notes and the 2020 Notes;

(iii) The Subsidiary Guarantors, on a combined basis, as guarantors of the 2017 Notes and the 2020 Notes;

(iv) The Company s subsidiaries, other than the Subsidiary Guarantors, which are not guarantors of the 2017 Notes and the 2020 Notes (the Subsidiary Non-Guarantors), on a combined basis;

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

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

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Condensed Consolidating Statements of Operations

For the Three Months Ended April 3, 2014

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	$	$ 1,613.6	$ 87.0	$ 205.8	$ (177.9)	$ 1,728.5
Operating costs and expenses						
Cost of sales		1,377.8	84.9	182.5	(177.9)	1,467.3
Selling, general and administrative	1.5	53.9	0.6	4.5		60.5
Research and development		5.7		0.6		6.3
Total operating costs and expenses	1.5	1,437.4	85.5	187.6	(177.9)	1,534.1
Operating (loss) income	(1.5)	176.2	1.5	18.2		194.4
Interest expense and financing fee amortization		(35.2)		(2.8)	2.6	(35.4)
Interest income		2.6		0.1	(2.6)	0.1
Other income, net		0.9		0.3		1.2
(Loss) income before income taxes and equity in net (loss) income of affiliates and subsidiaries	(1.5)	144.5	1.5	15.8		160.3
Income tax benefit (provision) benefit	(0.1)	(16.6)	(0.5)	10.3		(6.9)
(Loss) income before equity in net (loss) income of affiliates and subsidiaries	(1.6)	127.9	1.0	26.1		153.4
Equity in net (loss) income of affiliates	0.2			0.2	(0.2)	0.2
Equity in net (loss) income of subsidiaries	155.0	27.0			(182.0)	
Net (loss) income	153.6	154.9	1.0	26.3	(182.2)	153.6
Other comprehensive (loss) income	0.2			0.2	(0.2)	0.2
Comprehensive (loss) income	$ 153.8	$ 154.9	$ 1.0	$ 26.5	$ (182.4)	$ 153.8

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Condensed Consolidating Statements of Operations

For the Three Months Ended March 28, 2013

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net revenues	$	$ 1,312.1	$ 48.5	$ 165.7	$ (84.1)	$ 1,442.2
Operating costs and expenses						
Cost of sales		1,125.8	45.2	150.2	(84.1)	1,237.1
Selling, general and administrative	1.0	37.5	0.9	4.9		44.3
Impact from severe weather event		8.8				8.8
Research and development		7.0		0.5		7.5
Total operating costs and expenses	1.0	1,179.1	46.1	155.6	(84.1)	1,297.7
Operating (loss) income	(1.0)	133.0	2.4	10.1		144.5
Interest expense and financing fee amortization		(17.4)		(2.6)	2.4	(17.6)
Interest income		2.5			(2.4)	0.1
Other income (expense), net		0.8	0.1	(10.8)		(9.9)
(Loss) income before income taxes and equity in net (loss) income of affiliates and subsidiaries	(1.0)	118.9	2.5	(3.3)		117.1
Income tax benefit (provision)		(35.1)	(1.0)	0.4		(35.7)
(Loss) income before equity in net (loss) income of affiliates and subsidiaries	(1.0)	83.8	1.5	(2.9)		81.4
Equity in net (loss) income of affiliates	(0.2)			(0.2)	0.2	(0.2)
Equity in net (loss) income of subsidiaries	82.4	(1.4)			(81.0)	
Net (loss) income	81.2	82.4	1.5	(3.1)	(80.8)	81.2
Other comprehensive (loss) income	(13.5)	0.2		(13.7)	13.5	(13.5)
Comprehensive (loss) income	$ 67.7	$ 82.6	$ 1.5	$ (16.8)	$ (67.3)	$ 67.7

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

Condensed Consolidating Balance Sheet

April 3, 2014

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Current assets						
Cash and cash equivalents	$	$ 355.8	$	$ 26.3	$	$ 382.1
Short-term investments		0.3				0.3
Restricted cash		72.8				72.8
Accounts receivable, net		860.4	25.1	227.9	(366.9)	746.5
Inventory, net		1,321.4	229.8	317.7		1,868.9
Deferred tax asset - current		23.2		1.0		24.2
Other current assets		20.4		2.2		22.6
Total current assets		2,654.3	254.9	575.1	(366.9)	3,117.4
Property, plant and equipment, net		1,306.8	306.5	187.5		1,800.8
Pension assets		240.0		22.3		262.3
Investment in subsidiary	1,029.7	281.4			(1,311.1)	
Equity in net assets of subsidiaries	608.4	148.1			(756.5)	
Other assets		431.4	80.0	22.6	(412.5)	121.5
Total assets	$ 1,638.1	$ 5,062.0	$ 641.4	$ 807.5	$ (2,847.0)	$ 5,302.0
Current liabilities						
Accounts payable	$	$ 681.5	$ 256.7	$ 186.8	$ (366.9)	$ 758.1
Accrued expenses		226.4	0.8	26.4		253.6
Profit sharing		15.4		1.3		16.7
Current portion of long-term debt		77.7		3.9		81.6
Advance payments, short-term		54.8				54.8
Deferred revenue, short-term		22.7		2.3		25.0
Deferred grant income liability - current			7.7	1.2		8.9
Other current liabilities		123.9		5.1		129.0
Total current liabilities		1,202.4	265.2	227.0	(366.9)	1,327.7
Long-term debt		1,134.6	80.0	270.7	(332.5)	1,152.8
Advance payments, long-term		777.0				777.0
Pension/OPEB obligation		71.2				71.2
Deferred grant income liability - non-current			73.6	32.3		105.9
Deferred revenue and other deferred credits		22.2		7.8		30.0
Other liabilities		255.1		24.2	(80.0)	199.3
Total equity	1,638.1	1,599.5	222.6	245.5	(2,067.6)	1,638.1

Total liabilities and shareholders equity	$	1,638.1	$	5,062.0	$	641.4	$	807.5	$	(2,847.0)	$	5,302.0

Spirit AeroSystems Holdings, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

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

Condensed Consolidating Balance Sheet

December 31, 2013

	Holdings	Spirit	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Current assets						
Cash and cash equivalents	$	$ 359.2	$	$ 61.5	$	$ 420.7
Accounts receivable, net		643.3	15.3	214.5	(322.3)	550.8
Inventory, net		1,340.2	208.7	293.7		1,842.6
Deferred tax asset - current		25.2		1.7		26.9
Other current assets		100.7		2.5		103.2
Total current assets		2,468.6	224.0	573.9	(322.3)	2,944.2
Property, plant and equipment, net		1,308.0	305.3	190.0		1,803.3
Pension assets		231.1		21.5		252.6
Investment in subsidiary	1,026.3	281.5			(1,307.8)	
Equity in net assets of subsidiaries	454.7	119.4			(574.1)	
Other assets		422.4	80.0	24.2	(419.5)	107.1
Total assets	$ 1,481.0	$ 4,831.0	$ 609.3	$ 809.6	$ (2,623.7)	$ 5,107.2
Current liabilities						
Accounts payable	$	$ 666.5	$ 224.2	$ 185.2	$ (322.2)	$ 753.7
Accrued expenses		189.9	0.5	30.2		220.6
Profit sharing		35.7		2.7		38.4
Current portion of long-term debt		12.9		3.9		16.8
Advance payments, short-term		133.5				133.5
Deferred revenue, short-term		15.7		4.1		19.8
Deferred grant income liability - current			7.3	1.3		8.6
Other current liabilities		137.1		7.1		144.2
Total current liabilities		1,191.3	232.0	234.5	(322.2)	1,335.6
Long-term debt		1,131.4	80.0	278.6	(339.5)	1,150.5
Advance payments, long-term		728.9				728.9
Pension/OPEB obligation		69.8				69.8
Deferred grant income liability - non-current			75.6	32.6		108.2
Deferred revenue and other deferred credits		22.7		8.2		30.9
Other liabilities		245.6		36.7	(80.0)	202.3

Total equity	1,481.0	1,441.3	221.7	219.0	(1,882.0)(12,925)
Accumulated other comprehensive loss, net of taxes	1,961	951			
Amounts recognized in accumulated other comprehensive loss, net of tax consist of:					
Net actuarial loss	$ 1,990	$ 417			
Prior service cost	1,268	209			
Unrecognized transition obligation	(14)	960			
Gross amount recognized	3,244	1,586			
Deferred income taxes	(1,283)	(635)			
Net amount recognized	$ 1,961	$ 951			

Information for pension plans with an accumulated benefit obligation in excess of plan assets as of December 31, 2008 and 2007:

(In thousands)	**2008**	**2007**
Projected benefit obligation	$ 21,870	$ 17,367
Accumulated benefit obligation	19,855	15,495
Fair value of plan assets	4,687	4,422

The components of the net periodic benefit cost for the years ended December 31, 2008, 2007 and 2006 are as follows:

(In thousands)	**2008**	**2007**	**2006**
Pension benefits:			
Service cost	$ 1,411	$ 1,165	$ 1,248
Interest cost	334	307	264
Expected return on plan assets	(74)	(30)	(33)
Amortization of prior service cost	134	10	10
Amortization of net transition obligation	(1)	(1)	
Recognized actuarial net loss	66	114	75
Net periodic pension benefit cost	$ 1,870	$ 1,565	$ 1,564

The estimated amount that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2009 is as follows:

(In thousands)	
Transition obligation	$ (1)
Prior service cost	(105)
	$ (106)

Assumptions used in determining the benefit obligation and net periodic benefit cost for the Company s pension plans for the years ended December 31, 2008, 2007 and 2006 are presented in the following table as weighted-averages:

	2008	**2007**	**2006**
Benefit obligations:			
Discount rate	1.66%	1.78%	2.06%
Rate of compensation increase	6.56%	6.53%	2.26%
Net periodic benefit cost:			
Discount rate	1.77%	2.05%	1.84%
Rate of compensation increase	6.55%	2.26%	2.26%
Expected return on plan assets	1.58%	0.90%	0.90%

The discount rate used by the Company is based on rates of long-term government bonds.

Plan Assets

At December 31, 2008, the majority of the Company s pension plan assets are invested in a Japanese insurance company s investment funds which consist mainly of equity and debt securities. There is interest rate risk associated with the valuation of these investments. The long-term rate of return on Japanese pension plan assets was developed through an analysis of historical returns and the fund s current guaranteed return rate. Estimates of future returns are based on a continuation of the existing guaranteed rate of return. The remaining portion of the Company s plan assets is deposited in Bank of Taiwan in the form of cash, where Bank of Taiwan is the assigned funding vehicle for the statutory retirement benefit. The Company s pension plan weighted average asset allocation at December 31, 2008 and 2007, by asset category, are as follows:

Asset category:	**2008**	**2007**
Equity securities	45%	57%
Debt securities	40%	35%
Other	15%	8%
Total	100%	100%

Cash Flows

The Company expects to contribute $1.2 million to its defined benefit pension plans during 2009. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

(In thousands)	
2009	$ 624
2010	920
2011	589
2012	472
2013	549

Years 2014-2018	4,302

(19) FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company adopted FASB Statement No. 157, *Fair Value Measurements*, (SFAS No. 157), except for the nonfinancial assets and liabilities that are allowed to be deferred in accordance with FASB Staff Position (FSP) 157-2. FSP 157-2 delays the effective date of SFAS No.157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP defers the effective date of Statement 157 for the applicable items to fiscal years beginning after November 15, 2008. The Company will not apply the provisions of SFAS No. 157 until January 1, 2009 for the following major categories of nonfinancial assets and liabilities from the Consolidated Balance Sheet: Property, plant and equipment-net; intangible assets-net and accrued liabilities.

SFAS No. 157 provides a framework for measuring fair value under generally accepted accounting principles. As defined in SFAS No. 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that the Company believes market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

Level 1	Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, listed equities and U.S. government Treasury securities.
Level 2	Pricing inputs are other-than-quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category include non-exchange-traded derivatives such as over-the-counter forwards, options and repurchase agreements.
Level 3	Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management s best estimate of fair value from the perspective of a market participant. Level 3 instruments include those that may be more structured or otherwise tailored to customers needs. At each balance sheet date, the Company performs an analysis of all instruments subject to SFAS No. 157 and includes in Level 3 all of those whose fair value is based on significant unobservable inputs.

The Company also adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS No. 159), effective January 1, 2008. SFAS No. 159 provides an option to elect fair value as an alternative measurement for selected financial assets, financial liabilities, unrecognized firm commitments and written loan commitments not previously recorded at fair value. Upon the adoption of SFAS No. 159, the Company did not elect to apply the fair value provisions to any of the items set forth in SFAS No. 159.

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2008 include derivatives. The Company periodically enters into forward foreign currency contracts to reduce exposures relating to rate changes in certain foreign currencies. Certain exposures to credit losses related to counterparty nonperformance exist. However, the Company does not anticipate nonperformance by the counterparties since they are large, well-established financial institutions. None of these derivative instruments are accounted for as a hedge transaction under the provisions of SFAS No. 133 as of December 31, 2008. Accordingly, changes in the fair value of forward foreign currency contracts are recorded as a component of net income. As of December 31, 2008, the Company held one foreign currency forward contract with a notional amount of $1.8 million hedging Euros. As of December 31, 2008, such instruments represented an asset with a fair value of $0.1 million based on quotations from the financial institutions, which management considers a level 2 input. Assets measured at fair value on a recurring basis consisted of the following types of instruments as of December 31, 2008:

	Fair value measurements at reporting date using		
(In thousands)	**Quoted prices in active markets for identical instruments (Level 1)**	**Significant observable other inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Foreign currency forward contract		$ 79	

(20) EARNINGS PER SHARE (EPS)

Basic EPS is computed by dividing net (loss) income by the weighted average number of shares of common stock outstanding during each period. The following table presents a reconciliation of the share amounts used in the computation of basic and diluted earnings per share for the years ended December 31, 2008, 2007 and 2006:

(In thousands)	**2008**	**2007**	**2006**
Basic (loss) earnings per share Weighted common shares outstanding	112,653	122,557	135,116
Weighted common shares assumed upon exercise of options		1,617	2,377
Weighted common shares assumed upon vesting of restricted common stock		766	999
Diluted (loss) earnings per share Weighted common shares outstanding	112,653	124,940	138,492

Approximately 3.6 million and 4.5 million of the Company s stock options were excluded from the calculation of diluted earnings per share in the fiscal years ended December 31, 2007 and 2006, respectively, because the exercise prices of the stock options were greater than the average price of the Company s common stock, and therefore their inclusion would have been antidilutive. The effect of the inclusion of stock options and unvested restricted common stock for the year ended December 31, 2008 would have been anti-dilutive.

(21) SEGMENT INFORMATION

Entegris operates in one segment for the design, development, manufacture, marketing and sale of material integrity management products and services predominantly within the semiconductor industry. All products are sold on a worldwide basis. In accordance with SFAS No. 131, *Disclosures About Segments of an Enterprise and Related Information*, the Company s chief operating decision-maker has been identified as the President and Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire company. Since Entegris operates in one reportable segment, all financial information required by SFAS 131 can be found in the consolidated financial statements.

The following table summarizes total net sales by markets served for the years ended December 31, 2008, 2007 and 2006:

(In thousands)	**2008**	**2007**	**2006**
Net sales:			
Semiconductor	$ 419,132	$ 482,083	$ 526,243
Data storage	24,526	37,334	44,461
Other	111,041	106,821	102,178
	$ 554,699	$ 626,238	$ 672,882

The following tables summarize total net sales, based upon the country to which sales to external customers were made, and property, plant and equipment attributed to significant countries for the years ended December 31, 2008, 2007 and 2006:

(In thousands)	**2008**	**2007**	**2006**
Net sales:			
United States	$ 153,098	$ 163,146	$ 193,887
Japan	115,589	144,231	153,454
Germany	21,264	30,508	25,635
Taiwan	72,792	89,012	82,039
Singapore	29,603	34,168	30,648
Korea	40,954	51,477	55,901
Malaysia	14,750	21,230	24,945
China	21,868	18,504	15,507
Other	84,781	73,962	90,866
	$ 554,699	$ 626,238	$ 672,882

(In thousands)	**2008**	**2007**	**2006**
Property, plant and equipment:			
United States	$ 94,175	$ 63,774	$ 69,463
Japan	30,891	22,481	21,114
Malaysia	26,247	27,270	22,874
Other	8,425	7,632	7,536
	$ 159,738	$ 121,157	$ 120,987

In the years ended December 31, 2008, 2007 and 2006, no single nonaffiliated customer accounted for 10% or more of net sales. In the years ended December 31, 2008, 2007 and 2006, net sales to the Company s top ten customers accounted for approximately 26%, 28% and 27%, respectively, of the Company s net sales.

(22) COMMITMENTS AND CONTINGENT LIABILITIES

The Company is subject to various claims, legal actions, and complaints arising in the ordinary course of business. The Company believes the final outcome of these matters will not have a material adverse effect on its consolidated financial position or results of operations. The Company expenses legal costs as incurred. The following discussion provides information regarding certain litigation to which the Company was a party that were pending as of December 31, 2008.

As previously disclosed, on March 3, 2003 the Company s predecessor, Mykrolis Corporation, filed a lawsuit against Pall Corporation in the United States District Court for the District of Massachusetts alleging infringement of two of the Company s U.S. patents by certain fluid separation systems and related assemblies

used in photolithography applications manufactured and sold by the defendant. The Company s lawsuit also sought a preliminary injunction preventing the defendant from the manufacture, use, sale, offer for sale or importation into the U.S. of any infringing product. On April 30, 2004, the Court issued a preliminary injunction against Pall Corporation and ordered Pall to immediately stop making, using, selling, or offering to sell within the U.S., or importing into the U.S., its PhotoKleen EZD-2 Filter Assembly products or any colorable imitation of those products. On January 18, 2005, the Court issued an order holding Pall Corporation in contempt of court for the violation of the preliminary injunction and ordering Pall to disgorge all profits earned from the sale of its PhotoKleen EZD-2 Filter Assembly products and colorable imitations thereof from the date the preliminary injunction was issued through January 12, 2005. In addition, Pall was also ordered to reimburse Mykrolis for certain of its attorney s fees associated with the contempt and related proceedings. The Court s order also dissolved the preliminary injunction, effective January 12, 2005, based on certain prior art cited by Pall which it alleged raised questions as to the validity of the patents in suit. On February 17, 2005, the Company filed notice of appeal to the U.S. Circuit Court of Appeals for the Federal Circuit appealing the portion of the Court s order that dissolved the preliminary injunction and Pall filed a notice of appeal to that court with respect to the finding of contempt and the award of attorneys fees. On June 13, 2007 the Court of Appeals issued an opinion dismissing Pall s appeal for lack of jurisdiction and affirming the District Court s order dissolving the preliminary injunction.

On April 6, 2006 the Company filed a lawsuit against Pall Corporation in the United States District Court for the District of Massachusetts alleging infringement of the Company s newly issued U.S. patent No. 7,021,667 by certain filter assembly products used in photolithography applications that are manufactured and sold by the defendant. The Company s lawsuit also seeks a preliminary injunction preventing the defendant from the manufacture, use, sale, offer for sale or importation into the U.S. of the infringing products. On October 23, 2006 the Company s motion for preliminary injunction was argued before the court. On March 31, 2008 the court issued an order denying the Company s motion for a preliminary injunction.

On August 23, 2006 the Company filed a lawsuit against Pall Corporation in the United States District Court for the District of Massachusetts alleging infringement of the Company s newly issued U.S. patent No. 7,037,424 by certain fluid separation modules and related separation apparatus, including the product known as the EZD-3 Filter Assembly, used in photolithography applications that are manufactured and sold by the defendant. It is believed that the EZD-3 Filter Assembly was introduced into the market by the defendant in response to the action brought by the Company in March of 2003 as described above. On May 5, 2008, the court issued an order consolidating this case with the two cases described in the preceding paragraphs for purposes of discovery; these cases are currently in the discovery stage.

As previously disclosed, on December 16, 2005 Pall Corporation filed suit against the Company in U.S. District Court for the Eastern District of New York alleging patent infringement. Specifically, the suit alleges infringement of two of plaintiff s patents by one of the Company s gas filtration products and by the packaging for certain of the Company s liquid filtration products. Both products and their predecessor products have been on the market for a number of years. The Company intends to vigorously defend this suit and believes that it will ultimately prevail. This case is currently awaiting a hearing before the court for claim construction of the patents in suit.

On May, 4, 2007 Pall Corporation filed a lawsuit against the Company in the U.S. District Court for the Eastern District of New York alleging patent infringement. Specifically, the suit alleges that certain of the Company s point-of-use filtration products infringe a newly issued Pall patent, as well as three older Pall patents. Pall s action, which relates only to the U.S., asserts that on information and belief the Company s Impact 2 and Impact Plus point-of-use photoresist filters infringe a patent issued to Pall on March 27, 2007, as well as three older patents. The Company intends to vigorously defend this suit and believes that it will ultimately prevail. This case is currently in the discovery stage.

(23) SUBSEQUENT EVENT

On March 2, 2009, the Company amended and restated its credit agreement (Amended Agreement) with Wells Fargo Bank, National Association, as agent, and certain other banks. The Amended Agreement provides for a maximum $150 million revolving credit facility maturing November 1, 2011. The Company s prior credit agreement provided for a $230 million revolving credit facility maturing February 15, 2013.

Under the terms of the Amended Agreement, the Company is initially limited to borrowings of $139 million. The remaining $11 million of the credit facility may not be borrowed unless a majority of the lenders consent. The ability to borrow under the credit facility is subject to a borrowing base composed of domestic eligible accounts receivable, inventory and fixed assets. The borrowing cap can be adjusted downward if the Company s levels of qualifying domestic accounts receivable, inventories and value of its property, plant and equipment were to decline from current levels.

The financial covenants in the Amended Agreement replace those in the prior credit agreement. The Amended Agreement requires that the Company achieve minimum year-to-date EBITDA (defined as net income plus certain items including, but not limited to, depreciation, amortization, share-based compensation expense, interest and income taxes) at prescribed levels. The minimum year-to-date EBITDA levels, measured on a year-to-date basis from January 2009 through March 2010, are indicated in the table below.

Period ending	***(In thousands)***
January 2009	$ (16,000)
February 2009	(24,000)
March 2009	(31,000)
April 2009	(35,000)
May 2009	(42,000)
June 2009	(45,000)
July 2009	(53,000)
August 2009	(59,000)
September 2009	(62,000)
October 2009	(62,000)
November 2009	(62,000)
December 2009	(56,000)
January 2010	(3,000)
February 2010	2,000
March 2010	7,000

Under the terms of the Amended Agreement, the Company may elect that the loans comprising each borrowing bear interest at a rate per annum equal to either (a) the sum of 4.25% plus a base rate equal to the highest of: (i) the prime rate then in effect, (ii) the Federal Funds rate then in effect plus 1.25%, (iii) the one-month LIBOR rate then in effect plus 1.25% or (iv) 3.25%; or (b) the sum of 5.25% plus the greater of the LIBOR rate then in effect or 1.50%. These interest rates may be increased by 2.25% if the Company s EBITDA for the twelve-month period ending on the dates below is less than the minimum amount indicated in the table below:

Period ending	***(In thousands)***
July 2009	$ (44,000)
August 2009	(47,000)
September 2009	(46,000)
October 2009	(46,000)
November 2009	(45,000)
December 2009	(39,000)

The Company s borrowings are guaranteed by all its subsidiaries which are treated as domestic for tax purposes and secured by a first-priority security interest in all assets owned by the borrowers or such domestic guarantors, except that the collateral shall include only 65% of the voting stock owned by the borrowers or a domestic subsidiary of each subsidiary which is treated as foreign for tax purposes.

Voluntary prepayments and commitment reductions are permitted, in whole or in part, in minimum amounts without penalty, other than customary breakage costs with respect to LIBOR borrowings. Mandatory prepayments of the revolving loan, but not commitment reductions, must be made with the proceeds of asset sales, insurance and condemnation recoveries and certain extraordinary receipts.

At all times the borrowers and guarantors must maintain certain minimum cash and cash equivalents. The Amended Agreement also includes limitations on the amount of cash and cash equivalents of the Company and its foreign subsidiaries located outside the United States. Beginning in the second quarter of 2010, the foregoing minimum EBITDA covenants expire and the Amended Agreement requires that the Company maintain certain cash flow leverage and fixed charge coverage ratios.

In addition, the Amended Agreement includes negative covenants, subject to exceptions, restricting or limiting the Company s ability and the ability of its subsidiaries to, among other things, sell assets; make capital expenditures; alter the business the Company conducts; engage in mergers, acquisitions and other business combinations; declare dividends or redeem or repurchase capital stock; incur, assume or permit to exist additional indebtedness or guarantees; make loans and investments; make acquisitions; incur liens; and enter into transactions with affiliates.

The Amended Agreement also contains customary provisions relating to representations and warranties, affirmative covenants and events of default, including payment defaults, breach of representations and warranties, covenant defaults, certain events of bankruptcy, certain events under ERISA, material judgments, cross defaults and change in control. If an event of default occurs, the lenders under the Amended Agreement would be entitled to take various actions, including ceasing to make further advances, accelerating the maturity of amounts outstanding under the Amended Agreement and all other remedial actions permitted to be taken by a secured creditor.

(24) QUARTERLY INFORMATION-UNAUDITED

	Fiscal quarter ended			
(In thousands, except per share data)	**March 29, 2008**	**June 28, 2008**	**September 27, 2008**	**December 31, 2008**
Net sales	$ 148,227	$ 147,947	$ 145,789	$ 112,736
Gross profit	63,988	59,887	55,398	32,242
Net income (loss) from continuing operations	3,208	5,525	(392,912)	(131,718)
Net (loss) income from discontinued operations	(343)	(592)	(90)	(80)
Net income (loss)	2,865	4,933	(393,002)	(131,798)
Basic earnings (loss) per share				
Continuing operations	0.03	0.05	(3.51)	(1.18)
Discontinued operations	0.00	(0.01)	(0.00)	0.00
Net income (loss)	0.03	0.04	(3.52)	(1.18)
Diluted earnings (loss) per share				
Continuing operations	0.03	0.05	(3.51)	(1.18)
Discontinued operations	(0.00)	(0.01)	(0.00)	0.00
Net income (loss)	0.02	0.04	(3.52)	(1.18)

	Fiscal quarter ended			
(In thousands, except per share data)	**March 31, 2007**	**June 30, 2007**	**September 29, 2007**	**December 31, 2007**
Net sales	$ 159,571	$ 153,508	$ 151,811	$ 161,348
Gross profit	68,508	65,494	65,510	66,725
Net income from continuing operations	10,494	15,750	8,953	11,159
Net loss from discontinued operations	(111)	(973)	(536)	(377)
Net income	10,383	14,777	8,417	10,782
Basic earnings (loss) per share				
Continuing operations	0.08	0.12	0.08	0.10
Discontinued operations	0.00	(0.01)	(0.00)	(0.00)
Net income	0.08	0.11	0.07	0.09
Diluted earnings (loss) per share				
Continuing operations	0.08	0.12	0.08	0.10
Discontinued operations	0.00	(0.01)	(0.00)	(0.00)
Net income	0.08	0.11	0.07	0.09