

## Boeing Reports Second-Quarter Financial Results, Reaffirms Guidance

2008-07-23

Second-quarter revenues steady at \$17.0 billion

**- Net income was \$0.9 billion with EPS of \$1.16 per share, including a previously disclosed charge of \$0.22 per share**

**- First-half EPS grew 13 percent to \$2.79 per share as revenue grew 2 percent to \$33.0 billion**

**- Backlog at record \$346 billion**

**- 2008 and 2009 financial guidance reaffirmed**

Results (Millions, except per share data)	2nd Quarter			First Half		
	2008	2007	Change	2008	2007	Change
Revenues	\$16,962	\$17,028	(0%)	\$32,952	\$32,393	2%
Earnings From						
Operations	\$1,247	\$1,506	(17%)	\$3,046	\$2,815	8%
Operating Margin	7.4%	8.8%	(1.4)Pts	9.2%	8.7%	0.5 Pts
Reported Net						
Income	\$852	\$1,050	(19%)	\$2,063	\$1,927	7%
Reported Earnings						
per Share	\$1.16	\$1.35	(14%)	\$2.79	\$2.48	13%
Operating Cash						
Flow	(\$251)	\$3,634	N.A.	\$1,682	\$4,362	(61%)

The Boeing Company's (NYSE:BA) second-quarter earnings per share decreased 14 percent to \$1.16 per share, on revenue of \$17.0 billion and an operating margin of 7.4 percent. Results were affected by the previously disclosed charge for the Airborne Early Warning & Control (AEW&C) program and lower profitability due to mix and timing in Commercial Airplanes, partially offset by lower centralized costs (Table 1).

For the first half of 2008, revenue grew 2 percent to \$33.0 billion, operating margin grew to 9.2 percent, net income rose 7 percent to \$2.1 billion, and earnings per share increased 13 percent to \$2.79 per share, despite the AEW&C charge. Results reflected good performance in the company's core businesses and lower unallocated costs.

Boeing reaffirmed its 2008 earnings per share guidance of between \$5.70 and \$5.85 as well as its 2009 earnings per share guidance of between \$6.80 and \$7.00.

"While we faced some challenges this quarter that affected our results, we remain confident in our outlook for the remainder of this year and 2009," said Chairman, President and CEO Jim McNerney. "Strong global demand for our products and services, a record backlog, and a sustained focus on productivity improvement and execution will continue to drive growth and profitability for this company."

Second-quarter operating cash flow was (\$0.3) billion, reflecting a planned increase in working capital requirements, mostly inventory for 787 (Table 2). First-half operating cash flow was \$1.7 billion, and free cash flow\* was \$0.9 billion. Total company backlog at quarter-end was \$346 billion, up 6 percent year-to-date driven by commercial airplane orders.

Table 2. Cash Flow (Millions)	2nd Quarter		First Half	
	2008	2007	2008	2007
Operating Cash Flow (1)	(\$251)	\$3,634	\$1,682	\$4,362
Less Additions to				
Property, Plant &				
Equipment	(\$398)	(\$414)	(\$807)	(\$865)
Free Cash Flow*	(\$649)	\$3,220	\$875	\$3,497

(1) Operating cash flow includes \$517 in pension plan contributions in first half of 2008 and \$523 in first half 2007, both mostly in 1Q.

\* Non-GAAP measure. A complete definition and reconciliation of Boeing's use of non-GAAP measures, identified by an asterisk (\*), is found on page 8, "Non-GAAP Measure Disclosure."

The Boeing Company and Subsidiaries  
Consolidated Statements of Operations  
(Unaudited)

	Six months ended		Three months ended	
	June 30		June 30	
(Dollars in millions except per share data)	2008	2007	2008	2007
Sales of products	\$27,986	\$28,016	\$14,298	\$14,787
Sales of services	4,966	4,377	2,664	2,241
Total revenues	32,952	32,393	16,962	17,028
Cost of products	(22,425)	(22,140)	(11,637)	(11,709)
Cost of services	(4,003)	(3,583)	(2,248)	(1,827)
Boeing Capital Corporation interest expense	(119)	(152)	(57)	(73)
Total costs and expenses	(26,547)	(25,875)	(13,942)	(13,609)

	6,405	6,518	3,020	3,419
Income from operating investments, net	123	89	65	50
General and administrative expense	(1,610)	(1,804)	(835)	(976)
Research and development expense, net	(1,874)	(1,988)	(1,005)	(989)
Gain on dispositions/business shutdown, net	2		2	2
Earnings from operations	3,046	2,815	1,247	1,506
Other income, net	202	216	102	125
Interest and debt expense	(96)	(92)	(50)	(46)
Earnings before income taxes	3,152	2,939	1,299	1,585
Income tax expense	(1,095)	(1,017)	(448)	(536)
Net earnings from continuing operations	2,057	1,922	851	1,049
Net gain on disposal of discontinued operations, net of taxes of \$4, \$4, \$1, and \$1	6	5	1	1
Net earnings	\$2,063	\$1,927	\$852	\$1,050
Basic earnings per share from continuing operations	\$2.82	\$2.52	\$1.18	\$1.38
Net gain on disposal of discontinued operations, net of taxes	0.01	0.01		
Basic earnings per share	\$2.83	\$2.53	\$1.18	\$1.38
Diluted earnings per share from continuing operations	\$2.78	\$2.47	\$1.16	\$1.35
Net gain on disposal of discontinued operations, net of taxes	0.01	0.01		
Diluted earnings per share	\$2.79	\$2.48	\$1.16	\$1.35
Cash dividends paid per share	\$0.80	\$0.70	\$0.40	\$0.35
Weighted average diluted shares (millions)	740.0	777.3	732.8	777.0

The Boeing Company and Subsidiaries  
Consolidated Statements of Financial Position  
(Unaudited)

(Dollars in millions except per share data)	June 30 2008	December 31 2007
<b>Assets</b>		
Cash and cash equivalents	\$5,619	\$7,042
Short-term investments	1,752	2,266
Accounts receivable, net	5,809	5,740
Current portion of customer financing, net	198	328
Deferred income taxes	2,414	2,341
Inventories, net of advances and progress billings	10,145	9,563
Total current assets	25,937	27,280
Customer financing, net	6,370	6,777
Property, plant and equipment, net of accumulated depreciation of \$12,313 and \$11,915	8,585	8,265
Goodwill	3,232	3,081
Other acquired intangibles, net	2,223	2,093
Deferred income taxes	276	197
Investments	4,017	4,111
Pension plan assets, net	6,445	5,924
Other assets, net of accumulated amortization of \$439 and \$385	1,425	1,258
	\$58,510	\$58,986
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and other liabilities	\$17,431	\$16,676
Advances and billings in excess of related costs	12,682	13,847
Income taxes payable	416	253
Short-term debt and current portion of long-term debt	916	762
Total current liabilities	31,445	31,538
Deferred income taxes	1,433	1,190
Accrued retiree health care	7,159	7,007
Accrued pension plan liability, net	1,083	1,155
Non-current income taxes payable	1,148	1,121
Other long-term liabilities	408	516
Long-term debt	7,240	7,455
<b>Shareholders' equity:</b>		
Common shares, par value \$5.00 - 1,200,000,000 shares authorized, 1,012,261,159 and 1,012,261,159 shares issued	5,061	5,061
Additional paid-in capital	4,093	4,757
Treasury shares, at cost - 268,841,528 and 244,217,170	(16,834)	(14,842)
Retained earnings	22,669	21,376

Accumulated other comprehensive loss	(4,299)	(4,596)
ShareValue Trust shares - 31,690,733 and 31,362,850	(2,096)	(2,752)
Total shareholders' equity	8,594	9,004
	\$58,510	\$58,986

The Boeing Company and Subsidiaries  
Consolidated Statements of Cash Flows  
(Unaudited)

Six months ended		
June 30		
(Dollars in millions)	2008	2007
Cash flows - operating activities:		
Net earnings	\$ 2,063	\$ 1,927
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash items -		
Share-based plans expense	98	191
Depreciation	643	676
Amortization of other acquired intangibles	81	77
Amortization of debt discount/premium and issuance costs	4	6
Customer financing valuation provision/(benefit)	80	(35)
Gain on disposal of discontinued operations	(10)	(9)
Gain on dispositions/business shutdown, net	(2)	
Other charges and credits, net	78	78
Excess tax benefits from share-based payment arrangements	(45)	(107)
Changes in assets and liabilities -		
Accounts receivable	(129)	(761)
Inventories, net of advances and progress billings	(649)	(428)
Accounts payable and other liabilities	616	842
Advances and billings in excess of related costs	(1,166)	68
Income taxes receivable, payable and deferred	275	821
Other long-term liabilities	(149)	(4)
Pension and other postretirement plans	(281)	41
Customer financing, net	278	1,107
Other	(103)	(128)
Net cash provided by operating activities	1,682	4,362
Cash flows - investing activities:		
Property, plant and equipment additions	(807)	(865)
Property, plant and equipment reductions	16	17
Acquisitions, net of cash acquired	(94)	(75)
Contributions to investments	(5,606)	(1,838)
Proceeds from investments	6,238	1,611
Other	(148)	(62)
Net cash used by investing activities	(401)	(1,212)
Cash flows - financing activities:		
New borrowings	5	10
Debt repayments	(154)	(893)
Stock options exercised, other	41	151
Excess tax benefits from share-based payment arrangements	45	107
Common shares repurchased	(2,064)	(946)
Dividends paid	(606)	(552)
Net cash used by financing activities	(2,733)	(2,123)
Effect of exchange rate changes on cash and cash equivalents	29	11
Net (decrease)/increase in cash and cash equivalents	(1,423)	1,038
Cash and cash equivalents at beginning of year	7,042	6,118
Cash and cash equivalents at end of period	\$ 5,619	\$ 7,156

The Boeing Company and Subsidiaries  
Summary of Business Segment Data  
(Unaudited)

	Six months ended		Three months ended	
	June 30		June 30	
(Dollars in millions)	2008	2007	2008	2007
Revenues:				
Commercial Airplanes	\$16,728	\$16,262	\$8,567	\$8,707
Integrated Defense Systems:				
Precision Engagement and Mobility Systems	6,549	6,743	3,293	3,416
Network and Space Systems	5,495	5,680	2,802	2,902
Support Systems	3,465	3,266	1,839	1,654
Total Integrated Defense Systems	15,509	15,689	7,934	7,972
Boeing Capital Corporation	364	422	179	209
Other	227	157	152	81
Accounting				

differences/eliminations	124	(137)	130	59
Total revenues	\$32,952	\$32,393	\$16,962	\$17,028
Earnings from operations:				
Commercial Airplanes	\$1,760	\$1,666	\$777	960
Integrated Defense Systems:				
Precision Engagement and Mobility Systems	549	838	160	405
Network and Space Systems	504	405	237	257
Support Systems	444	396	240	193
Total Integrated Defense Systems	1,497	1,639	637	855
Boeing Capital Corporation	106	143	45	70
Other	(185)	(121)	(135)	(66)
Unallocated expense	(132)	(512)	(77)	(313)
Earnings from operations	3,046	2,815	1,247	1,506
Other income, net	202	216	102	125
Interest and debt expense	(96)	(92)	(50)	(46)
Earnings before income taxes	3,152	2,939	1,299	1,585
Income tax expense	(1,095)	(1,017)	(448)	(536)
Net earnings from continuing operations	2,057	1,922	851	1,049
Net gain on disposal of discontinued operations, net of taxes of \$4, \$4, \$1, and \$1	6	5	1	1
Net earnings	\$2,063	\$1,927	\$852	\$1,050
Research and development expense:				
Commercial Airplanes	\$1,403	\$1,557	\$770	\$769
Integrated Defense Systems:				
Precision Engagement and Mobility Systems	241	222	115	111
Network and Space Systems	154	143	78	73
Support Systems	74	49	41	25
Total Integrated Defense Systems	469	414	234	209
Other	2	17	1	11
Total research and development expense	\$1,874	\$1,988	\$1,005	\$989
Unallocated expense:				
Share-based plans expense	\$(45)	\$(169)	\$(15)	\$(133)
Deferred compensation expense	81	(63)	20	(53)
Pension	(143)	(271)	(76)	(141)
Post-retirement	(40)	(59)	(20)	(27)
Capitalized interest	(27)	(23)	(14)	(14)
Other	42	73	28	55
Total	\$(132)	\$(512)	\$(77)	\$(313)

The Boeing Company and Subsidiaries  
Operating and Financial Data  
(Unaudited)

	Six months ended		Three months ended	
	June 30		June 30	
	2008	2007	2008	2007
Deliveries				
Commercial Airplanes				
737 Next-Generation	187	169	100	86
747	9	7	5	4
767	6	6	3	3
777	39	38	18	21
Total	241	220	126	114
Integrated Defense Systems				
Precision Engagement and Mobility Systems				
F/A-18 Models	21	22	11	11
F-15E Eagle	4	3		3
C-17 Globemaster	8	8	5	4
KC-767 Tanker	2			
CH-47 Chinook	4	6	2	1
T-45TS Goshawk	3	5	2	3
AH-64 Apache	1	8	1	4
C-40A Clipper		2		1
Network and Space Systems				
Commercial and Civil Satellites	1	3		1
	June 30	March 31	December 31	
Contractual backlog (Dollars in billions)	2008	2008	2007	
Commercial Airplanes	\$274.5	\$271.2	\$255.2	
Integrated Defense Systems:				
Precision Engagement and Mobility Systems	23.8	23.1	23.0	
Network and Space Systems	11.0	10.5	9.2	
Support Systems	10.7	10.8	9.6	
Total Integrated Defense Systems	45.6	44.4	41.8	
Total contractual backlog	\$320.1	\$315.6	\$297.0	
Unobligated backlog	\$26.0	\$30.6	\$30.2	
Total backlog	\$346.1	\$346.2	\$327.2	
Workforce	163,900	161,500	159,300	

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