

# Boeing 2Q Profit Tops Expectations Despite 787

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Boeing's problems with its [787](#) [1] have made headlines, but they aren't slowing the big plane maker down.

The company's second-quarter earnings topped expectations as it ramped up deliveries of commercial planes like its 737 and its 777. It also raised its full-year profit guidance.

Boeing resumed delivering 787s in the quarter after deliveries were halted for nearly four months after the planes were grounded for battery problems. Boeing delivered 16 of the technologically advanced jets during the quarter. It still expects to deliver at least 60 of the 787s this year — the same goal it had before the battery problems surfaced.

Boeing is in the midst of a boom in airplane orders as airlines in Asia and Latin America expand. Production of most of its planes is speeding up. It is taking its workhorse 737 to 42 planes per month. When an analyst asked about building 45 per month, Chairman and CEO Jim McNerney said executives are seeing some pressure to move in that direction. He also said there's pressure to raise the 787 rate above 10 per month.

"If I were a betting man, I'd think the marketplace demand could move us in that direction over time," he said.

Boeing Co. shares fell 84 cents to \$106.95 after earlier hitting a 52-week high of \$109.49.

Boeing has incurred expenses from the 787 problems. McNerney said it has finished paying airline customers that had to stop flying their 787s because of the grounding. Boeing didn't say how much it spent, but it wasn't enough to show up in the company's financial results released Wednesday.

Airlines have to keep making payments on planes whether they're flying or not, and the grounded planes couldn't carry passengers to bring in revenue. The Polish government has said the grounding cost LOT Polish Airlines more than \$30 million in lost flights alone. Several airlines had said they wanted compensation from Boeing.

"There were some instances where we had obligations to customers, and those have all been satisfied," McNerney said. "We think they are all behind us now," he added.

He also said Boeing is discussing with Ethiopian Airlines the method for repairing a 787 that caught fire while parked at London's Heathrow airport on July 12. The fire appeared to burn through the outside skin of the plane's tail, suggesting that an

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extensive repair will be needed.

Deliveries of all commercial planes rose 13 percent to 169 planes during the quarter. The 737 and 777 are money-makers and contributed to Boeing's larger profits during the most recent quarter. The 787 still costs more to build than what Boeing makes on it, but each delivery brings in much of the revenue for the plane's price tag.

Boeing has booked orders for 83 787s this year. The list price for a 787-8 is \$207 million, although discounts are routine.

Boeing's net income rose 13 percent to \$1.09 billion, or \$1.41 per share. During the same period last year it earned \$967 million, or \$1.27 per share. Revenue rose 9 percent to \$21.82 billion.

The results include costs from pensions. On that basis, analysts surveyed by FactSet had been expecting a profit of \$1.30 per share with revenue of \$20.79 billion.

Boeing raised its full-year profit guidance to \$6.20 to \$6.40 per share — a dime higher than its old guidance. Once it pays for pension expenses it will earn \$5.10 to \$5.30 per share. On that basis, analysts are expecting \$5.34 per share.

The company now expects revenue of \$83 billion to \$86 billion, which is \$1 billion more than it previously predicted. Analysts were expecting \$84 billion.

Revenue from commercial planes rose 15 percent to \$13.62 billion, and profits in that segment jumped 20 percent to \$1.45 billion.

Things are slower at Boeing's defense arm. Revenue there was flat at about \$8.19 billion, although operating profits rose 4 percent to \$776 million. Boeing and other defense contractors have had to cope with the automatic federal spending cuts that took effect in the spring.

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