

BOEING CO
Form 10-Q
July 25, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **June 30, 2007**

OR

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 1-442

THE BOEING COMPANY

(Exact name of registrant as specified in its charter)

| | |
|--|---|
| Delaware (State or other jurisdiction of incorporation or organization) | 91-0425694 (I.R.S. Employer Identification No.) |
| 100 N. Riverside, Chicago, IL (Address of principal executive offices) | 60606-1596 (Zip Code) |
| (312) 544-2000 | |

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" as defined in Rule 12b-2 of the Exchange Act. (Check one): Large Accelerated Non-accelerated

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accelerated filer Accelerated filer Non-accelerated filer

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

As of July 20, 2007, there were 783,711,551 shares of common stock, \$5.00 par value, issued and outstanding.

(This number includes 31 million outstanding shares held by the ShareValue Trust which are not eligible to vote.)

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****The Boeing Company and Subsidiaries****Condensed Consolidated Statements of Operations**

(Unaudited)

| | Six months ended June 30 | | Three months ended June 30 | |
|--|-----------------------------|-----------------|-------------------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 |
| <i>(Dollars in millions except per share data)</i> | | | | |
| Sales of products | \$ 28,016 | \$ 25,050 | \$ 14,787 | \$ 12,848 |
| Sales of services | 4,377 | 4,200 | 2,241 | 2,138 |
| Total revenues | 32,393 | 29,250 | 17,028 | 14,986 |
| Cost of products | (22,140) | (20,439) | (11,709) | (10,821) |
| Cost of services | (3,583) | (3,477) | (1,827) | (1,691) |
| Boeing Capital Corporation interest expense | (152) | (179) | (73) | (89) |
| Total costs and expenses | (25,875) | (24,095) | (13,609) | (12,601) |
| | 6,518 | 5,155 | 3,419 | 2,385 |
| Income from operating investments, net | 89 | 53 | 50 | 33 |
| General and administrative expense | (1,804) | (2,243) | (976) | (1,162) |
| Research and development expense, net | (1,988) | (1,487) | (989) | (739) |
| Gain on dispositions/business shutdown, net | | 4 | 2 | 6 |
| Settlement with U.S. Department of Justice, net of accruals | | (571) | | (571) |
| Earnings/(loss) from operations | 2,815 | 911 | 1,506 | (48) |
| Other income, net | 216 | 192 | 125 | 106 |
| Interest and debt expense | (92) | (136) | (46) | (67) |
| Earnings/(loss) before income taxes | 2,939 | 967 | 1,585 | (9) |
| Income tax expense | (1,017) | (435) | (536) | (151) |
| Net earnings/(loss) from continuing operations | 1,922 | 532 | 1,049 | (160) |
| Net gain on disposal of discontinued operations, net of taxes of \$4 and \$1 | 5 | | 1 | |
| Net earnings/(loss) | \$ 1,927 | \$ 532 | \$ 1,050 | \$ (160) |
| Basic earnings/(loss) per share from continuing operations | \$ 2.52 | \$ 0.70 | \$ 1.38 | \$ (0.21) |
| Net gain on disposal of discontinued operations, net of taxes | 0.01 | | | |
| Basic earnings/(loss) per share | \$ 2.53 | \$ 0.70 | \$ 1.38 | \$ (0.21) |
| Diluted earnings/(loss) per share from continuing operations | \$ 2.47 | \$ 0.69 | \$ 1.35 | \$ (0.21) |
| Net gain on disposal of discontinued operations, net of taxes | 0.01 | | | |

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| | | | | |
|---|----------------|---------|----------------|-----------|
| Diluted earnings/(loss) per share | \$ 2.48 | \$ 0.69 | \$ 1.35 | \$ (0.21) |
| Cash dividends paid per share | \$ 0.70 | \$ 0.60 | \$ 0.35 | \$ 0.30 |
| Weighted average diluted shares (millions) | 777.3 | 792.4 | 777.0 | 761.3 |

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**The Boeing Company and Subsidiaries****Condensed Consolidated Statements of Financial Position**

(Unaudited)

| <i>(Dollars in millions except per share data)</i> | June 30 2007 | December 31 2006 |
|---|-------------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 7,156 | \$ 6,118 |
| Short-term investments | 475 | 268 |
| Accounts receivable, net | 6,038 | 5,285 |
| Current portion of customer financing, net | 450 | 370 |
| Deferred income taxes | 2,924 | 2,837 |
| Inventories, net of advances and progress billings | 8,480 | 8,105 |
| Total current assets | 25,523 | 22,983 |
| Customer financing, net | 7,227 | 8,520 |
| Property, plant and equipment, net of accumulated depreciation of \$11,804 and \$11,635 | 7,985 | 7,675 |
| Goodwill | 3,092 | 3,047 |
| Other acquired intangibles, net | 1,754 | 1,698 |
| Deferred income taxes | 918 | 1,051 |
| Investments | 4,104 | 4,085 |
| Other assets, net of accumulated amortization of \$325 and \$272 | 3,283 | 2,735 |
| Total assets | \$ 53,886 | \$ 51,794 |
| Liabilities and Shareholders Equity | | |
| Accounts payable and other liabilities | \$ 17,174 | \$ 16,201 |
| Advances and billings in excess of related costs | 11,546 | 11,449 |
| Income taxes payable | 846 | 670 |
| Short-term debt and current portion of long-term debt | 561 | 1,381 |
| Total current liabilities | 30,127 | 29,701 |
| Accrued retiree health care | 7,684 | 7,671 |
| Accrued pension plan liability | 992 | 1,135 |
| Non-current income taxes payable | 732 | |
| Other long-term liabilities | 400 | 391 |
| Long-term debt | 8,094 | 8,157 |
| Shareholders equity: | | |
| Common shares, par value \$5.00 | | |
| 1,200,000,000 shares authorized; | | |
| Shares issued 1,012,261,159 and 1,012,261,159 | 5,061 | 5,061 |
| Additional paid-in capital | 4,899 | 4,655 |
| Treasury shares, at cost 227,102,648 and 223,522,176 | (13,131) | (12,459) |
| Retained earnings | 19,810 | 18,453 |
| Accumulated other comprehensive loss | (7,800) | (8,217) |
| ShareValue Trust Shares 31,132,608 and 30,903,026 | (2,982) | (2,754) |
| Total shareholders equity | 5,857 | 4,739 |

| | | |
|--|------------------|------------------|
| Total liabilities and shareholders equity | \$ 53,886 | \$ 51,794 |
|--|------------------|------------------|

See Notes to Condensed Consolidated Financial Statements.

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The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows

(Unaudited)

| <i>(Dollars in millions)</i> | Six months ended June 30 | |
|---|-------------------------------------|----------------|
| | 2007 | 2006 |
| Cash flows operating activities: | | |
| Net earnings | \$ 1,927 | \$ 532 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Non-cash items | | |
| Share-based plans expense | 191 | 452 |
| Depreciation | 676 | 714 |
| Amortization of other acquired intangibles | 77 | 40 |
| Amortization of debt discount/premium and issuance costs | 6 | 10 |
| Pension expense | 503 | 317 |
| Investment/asset impairment charges, net | 5 | 19 |
| Customer financing valuation (benefit)/provision | (35) | 2 |
| Gain on disposal of discontinued operations | (9) | |
| Gain on dispositions/business shutdown, net | | (4) |
| Other charges and credits, net | 73 | 76 |
| Excess tax benefits from share-based payment arrangements | (107) | (118) |
| Changes in assets and liabilities | | |
| Accounts receivable | (761) | 621 |
| Inventories, net of advances and progress billings | (380) | 678 |
| Accounts payable and other liabilities | 842 | 549 |
| Advances and billings in excess of related costs | 68 | 338 |
| Income taxes receivable, payable and deferred | 821 | 396 |
| Other long-term liabilities | (4) | (16) |
| Pension contributions | (523) | (506) |
| Accrued retiree health care | 13 | 69 |
| Customer financing, net | 1,107 | 398 |
| Other | (128) | (69) |
| Net cash provided by operating activities | 4,362 | 4,498 |
| Cash flows investing activities: | | |
| Property, plant and equipment additions | (865) | (745) |
| Property, plant and equipment reductions | 17 | 23 |
| Acquisitions, net of cash acquired | (75) | (111) |
| Proceeds from dispositions | | 108 |
| Contributions to investments | (1,838) | (1,047) |
| Proceeds from investments | 1,611 | 1,126 |
| Other | (62) | |
| Net cash used by investing activities | (1,212) | |