

Boeing earnings up, but reports higher costs on tanker

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Boeing reported a jump in second-quarter profits on Wednesday due to higher commercial airplane deliveries but said costs on a closely-

watched Air Force tanker contract had risen again.

The US aerospace giant reported net income of \$2.2 billion, up 25.6 percent. Revenues rose 5.2 percent to \$24.3 billion.

Boeing set aside \$418 million in additional funds for the KC-46 tanker, an Air Force [plane](#) that has repeatedly suffered cost overruns.

The latest cost increases were for incorporating changes into test and early-build aircraft and for additional expenses in late stage testing and certification. Boeing said it expects to deliver the first tanker to the Air Force in October.

Boeing's commercial plane business prospered on an uptick in deliveries, as well as higher profit margins compared with the year-ago period as it increased production rates on its most popular offerings.

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During the first quarter, Boeing delivered new planes to Ethiopian Airlines and Xiamen Airlines, among others.

Boeing lifted its full-year revenue forecast to \$97 billion - \$99 billion, up \$1 billion from the prior range. It projected slightly higher operating margins in commercial planes but slightly lower margins in defense.

"Continued services growth, increasing defense volume and strong performance of our commercial business, as well as our positive market outlook, give us the confidence to raise our revenue and Commercial Airplanes margin guidance for the year," said chief executive Dennis Muilenburg.

But Briefing.com noted that Boeing did not increase its earnings-per-share forecast, a decision that "may cause some people to think maybe management is bit more cautious on 2H18."

The earnings come three weeks after Boeing announced that it had signed a memorandum of understanding to take control of Brazilian company Embraer's commercial business.

The Embraer deal would give Boeing a fleet of smaller planes to compete with a venture between archrival Airbus and Canada's Bombardier. Boeing and Embraer are still working out final details of the plan.

The aerospace giant has also been seen as vulnerable to trade tensions, especially the mushrooming conflict between China and the United States.

Credit Suisse said in a note this week more than 400 plane orders announced at the Farnborough air show last month were from undisclosed buyers.

At least some were probably placed by "Chinese airlines looking to avoid attracting attention in a sensitive trade environment," the note said.

Shares fell two percent to \$351.00 in opening trading.

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