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Spirit AeroSystems Holdings, Inc. Q2 2008 Earnings Call

Question-and-Answer Session

Thank you, sir. [Operator Instructions]. Our first question comes from Ron Epstein with Merrill Lynch.

Ronald Epstein - Merrill Lynch

Hey, good morning, guys. Jeff, if Boeing were to have a strike how does that flow through for you guys, are the works the opportunity and what happens to Spirit?

Jeff Turner - President and Chief Executive Officer

Well I mean clearly you any interruption in the production line is something that we would obviously were not to see and what we do is, we would negotiate the process determine, what production needed to continue, what might need to be curtail somewhat and we actually had this similar situation three years ago and really work through it fairly effectively clearly would have impact but it's too early to tell and hopefully there won't be one.

Ronald Epstein - Merrill Lynch

Okay, great. And then a question for Rick year-over-year the margin performance the gains were very good, and as we look forward, I mean what we can expect to find more places for you to find more execution enhancement?

Rick Schmidt - Executive Vice President & Chief Financial Officer

Certainty you've seen Ron for a number of quarters that we continue to have small favorable cum catch adjustments and those are obviously indicative of improving performance in the, you know, our overall cost structure, but specifically in our various productivity initiatives in the shop. I mean we continue to work very hard at those, and I don't see any reason at this point why they can't continue. In the near term probably the biggest impact on margins will be the introduction of higher deliveries on the 787 program as you recalled. We've been very specific that our margins on the 787 are lower than our legacy programs. So as we started to generate higher overall 87 revenues that will create some downward bias on our total company margins.

Ronald Epstein - Merrill Lynch

Okay, and do you expect in the second half of '09, you guys are easy set your blocks on a legacy program so that could mitigate some of that?

Unidentified Company Representative

I'd say at this point Ron, it's probably too early to tell. We will... some of our blocks do start to mature at the end of 2009. So the tail end of 2009 will start to reflect some impact from our new contract blocks, and we'll certainly fully reflect that in the guidance that we provide that we provide on '09 when we do that in conjecture with our third quarter earnings with it.

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