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After completing the review of the cost impact of the production recovery plan announced on Oct. 3, 1997, Phil Condit, Boeing chairman and CEO, reported today that Boeing will report a loss for the third quarter of 1997. Condit stated that the production problems being experienced on the commercial aircraft programs reached unexpected levels late in the third quarter. The Company is in the midst of an unprecedented production rate build-up for the 7-series commercial aircraft programs, and has experienced raw material shortages, internal and supplier parts shortages, and productivity inefficiencies associated with adding thousands of new employees. These factors have resulted in significant out-of-sequence work.

Condit noted that the breadth and complexity of the entire commercial aircraft production process, especially during this time of substantial production rate increases, present a situation where disrupted process flows are causing major inefficiencies throughout the entire process chain. Under the current recovery plan, the 747 and 737 production lines are being halted for approximately one month. Process inefficiencies and work-arounds will continue until the entire process is substantially back in balance, which is expected to occur in 1998.

Condit stated that charges associated with these recovery plans and late delivery costs will total approximately \$1.6 billion pre-tax for the third quarter of 1997, and that the continuing recovery plan disruptions will also impact commercial aircraft segment earnings through 1998. Based on a successful execution of the current production recovery plans, it is expected that additional production disruption costs in the range of \$1 billion pre-tax will be incurred over this time period.

A substantial portion of the total third quarter earnings charges result from the unplanned production inefficiencies being experienced on the Next-Generation 737 program. Based on the production recovery plan, \$700 million of the third quarter loss is associated with the initial program accounting quantity of 400 aircraft for the Next-Generation 737 program.

Condit noted the cash expenditures associated with the production disruptions and recovery plans will approximate the reduced earnings through 1998.

Full third quarter results will be reported on Friday, Oct. 24.

Forward-looking information is subject to risk and uncertainty

Forward-looking statements such as projections of future deliveries, sales, margins, research and development and effective tax rates are subject to risk and uncertainties that could cause actual results to differ materially from those contemplated in the forward-looking statements. Among these are the risks and uncertainties identified under the heading "Forward-Looking Information Is Subject to Risk and Uncertainty" accompanying "Management's Discussion and Analysis of Results of Operation, Financial Condition and Business Environment" in the Boeing 1996 Annual Report to Shareholders and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the report on Form 10-Q for the second quarter of 1997.

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