Boeing Updates 7-Series Airplane Production Status

Boeing Commercial Airplane Group (BCAG) updated the status of production for its 7-series commercial jetliner series today, focusing on trends in production health and the potential impact of the Asian financial crisis on its delivery performance.

Since last month's update, Boeing has delivered 13 more Next-Generation 737s and introduced 17 more into the factory. Including all models, Boeing has delivered 34 airplanes so far in May and plans to deliver approximately 10 more by month's end. During the first half of 1998, Boeing plans to deliver approximately 250 commercial jet transports.

To help improve the situation in Renton, Wash., Boeing recently announced that it would begin finishing some 737s at its facility in Long Beach, Calif., and that it would deliver some 757s from the Everett, Wash., flight line in order to free up more Renton resources to concentrate on behind-schedule work. To date, two 737s are in Long Beach.

"We are very pleased with the progress of the 737 work being done in Long Beach," said Fred Mitchell, BCAG executive vice president of Airplane Production. The company earlier announced that it is also considering opening an additional 737 production line in Long Beach.

"During the past few months we have been watching our production rates very closely to make sure we match near-term production to market demand," Mitchell said. "Most airlines in Asia are taking delivery of their 1998 airplanes."

However, the Asian situation may mean downward pressure on production rates - for the 747 in particular.

"In summary, it's clear that we are still not out of the woods," Mitchell said.

The first five-per-month 757 and the first five-per-month 747 have been moving through the factory at the new rate. The third quarter 777 rate increase from five to seven airplanes per month is proceeding on schedule. The company delivered the first 777-300 last week, the first 757-300 rolls out of the factory this weekend, and the first 717 is scheduled to roll out on June 10 in Long Beach.

"However, the multiple rate increases continue to present risk, and we are monitoring and managing those rate increases as closely as we can to avoid any surprises," Mitchell said.

"The Next-Generation 737 program continues to be our biggest single problem, and the area with the most risk and uncertainty," he concluded. "BCAG will continue to experience delivery delays on the Next-Generation 737 program through this year."

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Certain statements in the financial discussion and analysis by management contain "forward-looking" information that involves risk and uncertainty, including projections for deliveries, sales, research and development expense and other trend projections. Actual future results and trends may differ materially depending on a variety of factors, including the Company's successful execution of internal performance plans; future integration of McDonnell Douglas Corporation; product-performance risk associated with regulatory certifications of the Company's commercial aircraft by the U.S. Government and foreign governments; other regulatory uncertainties; collective-bargaining labor disputes; performance issues with key suppliers and subcontractors; government export and import policies; factors that result in significant prolonged disruption to air travel worldwide; global trade policies; worldwide political stability and economic growth; changing priorities or reductions in the U.S. Government defense and space budgets; termination of government contracts due to unilateral government action or failure to perform; and legal proceedings.

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