

Boeing Announces Production Rate Changes, Financial Projections

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The Boeing Company today announced it will reduce production rates for some of its commercial airplane programs based upon updated assessments of the Asian economic crisis and its impact on air travel and airplane customers.

Production on the 747 program is now scheduled to decrease from 3.5 to 2 airplanes per month in late 1999, and subsequently to 1 per month in early 2000 if market conditions fail to improve. Based upon updated customer demand forecasts, the 757 program will be reduced from 5 to 4 airplanes per month and the 767 program will be reduced from 4 to 3.5 airplanes per month in early 2000. The 777 program, currently scheduled for a rate reduction from 7 to 5 airplanes per month in the fourth quarter of 1999, is now projected to continue at the lower rate in 2000. The 737 Next Generation is scheduled to increase to 24 airplanes per month early next year, as previously announced, and is projected to remain at that rate until late 2000, when the rate is planned to decrease to 21 airplanes per month. Announced 1999 rates for the Boeing 737 Classic, MD-80/-90 and MD-11 programs are unchanged. The company plans to establish a formal production rate for the 717 after deliveries begin mid-next year.

Production rates for all models of aircraft are reevaluated on an ongoing basis based on customer demand and worldwide economic trends. Production rates will be adjusted, upward or downward, to match supply with demand.

"Clearly, the economic slowdown in Asia is driving air traffic down which impacts our customers' plans and operations," said Alan Mulally, Commercial Airplanes president. "Our actions today will match production to market demand to support our customers."

Domestic and international air traffic growth in many Asian markets has dropped significantly since the economic crisis hit, with most airlines reporting operating losses or significantly reduced profits. Worldwide airline passenger traffic currently is expected to grow at only 2 percent in 1998, compared to 1997's performance of more than 6 percent. As a result, several customers have requested deferral of deliveries out of 1999 and 2000, and the company is working with the airlines to reschedule deliveries.

The revised production plans will result in further employment decreases. The company expects to reduce employment, from the June 1998 high point of 238,000, by as many as 38,000 by year-end 1999, and an additional 10,000 in the year 2000.

Financial Outlook for Full Year 1998, 1999 and 2000

Based on current schedules and plans, which include approximately 550, 620 and 490 commercial aircraft deliveries for the full years 1998, 1999 and 2000, consolidated revenue is expected to be in the range of \$56 billion, \$58 billion and \$50 billion, respectively. The net earnings projection for 1998 continues to be slightly above \$1 billion. Because of the impact of the production rate reductions on the commercial aircraft margins, net earnings for 1999 are now projected to be in the range of \$1.5 -- 1.8 billion. The operating margins for the year 2000 are expected to be somewhat lower when compared to 1999 due to the commercial aircraft delivery mix. Commercial aircraft deliveries in the year 2000 will be predominantly newer aircraft programs, which have lower initial operating margins than established aircraft programs.

The production process for Commercial Airplanes continues to improve. Production health metrics indicate that the production process has stabilized, and are well within the plans set forth in October 1997. "We delivered our planned 62 airplanes in November and we are on target to deliver 550 airplanes in 1998," said Alan Mulally. The 62 deliveries consisted of 9 737 Classics, 18 Next-Generation 737s, 5 747s, 6 757s, 5 767s, 6 777s, 2 MD-11s, 1 MD-80 and 10 MD-90s.

Overall performance in the Information, Space and Defense segments continues to show improvement, even as research and development expenditures continue at relatively high levels in support of Space and Communications Programs.

Cash flow is expected to be strong over the next several years, well in excess of our operating requirements, which will continue to support the share repurchase program and other activities to benefit our shareholders. Through Nov. 30, the Company has repurchased 22.7 million shares of stock (approximately 2.3 percent of outstanding stock) for \$864 million.

Forward-Looking Information Is Subject to Risk and Uncertainty

Certain statements in this release contain "forward-looking" information that involves risk and uncertainty, including projections for production rates, deliveries, customer financing, sales, revenues, margins, earnings, cash, research and development expense, employment, asset utilization, and other trend projections. This forward-looking information is based upon a number of assumptions, including assumptions regarding demand, internal performance, customer financing, customer, supplier and subcontractor performance, government policies and actions, and price-escalation. Actual future results and trends may differ materially depending on a variety of factors, including the Company's successful execution of internal performance plans including research and development, production recovery, production rate increases, production system initiatives and other cost-reduction efforts; the cyclical nature of the Company's business; volatility of the market for certain products; continued integration of McDonnell Douglas Corporation; product performance risks 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, subcontractors and customers; governmental export and import policies; factors that result in significant and prolonged disruption to air travel worldwide; global trade policies; worldwide political stability and economic conditions, particularly in Asia; price escalation trends; 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. Additional information regarding these factors is contained in the Company's Annual Report on Form 10-K for the year ended 1997 and Form 10-Q for the quarterly period ended June 30, 1998.

The Boeing Company Near-Term Projections (Dollars in Billions)

	Projections for the Year		
	1998	1999	2000
Deliveries:			
Commercial Aircraft:			
717	0	12	30
737	114	44	2
737 Next-Generation	164	276	280
747	49	48	12

757	50	66	48
767	47	41	45
777	71	85	64
MD80/90	39	40	3
MD-11	12	8	6
Total	(1) 546	(1) 620	(1) 490

Information, Space and Defense Systems major programs:

C-17	9	12	12
F-15	37	40	24
F/A-18 C/D	27	25	18
F/A-18 E/F (2)	--	12	24
T-45TS	15	13	15
767 AWACS	2	2	--
757 C-32A	4	--	--
Delta II	13	13	12
Delta III	1	3	6

Revenues:

Forecast Range

Commercial Aircraft	\$35	\$38	\$29
Information, Space and Defense Systems	20	19	20
Total operating revenues	56	58	50

(1) Includes aircraft delivered under operating lease and excludes 757 C-32A (military versions)

(2) First 12 F/A-18 E/F aircraft are under a cost type contract; sales are recognized as work progresses rather than upon delivery.

Projections for the Year

1998 1999 2000

Research and development:

Commercial Aircraft	\$1.0 - 1.1	\$0.8 - 0.9	\$0.7 - 0.8
Information, Space and Defense Systems	0.8 - 0.9	0.8 - 0.9	0.8 - 0.9
Total research and development	1.9 - 2.0	1.6 - 1.8	1.5 - 1.7

Operating earnings return on sales margins:

Commercial Aircraft	Approx. 0%	2% - 3%	1% - 3%
Information, Space and Defense Systems	7% - 8%	7% - 9%	8% - 10%
Composite operating earnings margins	2.5% - 3%	4% - 5%	3% - 5%

Total Company

Employment in thousands	230 - 235	200 - 210	185 - 195
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Capital expenditures	\$1.6 - 1.8	\$1.7 - 1.9	\$1.6 - 1.8
Depreciation and amortization	\$1.6 - 1.8	\$1.8 - 1.9	\$1.8 - 1.9

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For further information:
Larry McCracken
office: (206)655-6123
