Boeing to Take Charges in Second Quarter for Airborne Surveillance Program and Previously Disclosed Tentative Legal Settlement

The Boeing Company [NYSE:BA] announced today that it will recognize charges related to delays on an international airborne surveillance program and a previously disclosed tentative legal settlement with the U.S. government when it announces second-quarter 2006 results July 26.

Boeing expects to record a charge of between $300 million and $500 million pre-tax due to delays related to its Airborne Early Warning & Control (AEW&C) program for Australia and Turkey. Additionally, the company expects to recognize a $615 million charge to reflect a tentative settlement with the U.S. Justice Department related to the hiring of a former Air Force official and handling of a competitor's proprietary information.

The expected charge for AEW&C program delays will be finalized after ongoing reviews and will be recorded in the Precision Engagement & Mobility Systems segment of Boeing's Integrated Defense Systems business. The actual amount of the charge will be determined over the course of the next few weeks as the recovery plan is better understood and will be disclosed when Boeing issues its second quarter financial results.

This international airborne surveillance program, known as Wedgetail in Australia and Peace Eagle in Turkey, consists of the 737-700 aircraft outfitted with highly complex, integrated command and control and advanced radar systems.

Australia has purchased six AEW&C aircraft and Turkey has purchased four. Delivery of the first two Wedgetail aircraft and that effort's flight test schedule have been delayed up to 18 months because of development and integration issues with certain hardware and software components. Boeing now plans to deliver all six Wedgetail aircraft by the end of 2008 and is developing the Peace Eagle schedule with its Turkish customer.

"We regret the impact that these program delays are having on our customers," said Boeing Chairman, President and Chief Executive Officer Jim McNerney. "However, we are fully committed to a recovery plan that will deliver systems that meet their operational requirements."

IDS has reorganized the AEW&C program, strengthened the management team and put additional oversight in place. The team is working with the customers and suppliers to implement a go-forward plan. That plan will target the talent and resources necessary to develop Wedgetail and Peace Eagle on realistic schedules compatible with the team's ability to deliver reliable, mission-ready systems.

Separately, the tentative agreement with U.S. Justice Department announced on May 15, 2006, resolves all potential civil and criminal claims and includes a monetary penalty. While the agreement is still being finalized, the charge will be recorded in the second quarter.

The company will hold an analyst conference call to discuss these charges today at 9:30 a.m. Central Time.

Boeing will update its 2006 and 2007 financial guidance, including the impact of these charges, at its next scheduled quarterly financial performance announcement on July 26.

Forward-Looking Information is Subject to Risk and Uncertainty

Certain statements in this report may constitute "forward-looking" statements within the meaning of the Private Litigation Reform Act of 1995. Words such as "expects," "intends," "plans," "projects," "believes," "estimates," and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements in this press release include, among others, statements regarding future results as a result of our growth and productivity initiatives, our 2006 and 2007 financial outlook and the benefits of the new IDS structure. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Our actual results and future trends may differ materially depending on a variety of factors, including the continued operation, viability and growth of major airline customers and non-airline customers (such as the U.S. Government); adverse developments in the value of collateral securing customer and other financings; the occurrence of any significant collective bargaining labor dispute; our successful execution of internal performance plans including our company-wide growth and productivity initiatives, production rate increases and decreases (including any reduction in or termination of an aircraft product), acquisition and divestiture plans, and other cost-reduction and productivity efforts; charges from any future SFAS No. 142 review; technical or quality issues in development programs; an adverse development in rating agency credit ratings or assessments; the actual outcomes of certain pending sales campaigns and the launch of the 787 program and U.S. and foreign government procurement activities, including the uncertainty associated with the procurement of tankers by the U.S.

Department of Defense (DoD) and funding of the C-17 program; the cyclical nature of some of our businesses; unanticipated financial market changes which may impact pension plan assumptions; domestic and international competition in the defense, space and commercial areas; continued integration of acquired businesses; performance issues with key suppliers, subcontractors and customers; significant disruption to air travel worldwide (including future terrorist attacks); global trade policies; worldwide political stability; domestic and international economic conditions; price escalation; the outcome of political and legal processes, changing priorities or reductions in the U.S. Government or foreign government defense and space budgets; termination of government or commercial contracts due to unilateral government or customer action or failure to perform; legal, financial and governmental risks related to international transactions; legal and investigatory proceedings; tax settlements with the IRS and various states; U.S. Air Force review of previously awarded contracts; and other economic, political and technological risks and uncertainties. Additional information regarding these factors is contained in our SEC filings, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.

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