

## **Boeing Announces C-17 Line May End in mid-2009; Stops Procurement of Long-lead Parts**

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Due to the lack of U.S. government and new international orders for the C-17 military cargo aircraft, The Boeing Company [NYSE: BA] is stopping procurement of parts for any new C-17s not under contract or firmly committed. This move is the first step in an orderly shut down of the production supply chain, should no further orders be received from the U.S. government or international customers. Without further aircraft orders, significant workforce reductions will begin in early 2008 as the production line heads toward complete shutdown in mid-2009.

"The C-17 remains an operational workhorse around the world in the Global War on Terrorism, and the nation's need for modern, reliable airlift continues to grow dramatically," said Dave Bowman, vice president and C-17 program manager. "We had hoped to keep the production line active and viable to protect this important national asset affordably while the U.S. government completed its decision process on the future of the C-17 program, especially in light of current concerns over the aging C-5A fleet."

Boeing is on contract for 190 U.S. Air Force C-17s, and independent analysis shows a requirement for at least 222 of these aircraft. Based on the 34-month lead time necessary to build a C-17, Boeing needed a commitment now to avoid a break in production. The Department of Defense did not request funding for new C-17s in the Fiscal Year 2008 budget, released in early February. Consequently, maintaining the C-17 supply base and production line at current production rates will require funding for up to 16 C-17s when Congress finalizes the FY2008 budget.

Last year, Boeing accepted significant risk and used company resources to fund the supply base and production line for 22 aircraft until mid-August. Boeing took this risk because of significant international customer interest and the Air Force's designation of additional C-17s as the number one priority on its FY2007 Unfunded Priorities List (UPL). This year, the Department of Defense has not requested funding for new C-17s in the FY2008 defense budget, new international interest is significantly less than it was a year ago and the Air Force has identified only two C-17s on its FY2008 UPL.

"We are disappointed that the UPL did not identify continuation of the C-17 line as a priority, particularly in light of the Air Force's stated interest in retirement of C-5As," said Bowman. "Without DOD or international customer commitments, we're compelled to take this regrettable but necessary action."

Today's notice to suppliers will ultimately affect more than 7,000 Boeing jobs in California, Missouri, Georgia, and Arizona, directly tied to the C-17, and the program's nationwide supplier workforce that totals more than 25,000 people. Nearly 700 companies in 42 states provide parts and services that go into each C-17.

Boeing is assessing the potential financial impact of the U.S. government not ordering additional C-17s. The company may incur costs beyond those that would be recoverable from the government.

Boeing is on contract to design, build, deliver and support the 190 U.S. Air Force C-17s. Additional orders and commitments from the United Kingdom's Royal Air Force, the Royal Australian Air Force, Canada's Department of National Defence, and other international customers, mean C-17 production will continue until mid-2009.

A unit of The Boeing Company, Boeing Integrated Defense Systems is one of the world's largest space and defense businesses specializing in innovative and capabilities-driven customer solutions. Headquartered in St. Louis, Boeing Integrated Defense Systems is a \$32.4 billion business with 72,000 employees worldwide.

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