

Boeing Revises 787 First Flight and Delivery Plans; Adds Schedule Margin to Reduce Risk of Further Delays

First flight moved into fourth-quarter 2008; deliveries to begin third-quarter 2009

Production plan now targets approximately 25 787 deliveries in 2009

Company expresses confidence in plans; will work closely with customers to minimize disruption

No change to 2008 earnings guidance; strong 2009 EPS growth still expected

EVERETT, Wash., April 09, 2008 -- Boeing [NYSE: BA] today announced a revised plan for first flight and initial deliveries of the 787 Dreamliner that includes additional schedule margin to reduce risk of further delays on the program.

While significant progress has been made assembling Airplane #1, first flight is being rescheduled due to slower than expected completion of work that traveled from supplier facilities into Boeing's final assembly line, unanticipated rework, and the addition of margin into the testing schedule. The new delivery schedule is based on a more conservative production plan developed with the 787 partner team. That schedule now targets approximately 25 deliveries in 2009.

First flight of the all-new airplane will move into the fourth quarter of this year rather than the end of the second quarter, and first delivery is now planned for the third quarter of 2009 instead of first quarter.

Company officials expressed confidence in the new plan and the steps being taken to accelerate program performance.

"Over the past few months, we have taken strong actions to confront and overcome start-up issues on the program, and we have made solid progress," said Boeing Commercial Airplanes President and CEO Scott Carson. "Nevertheless, the traveled work situation and some unanticipated rework have prevented us from hitting the milestones we laid out in January. Our revised schedule is built upon an achievable, high-confidence plan for getting us to our power-on and first-flight milestones. Also, while the fundamental technologies and design of the 787 remain sound, we have inserted some additional schedule margin for dealing with other issues we may uncover in testing prior to first flight and in the flight test program."

The company said in January it would be conducting a comprehensive assessment of its supply chain and production system capabilities to determine the details of the 787's flight test program and initial delivery profile. As a result of that assessment, the first-year delivery plan announced today will be followed by a more gradual ramp up to full-rate production than previously planned.

"We deeply regret the disruption and disappointment these changes will cause for our customers, and we will work closely with each of them to minimize the impact," said Carson. "We have taken significant action to improve supply chain and production system performance, such as our investment in Global Aeronautica, but based on our assessment, the prudent course is to proceed with a more gradual ramp up to full-rate production."

Pat Shanahan, 787 vice president and program manager, echoed Carson's comments about the progress being made in 787 factories.

"The work that remains to be done on Airplane #1 is well defined, and we can see our way to -- and have confidence in -- the new milestones we have set for it," said Shanahan. "We have addressed the major challenges that slowed our progress while trying to complete the primary structure -- the parts shortages, engineering changes, and manufacturing changes -- and we are well into the systems installation that is the precursor to putting power on the airplane for the first time. We have also worked closely with our partners to achieve higher levels of completion of their parts of subsequent airplanes, and we will continue to drive improvements in the supply chain and production system performance," he said.

For tracking program progress, Shanahan outlined a series of milestones that will occur before June 30: 787 static and fatigue structural test airplanes will move to their testing locations; Airplanes #3 and #4 will enter final assembly; hardware airworthiness qualifications will be complete; and power on will be achieved.

Shanahan also said the program has changed the timing of the introduction of two 787 derivatives. The 787-9, a larger variant of the airplane, will be the first derivative of the baseline 787 with delivery planned for early 2012. The 787-3, a shorter-range model previously slated to deliver in 2010, will now become the second derivative of the airplane family.

While research and development costs will likely increase as a result of the 787 schedule change, Boeing expects no change to 2008 earnings guidance. The company continues to expect strong earnings per share growth in 2009 and will provide complete 2009 financial guidance when it holds its first-quarter 2008 earnings conference call later this month. The outlook for the company's defense business and in-production commercial airplane programs remains strong.

Boeing will hold a [conference call](#) with Scott Carson and Pat Shanahan to discuss the 787 program today at 11:00 a.m. EDT,

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