

## **Boeing Takes \$4.9 Billion Hit On Earnings Due To 737 Max Grounding**

US plane manufacturer Boeing said that it will record about \$4.9 billion after-tax to account for costs arising from it grounding the 737 Max aircraft in its second-quarter results.

The charge will take into account any potential concessions and considerations to customers for disruptions related to the grounding and new deliveries, the company said in a statement. While the entire amount will be recognized during the second quarter, Boeing said that it expects the concessions to be given over a number of years.

The company's shares rose 2% in the immediate aftermath of the announcement, various media reports indicate.

Boeing's 737 Max jets have been grounded since March 2019 after two fatal crashes within six months traced the fault to a stalling feature in the aircraft. The crashes, which first occurred in Indonesia and later in Ethiopia, killed 346 people, prompting the regulators to ground the aircraft until the errors with its piloting system have been rectified.

Ever since then the plane manufacturer has been working with the authorities on a software upgrade that would help the 737 Max aircraft to take to the skies again. Boeing added that eventually the aircraft's return to operations will be determined by the regulators but for the purpose of accounting it has pegged its return date as the early fourth quarter of 2019.

"We remain focused on safely returning the 737 Max to service," said Boeing Chairman, President and CEO Dennis Muilenburg. "Nothing is more important to us than the safety of the flight crews and passengers who fly on our airplanes. The MAX grounding presents significant headwinds and the financial impact recognized this quarter reflects the current challenges and helps to address future financial risks."

The grounding of 737 Max aircraft - one of Boeing's best-selling models - has also compounded airlines' troubles, forcing them to cut capacity in some of the peak flying seasons or rely on older models to meet demand. Further delays in getting the Max to the skies could balloon up costs for Boeing. The plane manufacturer allowed that costs associated with grounding could eventually increase if the current timeline in getting the jet operational shifts further.

Boeing added that its production of 737 Max has slowed to 42 per month currently, but the company said that it will pick up production to reach 57 per month by 2020.

<https://forbesmiddleeast.com/boeing-takes-49-billion-hit-on-earnings-due-to-737-max-grounding>