

BOEING REPORTS 1996 2ND QUARTER RESULTS

	<u>2nd Quarter</u>		<u>Six Months Ended</u> <u>June 30,</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	(\$ in millions except per share data)			
Sales	\$6,275	\$5,558	\$10,568	\$10,595
Net earnings before special retirement program charge	\$468	\$254	\$587	\$435
Net earnings (loss)	\$468	\$(231)	\$587	\$(50)
Earnings per share before special retirement program charge	\$1.35	\$.74	\$1.70	\$1.27
Net earnings (loss) per share	\$1.35	\$(.68)	\$1.70	\$(.15)
Average shares (millions)	346.0	341.6	345.3	341.4

SEATTLE, July 25, 1996 – Sales of \$6.3 billion and net earnings of \$468 million or \$1.35 per share for the second quarter of 1996 were reported by Phil Condit, Boeing president and chief executive officer. Earnings for the quarter included the settlement of various defense and space segment contract issues resulting in an \$81 million after-tax increase to earnings, and recognition of tax benefits related to prior years' investment tax credits amounting to \$95 million. These nonrecurring items were worth \$.51 per share.

Second quarter 1995 sales were \$5.6 billion, and net earnings were \$254 million or \$.74 per share before the 1995 special retirement program charge.

Sales for the first six months of 1996 were \$10.6 billion, approximately the same as in the first half of 1995. Net earnings for the first six months of 1996 were \$587 million or \$1.70 per share, compared with 1995 first half earnings of \$435 million, or \$1.27 per share, which excludes the one-time special retirement program charge.

Condit noted that airline order activity continues to be encouraging, reflecting continued increased growth in passenger traffic, load factors, yields and profitability being experienced by the airline industry as a whole. The Company recently announced a production rate change on its 737 program which will increase gradually during 1997 from 10 airplanes per month to 17 airplanes per month by the beginning of 1998. Planned production rates will continue to be adjusted to match customer orders.

Program development continues on schedule for the long-range 777-200 and the stretched version 777-300. Certification and first delivery of the long-range 777-200 are scheduled for early 1997. The 777-300 reached the 25% product definition milestone in

June. Similarly, the 737-700, the first of three derivative models, continues on schedule, with first delivery scheduled for October 1997.

The Company is talking with customers about developing a preferred large-airplane family for the next century. Because of a limited market for aircraft larger than the 747-400 and the resources required to develop an all new commercial jet transport, the Company believes the only economically viable option is to expand the 747 family by adding more range and seating capacity. A leadership team has been formed to focus on development of potential derivatives.

Defense & Space Group milestones during the second quarter included settlement of Peace Shield contract issues and the award of the Low-Rate Initial Production (LRIP) V-22 contract to Bell-Boeing, valued at \$1.38 billion including options, by the U.S. Naval Air Systems Command. Under the contract Bell-Boeing will build 16 aircraft, with first deliveries to the U.S. Marine Corps planned for 1999. The Bell-Boeing team has been under an Engineering & Manufacturing Development (EMD) contract since 1994 to build four production-representative aircraft and modify two Full-Scale Development (FSD) aircraft for qualification of the design. Also in the second quarter, one non-commercial 767 was delivered, the third of four that will be modified as 767 AWACS for the Government of Japan.

The Company's strong financial position, Condit said, will enable the Company to continue to invest in new product development and productivity improvements that provide favorable long-term financial returns. He added that the Company is well positioned strategically and financially to pursue increased shareholder value over the long term. Consistent with this fundamental goal, the Company recently announced it has established a \$1 billion stock investment trust for an incentive program that allows employees to share in the results of their efforts to increase shareholder value over the long term. The trust, called the Boeing ShareValue Trust, will hold only Boeing common stock.

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OPERATING AND FINANCIAL DATA

Commercial Aircraft Deliveries

	<u>2nd Quarter</u>		<u>Six Months</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
737	23	26	38	55
747	8	8	11	16
757	12	13	19	27

767	12	8	19	16
<u>777</u>	<u>7</u>	<u>5</u>	<u>15</u>	<u>5</u>
Total	<u>62</u>	<u>60</u>	<u>102</u>	<u>119</u>

Second quarter commercial aircraft sales included the sale of certain aircraft previously on operating lease. Approximately 50 commercial aircraft deliveries are planned for the third quarter and 215 are projected for the year. Total sales for 1996 are projected to be in the \$22 billion range, compared with \$19.5 billion in 1995.

Six Months Ended

	<u>June 30,</u>	
	<u>1996</u>	<u>1995</u>
	(\$ in millions)	
Revenues:		
Commercial aircraft	\$7,738	\$7,781
Defense and space	\$2,830	\$2,814
Income associated with notes receivable and sales-type leases included in commercial aircraft revenues	\$26	\$94
Research & development expense	\$597	\$735
Operating earnings before special retirement program charge	\$638	\$539
Special retirement program pretax charge		\$600
Interest and debt expense	\$75	\$79
Corporate investment income	\$128	\$87
Pretax earnings before special retirement program charge	\$691	\$547
Pretax earnings (loss) after special retirement program charge	\$691	\$(53)
Effective income tax rate	15.0%	6.0%

The overall operating earnings margin, exclusive of research and development expense and settlement of contract issues, was 10.6% for the first half of 1996, compared with 12.0% for the same period in 1995, excluding the impact of the special retirement program. The lower margin was primarily attributed to a model mix of commercial aircraft deliveries that included 15 777s in the first six months of 1996, compared with 5

777s in the first half of 1995. With regard to the 777 program, new commercial jet transport programs normally have lower operating profit margins due to initial tooling amortization and improvement trends typically experienced on new large-scale production programs. Operating profit margins on established commercial aircraft programs do not differ significantly among the individual programs.

Based on current programs and schedules, research and development expense for the full year 1996 is projected to be in the \$1.2 billion range, compared with \$1.3 billion in 1995.

Corporate investment income was \$41 million higher in the first half of 1996 than in the same period in 1995 due primarily to a substantially greater cash and short-term investment balance.

The effective income tax rate of 15.0% for the first six months of 1996 reflects the recognition of a one-time tax benefit of \$95 million related to prior years' investment tax credits. Without the investment tax credit benefit, the effective income tax rate would have been 28.8% for the first half of 1996, which is expected to be representative for the balance of 1996. The 6% effective income tax rate for 1995 was the result of the \$600 million pretax charge to earnings for the special retirement program and the recognition of the research and experimentation tax credit that expired in 1995.

	<u>June 30,</u> <u>1996</u>	<u>March 31,</u> <u>1996</u>	<u>Dec. 31,</u> <u>1995</u>
	(\$ in billions)		
Cash & short-term investments	\$5.6	\$4.5	\$3.7
Customer financing	\$1.2	\$1.2	\$1.9
Borrowing	\$2.4	\$2.4	\$2.6
Inventories:			
Gross	\$14.2	\$14.8	\$14.0
Net	\$6.3	\$7.2	\$6.9
Contractual backlog:			
Commercial aircraft	\$76.3	\$74.6	\$66.5
Defense and space	<u>5.2</u>	<u>5.6</u>	<u>5.8</u>
	<u>\$81.5</u>	<u>\$80.2</u>	<u>\$72.3</u>

Not included in contractual backlog are purchase options and announced orders for which definitive contracts have not been executed. U.S. Government and foreign military backlog is limited to amounts obligated to contracts. Unobligated amounts under U.S. Government contracts not included in backlog at June 30, 1996, total \$6.5 billion, compared with \$7.5 billion at March 31, 1996, and \$7.6 billion at December 31, 1995.

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