

BOEING REPORTS 1996 3RD QUARTER RESULTS

	3rd Quarter		Nine Months Ended September 30		
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>	
	(\$ in millions except per share data)				
Sales	\$5,601	\$4,381	\$16,169	\$14,976	
Net earnings	\$254	\$225	\$841	\$175	*
Earnings per share	\$.74	\$.66	\$2.44	\$.51	*
Average shares (millions)	343.5	342.5	344.6	341.8	

* Includes impact of \$600 million pretax special retirement program charge in the second quarter of 1995.

Excluding ShareValue Trust Accounting:

Net earnings	\$257	\$844
Earnings per share	\$.74	\$2.44
Average shares (millions) including shares held in ShareValue Trust	348.0	346.4

SEATTLE October 24, 1996 - Sales of \$5.6 billion and net earnings of \$254 million or \$.74 per share for the third quarter of 1996 were reported by Phil Condit, Boeing president and chief executive officer. The stated earnings results are after recognition of a pretax \$4 million accrual for potentially distributable appreciation from the ShareValue Trust for the benefit of employees. Comparable figures for 1995 were sales of \$4.4 billion and net earnings of \$225 million or \$.66 per share.

The higher net earnings in the third quarter compared with the same period last year were principally due to increased sales volume and higher interest income, partially offset by higher research and development expense principally associated with the 737 derivatives (737-600, 700, 800) and a higher effective income tax rate.

Sales for the nine months ended September 30, 1996, were \$16.2 billion, with net earnings of \$841 million or \$2.44 per share. Comparable figures for 1995 were sales of \$15.0 billion and net earnings of \$624 million, or \$1.83 per share, exclusive of the special retirement charge. Net earnings for the first nine months of 1995, including a one-time special retirement pretax charge of \$600 million, were \$175 million, or \$.51 per share.

The higher net earnings for the nine-month period were principally attributable to the settlement of various defense and space segment contract issues (resulting in an \$81

million after-tax increase to earnings), recognition of tax benefits related to prior years' investment tax credits amounting to \$95 million, reduced research and development expense, and increased interest income, partially offset by a higher effective income tax rate.

Condit noted that airline announced order activity continues to be encouraging, with 435 airplanes ordered in the first nine months of 1996, reflecting continued increased growth in passenger traffic, load factors, and profitability by the airline industry as a whole. The Company recently announced production rate changes on the 737 and 777 programs, both currently planned to increase by the third quarter of 1997 to 17 airplanes per month and 7 per month, respectively. The total commercial aircraft monthly production rate is currently planned to increase from the present rate of 22.5 airplanes per month to 36 airplanes per month by the third quarter of 1997. Planned production rates will continue to be adjusted to match customer orders.

On August 1, Boeing and Rockwell International Corporation announced the signing of an agreement under which Boeing will acquire most of Rockwell's aerospace and defense business units. Boeing will issue approximately \$860 million of its common stock, assume \$2.165 billion of Rockwell debt and assume certain retiree obligations of Rockwell. The transaction is subject to approval by Rockwell's shareholders, consent from its debt holders, certain regulatory approvals and customer approvals, and other provisions generally required in similar transactions. The transaction is likely to be completed by the end of the year. The acquisition is expected to strengthen the strategic position of the Boeing defense and space segment, particularly with respect to space systems and information / battle management systems. The Rockwell aerospace and defense units had fiscal 1995 annual sales of \$2.7 billion, excluding sales to Boeing, and employ approximately 21,000 people.

In the Boeing defense and space segment, other important developments during the third quarter included the United Kingdom's Ministry of Defence selection of British Aerospace (BAe) as the prime contractor for the \$3.2 billion Nimrod 2000 Replacement Maritime Patrol Aircraft program. Boeing is a major subcontractor in BAe's program, serving as the mission avionics integration contractor, with work valued at \$650 million. In addition, the United States Air Force announced that the Company was awarded a \$365 million contract for four 757-200 aircraft as VIP transports, supporting key executive branch and congressional personnel.

Condit commented that the \$1 billion Boeing ShareValue Trust established July 1, 1996, which allows employees to share in the results of their efforts to increase shareholder value over the long term, represents an important step in the Company's pursuit of business excellence. The ShareValue Trust will hold Boeing stock, and increases in the trust value due to dividends and higher stock prices above an annual 3% threshold will be periodically distributed to employees in the form of Boeing stock. Distributions are possible every two years, with the trust funds divided into two equal amounts of \$500 million with overlapping investment periods. Because all potential distributions to participants will be defined by and limited to appreciation of shares held by the ShareValue Trust, the program is fully self-sufficient and does not present any future uncertainty, risk or obligations that would affect the Company's future cash flows. Generally accepted accounting principles require accrual of potential distributions based on current stock prices, and all shares held by the Trust are treated as if they were not outstanding for earnings per share purposes. As of September 30, the increased value

of the \$500 million fund for Period 1 exceeded the threshold value by \$4 million, although potential distributions would not occur until June 30, 1998.

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OPERATING AND FINANCIAL DATA

Commercial Jet Transport Deliveries

	<u>3rd Quarter</u>		<u>Nine Months</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
737	15	25	53	80
747	5	4	16	20
757	15	12	34	39
767	10	8	29	24
777	<u>9</u>	<u>2</u>	<u>24</u>	<u>7</u>
Total	<u>54</u>	<u>51</u>	<u>156</u>	<u>170</u>

Sales for the nine months ended September 30, 1996, included the sale of certain aircraft previously on operating lease. The Company continues to project total 1996 deliveries of approximately 215 airplanes. Total sales for 1996 are projected to be in the \$22 billion range, compared with \$19.5 billion in 1995.

Nine Months Ended
September 30,
1996 1995

(\$ in millions)

Revenues:

Commercial aircraft	\$12,022	\$10,828
Defense and space	4,147	4,148
Research & development expense	890	994
Operating earnings before 1995 special retirement program charge of \$600 million	932	762

ShareValue Trust appreciation accrual	4	
Interest and debt expense	108	118
Corporate investment income	205	147
Effective income tax rate	18.0%	8.4%

The overall operating earnings margin, exclusive of research and development expense and settlement of contract issues, was 10.6% for the first nine months of 1996, compared with 11.7% 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 that included 31 fewer deliveries of established production models, and 17 more 777s in the first nine months of 1996 compared with the first nine months 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.

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 \$58 million higher in the first nine months of 1996 than in the same period in 1995 due primarily to higher cash and short-term investment balances.

The effective income tax rate of 18.0% for the first nine 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 27.2%, 1.6% lower than previously estimated for the full year of 1996 due to the reinstatement of the research and experimentation tax credit effective July 1, 1996, and an increased foreign sales corporation tax benefit. The 8.4% 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 significant research and experimentation tax credits in 1995.

	<u>Sept. 30,</u> <u>1996</u>	<u>June 30,</u> <u>1996</u>	<u>Dec. 31,</u> <u>1995</u>
	(\$ in billions)		
Cash & short-term investments	\$5.6	\$5.6	\$3.7
Customer financing	.9	1.2	1.9
Borrowings	2.4	2.4	2.6
Inventories:			
Gross	15.2	14.2	14.0

Net	6.2	6.3	6.9
Contractual backlog:			
Commercial aircraft	\$79.1	\$76.3	\$66.5
Defense and space	<u>5.2</u>	<u>5.2</u>	<u>5.8</u>
	<u>\$84.3</u>	<u>\$81.5</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 September 30, 1996, total \$6.5 billion, compared with \$6.5 billion at June 30, 1996, and \$7.6 billion at December 31, 1995.

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