

## BOEING REPORTS 1996 4TH QUARTER AND FULL YEAR RESULTS

	4th Quarter		Year Ended December 31		
	1996	1995	1996	1995	
(\$ in millions except per share data)					
Sales	\$6,512	\$4,539	\$22,681	\$19,515	
Net earnings:					
With SVT charge	\$254	\$218	\$1,095	\$393	*
SVT after-tax charge	\$84		\$87		
Without SVT charge	\$338	\$218	\$1,182	\$393	*
Earnings per share:					
With SVT charge	\$.75	\$.63	\$3.19	\$1.15	*
Without SVT charge	\$.96	\$.63	\$3.40	\$1.15	*
Average shares (millions):					
With SVT accounting	340.5	343.4	343.7	342.2	
Without SVT accounting	351.7	343.4	347.8	342.2	

SVT = ShareValue Trust

\* Including impact of \$600 million pretax (\$390 million after tax) special retirement program charge in the second quarter of 1995.

SEATTLE January 23, 1997 - Sales of \$6.5 billion with net earnings of \$254 million or \$.75 per share for the fourth quarter of 1996, were reported by Phil Condit, Boeing president and chief executive officer. Results for the quarter included sales and earnings from the acquired Rockwell aerospace and defense units for the period subsequent to the acquisition on December 6. The stated earnings results are after recognition of an after-tax \$84 million charge for potentially distributable appreciation from the ShareValue Trust for the benefit of employees. Net earnings for the quarter, excluding the ShareValue Trust charge, were \$338 million or \$.96 per share. In the fourth quarter of 1995, sales were \$4.5 billion and net earnings were \$218 million or \$.63 per share. Sales and net earnings for the fourth quarter of 1995 included the impact of a 10-week labor strike.

The higher net earnings in the fourth quarter, excluding the ShareValue Trust charge, compared with the same period last year were principally due to higher sales volume partially offset by a significantly higher effective income tax rate.

Sales for the year ended December 31, 1996, were \$22.7 billion, with net earnings of \$1,095 million or \$3.19 per share. Excluding the ShareValue Trust charge, net earnings were \$1,182 million or \$3.40 per share. Comparable figures for 1995 were sales of \$19.5 billion and net earnings of \$783 million or \$2.29 per share exclusive of a special retirement charge which reduced net earnings to \$393 million or \$1.15 per share.

The higher net earnings for the full year 1996, compared with 1995, excluding the special retirement program charge, were primarily attributable to higher sales volume, settlement of various defense and space segment contract issues, recognition of tax benefits related to prior year's investment tax credits, reduced research and development expense, and increased interest income. These factors were partially offset by a higher effective income tax rate.

The Company is providing net earnings information excluding the ShareValue Trust charge because the accounting for the ShareValue Trust results in only the potential distribution charge being reflected in earnings and not the appreciation gains in the Trust that determine the amount of distribution. The ShareValue Trust is a 12-year irrevocable trust holding Boeing common stock for appreciation distributions to employees. The Trust is solely responsible for making any potential distributions, and no assets of the Company will be required for these future distributions.

Condit noted that the Company concluded the year with 717 new announced commercial airplane orders worth approximately \$53 billion. The Company recently announced plans to return 737 production to the previous all-time high of 21 airplanes per month in the fourth quarter of 1997.

Product development continues on schedule for the 737 derivatives (737-600, -700, -800) with first flight of the 737-700 scheduled for February 1997. Certification and first deliveries are planned for the fourth quarter of 1997. With the Company's recently announced decision to defer development of larger versions of the 747, it will focus new near-term product development efforts on enhanced versions of the 767 and 777 airplanes. The Company has begun offering for sale, with first delivery available in the year 2000, a new version of the 767. The proposed extended range 767-400ERX features a stretched fuselage accommodating 245 passengers compared with 218 in the -300 version in a three-class configuration. In addition to the 777-300, a stretched derivative of the 777 scheduled to deliver in 1998, other new 777 derivatives which are under consideration include both larger and longer range versions.

On December 6, the Company closed the transaction to acquire Rockwell's aerospace and defense units valued at approximately \$3.1 billion, following approval by Rockwell shareholders. The Rockwell units have been renamed Boeing North American, Inc. The acquisition broadens the scope of the business segment, resulting in combined expertise in space transportation, launch systems, rocket engines, power systems, satellites, missiles and missile defense, helicopters, military airplanes, guidance and navigation systems, electronics and communications systems. Subsequent to the closing, the Company retired \$545 million of short-term debt assumed in the transaction.

For several years the Company had discussed possible strategic combinations with McDonnell Douglas, and following the Rockwell acquisition, negotiations were reopened culminating in the joint announcement on December 15 of a stock-for-stock merger. Pending government and shareholder approvals, McDonnell Douglas shareholders will receive 0.65 shares of Boeing common stock for each share of McDonnell Douglas common stock. The proposed transaction will bring together a broad-based aerospace

company with excellent capabilities in commercial aircraft, military aircraft, and defense and space systems. The merged companies will offer a good balance in the defense business of current aircraft production programs and those scheduled for production in the years ahead, in addition to manned space programs and space transportation programs. The combined company will have about 200,000 employees and combined revenue in 1997 will be in the \$48 billion range. The merger is anticipated to be completed in the summer of 1997.

There were several other major developments during the fourth quarter in the Company's defense and space segment. The U.S. Government announced in November that Boeing was awarded a contract to proceed with the concept demonstration phase of the Joint Strike Fighter (JSF) program in competition with Lockheed Martin. The Boeing JSF award is valued at \$660 million, and encompasses the four-year Concept Demonstration Program (CDP) in which Boeing will define the technologies, processes and characteristics of its plan to produce the JSF. Boeing will build and flight test two JSF prototypes. The JSF is an affordable, multi-service aircraft that will enter service in the next century. In addition, the U.S. Air Force awarded the \$1.1 billion Airborne Laser (ABL) Program Definition and Risk Reduction (PDRR) contract to a team led by Boeing. The PDRR phase of the ABL program includes the detailed design, integration, testing and delivery of two prototype systems in which a high power laser and optical steering system are installed in a 747-400 freighter. Also in November, Boeing and Bell Helicopter Textron, Inc., announced that they plan to continue their tiltrotor association by forming a joint venture to design, develop, certify, market and sell a six-to-nine passenger Civil Tiltrotor, designated the Bell Boeing 609. The new tiltrotor aircraft is being offered for delivery in 2001.

Condit further noted that the many new business accomplishments and events of 1996 bring significant challenges in 1997 for the Company's management, employees and key suppliers. The necessary actions are being taken to mitigate the many cost and performance risks associated with this period of unprecedented growth and opportunity for the Company.

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**Forward-Looking Information Is Subject To Risk And Uncertainty**

Certain statements in this press release contain “forward-looking” information (as defined in the Private Securities Litigation Reform Act of 1995) that involves risk and uncertainty, including projections for 1997 deliveries and sales, research and development expenditures, and various business environment and trends projections. Actual future results and trends may differ materially depending on a variety of factors, including the Company’s successful execution of internal performance plans; product performance risks associated with regulatory certifications of the Company’s commercial aircraft by the U.S. Government and foreign governments; other regulatory uncertainties; collective bargaining labor disputes, performance issues with key suppliers and subcontractors; governmental export and import policies; factors that result in significant and prolonged disruption to air travel worldwide; global trade policies; worldwide political stability and economic growth; changing priorities or reductions in the U.S. Government defense and space budget; termination of government contracts due to unilateral government action or failure to perform; and legal proceedings.

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## OPERATING AND FINANCIAL DATA

### Commercial Aircraft Deliveries

	<u>4th Quarter</u>		<u>Year</u>	
	<u>1996</u>	<u>1995 *</u>	<u>1996</u>	<u>1995 *</u>
737	23	9	76	89
747	10	5	26	25
757	8	4	42	43
767	13	12	42	36
777	<u>8</u>	<u>6</u>	<u>32</u>	<u>13</u>
Total	<u>62</u>	<u>36</u>	<u>218</u>	<u>206</u>

\* Affected by 10-week labor strike

Based on current programs and including Boeing North American but excluding the proposed merger of McDonnell Douglas, total sales in 1997 are projected to be in the \$33 billion range. Commercial aircraft deliveries for 1997 are currently projected to be in the range of 340 aircraft, including 60 777s. Total first quarter 1997 deliveries will be lower than subsequent quarters. The total monthly production rate is scheduled to increase from 22.5 per month in the first quarter to 40 per month in the fourth quarter, with the largest changes occurring in the 737 and 777 models. Scheduled monthly production rates at the end of 1997 will be as follows: 737 - 21; 747 - 4; 757 - 4; 767 - 4; 777 - 7. Planned production rates will continue to be adjusted to match customer requirements.

Year Ended December 31,  
1996                      1995

(\$ in millions)

Revenue:

Commercial aircraft	\$16,904	\$13,933
Defense and space	<u>5,777</u>	<u>5,582</u>
Total revenue	<u>\$22,681</u>	<u>\$19,515</u>

Operating profit by segment:

Commercial aircraft	\$1,072	\$743
Defense and space	<u>457</u>	<u>367</u>
Operating profit	\$1,529	\$1,110

Special retirement expense		600
Corporate investment income	287	209
Debt and other corporate expense	320	359
ShareValue Trust appreciation charge	<u>133</u>	<u>    </u>
Pretax earnings	<u>\$1,363</u>	<u>\$360</u>
Net earnings	<u>\$1,095</u>	<u>\$393</u>
Effective income tax rate	19.7%	(9.2%)
Net earnings excluding ShareValue Trust appreciation charge	<u>\$1,182</u>	<u>\$393</u>

Research and development:

Commercial aircraft	\$1,092	\$1,181
Defense and space	<u>108</u>	<u>86</u>
Total research and development expense	\$1,200	\$1,267

The overall commercial operating profit margin, exclusive of research and development expense, was 12.8% for the twelve months of 1996 compared with 13.8% for the same period in 1995, excluding the impact of the special retirement program. The lower overall commercial operating profit margin was primarily attributable to a model mix that included 19 more 777s in 1996 than in 1995. New commercial jet transport programs normally have lower operating profit margins due to initial tooling amortization and higher unit production costs in the early years of a program averaged over the initial production quantity (400 aircraft for the 777). Increased 777 deliveries and the initial

deliveries of the 737-700 will constitute a larger proportion of commercial aircraft sales in 1997 than in 1996.

The overall defense and space segment operating earnings margin, exclusive of contract settlements, was 5.9% in 1996 compared with 6.6% in 1995. The 1996 defense and space segment results included joint venture losses primarily associated with early development and administrative costs on Sea Launch and the Civil Tiltrotor programs, and increased research and development expenditures associated with military and commercial new business opportunities.

Research and development expense in 1997 will be influenced by the timing of commercial aircraft widebody derivative programs. Increases are planned in commercial space and communication activities in the Defense & Space Group. Based on current programs and plans, research and development expense is expected to be comparable with the 1995 and 1996 levels (before planned consolidation with McDonnell Douglas).

Corporate investment income was \$78 million higher in 1996 than in 1995 due primarily to higher cash and short-term investment balances.

The effective federal income tax rate of 19.7% for 1996 included the recognition of a one-time tax benefit of \$95 million related to prior years' investment tax credits. Without the investment tax credit benefit and prior year tax adjustments, the effective income tax rate would have been 28.8%. The non-deductibility of goodwill amortization associated with Boeing North American will result in a somewhat higher effective tax rate for 1997.

	<u>Dec. 31,</u> <u>1996 *</u>	<u>Sept. 30,</u> <u>1996</u>	<u>Dec. 31,</u> <u>1995</u>
	(\$ in billions)		
Cash and short-term investments	\$5.3	\$5.6	\$3.7
Borrowings	4.0	2.4	2.6
Customer financing	.8	.9	1.9
Inventories:			
Gross	16.5	15.2	14.0
Net	6.9	6.2	6.9
Goodwill	2.5		
Contractual backlog:			
Commercial aircraft	\$79.2	\$79.1	\$66.5
Defense and space	<u>8.5</u>	<u>5.2</u>	<u>5.8</u>
Total	<u>\$87.7</u>	<u>\$84.3</u>	<u>\$72.3</u>

\* Balances as of December 31, 1996, include the Rockwell aerospace and defense business units acquired as of December 6, 1996.

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 not included in backlog at December 31, 1996, totaled \$9.0 billion, compared with \$6.5 billion at September 30, 1996, and \$7.6 billion at December 31, 1995.

## BOEING SHAREVALUE TRUST

In July 1996 the Company funded a self-sufficient, irrevocable 12-year trust, "ShareValue Trust," designed to allow all employees to share in the results of increasing shareholder value over the long term. The Trust has acquired 13,059,851 shares of the Company's common stock, equivalent to \$1.154 billion of market value based upon a stock price of \$88 3/8, which was the average price per share on June 28, 1996. Shares of common stock held by the Trust are legally outstanding and entitled to receive dividends. Dividends received by the Trust are reinvested in additional shares of common stock. As of December 31, 1996, the Company had contributed approximately 6.0 million shares with the balance of the 13.1 million shares purchased by the trustee on the open market using cash contributed by the Company.

Two investment periods began on July 1, 1996. One period has a duration of two years and the other has a duration of four years. Each period was allocated a fund of one-half of the total shares. Distributions from the ShareValue Trust to employees in the form of common stock will be made to the extent the market value of that ShareValue Trust fund has increased above a pre-defined threshold amount of 3% per annum at the end of each investment period. The ShareValue Trust bears its own nominal administrative costs paid out of the Trust assets. After the initial two-year period, investment periods will be overlapping and four years in length, with potential distributions every two years. The Trust fund market value after distribution will be the basis for determining the distributable market value appreciation over the threshold for each succeeding investment period. As of December 31, the increased value of the funds exceeded the threshold by \$133 million.

Although the obligation to make these distributions is solely that of the Trust and no assets of the Company will be required in the future to satisfy the Trust distributions, the change in Trust appreciation above the threshold amounts for the respective investment periods is charged or credited to earnings based on the Trust valuation as of the end of the reporting period. ShareValue Trust charges and credits reflected in earnings will not impact the Company's current or future cash flow.

The shares held by the ShareValue Trust, recorded in the contra equity account "ShareValue Trust," are legally outstanding for registration purposes and dividend payments, but are required to be accounted for as the equivalent of treasury stock for earnings per share purposes (i.e., the outstanding shares held by the Trust are not treated as outstanding for calculating earnings per share). The ShareValue Trust account balance is adjusted to market value of the shares held, with an offsetting adjustment to Additional Paid-In Capital.

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