

BOEING REPORTS 1997 1ST QUARTER RESULTS

	Three Months Ended	
	March 31	
	<u>1997</u>	<u>1996</u>
	(\$ in millions except per share data)	
Sales	\$7,318	\$4,293
Net earnings:		
With SVT accounting	\$377	\$119
SVT after-tax credit	\$64	
Without SVT accounting	\$313	\$119
Earnings per share:		
With SVT accounting	\$1.09	\$.35
Without SVT accounting	\$.87	\$.35
Average shares (millions):		
With SVT accounting	347.4	344.8
Without SVT accounting	360.5	344.8

SVT = ShareValue Trust

SEATTLE, April 28, 1997 -- Sales of \$7.3 billion and net earnings of \$377 million or \$1.09 per share for the first quarter of 1997 were reported by Phil Condit, Boeing Chairman and Chief Executive Officer. The stated net earnings include a \$64 million cumulative adjustment to partially offset income charges in prior periods associated with the market value change of the Company stock held by the ShareValue Trust. Net earnings for the quarter, excluding the ShareValue Trust accounting impact, were \$313 million or \$.87 per share. Comparable figures for the first quarter of 1996 were sales of \$4.3 billion and net earnings of \$119 million or \$.35 per share.

The higher sales and net earnings for the first quarter of 1997, excluding the ShareValue Trust accounting impact, were primarily attributable to more commercial aircraft deliveries and the first full quarter of operating earnings associated with the defense and space units acquired from Rockwell International Corporation. Partially offsetting the income increase were higher research and development expense for the commercial aircraft and defense and space segments, increased interest expense from the Rockwell defense and space acquisition, development expenses from the Sea Launch commercial space joint venture and the Bell Boeing 609 commercial tiltrotor joint venture, and a higher effective income tax rate. A total of 68 commercial jet transports were delivered, compared with 40 in the first quarter of 1996 when deliveries were limited by the recovery in production rates following the 10-week strike in the fourth quarter of 1995.

Condit stated that the rapid increase in employment and parts requirements associated with increased commercial aircraft production rates has resulted in a near-term decline in productivity at company facilities and at some supplier locations. Overtime work in engineering and production areas has been at high levels. It is expected that this condition will continue for the next several months. In the longer term, progress continues to be made in developing and implementing design and production systems to improve efficiency and reduce cycle times.

The Company projects healthy commercial aircraft demand over the next 20 years, with the world's airlines taking delivery of \$1.1 trillion in new jets to meet the needs of continued strong air travel growth and the replacement of older aircraft. The airline industry is in an up cycle, with robust traffic growth, increasing load factors and record profits. As a result, aircraft deliveries should rise sharply during the next two or three years.

Condit further noted that competition for new orders remains intense. Total market for new orders for high value aircraft of 100 seats or more for growth and replacement markets is expected to average approximately 700-800 units annually over the next decade. While airline profitability has improved markedly in the last two years, airline fares continue to trend downward, and capital expenditures and operational cost management are critical to airlines maintaining adequate profit margins. The economic decision to purchase new aircraft must offer long-term cash flow benefits and be balanced against alternatives such as available used aircraft and the refurbishment of existing aircraft.

In the first quarter, the longer-range 777-200 was certified, and initial deliveries commenced. Final assembly began on the 777-300, a stretched derivative of the 777, with first delivery scheduled in 1998. The Company is also studying longer-range 777 versions. Delta Air Lines announced that it intends to place a long-term order that includes the new derivative 767-400ERX, to deliver in the year 2000. Product development continues on schedule for the 737 derivatives (737-600,-700,-800), with the successful first flight of the 737-700 taking place in February. Certification and first delivery are planned for the fourth quarter of 1997.

The proposed merger of Boeing and McDonnell Douglas remains in the regulatory approval process. Initial filings have been made by both companies with the U.S. Federal Trade Commission and the European Commission. The commissions are each conducting in-depth investigations and have requested supplementary information. The merger is subject to approval by shareholders of both companies and is anticipated to be complete in the third quarter of 1997.

During the first quarter, the Company's defense and space segment successfully completed flight testing on the first of four 767 Airborne Warning and Control System (AWACS) aircraft for the government of Japan. Delivery of the first two completed AWACS aircraft is scheduled for March 1998, with the remaining two aircraft scheduled for delivery in 1999. The segment also completed first flight of the first of four Engineering and Manufacturing Development (EMD) Bell Boeing V-22s, marking the beginning of that flight test program. The Bell Boeing team is also working on a \$1.4 billion Low-Rate Initial Production (LRIP) contract awarded in June 1996 by the U.S.

Naval Air Systems Command. Boeing has definitized a \$1.4 billion subcontract with the United Space Alliance to provide Space Shuttle modifications and engineering support for integration and operations activities. Headquartered in Houston, Texas, the United Space Alliance is a Boeing and Lockheed Martin joint venture in which the partners share equally. Rockwell International was initially in the venture with Lockheed Martin.

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OPERATING AND FINANCIAL DATA

Commercial Jet Transport Deliveries

	<u>First Quarter</u>	
	<u>1997</u>	<u>1996</u>
737	25	15
747	10	3
757	12	7
767	11	7
777	<u>10</u>	<u>8</u>
Total	<u>68</u>	<u>40</u>

Approximately 90 commercial aircraft deliveries are planned for the second quarter and 340 are currently projected for the year, including 60 777s. Total sales for 1997 are currently projected to be in the \$33 billion range, compared with \$22.7 billion in 1996.

	<u>Three Months Ended</u> <u>March 31</u>	
	<u>1997</u>	<u>1996</u>
	(\$ in millions)	
Revenues:		
Commercial aircraft	\$5,336	\$3,016
Defense and space	1,982	1,277
Research & development expense	343	293
Goodwill amortization	21	
Operating earnings	441	154
ShareValue Trust pretax accounting impact	98	
Interest and debt expense	61	41
Corporate investment income	74	57

Pretax earnings	552	170
Net earnings	\$377	\$119
Effective income tax rate	31.7%	30.0%
Net earnings without ShareValue Trust accounting	\$313	\$119

The overall operating earnings margin, exclusive of research and development expense and joint venture development costs expensed as incurred (\$17 million in 1997, compared with \$1 million in 1996), was 10.9% for the first quarter of 1997, compared with 10.4% for the first quarter of 1996. Margins for the balance of 1997 are expected to be somewhat lower due to the increasing number of 777 deliveries and the initial deliveries of the 737-700 in the fourth quarter. New commercial jet aircraft 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).

Research and development expense totaled \$343 million for the quarter, compared with \$293 million for the same period of 1996. Significant items in the first quarter of 1997 included final testing and certification of the longer-range 777-200, initial design on a stretched version of the 757 and continued effort on the 737 derivatives (737-600,-700,-800). A decision was made in the first quarter to defer further effort on larger versions of the 747 and to emphasize 767 and 777 development. Research and development expense is expected to decline in subsequent quarters, and for the full year 1997 is currently projected to be comparable with 1995 and 1996 levels.

The higher effective income tax rate for the first quarter of 1997, compared with the first quarter of 1996, was primarily due to the non-deductibility of goodwill amortization associated with the acquisition of the Rockwell aerospace and defense business. The effective tax rate for the first quarter of 1997 reflects the current estimated annualized rate for 1997.

The required accounting for the ShareValue Trust results in only the change in the distributable appreciation being reflected in earnings, and not the change in the actual market value of the ShareValue Trust stock holdings that defines the distributable amount. The ShareValue Trust is a 12-year irrevocable trust that holds Boeing common stock for appreciation distribution 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. Shares of the Trust are legally outstanding but are not considered outstanding for ShareValue Trust accounting purposes. Earnings per share excluding the ShareValue Trust accounting impact include the shares held by the Trust.

Financial Position

	<u>March 31,</u> <u>1997</u>	<u>Dec. 31,</u> <u>1996</u>
	(\$ in billions)	
Cash & short-term investments	\$5.5	\$5.3
Borrowings	4.0	4.0
Customer financing	.8	.8
Inventories:		
Gross	17.9	16.5
Net	7.3	6.9
Contractual backlog:		
Commercial aircraft	\$79.8	\$79.2
Defense and space	<u>9.4</u>	<u>8.5</u>
	<u>\$89.2</u>	<u>\$87.7</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 March 31, 1997, total \$9.2 billion, compared with \$9.0 billion at December 31, 1996.

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