

## BOEING REPORTS 1998 1ST QUARTER RESULTS

	Three months ended March 31	
	1998	1997
<u>(Dollars in millions except per share data)</u>		
Sales and other operating revenues	\$12,941	\$10,359
Net earnings	\$50	\$540
Earnings per share *	\$.05	\$.55
Average shares (millions) *	985.1	983.3

\* Diluted

SEATTLE, April 22, 1998 -- Sales of \$12.9 billion and net earnings of \$50 million or \$.05 per share for the first quarter of 1998 were reported by Phil Condit, Boeing chairman and chief executive officer. The first quarter net earnings included a \$219 million (after-tax) forward loss on the Next-Generation 737 program. Comparable figures for the same period of 1997 were sales of \$10.4 billion and net earnings of \$540 million, or \$.55 per share. Excluding a credit associated with the company's ShareValue Trust, 1997 first quarter earnings were \$476 million.

### Commercial Aircraft Programs

The higher sales for the first quarter of 1998 were principally due to the increased level of commercial aircraft deliveries. A total of 108 commercial jet aircraft were delivered, compared with 77 in the first quarter of 1997. Although commercial aircraft deliveries and sales were higher, the overall profit margin for the commercial aircraft segment was significantly impacted by the model mix of deliveries, production inefficiencies associated with the rapid increase in the commercial aircraft production rates, continued pricing pressures and lower price-escalation trends. With regard to model mix, most of the sales increase was attributable to the new 777 and Next-Generation 737 programs. New commercial aircraft programs have lower operating profit margins due to higher unit production costs in the early years of a program. Additionally, because of the production inefficiencies currently being experienced, the Next-Generation 737 program is in a loss position for the initial program quantity of 400 units. A forward loss of \$437 million after-tax was recognized in 1997 for the Next-Generation 737 program.

Condit noted that several factors contributed to the additional loss recognized for the Next-Generation 737 program in 1998. Changes to the aircraft resulting from flight test and certification requirements in the first quarter caused the retrofit activity to be more extensive than originally anticipated. The incorporation of these changes in all Next-Generation 737 production aircraft requires more resources and overtime as the Next-Generation 737 production rate increases. In addition, changes in the projected mix of the models offered, coupled with a lower price-escalation trend, reduced revenue estimates for the first 400 units.

Performance to the production recovery plan for the Next-Generation 737 program during upcoming rate increases will determine whether further charges are necessary. The production rate is increasing in the second quarter of 1998 from seven aircraft per month to 14 per month and will increase to 21 per month late in 1998. Cost and schedule performance on other commercial aircraft models continues to be close to recovery plans, although the lower price-escalation trend also affects the company's forecast of revenues for all commercial aircraft programs.

The company continues to closely monitor the economic situation in Asia, which has the potential to impact future deliveries, particularly widebody models. Production will continue to be adjusted to reflect customer requirements and the company's capabilities.

Commercial jet aircraft deliveries for 1998 are currently expected to be about 550 aircraft, including approximately 225 of the newer-model 737s and 777s. The delivery quantity is dependent on performing to the production plan. The production rate is increasing on the 757 program from four to five airplanes per month in the second quarter, the 747 program will increase from four to five airplanes per month in the third quarter, and the 777 production from five to seven airplanes per month in the third quarter of 1998.

#### Information, Space and Defense Systems (ISDS) Programs

Sales in the first quarter of 1998 were 10.5% higher than the same quarter of 1997, principally due to the timing of military aircraft deliveries and the addition of two deliveries of the company's Delta II launch vehicle. Total ISDS sales for the year are expected to be slightly higher than 1997. Operating margins declined from 8.4% to 6.2%, principally due to increased research and development expense associated with commercial space and communication activities and joint venture development costs for the Sea Launch and the Bell Boeing 609 Civil Tiltrotor programs.

The company has announced its intention to sell its single-engine commercial helicopter business to Bell Helicopter Textron, subject to regulatory approval. The proposed sale to Bell follows a strategic decision to exit the market for commercial helicopters. As part of that strategy, the company is transferring its interest in the Bell Boeing 609 Civil Tiltrotor to Bell and has assumed a subcontractor role in the development program.

During the first quarter, the Information, Space and Defense Systems segment delivered the first two of four 767 Airborne Warning and Control System (AWACS) aircraft to the government of Japan.

In February, the U.S. Court of Federal Claims issued its final decision in the A-12 aircraft litigation filed in 1991 and has determined that the McDonnell Douglas and General Dynamics team is entitled to be paid an additional \$1.2 billion, plus interest from June 26, 1991, until paid, from the U.S. Government. The Government has appealed, and final resolution of the A-12 litigation will depend upon the appeal and possible further litigation, or negotiations, with the Government. If sustained, the judgment, including interest, would result in pretax income that would more than offset the \$350 million loss provision established by McDonnell Douglas in 1990.

## Facilities Consolidation

The company recently announced a plan to streamline facilities, focus manufacturing and assembly operations, and eliminate redundant laboratories. By the end of the year 2000, these phased actions, along with other business initiatives, are expected to result in a reduction of approximately 18 million square feet, more than 15% of current utilization. The restructuring costs of the announced consolidation, principally in the Information, Space and Defense Systems segment, will result in substantial net savings that will largely accrue to the U.S. Government customer on future contracts and will help the company remain competitive for new business opportunities. These decisions will not require the company to take a one-time special charge.

### **Forward-Looking Information Is Subject to Risk and Uncertainty**

Certain statements in the financial discussion and analysis by management contain "forward-looking" information that involves risk and uncertainty, including projections for deliveries, sales, research and development expense, and other trend 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; continued integration of McDonnell Douglas Corporation; 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 conditions; changing priorities or reductions in the U.S. Government defense and space budgets; termination of government contracts due to unilateral government action or failure to perform; and legal proceedings.

### **The Boeing Company and Subsidiaries Consolidated Statements of Operations**

(Dollars in millions)

(Unaudited)

	Three months ended	
	March 31	
	1998	1997
Sales and other operating revenues	\$12,941	\$10,359
Operating costs and expenses	11,838	8,688
General and administrative expense	493	452
Research and development expense	487	479
Share-based plans	22	(98)
	12,840	9,521
Earnings from operations	101	838
Other income, principally interest	85	103
Interest and debt expense	(113)	(131)
Earnings before income taxes	73	810
Income taxes	23	270
Net earnings	\$50	\$540
Basic earnings per share	\$.05	\$.56

Diluted earnings per share	\$ .05	\$ .55
Cash dividends per share	\$ .14	\$ .14

Note: All references to earnings per share in the text of this press release refer to diluted earnings per share.

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Financial Position**  
(Dollars in millions)  
(Unaudited)

	March 31	December 31
	1998	1997
<b>Assets</b>		
Cash and cash equivalents	\$ 4,092	\$ 4,420
Short-term investments	454	729
Accounts receivable	3,299	3,121
Current portion of customer and commercial financing	212	261
Deferred income taxes	1,974	1,765
Inventories, net of advances and progress billings	9,155	8,967
Total current assets	19,186	19,263
Customer and commercial financing	4,435	4,339
Property, plant and equipment, net	8,528	8,391
Deferred income taxes	53	15
Goodwill	2,374	2,395
Prepaid pension expense	3,316	3,271
Other assets	342	350
	<u>\$38,234</u>	<u>\$38,024</u>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and other liabilities	\$11,441	\$11,548
Advances in excess of related costs	1,554	1,575
Income taxes payable	568	298
Short-term debt and current portion of long-term debt	419	731
Total current liabilities	13,982	14,152
Accrued retiree health care	4,795	4,796
Long-term debt	6,430	6,123
Total liabilities	25,207	25,071
Common stock less treasury shares	6,672	6,081
Retained earnings	8,197	8,147
Unearned compensation	(16)	(20)
ShareValue Trust	(1,826)	(1,255)

Total shareholders' equity	13,027	12,953
	\$38,234	\$38,024

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Cash Flows**

(Dollars in millions)  
(Unaudited)

	Three months ended March 31	
	1998	1997
<b>Cash flows - operating activities:</b>		
Net earnings	\$ 50	\$ 540
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	22	(98)
Depreciation and amortization	408	348
Changes in assets and liabilities –		
Short-term investments	275	(89)
Accounts receivable	(178)	(413)
Inventories, net of advances and progress billings	(188)	(408)
Accounts payable and other liabilities	40	324
Advances in excess of related costs	(21)	168
Income taxes payable and deferred	23	373
Other assets	(42)	(391)
Accrued retiree health care	(1)	3
<b>Net cash provided by operating activities</b>	<b>388</b>	<b>357</b>
<b>Cash flows - investing activities:</b>		
Customer financing and properties on lease - additions	(349)	(93)
Customer financing and properties on lease - reductions	273	71
Property, plant and equipment, net additions	(490)	(351)
Other	-	21
<b>Net cash used by investing activities</b>	<b>(566)</b>	<b>(352)</b>
<b>Cash flows - financing activities:</b>		
New borrowings	384	64
Debt repayments	(389)	(132)
Stock options exercised, other	(3)	(32)
Dividends paid	(142)	(126)
<b>Net cash used by financing activities</b>	<b>(150)</b>	<b>(226)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(328)</b>	<b>(221)</b>
Cash and cash equivalents at beginning of year	4,420	5,469
<b>Cash and cash equivalents at end of first quarter</b>	<b>\$4,092</b>	<b>\$5,248</b>

**The Boeing Company and Subsidiaries**  
**Business Segment Data**  
(Dollars in millions)  
(Unaudited)

	Three months ended March 31	
	1998	1997
Revenues:		
Commercial Aircraft	\$ 7,966	\$ 5,882
Information, Space and Defense Systems	4,772	4,320
Customer and Commercial Financing, Other	203	157
Operating revenues	\$12,941	\$10,359
Earnings (loss) from operations:		
Commercial Aircraft	\$ (251)	\$ 309
Information, Space and Defense Systems	296	365
Customer and Commercial Financing, Other	126	94
Unallocated expense	(48)	(28)
Share-based plans	(22)	98
Operating earnings	\$ 101	\$ 838
Other income principally interest	85	103
Interest and debt expense	(113)	(131)
Earnings before taxes	\$ 73	\$ 810
Net earnings	\$ 50	\$ 540
Effective income tax rate	31.5%	33.3%
Research and development:		
Commercial Aircraft	\$ 283	\$ 336
Information, Space and Defense Systems	204	143
Total research and development expense	\$ 487	\$ 479

**OPERATING AND FINANCIAL DATA**

**Deliveries**

	1st Quarter	
	1998	1997
737	34	25
737 Next-Generation	12	-
747	12	10
757	11	12
767	10	11*

777	20	10
MD-80	2	-
MD-90	4	7
MD-11	3	2
<b>Total</b>	<b>108</b>	<b>77</b>

Information, Space and Defense Systems

C-17	2	2
F-15	7	2
F/A-18 C/D	10	11
F/A-18 C/D Kits	-	3
T-45TS	4	-
767 AWACS	2	-
Delta II	4	2

<b>Contractual backlog</b>	Mar. 31	Dec. 31
(Dollars in billions)	1998	1997
Commercial Aircraft	\$ 92.4	\$ 93.8
<u>Information, Space and Defense Systems</u>	<u>28.5</u>	<u>27.8</u>
<b>Total contractual backlog</b>	<b>\$120.9</b>	<b>\$121.6</b>

\* Excludes one non-commercial 767 delivered to be modified as 767 AWACS for the Government of Japan.

Commercial Aircraft deliveries in the first quarter of 1998 included one MD-11 aircraft on an operating lease. Commercial Aircraft deliveries for the same period in 1997 included two MD-90s that were accounted for as operating leases.

The overall Commercial Aircraft segment operating profit margin, exclusive of research and development expense and the additional Next-Generation 737 forward loss, was 4.8% for the three months of 1998, compared with 11.0% for the same period in 1997. The lower margin was attributable to the production inefficiencies associated with the rapid increase in production rates, the model mix of aircraft deliveries that included 10 more 777s and 12 Next-Generation 737s in first quarter 1998 than the same period in 1997, and continued pricing pressure. Margins for the balance of 1998 will continue to reflect the relatively high percentage of 777 and Next-Generation 737 deliveries and previously announced production inefficiencies, continued pricing pressures, and lower price-escalation trends. The Next-Generation 737 program is in a forward loss condition, and there will be no gross profit for this program until the program-commitment accounting quantity is extended beyond the initial 400 units. The timing of extending the program-commitment accounting quantity will depend

on the successful execution of production recovery plans and production rate increases in 1998.

Information, Space and Defense Systems operating revenues for the first quarter of 1998 were \$4.8 billion, an increase of \$.5 billion compared with the same period in 1997. The segment consists of four business units, McDonnell Aircraft and Missile Systems, Space Transportation, Information and Communications Systems, and Phantom Works, with first quarter operating revenues of 60%, 19%, 19% and 2%, respectively, of total segment revenues.

The overall Information, Space and Defense Systems segment operating profit margin, exclusive of research and development expense and joint venture development costs expensed as incurred (\$58 million in 1998, compared with \$17 million in 1997), was 11.7% in first quarter 1998, compared with 12.2% for the same period in 1997. Joint venture development costs are primarily associated with the Sea Launch and Civil Tiltrotor programs.

The Information, Space and Defense Systems segment had a higher level of development expense on commercial space and communication activities, including the Delta family of launch vehicles and other business opportunities, compared with the 1997 first quarter. Commercial Aircraft research and development expense for first quarter 1998 was lower on the Next-Generation 737 models than in 1997. Development continues on the 757-300, a stretched derivative of the 757-200, which is scheduled to be delivered to launch customer Condor-Flugdienst in early 1999; the 767-400ER, a stretched version of the 767-300ER, which is scheduled to be delivered to launch customer Delta Airlines in the year 2000; and the increased-capacity version 777-300, with certification and first delivery scheduled for mid-1998. The 717-200 program (formerly the MD-95) continues in development, with flight test scheduled to begin later this year and first delivery to AirTran planned for mid-1999.

The income tax provision for first quarter 1998 of 31.5% is lower than the 33.3% for the same period in 1997 due principally to an increase in Foreign Sales Corporation tax benefits in 1998.

The contractual backlog balance does not include purchase options and announced orders for which definitive contracts have not been executed. U.S. Government and foreign military backlog is limited to amounts that are contractually obligated. Unobligated amounts under U.S. Government contracts not included in backlog at March 31, 1998, total \$23.4 billion, compared with \$26.1 billion at December 31, 1997.

### Accounting for Share-Based Plans

Beginning in the first quarter of 1998, the company adopted the expense recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation." The adoption of SFAS No. 123 will principally affect the accounting for Performance Share awards, the ShareValue Trust plan, and stock options.

On February 23, 1998, the company awarded approximately 3.9 million Performance Shares to executive management. Performance Shares are convertible to common stock at the time the stock price reaches and maintains, for 20 consecutive days, certain threshold levels. These threshold levels represent predetermined compound five-year growth rates relative to

the stock price on the date of the award. In accordance with SFAS No. 123, the company will recognize the associated expense over the five-year award period.

The ShareValue Trust is a 14-year irrevocable trust that holds Boeing common stock, receives dividends, and distributes to employees appreciation in value above a 3% per annum threshold rate of return. The expense recognition method for the ShareValue Trust plan under SFAS No. 123 is based upon the fair value of the total expected distributions, determined by applying an option pricing model. The fair value of the expected distributions under the option pricing model is recognized over the life of the plan.

Although the company did not grant stock options during the first quarter of 1998, future stock option awards that are issued will result in an expense recognition based upon the fair value under an appropriate option pricing model.

The various share-based plans are expected to result in a combined pretax expense of approximately \$150 million for 1998. The level of share-based plans expense will increase in subsequent years as additional grants are made. Although expense is recognized, these plans will not impact future cash flow except for the associated tax implications.

###

C1599

Contact:

Larry McCracken (206) 655-6123