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## **BOEING REPORTS 1999 FIRST QUARTER RESULTS**

	Three months ended March 31	
	1999	1998
<hr/> (Dollars in millions except per share data) <hr/>		
Sales and other operating revenues	\$14,392	\$12,945
Net earnings	\$469	\$50
Earnings per share *	\$.50	\$.05
Average shares (millions) *	945.2	985.1

\* Diluted

SEATTLE, April 15, 1999 – Sales of \$14.4 billion and net earnings of \$469 million, or \$.50 per share, for the first quarter of 1999 were reported by Phil Condit, Boeing chairman and chief executive officer. Comparable figures for 1998 were sales of \$12.9 billion and net earnings of \$50 million, or \$.05 per share. The 1998 first quarter results were reduced by a \$219 million (after-tax) forward loss on the Next-Generation 737 program.

“Increased operating margins in each of our three operating units enabled us to have a solid first quarter,” said Phil Condit, Boeing chairman and chief executive officer. “The production health measurements in all of our commercial airplane programs improved significantly as the recovery plan continued to yield the intended results. We were especially pleased with the smooth production rate increase on our Next-Generation 737 lines to a record 24 airplanes per month.”

“Earlier in the year we said we were going to closely analyze the value contribution of each and every business and program across the Company. We are

now fully engaged in that effort and have seen some initial results,” Condit said. “We exited the commercial helicopter business by selling that line to another company, we formed Boeing Airplane Services – a new effort dedicated to post-delivery modification and engineering services for commercial airplanes – and we reorganized our finance organization. We also announced the intention to sell Boeing Information Services – a subsidiary that provides information and systems integration services to the federal government.”

“Our entire team is focused on managing this Company for value – fixing or eliminating those operations that lessen value and expanding or adding those that enhance value,” Condit stated. “As part of our second quarter release, we have committed to sharing an integrated set of targets that will allow our shareholders to measure our performance going forward.”

In order to provide more information concerning the commercial airplane financial progress and performance, the business segment reporting beginning this quarter will report cost of sales based on the unit cost of airplanes delivered. This is the same method that is used for internal measurement purposes and is intended to align external visibility with internal measures. This reporting approach is made possible by a financial accounting standard issued in 1997 which allows the Company to provide this method of financial information for business segment reporting. The Company will continue to report its total results on the program accounting basis.

For comparative purposes in this release, we are providing the revised business segment data for 1998 by quarter. These revisions reflect commercial airplane cost of sales based on the unit cost of airplanes delivered; the Information, Space and Defense Systems Group reorganization into two separate segments, the Military Aircraft and Missiles segment and the Space and Communications segment; and other conforming adjustments.

The Commercial Airplanes segment revenues for the first quarter of 1999 were \$9.8 billion, an increase of \$1.7 billion over 1998. A total of 148 jet aircraft were delivered, compared with 108 in the first quarter 1998. The overall operating margin for the Commercial Airplanes segment, based on the unit cost of airplanes delivered, was approximately 3.9 percent for the first quarter of 1999, compared with approximately 0.3 percent in the first quarter of 1998. This improved margin was principally attributable to a greater number of deliveries, further improvement in the learning curve for Next-Generation 737s and 777s and reduced research and development spending in the first quarter of 1999, compared with the same period in 1998. The projected segment operating margin range for 1999 remains unchanged, reflecting the impact of an increasingly higher percentage of new commercial airplane program deliveries, continued pricing pressures and lower price-escalation trends.

In the first quarter, the 757-300 received certification from both the U.S. and European aviation authorities. Launch customer Condor-Flugdienst of Germany took first delivery of the 757-300 in March. The 717-200 continues in flight test, with certification and the first delivery expected in the third quarter. Fuel consumption data from the 717-200 flight test and certification program show fuel burn improvements of as much as five percent.

The Military Aircraft and Missiles segment had operating revenues of \$3.0 billion for the first quarter of 1999, about the same as first quarter 1998. The segment operating margin was 10.9 percent in the first quarter of 1999, compared with 8.5 percent for the same period in 1998. The 1999 first quarter results included a favorable contract settlement related to prior years. 1998 first quarter results included joint venture development costs associated with the Bell Boeing 609 Civil Tiltrotor program which the Company transferred to Bell Helicopter Textron on March 1, 1998.

Firm orders on F-15s will continue production through early 2000. The Company currently has significant exposure related to long-lead requirements for the

F-15 program for deliveries in 2000 and beyond. Several potential customers are evaluating the F-15 to meet their requirements for this time period.

The Space and Communications segment operating revenues for the first quarter of 1999 were \$1.5 billion, \$.3 billion lower than the same period in 1998. The revenue decrease was primarily due to fewer Delta II deliveries and a reduced level of activity on several cost-reimbursement-type contracts. The segment operating margin was 4.0 percent, which is higher when compared with 2.4 percent for the first quarter of 1998, due to a reduced level of research and development spending and joint venture development costs.

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

In March the world's first commercial rocket launch from a floating platform at sea was successfully completed by Sea Launch. Boeing is a 40 percent partner in Sea Launch with RSC Energia (25 percent) from Russia, Kvaerner Maritime (20 percent) from Norway, and KB Yuzhnoye / PO Yuzhmash (15 percent) from Ukraine. Currently, Sea Launch has firm contracts for 16 launches and will begin commercial operations later this year.

The Customer and Commercial Financing / Other segment revenues consist principally of interest from financing receivables and lease income from operating lease equipment. Segment earnings additionally reflect depreciation on leased equipment and expenses recorded against the valuation allowance. No interest expense on debt is included in Customer and Commercial Financing / Other segment earnings.

Cash and short-term investments increased slightly to \$2.7 billion after repurchasing 3.0 million shares for \$103 million during the first quarter. To date the Company has repurchased 38.2 million shares for \$1.4 billion.

Gross inventory decreased by approximately \$800 million in the first quarter of 1999 to \$26.2 billion. The balance includes \$2.3 billion of deferred production cost and \$2.6 billion of unamortized tooling associated with the 777 and Next-Generation 737 commercial aircraft programs.

### Financial Outlook for Full Year 1999 and 2000

Based on current schedules and plans for 1999, which include commercial aircraft deliveries in the range of 620 aircraft, consolidated revenues are projected to be in the range of \$58 billion, and net earnings are projected to be in the range of \$1.6 billion to \$1.8 billion.

For the year 2000, commercial aircraft deliveries continue to be projected to be in the range of 480 aircraft, and consolidated revenues are projected to be in the range of \$49 billion. The net earnings margin for the year 2000 is projected to be about the same as in 1999.

Deliveries by program are not currently expected to vary significantly from the previous projections.

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

Certain statements in this release (including the projections that follow) contain “forward-looking” information that involves risk and uncertainty, including projections for production rates, deliveries, customer financing, sales, revenues, operating margins, earnings, cash, scheduled launches of products, research and development expense, inventory turn rates, tax rates, employment, asset utilization, and other trend projections. This forward-looking information is based upon a number of assumptions, including assumptions regarding demand, internal performance, customer financing, customer, supplier and subcontractor performance, customer model selections, government policies and actions, price-escalation, successful negotiation of contracts with the Company’s labor unions and favorable outcomes of certain pending sales campaigns. Actual future results and trends may differ materially depending on a variety of factors, including the Company’s successful execution of internal performance plans, including research and development, production recovery, production rate increases and decreases, production system initiatives and other cost-reduction efforts; the cyclical nature of the Company’s business; volatility of the market for certain products; 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, subcontractors and customers; customer model selections, 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, particularly in Asia; price escalation trends; changing priorities or reductions in the U.S. Government or foreign government defense and space budgets; termination of government contracts due to unilateral government action or failure to perform; and legal proceedings. Additional information regarding these factors is contained in the Company’s Annual Report on Form 10-K for the year ended 1998.

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**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Operations**  
(Unaudited)

*(Dollars in millions except per share data)*

Three months ended March 31	1999	1998
Sales and other operating revenues	\$14,392	\$12,945
Cost of products and services	12,763	11,777
Gross profit	1,629	1,168
Equity in income (loss) from joint ventures	8	(47)
General and administrative expense	491	493
Research and development expense	361	487
Share-based plans expense	46	22
Operating earnings	739	119
Other income, principally interest	40	67
Interest and debt expense	109	113
Earnings before income taxes	670	73
Income taxes	201	23
Net earnings	\$ 469	\$ 50
Basic earnings per share	\$ .50	\$ .05
Diluted earnings per share	\$ .50	\$ .05
Cash dividends per share	\$ .14	\$ .14

Excluding the share-based plans:

Net earnings	\$ 498	\$ 64
Diluted earnings per share	\$ .53	\$ .06

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

<i>(Dollars in millions)</i>	March 31 1999	December 31 1998
<b>Assets</b>		
Cash and cash equivalents	\$ 2,398	\$ 2,183
Short-term investments	276	279
Accounts receivable	3,491	3,288
Current portion of customer and commercial financing	630	781
Deferred income taxes	1,488	1,495
Inventories, net of advances and progress billings	8,997	8,349
Total current assets	17,280	16,375
Customer and commercial financing	5,067	4,930
Property, plant and equipment, net	8,584	8,589
Deferred income taxes	405	411
Goodwill	2,291	2,312
Prepaid pension expense	3,530	3,513
Other assets	539	542
	<b>\$37,696</b>	<b>\$36,672</b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and other liabilities	\$11,147	\$10,733
Advances in excess of related costs	1,358	1,251
Income taxes payable	609	569
Short-term debt and current portion of long-term debt	821	869
Total current liabilities	13,935	13,422
Accrued retiree health care	4,852	4,831
Long-term debt	6,162	6,103
Shareholders' equity:		
Common shares, par value \$5.00 – 1,200,000,000 shares authorized; Shares issued – 1,011,870,159 and 1,011,870,159	5,059	5,059
Additional paid-in capital	1,263	1,147
Treasury shares, at cost – 38,101,416 and 35,845,731	(1,397)	(1,321)
Retained earnings	9,175	8,706
Accumulated other comprehensive income	(23)	(23)
Unearned compensation	(15)	(17)
ShareValue Trust shares – 38,322,210 and 38,166,601	(1,315)	(1,235)
Total shareholders' equity	12,747	12,316
	<b>\$37,696</b>	<b>\$36,672</b>

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

*(Dollars in millions)*

Three months ended March 31	1999	1998
<b>Cash flows – operating activities:</b>		
Net earnings	\$ 469	\$ 50
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	46	22
Depreciation and amortization	402	408
Changes in assets and liabilities –		
Short-term investments	3	275
Accounts receivable	(203)	(178)
Inventories, net of advances and progress billings	(648)	(188)
Accounts payable and other liabilities	551	40
Advances in excess of related costs	107	(21)
Income taxes payable and deferred	53	23
Other	(20)	(42)
Accrued retiree health care	21	(1)
<b>Net cash provided by operating activities</b>	<b>781</b>	<b>388</b>
<b>Cash flows – investing activities:</b>		
Customer financing and properties on lease, additions	(472)	(349)
Customer financing and properties on lease, reductions	436	273
Property, plant and equipment, net additions	(320)	(490)
<b>Net cash used by investing activities</b>	<b>(356)</b>	<b>(566)</b>
<b>Cash flows – financing activities:</b>		
New borrowings	79	384
Debt repayments	(68)	(389)
Common shares purchased	(103)	(33)
Stock options exercised, other	19	30
Dividends paid	(137)	(142)
<b>Net cash used by financing activities</b>	<b>(210)</b>	<b>(150)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>215</b>	<b>(328)</b>
Cash and cash equivalents at beginning of year	2,183	4,420
<b>Cash and cash equivalents at end of first quarter</b>	<b>\$2,398</b>	<b>\$4,092</b>

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

*(Dollars in millions)*

Three months ended March 31	1999	1998
Revenues:		
Commercial Airplanes	\$ 9,781	\$ 8,087
Military Aircraft and Missiles	2,967	2,949
Space and Communications	1,543	1,823
Customer and Commercial Financing / Other	187	199
Accounting differences / eliminations	(86)	(113)
<b>Operating revenues</b>	<b>\$14,392</b>	<b>\$12,945</b>
Operating earnings:		
Commercial Airplanes	\$ 382	\$ 23
Military Aircraft and Missiles	322	252
Space and Communications	61	44
Customer and Commercial Financing / Other	102	124
Accounting differences / eliminations	(29)	(251)
Share-based plans	(46)	(22)
Other unallocated expense	(53)	(51)
<b>Operating earnings</b>	<b>\$ 739</b>	<b>\$ 119</b>
Other income, principally interest	40	67
Interest and debt expense	109	113
<b>Earnings before income taxes</b>	<b>\$ 670</b>	<b>\$ 73</b>
<b>Net earnings</b>	<b>\$ 469</b>	<b>\$ 50</b>
Effective income tax rate	30.0%	31.5%
Research and development:		
Commercial Airplanes	\$ 182	\$ 283
Military Aircraft and Missiles	62	71
Space and Communications	117	133
<b>Total research and development expense</b>	<b>\$ 361</b>	<b>\$ 487</b>

Segment revenues include sales to other segments. Commercial Airplanes segment deliveries under operating lease that are considered transfers to the Customer and Commercial Financing / Other segment are included in Commercial Airplanes revenue and eliminated.

Commercial Airplanes segment profit reflects cost of sales based on the specific unit cost of airplanes delivered. Adjustments to the program accounting method of recording cost of sales are reflected in accounting differences / eliminations.

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

*(Dollars in millions)*

	1 <sup>st</sup> Qtr	2 <sup>nd</sup> Qtr	3 <sup>rd</sup> Qtr	4 <sup>th</sup> Qtr	Total 1998
<b>Revenues:</b>					
Commercial Airplanes	\$ 8,087	\$ 8,704	\$ 7,809	\$12,280	\$36,880
Military Aircraft and Missiles	2,949	2,952	3,214	3,875	12,990
Space and Communications	1,823	1,759	1,621	1,686	6,889
Customer and Commercial Financing / Other	199	206	164	161	730
Accounting differences / eliminations	(113)	(232)	(87)	(903)	(1,335)
<b>Operating revenues</b>	<b>\$12,945</b>	<b>\$13,389</b>	<b>\$12,721</b>	<b>\$17,099</b>	<b>\$56,154</b>
<b>Operating earnings (loss):</b>					
Commercial Airplanes	\$ 23	\$ (201)	\$ (142)	\$ 54	\$ (266)
Military Aircraft and Missiles	252	300	370	361	1,283
Space and Communications	44	121	(8)	91	248
Customer and Commercial Financing / Other	124	111	98	34	367
Accounting differences / eliminations	(251)	201	231	191	372
Share-based plans	(22)	(41)	(43)	(47)	(153)
Other unallocated expense	(51)	(75)	(76)	(82)	(284)
<b>Operating earnings</b>	<b>\$ 119</b>	<b>\$ 416</b>	<b>\$ 430</b>	<b>\$ 602</b>	<b>\$ 1,567</b>
Other income, principally interest	67	64	88	64	283
Interest and debt expense	113	114	114	112	453
<b>Earnings before income taxes</b>	<b>\$ 73</b>	<b>\$ 366</b>	<b>\$ 404</b>	<b>\$ 554</b>	<b>\$ 1,397</b>
<b>Net earnings</b>	<b>\$ 50</b>	<b>\$ 258</b>	<b>\$ 347</b>	<b>\$ 465</b>	<b>\$ 1,120</b>
Effective income tax rate	31.5%	29.5%	14.1%	16.1%	19.8%
<b>Research and development:</b>					
Commercial Airplanes	\$ 283	\$ 281	\$ 235	\$ 222	\$ 1,021
Military Aircraft and Missiles	71	66	76	91	304
Space and Communications	133	142	144	151	570
<b>Total research and development expense</b>	<b>\$ 487</b>	<b>\$ 489</b>	<b>\$ 455</b>	<b>\$ 464</b>	<b>\$ 1,895</b>

## Operating and Financial Data

Deliveries	1st Quarter	
	1999	1998
<b>Commercial Airplanes</b>		
737	14	34
737 Next-Generation	61	12
747	14	12
757	17	11
767	11	10
777	23	20
MD-80	2 (2)	2
MD-90	5	4
MD-11	1	3 (1)
<b>Total</b>	<b>148</b>	<b>108</b>

<b>Military Aircraft and Missiles</b>		
C-17	2	2
F-15	9	7
F/A-18 C/D	6	10
F/A-18 E/F	2	–
T-45TS	3	4
CH-47	3	3
<b>Space and Communications</b>		
767 AWACS	2	2
Delta II	2	4

Note: Commercial Airplanes deliveries by model include deliveries under operating lease which are identified by parentheses. The F/A-18 E/F aircraft are under a cost-type contract; sales are recognized as work progresses rather than upon delivery.

	Mar. 31	Dec. 31
<b>Contractual backlog</b> (Dollars in billions)	1999	1998
Commercial Airplanes	\$ 84.1	\$ 86.1
Military Aircraft and Missiles	20.1	17.0
Space and Communications	9.6	9.8
<b>Total contractual backlog</b>	<b>\$113.8</b>	<b>\$112.9</b>
<b>Unobligated backlog</b>	<b>\$ 20.7</b>	<b>\$ 23.5</b>
<b>Workforce</b>	<b>219,000</b>	<b>231,000</b>

## Projections

*(Dollars in billions)*

	Actual		Projections in the range of	
	1998	1 Qtr 99	1999	2000
<b>Revenues:</b>				
Commercial Airplanes	\$37	\$9.8	\$38	\$28
Military Aircraft and Missiles	13	3.0	12	13
Space and Communications	7	1.5	7	7
Total operating revenues	\$56	\$14.4	\$58	\$49
<b>Research and development:</b>				
Commercial Airplanes	\$1.0	\$0.2	\$0.7 - 0.8	\$0.6 - 0.7
Military Aircraft and Missiles	0.3	0.1	0.3 - 0.4	0.3 - 0.4
Space and Communications	0.6	0.1	0.5 - 0.6	0.5 - 0.6
Total research and development	\$1.9	\$0.4	\$1.5 - 1.7	\$1.4 - 1.7
<b>Segment operating margins:</b>				
Commercial Airplanes	- 0.7%	3.9%	2% - 3%	2% - 3%
Military Aircraft and Missiles	9.9%	10.9%	10% - 11%	10% - 11%
Space and Communications	3.6%	4.0%	4% - 5%	4.5% - 6%
Composite operating margins	2.8%	5.1%	4% - 5%	4% - 5%
<b>Total Company:</b>				
Employment in thousands	231	219	200 - 210	185 - 195
Capital expenditures	\$1.6	\$0.3	\$1.6 - 1.8	\$1.6 - 1.8
Depreciation and amortization	\$1.6	\$0.4	\$1.6 - 1.8	\$1.8 - 1.9

The Company intends to update these projections only on a quarterly basis in conjunction with its quarterly earnings release.

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

Please read the forward-looking statement on page 6 of this release for a discussion of risk factors that could cause actual results to vary from the projections contained herein.

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