

## BOEING 1999 SECOND QUARTER EARNINGS UP \$443 MILLION; VALUE SCORECARD ANNOUNCED

### *Highlights:*

- **Boeing earned \$701 million, or \$.75 per share, in the second quarter, up \$443 million from the prior year.**
- **Net earnings included a gain of \$181 million, or \$.19 per share, associated with a federal income tax audit settlement covering 1988 – 1991. Excluding this gain, earnings were \$.56 per share.**
- **During the quarter, Boeing:**
  - **Delivered 165 commercial airplanes; achieved progress on key customer defense programs, such as the C-17, F-18 E/F and Joint Strike Fighter; and conducted three successful Delta II space launches**
  - **Announced orders for 88 commercial airliners, gained additional satellite launch customers and obtained additional aircraft modification and maintenance service work**
  - **Significantly increased its efficiency on commercial and military production programs**
  - **Announced the sale of Boeing Information Services**
- **Boeing announced the Value Scorecard – a common set of performance metrics to manage and monitor the company’s progress toward meeting goals in four specific areas: inventory turns, facility consolidation, overhead cost management and supplier base consolidation.**

Summary financial results: <i>(In millions except per share data)</i>	2 <sup>nd</sup> Quarter			Six months ended June 30		
	1999	1998	% Change	1999	1998	% Change
Revenues	\$15,132	\$13,389	13%	\$29,524	\$26,334	12%
Net earnings	\$ 701	\$ 258	172%	\$ 1,170	\$ 308	280%
Earnings per share (diluted)	\$.75	\$.26	188%	\$1.24	\$.31	300%

NEW YORK, July 15, 1999 – The Boeing Company [NYSE: BA] reported second quarter net earnings of \$701 million, or \$.75 per share, up \$443 million over the same period in 1998. Revenues for the quarter were \$15.1 billion, a 13 percent increase over the same period in 1998.

Reported second quarter net earnings included a gain of \$181 million, or \$.19 per share, associated with a federal income tax audit settlement covering 1988 – 1991. Boeing second quarter earnings for the comparable period in 1998 were \$258 million, or \$.26 per share, and were reduced by \$78 million, or \$.08 per share, relating to the planned termination of the MD-11 program and additional late delivery costs associated with Next-Generation 737 aircraft. Excluding these non-recurring items, comparable year-over-year earnings were up 55 percent. Net margins for the quarter climbed to 4.6 percent, compared with 1.9 percent for the same period in 1998.

"The second quarter results demonstrate growing momentum and confidence. I am very proud of the Boeing team's performance against our business plan," said Boeing Chairman and Chief Executive Officer Phil Condit.

"Our commercial airplanes group is on plan – delivering airplanes and improving margins every day. Boeing delivered 165 commercial airplanes this quarter – on time, and with 17 percent fewer employees and a 10 percentage point improvement in overtime from the highest levels in 1998. Our defense business continues to provide strong operating and financial performance. The space and communications unit continues to demonstrate solid performance while investing in its future," he said.

"We continued to expand the full line of services we provide customers in our commercial and military modification and maintenance service businesses. We improved factory and business efficiencies. We announced the sale of another non-core business. We met key program milestones. In sum: Boeing delivered on its commitments," Condit stated.

Earnings for the first six months of 1999 were \$1,170 million, or \$ 1.24 per share, compared with \$308 million, or \$.31 per share, for the first half of 1998. Revenues for the six-month period were \$29.5 billion, up 12 percent when compared

with the first half of 1998. Net margins for the first six months of 1999 were 4 percent, compared with 1.2 percent in the first half of last year.

Free cash flow, operating cash flow less capital expenditures, was very strong at \$1.1 billion for the second quarter and \$1.5 billion for the six months, reflecting improved performance. Cash and short-term investments increased to \$3 billion after repurchasing 16.3 million shares during the first six months of 1999. To date, the company has repurchased 51.5 million shares, approximately one-third of the 15 percent authorized by the Board in August 1998.

**Commercial Airplanes:** Commercial Airplanes operating earnings for the second quarter of 1999 were \$435 million, compared with a loss for the same period in 1998. The 165 jet airplanes delivered in the second quarter brought the total for the first half of the year to 313, compared with 245 in the first half of 1998. The overall operating margin in the segment was 4.3 percent for the second quarter of 1999, compared with a negative 2.3 percent for the same period last year. The margin increase was principally due to further cost improvement on Next-Generation 737s and 777s, a greater number of deliveries, and reduced research and development spending.

In June, the new Boeing 717 airliner debuted at the Paris Air Show and then completed a 10-day, six-country European tour. The first delivery of this 100-seat airplane is scheduled for September. The new Boeing Business Jet will also enter service later this summer. With the addition of these new products, Boeing will continue to offer the most complete selection of airplanes in the industry – providing customers the greatest variety of choices and solutions.

**Military Aircraft and Missiles:** Military Aircraft and Missiles earned \$368 million in the second quarter, an increase of 23 percent over the same period last year. The segment's operating margin was 11.5 percent for the quarter, up from 10.2 percent in the comparable period for 1998. This year's second quarter included a pretax charge of approximately \$45 million related to a decision by the government

of Greece to forego the purchase of the F-15. The charge was offset by increased deliveries of fighter and transport aircraft and improved operating efficiencies.

In June, Boeing delivered the seventh production model of the new F/A-18 E/F Super Hornet to the Navy. A month ahead of schedule, it joins six others in an operational evaluation which continues into the fall. The Super Hornet program remains on cost and on schedule, and successfully concluded its development flight test program. Production of the company's two X-32 Joint Strike Fighter (JSF) concept demonstrators continued to exceed program milestones. Boeing successfully mated the wing and fuselage of the first JSF aircraft and delivered the forebody of the second significantly ahead of schedule, below cost and under weight. The U.S. government has stepped up procurement of two Boeing guided munitions that performed extremely well in the recent air campaign in Kosovo – production of the Joint Direct Attack Munition has been accelerated and the Conventional Air Launched Cruise Missile conversion line has been restarted.

**Space and Communications:** Space and Communications earned \$94 million, 22 percent lower than the same period in 1998. The segment operating margin for the second quarter was 5.4 percent, compared with 6.9 percent for the same period in 1998, which reflected a contract adjustment.

During the quarter, four additional launch service orders were confirmed for Sea Launch, a sea-based launch system in which Boeing is a 40 percent partner. The manifest now consists of 19 confirmed launches. Following the successful demonstration launch in March, the next Sea Launch mission is scheduled later this summer for customer DIRECTV, Inc.

**Divestiture:** In June, Boeing announced the intended sale of Boeing Information Services, which provides the federal government with information and systems integration services, to Science Applications International Corporation. The transaction is expected to close in late July and will result in a pretax gain of approximately \$95 million. This action is part of the company's continuing efforts to

focus on and grow its core businesses. It follows the company's sale earlier this year of the commercial helicopter product line, and the announced sale of a technical services operation and an electronic warfare business.

**Value Scorecard:** The Boeing Managing for Value program is designed to develop a company-wide culture to continuously improve financial performance and growth. This effort is focused on achieving long-term shareholder returns in the top quartile of S&P 500 companies. The process is intended to drive a value-oriented discipline deep into the organization, using a common language, common methodologies and a common way of operating and measuring results.

In outlining the program, Boeing Chief Financial Officer Debby Hopkins announced a key element, the Value Scorecard. In addition to traditional guidance on major value drivers, the Value Scorecard will include four metrics that will be publicly released quarterly. These four metrics come out of a more comprehensive set of performance metrics that will be used internally. The four public metrics are inventory turns, facility consolidation, overhead cost management and supplier base consolidation.

"We are sharing our Value Scorecard with our employees, investors and the public to track our performance as we grow this diverse, global company," Condit said. "The Managing for Value program, including the Value Scorecard, will put increased discipline in our approach to managing the business on an ongoing basis. We are sharing it with our stakeholders as a further recognition that an external focus is healthy, and that we want to be judged by our ability to live up to our commitments," he said.

***Editors' Note:*** *The Value Scorecard mentioned in this release will be issued in a separate news release today at 9:00 a.m. EDT.*

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

Certain statements in this release contain "forward-looking" information that involves risk and uncertainty, including projections for deliveries, customer financing, sales, revenues, operating margins, earnings, cash, research and development expense, taxes, work force, disposition of certain company businesses, and other trend projections. This forward-looking information is based upon a number of assumptions, including assumptions regarding demand; internal performance; customer financing; 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, supplier contract negotiations and asset dispositions. 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, asset management plans, procurement plans, other cost-reduction efforts, and Y2K readiness plans; 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; real estate market fluctuations in areas where company facilities are located; 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 and Form 10-Q for the quarterly period ended March 31, 1999.

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**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Operations**  
(Dollars in millions except per share data)  
(Unaudited)

	Six months ended June 30		Three months ended June 30	
	1999	1998	1999	1998
Sales and other operating revenues	\$29,524	\$26,334	\$15,132	\$13,389
Cost of products and services	26,181	23,757	13,418	11,980
Gross profit	3,343	2,577	1,714	1,409
Equity in income (loss) from joint ventures	12	(43)	4	4
General and administrative expense	1,016	960	525	467
Research and development expense	711	976	350	489
Share-based plans expense	96	63	50	41
Operating earnings	\$ 1,532	\$ 535	\$ 793	\$ 416
Other income, principally interest	375	131	335	64
Interest and debt expense	(219)	(227)	(110)	(114)
Earnings before income taxes	\$ 1,688	439	1,018	366
Income taxes	518	131	317	108
Net earnings	\$ 1,170	\$ 308	\$ 701	\$ 258
Basic earnings per share	\$1.25	\$.32	\$.75	\$.26
Diluted earnings per share	\$1.24	\$.31	\$.75	\$.26
Cash dividends per share	\$.28	\$.28	\$.14	\$.14

Excluding the share-based plans:

Net earnings	\$1,229	\$347	\$731	\$283
Diluted earnings per share	\$1.30	\$.35	\$.78	\$.29

**The Boeing Company and Subsidiaries**  
**Consolidated Statements of Financial Position**

(Dollars in millions)  
(Unaudited)

	June 30 1999	December 31 1998
<b>Assets</b>		
Cash and cash equivalents	\$ 2,777	\$ 2,183
Short-term investments	225	279
Accounts receivable	3,698	3,288
Current portion of customer and commercial financing	609	781
Deferred income taxes	1,503	1,495
Inventories, net of advances and progress billings	8,631	8,349
Total current assets	17,443	16,375
Customer and commercial financing	5,038	4,930
Property, plant and equipment, net	8,601	8,589
Deferred income taxes	397	411
Goodwill	2,270	2,312
Prepaid pension expense	3,544	3,513
Other assets	768	542
	<b>\$38,061</b>	<b>\$36,672</b>
<b>Liabilities and Shareholders' Equity</b>		
Accounts payable and other liabilities	\$11,681	\$10,733
Advances in excess of related costs	1,203	1,251
Income taxes payable	721	569
Short-term debt and current portion of long-term debt	810	869
Total current liabilities	14,415	13,422
Accrued retiree health care	4,873	4,831
Long-term debt	6,097	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	1,653	1,147
Treasury shares, at cost – 50,535,444 and 35,845,731	(1,938)	(1,321)
Retained earnings	9,605	8,706
Accumulated other comprehensive income	(23)	(23)
Unearned compensation	(14)	(17)
ShareValue Trust shares – 38,445,046 and 38,166,601	(1,666)	(1,235)
Total shareholders' equity	12,676	12,316
	<b>\$38,061</b>	<b>\$36,672</b>

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

(Dollars in millions)  
(Unaudited)

	Six months ended June 30	
	1999	1998
<b>Cash flows – operating activities:</b>		
Net earnings	\$1,170	\$ 308
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	96	63
Depreciation and amortization	802	804
Changes in assets and liabilities –		
Short-term investments	54	427
Accounts receivable	(410)	(114)
Inventories, net of advances and progress billings	(282)	(1,225)
Accounts payable and other liabilities	950	(85)
Advances in excess of related costs	(48)	(218)
Income taxes payable and deferred	158	197
Other	(268)	(77)
Accrued retiree health care	42	(4)
<b>Net cash provided by operating activities</b>	<b>2,264</b>	<b>76</b>
<b>Cash flows – investing activities:</b>		
Customer financing and properties on lease, additions	(934)	(451)
Customer financing and properties on lease, reductions	911	368
Property, plant and equipment, net additions	(674)	(836)
<b>Net cash used by investing activities</b>	<b>(697)</b>	<b>(919)</b>
<b>Cash flows – financing activities:</b>		
New borrowings	145	414
Debt repayments	(210)	(465)
Common shares purchased	(676)	(115)
Stock options exercised, other	41	26
Dividends paid	(273)	(283)
<b>Net cash used by financing activities</b>	<b>(973)</b>	<b>(423)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>594</b>	<b>(1,266)</b>
Cash and cash equivalents at beginning of year	2,183	4,420
<b>Cash and cash equivalents at end of 2nd quarter</b>	<b>\$2,777</b>	<b>\$3,154</b>

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

	Six months ended June 30		Three months ended June 30	
	1999	1998	1999	1998
<b>Revenues:</b>				
Commercial Airplanes	\$19,890	\$16,791	\$10,109	\$ 8,704
Military Aircraft and Missiles	6,177	5,901	3,210	2,952
Space and Communications	3,282	3,582	1,739	1,759
Customer and Commercial Financing / Other	384	405	197	206
Accounting differences / eliminations	(209)	(345)	(123)	(232)
<b>Operating revenues</b>	<b>\$29,524</b>	<b>\$26,334</b>	<b>\$15,132</b>	<b>\$13,389</b>
<b>Operating earnings (loss):</b>				
Commercial Airplanes	\$ 817	\$ (178)	\$ 435	\$ (201)
Military Aircraft and Missiles	690	552	368	300
Space and Communications	155	165	94	121
Customer and Commercial Financing / Other	219	235	117	111
Accounting differences / eliminations	(120)	(50)	(91)	201
Share-based plans	(96)	(63)	(50)	(41)
Other unallocated expense	(133)	(126)	(80)	(75)
<b>Operating earnings</b>	<b>\$ 1,532</b>	<b>\$ 535</b>	<b>\$ 793</b>	<b>\$ 416</b>
Other income, principally interest	375	131	335	64
Interest and debt expense	(219)	(227)	(110)	(114)
<b>Earnings before income taxes</b>	<b>\$ 1,688</b>	<b>\$ 439</b>	<b>\$ 1,018</b>	<b>\$ 366</b>
<b>Net earnings</b>	<b>\$ 1,170</b>	<b>\$ 308</b>	<b>\$ 701</b>	<b>\$ 258</b>
Effective income tax rate	30.7%	29.8%	31.1%	29.5%
<b>Research and development:</b>				
Commercial Airplanes	\$ 366	\$ 564	\$ 184	\$ 281
Military Aircraft and Missiles	119	137	57	66
Space and Communications	226	275	109	142
<b>Total research and development expense</b>	<b>\$ 711</b>	<b>\$ 976</b>	<b>\$ 350</b>	<b>\$ 489</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.

## Operating and Financial Data

Deliveries	Six Months		2nd Quarter	
	1999	1998	1999	1998
Commercial Airplanes				
737	25	67	11	33
737 Next-Generation	139	50	78	38
747	26	21	12	9
757	36	23	19	12
767	25	24	14	14
777	45	37	22	17
MD-80	8 (8)	3	6 (6)	1
MD-90	6	14	1	10
MD-11	3	6 (2)	2	3 (1)
<b>Total</b>	<b>313</b>	<b>245</b>	<b>165</b>	<b>137</b>

Military Aircraft and Missiles				
C-17	5	4	3	2
F-15	21	13	12	6
F/A-18 C/D	14	16	8	6
F/A-18 E/F	6	—	4	—
T-45TS	6	7	3	3
CH-47	7	6	4	3
757 – C-32A	—	2	—	2
Space and Communications				
767 AWACS	2	2	—	—
Delta II	5	7	3	3
Delta III	1	—	1	—

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.

	June 30	Mar. 31	Dec. 31
<b>Contractual backlog</b> (Dollars in billions)	1999	1999	1998
Commercial Airplanes	\$ 76.9	\$ 84.1	\$ 86.1
Military Aircraft and Missiles	18.0	20.1	17.0
Space and Communications	9.5	9.6	9.8
<b>Total contractual backlog</b>	<b>\$104.4</b>	<b>\$113.8</b>	<b>\$112.9</b>
<b>Unobligated backlog</b>	<b>\$ 20.1</b>	<b>\$ 20.7</b>	<b>\$ 23.5</b>
<b>Workforce</b>	<b>211,000</b>	<b>219,000</b>	<b>231,000</b>

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Contact: Sherry Nebel or Larry McCracken (206) 655-6123  
<http://www.boeing.com>