

BOEING 1999 THIRD QUARTER EARNINGS DEMONSTRATE CONTINUED IMPROVEMENT – UP \$130 MILLION

Highlights:

- **Boeing earned \$477 million, or \$.52 per share, in the third quarter, up \$130 million, or 37 percent, from the prior year.**
- **Third quarter earnings per share:**
 - **EPS excluding non-recurring items** **\$.56**
 - **Non-recurring items** **(.04)**
 - **EPS as reported** **\$.52**
- **Significant free cash flow of \$.8 billion was generated, plus \$.3 billion from disposition of non-core businesses and assets; 22.5 million shares were repurchased for \$1 billion.**
- **Successfully negotiated two large, multi-year labor union contracts**
- **Company confirms 747 production rate at two per month through 2000**
- **Key wins:**
 - **Won multi-year National Reconnaissance Office space-imaging contract**
 - **Won Australian competition for airborne early warning and control system using 737 platform**
 - **Received \$2.5 billion order from China Airlines, Boeing's largest 747 freighter order**
 - **Announced new Delta Airlines order for 18 737-800s**
- **Business expansion:**
 - **Opened a new modification and upgrade center for tactical aircraft in Jacksonville, Fla.**
 - **Launched global inventory management service with initial customer British Airways**

Summary financial results: <i>(In millions except per share data)</i>	3rd Quarter			Nine months ended		
	1999	1998	% Change	September 30 1999	September 30 1998	% Change
Revenues	\$13,279	\$12,721	4%	\$42,793	\$39,055	10%
Net earnings	\$ 477	\$ 347	37%	\$ 1,647	\$ 655	151%
Earnings per share (diluted)	\$.52	\$.36	44%	\$ 1.76	\$.67	163%

SEATTLE, Oct. 14, 1999 – The Boeing Company [NYSE: BA] reported third quarter net earnings of \$477 million, or \$.52 per share, up \$130 million over the same period in 1998. Revenues for the quarter were \$13.3 billion, a four percent increase over the same period in 1998.

Third quarter net earnings included, on an after-tax basis, a gain of \$59 million, or \$.07 per share, associated with the sale of Boeing Information Services, a non-core business, and a gain of \$41 million, or \$.04 per share, associated with receipt and subsequent sale of shares resulting from an initial public offering of an insurer. In addition, the quarter included a charge of \$141 million, or \$.15 per share associated with long-lead inventory on the F-15 fighter program.

Boeing's third quarter earnings for the comparable period in 1998 were \$347 million, or \$.36 per share, which included certain non-recurring tax benefits of \$57 million, or \$.06 per share.

Excluding these non-recurring items, third quarter earnings per share were \$.56 and \$.30 for 1999 and 1998 respectively, an increase of 87 percent year-over-year. Net margins for the quarter rose to 3.6 percent, compared to 2.7 percent for the same period in 1998.

Earnings for the first nine months of 1999 were \$1,647 million, or \$1.76 per share, compared to \$655 million, or \$.67 per share, for the first nine months of 1998. Revenues for the nine month period were \$42.8 billion, up 10 percent when compared to the first nine months of 1998. Net margins for the first nine months of 1999 were 3.8 percent compared to 1.7 percent in the first nine months of last year.

Free cash flow, operating cash flow less capital expenditures, was very strong at \$.8 billion for the third quarter and \$2.3 billion for the nine months, reflecting continued improved performance. The company additionally generated \$0.3 billion of cash during the quarter from the disposition of non-core businesses and assets. Cash and short-term investments were \$2.8 billion after repurchasing 38.8 million shares for \$1.7 billion during the first nine months of 1999. To date, the company has repurchased 74 million shares, or approximately one-half of the 15 percent authorized by the Board of Directors in August 1998.

"Boeing continued on its flight plan in the third quarter. We won considerable new business. We are realizing significant performance improvement in production and are confident in our ability to deliver about 620 commercial airplanes this year," said Boeing Chairman and Chief Executive Officer Phil Condit. "Due in part to the improved Asian economy, we are able to maintain the 747 production rate at two per month through 2000. We also entered into new business opportunities which, when combined with some key contract wins, clearly indicate the exciting future of this company."

Condit cited as examples the large, multi-year National Reconnaissance Office future imagery architecture contract, the opening of a new tactical aircraft modification and support facility in Jacksonville, Fla., and the global inventory network launched with British Airways.

"The National Reconnaissance Office contract establishes our leadership position in the area of space imaging. Our ability to unseat a long-term incumbent demonstrates the strength of our merger with McDonnell Douglas and the acquisition of Rockwell's aerospace and defense businesses. This powerful combination opens up new opportunities across the board for Boeing going forward," Condit said.

Commercial Airplanes: Commercial Airplanes operating earnings for the third quarter of 1999 were \$501 million on revenues of \$8.5 billion, compared with a loss of \$142 million on revenues of \$7.8 billion for the same period in 1998, all based on the unit cost of airplanes delivered. The 142 jet airplanes delivered in the third quarter brought Boeing's total for the first nine months of the year to 455, compared with 368 in the first nine months of 1998. The overall operating margin in the segment was 5.9 percent for the third quarter of 1999, compared with a negative 1.8 percent for the same period last year. Significant cost improvement on Next-Generation 737 and 777 more than offset a less favorable model mix.

Milestones for the best-selling 737 included the 400th rollout of a Next-Generation 737 and delivery of the 3,500th 737. The Next Generation 737 received Federal Aviation Administration approval for 180-minute extended-range twin-engine operations. This extension from 120 minutes gives airlines the ability to offer economical point-to-point service, with the long-range twinjets providing more direct routes and shorter travel times for passengers.

On Aug. 26, Boeing rolled out the 767-400ER, the first new jetliner of the millennium. The rollout was followed by its first flight on Oct. 9. This extended-range derivative provides higher capacity and excellent range capability. It also incorporates an all-new interior fashioned after the award-winning 777 and an upgraded flight deck.

During the quarter, the Boeing 717 received joint certification from the U.S. FAA and Europe's Joint Aviation Authorities. The first 717 was delivered to launch customer AirTran on Sept. 23 and was put into revenue service earlier this week. Hawaiian Airlines announced its intent to purchase 13 717s with options for seven more, with first delivery in 2001. The 717 is the most cost-effective, most environmentally friendly and quietest airplane in its class – designed to serve high-frequency, short- to medium-range routes.

China Airlines ordered 13 747-400 freighters. This order and recent economic indicators in Asia are encouraging signs that the economic situation in the region is improving – a positive move in an important Boeing market.

The company continues to expand the reach of its commercial airplane services businesses – announcing a new global inventory management service, delivery of maintenance documents via the web, and a 757 freighter conversion program for DHL with Boeing providing the planes via a multi-year lease, as well as maintaining them.

Military Aircraft and Missiles: Military Aircraft and Missiles earned

\$102 million on revenues of \$2.8 billion in the third quarter, compared to \$370 million of earnings on revenues of \$3.2 billion during the same period last year. The segment's operating margin was 3.7 percent for the quarter, down from 11.5 percent in the comparable period for 1998. Increased deliveries of the C-17 were offset by fewer F-15 deliveries and a non-recurring pretax charge of \$225 million related to long-lead inventory for the F-15 fighter program. The defense appropriations conference committee recently approved additional U.S. Air Force F-15 procurement. Boeing's tactical aircraft, transport, rotorcraft, and missile programs have received strong support in the Department of Defense fiscal year 2000 budget process.

Boeing announced an expansion to its aerospace support business by establishing a new modification and upgrade center for tactical aircraft in Jacksonville, Fla. Also in the aerospace support business, the facility for large aircraft in San Antonio has reached near capacity in the past 12 months, its first year of operation. In a major milestone toward flight testing next year, Boeing connected electrical power to its first Joint Strike Fighter demonstrator aircraft and successfully mated the wing to the second airframe.

Space and Communications: Space and Communications earned \$137 million on revenues of \$1.7 billion, compared to a loss of \$8 million on revenues of \$1.6 billion for the same period in 1998. The segment operating margin for the third quarter was 8.2 percent, compared with negative .5 percent for the same period in 1998, which included higher research and development expense primarily related to the Delta IV launch vehicle, and joint venture development costs for the Sea Launch program. This year's third quarter included a pretax gain of approximately \$95 million on the sale of Boeing Information Services.

In addition to the National Reconnaissance Office contract, a Boeing-led team won the competition to provide Australia with the next generation airborne early warning and control system. The program includes seven 737 AEW&C systems plus ground support, training and mission support worth more than \$1 billion.

During the quarter, three Delta II launches set a record by deploying 17 satellites in 68 days. On Oct. 9, Sea Launch successfully conducted the launch of the first commercial satellite from a floating platform at sea. Boeing is a 40 percent partner in the enterprise.

Due to significant customer program delays in the commercial satellite market, the company expects to see a softening in the commercial launch business.

After the close of the quarter, a Boeing-led team – on its initial attempt – successfully destroyed a ballistic missile target in space with a prototype interceptor missile. Using only kinetic energy, and at closure speeds of more than 15,000 miles per hour, this was a key targeting and tracking milestone for the National Missile Defense program.

Managing for Value: Announced during the first quarter of this year, 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. In July, Boeing announced the Value Scorecard that includes four public performance metrics, as well as guidance on top-level financial results.

"We are making progress in driving a value-oriented discipline deep into the organization so that we are using a common language, common methodologies and a common way of operating and measuring results," Chief Financial Officer Debby Hopkins reported. "We are on track with our commitments for improving inventory turns, facility consolidations, overhead cost management and supplier base consolidation."

Based on current schedules and plans for 1999, which include commercial airplane deliveries in the range of 620, consolidated revenues are projected to be approximately \$58 billion. The company's operating margin is now projected to be in the range of 5.5% - 6.0%, an increase from the previous projection for the full year, due to improved performance. Free cash flow is currently projected to be greater than \$3.0 billion for 1999, an increase of \$.5 billion from the previous projection, also reflecting the company's strong performance.

Based on current schedules and plans for 2000, commercial aircraft deliveries are projected to be in a range of 480, and consolidated revenues are projected to be in the range of \$49 billion. The company's operating margin for 2000 is projected to be in the range of 5.5% - 6.5%, also an increase from the previous projection. Free cash flow is currently projected to be greater than \$2.5 billion for 2000, an increase of \$.5 billion from the previous projection.

Value Scorecard – Third Quarter 1999

Performance Initiatives	1999 Goal	2000 Goal	Challenge
Inventory turns	2.9	3.0	4.0
Facility consolidation (in millions)	122 ft ²	109 ft ²	95 ft ²
Overhead reduction (in millions)	\$600	\$1,600	\$2,100
Supplier base	31,000	25,000	18,000
	<u>1999 Projections</u>	<u>2000 Projections</u>	<u>Challenge</u>
Revenue (in billions)	\$58	\$49	
Operating margins	5.5% - 6%	5.5% - 6.5%	> 10%
Free cash flow (in billions)	> \$3.0	> \$2.5	

Editors' Note: *The Value Scorecard and a series of charts (which include segment data and projections) may be found, for a limited time, on Boeing's web site: www.boeing.com.*

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, launches, new business and business opportunities, current and future markets for the company's products, sales, revenues, operating margins, earnings, cash, disposition of certain company businesses, performance against key metrics of the company's value scorecard, inventory turns, facilities consolidation, overhead reduction, supplier base reduction, 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 June 30, 1999.

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<http://www.boeing.com>

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

	Nine months ended		Three months ended	
	September 30		September 30	
	1999	1998	1999	1998
Sales and other operating revenues	\$42,793	\$39,055	\$13,279	\$12,721
Cost of products and services	37,980	35,004	11,802	11,248
Gross profit	4,813	4,051	1,477	1,473
Equity in income (loss) from joint ventures	3	(70)	(9)	(27)
General and administrative expense	1,509	1,488	493	528
Research and development expense	1,026	1,431	315	455
Gain on dispositions, net	70	9	63	10
Share-based plans expense	151	106	55	43
Operating earnings	2,200	965	668	430
Other income, principally interest	501	219	126	88
Interest and debt expense	(330)	(341)	(111)	(114)
Earnings before income taxes	2,371	843	683	404
Income taxes	724	188	206	57
Net earnings	\$ 1,647	\$ 655	\$ 477	\$ 347
Basic earnings per share	\$1.78	\$.67	\$.52	\$.36
Diluted earnings per share	\$1.76	\$.67	\$.52	\$.36
Cash dividends per share	\$.42	\$.42	\$.14	\$.14

Excluding the share-based plans:

Net earnings	\$1,741	\$722	\$512	\$375
Diluted earnings per share	\$1.86	\$.73	\$.55	\$.38

The Boeing Company and Subsidiaries
Consolidated Statements of Financial Position
(Dollars in millions except per share data)

	September 30 1999	December 31 1998
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 2,673	\$ 2,183
Short-term investments	100	279
Accounts receivable	3,200	3,288
Current portion of customer and commercial financing	595	781
Deferred income taxes	1,423	1,495
Inventories, net of advances and progress billings	8,729	8,349
Total current assets	16,720	16,375
Customer and commercial financing	4,970	4,930
Property, plant and equipment, net	8,435	8,589
Deferred income taxes	415	411
Goodwill	2,250	2,312
Prepaid pension expense	3,559	3,513
Other assets	845	542
	\$37,194	\$36,672
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	\$11,552	\$10,733
Advances in excess of related costs	1,062	1,251
Income taxes payable	813	569
Short-term debt and current portion of long-term debt	744	869
Total current liabilities	14,171	13,422
Accrued retiree health care	4,894	4,831
Long-term debt	5,909	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	1,686	1,147
Treasury shares, at cost – 72,493,182 and 35,845,731	(2,922)	(1,321)
Retained earnings	10,083	8,706
Accumulated other comprehensive income	(23)	(23)
Unearned compensation	(13)	(17)
ShareValue Trust shares – 38,561,375 and 38,166,601	(1,650)	(1,235)
Total shareholders' equity	12,220	12,316
	\$37,194	\$36,672

The Boeing Company and Subsidiaries
Consolidated Statements of Cash Flows

(Dollars in millions)
(Unaudited)

	Nine months ended September 30	
	1999	1998
Cash flows - operating activities:		
Net earnings	\$ 1,647	\$ 655
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	151	106
Depreciation and amortization	1,203	1,225
Gain on dispositions, net	(70)	(9)
Changes in assets and liabilities –		
Short-term investments	179	450
Accounts receivable	25	(134)
Inventories, net of advances and progress billings	(386)	(1,564)
Accounts payable and other liabilities	969	(492)
Advances in excess of related costs	(189)	(91)
Income taxes payable and deferred	312	250
Other	(378)	(227)
Accrued retiree health care	63	(7)
Net cash provided by operating activities	3,526	162
Cash flows - investing activities:		
Customer financing and properties on lease, additions	(1,559)	(978)
Customer financing and properties on lease, reductions	1,590	983
Property, plant and equipment, net additions	(1,042)	(1,228)
Proceeds from dispositions	324	24
Net cash used by investing activities	(687)	(1,199)
Cash flows - financing activities:		
New borrowings	267	548
Debt repayments	(586)	(607)
Common shares purchased	(1,681)	(479)
Stock options exercised, other	58	15
Dividends paid	(407)	(425)
Net cash used by financing activities	(2,349)	(948)
Net increase (decrease) in cash and cash equivalents	490	(1,985)
Cash and cash equivalents at beginning of year	2,183	4,420
Cash and cash equivalents at end of 3 rd quarter	\$ 2,673	\$ 2,435

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

	Nine months ended September 30		Three months ended September 30	
	1999	1998	1999	1998
Revenues:				
Commercial Airplanes	\$28,419	\$24,600	\$ 8,529	\$ 7,809
Military Aircraft and Missiles	8,937	9,115	2,760	3,214
Space and Communications	4,935	5,203	1,663	1,621
Customer and Commercial Financing / Other	603	569	219	164
Accounting differences / eliminations	(101)	(432)	108	(87)
Operating revenues	\$42,793	\$39,055	\$13,279	\$12,721
Earnings (loss):				
Commercial Airplanes	\$ 1,318	\$ (320)	\$ 501	\$ (142)
Military Aircraft and Missiles	792	922	102	370
Space and Communications	292	157	137	(8)
Customer and Commercial Financing / Other	330	333	111	98
Accounting differences / eliminations	(164)	181	(44)	231
Share-based plans	(151)	(106)	(55)	(43)
Other unallocated expense	(217)	(202)	(84)	(76)
Operating earnings	2,200	965	668	430
Other income, principally interest	501	219	126	88
Interest and debt expense	(330)	(341)	(111)	(114)
Earnings before income taxes	2,371	843	683	404
Income taxes	724	188	206	57
Net earnings	\$ 1,647	\$ 655	\$ 477	\$ 347
Effective tax rate	30.5%	22.3%	30.2%	14.1%
Research and development:				
Commercial Airplanes	\$ 496	\$ 799	\$ 130	\$ 235
Military Aircraft and Missiles	175	213	56	76
Space and Communications	355	419	129	144
Total research and development expense	\$ 1,026	\$ 1,431	\$ 315	\$ 455

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	Nine Months		3rd Quarter	
	1999	1998	1999	1998
Commercial Airplanes				
717	2 (2)	—	2 (2)	—
737	34	92	9	25
737 Next-Generation	207	91	68	41
747	38	32	12	11
757	51	35	15	12
767	33 (1)	35	8 (1)	11
777	61	52	16	15
MD-80	17 (14)	5 (2)	9 (6)	2 (2)
MD-90	6	18	—	4
MD-11	6	8 (2)	3	2
Total	455	368	142	123

Military Aircraft and Missiles				
C-17	8	6	3	2
F-15	27	25	6	12
F/A-18 C/D	20	24	6	8
F/A-18 E/F	10	—	4	—
T-45TS	9	11	3	4
CH-47	10	14	3	8
757 – C-32A	—	2	—	—
Space and Communications				
767 AWACS	2	2	—	—
Delta II	8	8	3	1
Delta III	1	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.

	Sept. 30	June 30	Dec. 31
Contractual backlog (Dollars in billions)	1999	1999	1998
Commercial Airplanes	\$ 75.7	\$ 76.9	\$ 86.1
Military Aircraft and Missiles	16.5	18.0	17.0
Space and Communications	8.7	9.5	9.8
Total contractual backlog	\$100.9	\$104.4	\$112.9
Unobligated backlog	\$ 20.1	\$ 20.1	\$ 23.5
Workforce	202,000	211,000	231,000