

Boeing's First Quarter 2000 Earnings Reflect Continued Operating Improvement Despite Impact of Strike

First Quarter Highlights:

- *Net earnings were \$418 million or \$.48 per share*
- *Resolved SPEEA labor agreement*
- *Received orders for 128 commercial airplanes including:*
 - *Japan Airlines order for 8 longer-range 777-300s with options for an additional 7*
 - *Hawaiian Airlines order of 13 717s*
 - *easyJet order of 17 additional 737-700s*
 - *Alitalia order for 5 747-400s*
- *Launched two, longer-range models of the 777 jetliner*
- *RAH-66 Comanche helicopter received approval to enter a \$3.1 billion engineering, manufacturing and development phase*
- *F/A-18E/F won the Collier Trophy and completed operational evaluation with highest possible score*
- *Announced intent to purchase Hughes' space and communications business*
- *Formed New Ventures activity to capitalize on "new frontier" aerospace opportunities*
- *Launched e-commerce global aerospace and defense trading exchange*

Summary financial results: <i>(In millions except per share data)</i>	1st Quarter		%
	2000	1999	Change
Revenues	\$9,910	\$14,392	(31%)
Net earnings	\$418	\$469	(11%)
Earnings per share (diluted)	\$.48	\$.50	(4%)

SEATTLE, April 19, 2000 – The Boeing Company [NYSE: BA] reported first quarter 2000 revenues and net earnings of \$9.9 billion and \$418 million, respectively, down from the same period last year. Net earnings were \$.48 per share. These results were materially impacted by lower commercial aircraft deliveries due to a 40-day labor strike. Had the company delivered all of the planes in the plan prior to the strike, quarterly revenues would have totaled approximately \$12.5 billion. The fundamentals of the company's performance remain strong, as operating margins for the quarter were 5.6 percent, compared with 5.1 percent for the same period in 1999, despite lower revenue volume.

First quarter earnings, on an after-tax basis, included a \$26 million, or

\$.03 per share, gain on the sale of a long-held investment; and \$33 million, or \$.04 per share, of interest income from a federal income tax audit settlement. Excluding these unique items, first quarter earnings were \$.41 per share.

As a result of strike-related, delayed commercial aircraft deliveries, the company had negative free cash flow (operating cash flow less capital expenditures) of \$1.2 billion for the first quarter. Cash and short-term investments were \$2.7 billion at the end of the first quarter 2000. Revenues, net earnings and free cash flow were lower than planned for the first quarter, primarily attributable to 50 fewer commercial airplane deliveries.

"Boeing had a strong first quarter across all three major business units. We had solid program performance and good financial performance despite a 40-day work stoppage that was felt primarily in our commercial airplanes unit," said Phil Condit, Boeing chairman and chief executive officer. "Our workforce is back together as a team, we are executing a recovery plan and operating margins continue to improve.

"Our first priority is getting our customers what they need. We will be essentially back to our original planned delivery schedule by the end of the second quarter, although some airplanes will be delivered outside their contracted months," he said.

"This year is about performance," Condit stated. "This quarter we've demonstrated improved performance in all three of our business units, which gives me confidence in our ability to meet our original targets for the year.

"We also remain focused on our future. We continue to invest in research and development across each of our business units," Condit said. "During the quarter, we launched two derivatives of the 777, formed a new ventures activity, announced an industry-wide global aerospace and defense trading exchange and signed an agreement to purchase Hughes' space and communications business."

Commercial Airplanes: Commercial Airplanes revenues were \$5,171 million, down 47 percent when compared with 1999. Earnings were \$259 million, down 35 percent from first quarter 1999. The unit turned in improved operating

margins for the quarter of five percent, up one percentage point from the first quarter of 1999, primarily reflecting productivity improvements.

Due to the strike, Commercial Airplanes delivered 75 jets this quarter compared with 125 planned and 148 delivered in the first quarter of last year. Reduced deliveries caused a significant reduction in first quarter revenues, but the unit expects to recover and deliver about 490 airplanes for the year, as originally planned.

"We are also encouraged by the volume of orders we've received this year," Condit said. "The 128 commercial airplane orders announced in the quarter reflect the economic recovery in Asia and a broad-based, increased interest in aircraft purchases. The 2001 delivery forecast is already more than 90 percent contractually committed."

Fueled by strong market interest and customer requests, two longer-range 777 models were launched this quarter to address much of the market demand for airlines to offer long-range, point-to-point services. The new 777-200 will carry up to 301 passengers and have a range of 10,148 miles, while the larger new 777-300 will carry up to 359 passengers and fly 8,314 miles.

Military Aircraft and Missiles: Military Aircraft and Missiles revenues for the three-month period were \$2,899 million, down two percent when compared to the first quarter of 1999. The unit continued to turn in strong, double-digit operating margin performance. Operating earnings were \$298 million, down \$24 million from 1999. Operating margins were 10.3 percent, up 1.3 percentage points from the first quarter of 1999, prior to the inclusion last year of a one-time gain from a contract settlement.

During the quarter, the F/A-18E/F Super Hornet was selected for the nation's most prestigious aerospace award, the Robert J. Collier Trophy, by the National Aeronautic Association. In addition, the U.S. Navy awarded the Super Hornet the highest possible rating during its operational evaluation, clearing the way for the program to get approval to start full-rate production and multi-year procurement.

Another Navy program, the Standoff Land Attack Missile Expanded Response, also successfully completed its operational test and evaluation. A decision on full-rate production is expected later this year. The Joint Direct Attack

Munition was honored in January with an industry award for being able to rapidly and efficiently triple production rates to meet the needs of the U.S. and allied forces.

On April 4, the Boeing Sikorsky RAH-66 Comanche program won approval to begin its \$3.1 billion engineering and manufacturing development phase. The new U.S. Army Aviation Modernization Plan also has recommended acquisition of more than 1,200 Comanche helicopters valued at nearly \$34 billion over the production cycle of the program.

Space and Communications: Space and Communications revenues were \$1,659 million, up eight percent when compared with the same period in 1999. Operating earnings for the quarter were \$60 million, compared with \$61 million for the same first quarter of 1999. Operating margins for the quarter were 3.6 percent, down 0.4 of a percentage point from the comparable period in 1999. This reflects continuing investment in the development of new products – particularly the Delta IV launch vehicle and the new 737-based airborne early warning and control aircraft. Excluding research and development expense, Space and Communications operating margins were in the double digits.

"We see growth potential in the future of space and communications. This is evident by our R&D in current projects and programs, as well as the new frontiers presented by our acquisition of the Hughes business and the synergies we anticipate from this substantial increase in our intellectual capital," Condit said.

Delta II, the workhorse of the satellite launch industry, had two successful launches in the quarter. Delta III is expected to return to flight later this year and the new Delta IV production facility in Decatur, Ala., is up and running with the program on-schedule for an initial launch in 2001. In addition, Boeing and Mitsubishi Heavy Industries Ltd. announced a joint effort to design and develop a new, higher performing, upper stage engine for the next generation of expendable launch vehicles.

On March 12, Sea Launch, of which Boeing is a 40 percent partner, experienced a mission failure. A Joint Review Failure Oversight Board was formed to identify the root cause of the failure and the corrective action required. Pending results of the review, Sea Launch anticipates another launch this summer.

During the quarter, the first Airborne Laser 747-400 was delivered to the U.S. Air Force for modification to carry the laser systems and the third successful Patriot Advance Capability-3 (PAC-3) missile defense intercept test was performed.

Value Scorecard: The company expects to meet its 2000 Value Scorecard goals for inventory turns, facilities consolidation, overhead cost management and supplier base consolidations.

Value Scorecard	1999	2000	
Performance Initiatives	Results	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)	\$780	\$1,600	\$2,100
Supplier base	28,800	25,000	18,000

The company maintains its financial guidance as follows:

Financial Outlook

Financial Outlook	2000 Outlook	2001 Outlook
Revenue (in billions)	\$50	\$51
Operating margins (%)	7.0% +/-	8.0% +/-
Free cash flow (in billions)	>\$2.5	>\$3.0

Editors' Note: *The Value Scorecard may be found, for a limited time, on Boeing's web site: www.boeing.com.*

[Forward Looking Statement]

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 new business and new business opportunities (including "new frontier" aerospace opportunities and e-commerce global aerospace and defense trading exchange), revenues and revenue growth potential, execution of post-strike recovery plans, operating margins and margin growth potential, deliveries, compliance with delivery schedules, performance against company targets, research and development, new products, current and future markets for the Company's products, acquisition of the Hughes Space and Communications business and synergies expected in connection therewith, orders and contracts for Company products, decisions regarding production of Company products, launches, sales, 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; current and future markets for the company's products and services; internal performance; product performance; customer financing; customer, supplier and subcontractor performance; customer model selections; favorable outcomes of certain pending sales campaigns; supplier contract negotiations; price escalation; government policies and actions; successful negotiation of contracts with the company's labor unions; regulatory approvals; and successful execution of acquisition and divestiture plans. 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 continued research and development, production recovery, production rate increases and decreases, production system initiatives, timing of product deliveries and launches, supplier contract negotiations, asset management plans, acquisition and divestiture plans, procurement plans, and other cost-reduction efforts; acceptance of new products and services; product performance risks; the cyclical nature of some of the Company's businesses; volatility of the market for certain products and services; domestic and international competition in the defense, space and commercial areas; continued integration of acquired businesses; uncertainties associated with regulatory certifications of the Company's commercial aircraft by the U.S. Government and foreign governments; actions by regulatory agencies in regard to the proposed acquisition of the Hughes space and communications business and other new ventures; other regulatory uncertainties; collective bargaining labor disputes; performance issues with key suppliers, subcontractors and customers; 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; the outcome of political and legal processes, including uncertainty regarding government funding of certain programs; 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; legal, financial and governmental risks related to international transactions; legal proceedings; and other economic, political and technological risks and uncertainties. Additional information regarding these factors is contained in the Company's SEC filings, including, without limitation, the Company's Annual Report on Form 10-K for the year ended 1999.

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<http://www.boeing.com>

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

(Dollars in millions except per share data)

Three months ended
March 31

	2000	1999
Sales and other operating revenues	\$9,910	\$14,392
Cost of products and services	8,547	12,758
	1,363	1,634
Equity in income from joint ventures	31	8
General and administrative expense	490	491
Research and development expense	288	361
Loss on dispositions, net	—	(5)
Share-based plans expense	60	46
Earnings from operations	556	739
Other income, principally interest	149	40
Interest and debt expense	(103)	(109)
Earnings before income taxes	602	670
Income taxes	184	201
Net earnings	\$ 418	\$ 469
Basic earnings per share	\$.48	\$.50
Diluted earnings per share	\$.48	\$.50
Cash dividends per share	\$.14	\$.14
Average diluted shares (millions)	878.0	945.2

Excluding the share-based plans:

Net earnings	\$ 456	\$ 498
Diluted earnings per share	\$.52	\$.53

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 except per share data)

	March 31 2000	December 31 1999
Assets	(Unaudited)	
Cash and cash equivalents	\$ 2,628	\$ 3,354
Short-term investments	99	100
Accounts receivable	3,422	3,453
Current portion of customer and commercial financing	351	799
Deferred income taxes	1,708	1,467
Inventories, net of advances and progress billings	7,974	6,539
Total current assets	16,182	15,712
Customer and commercial financing	5,006	5,205
Property, plant and equipment, net	8,142	8,245
Goodwill	2,212	2,233
Prepaid pension expense	3,979	3,845
Other assets	1,039	907
	\$36,560	\$36,147
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	\$10,931	\$11,269
Advances in excess of related costs	1,251	1,215
Income taxes payable	652	420
Short-term debt and current portion of long-term debt	1,044	752
Total current liabilities	13,878	13,656
Deferred income taxes	196	172
Accrued retiree health care	4,922	4,877
Long-term debt	5,709	5,980
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	1,621	1,684
Treasury shares, at cost – 104,199,201 and 102,356,897	(4,240)	(4,161)
Retained earnings	10,905	10,487
Accumulated other comprehensive income	9	6
Unearned compensation	(11)	(12)
ShareValue Trust shares – 38,845,646 and 38,696,289	(1,488)	(1,601)
Total shareholders' equity	11,855	11,462
	\$36,560	\$36,147

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

(Dollars in millions)

	Three months ended March 31	
	2000	1999
Cash flows – operating activities:		
Net earnings (loss)	\$ 418	\$ 469
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	60	46
Depreciation	323	381
Amortization of goodwill and intangibles	29	21
Customer and commercial financing valuation provision	1	
Loss on dispositions, net		5
Changes in assets and liabilities –		
Short-term investments	1	3
Accounts receivable	31	(203)
Inventories, net of advances and progress billings	(1,435)	(648)
Accounts payable and other liabilities	(211)	551
Advances in excess of related costs	36	107
Income taxes payable and deferred	15	53
Other	(274)	(20)
Accrued retiree health care	45	21
Net cash provided (used) by operating activities	(961)	786
Cash flows – investing activities:		
Customer and commercial financing – additions	(397)	(469)
Customer and commercial financing – reductions	1,011	436
Property, plant and equipment, net additions	(205)	(350)
Proceeds from dispositions	17	22
Net cash provided (used) by investing activities	426	(361)
Cash flows – financing activities:		
New borrowings	125	79
Debt repayments	(104)	(68)
Common shares purchased	(104)	(103)
Stock options exercised, other	19	19
Dividends paid	(127)	(137)
Net cash used by financing activities	(191)	(210)
Net increase (decrease) in cash and cash equivalents	(726)	215
Cash and cash equivalents at beginning of year	3,354	2,183
Cash and cash equivalents at end of 1st quarter	\$ 2,628	\$ 2,398

The Boeing Company and Subsidiaries
Business Segment Data
(Unaudited)

(Dollars in millions)

	Three months ended March 31	
	2000	1999
Revenues:		
Commercial Airplanes	\$5,171	\$ 9,795
Military Aircraft and Missiles	2,899	2,967
Space and Communications	1,659	1,543
Customer and Commercial Financing, Other	175	173
Accounting differences / eliminations	6	(86)
Operating revenues	\$9,910	\$14,392
Earnings from operations:		
Commercial Airplanes	\$ 259	\$ 396
Military Aircraft and Missiles	298	322
Space and Communications	60	61
Customer and Commercial Financing, Other	105	88
Accounting differences / eliminations	(48)	(29)
Share-based plans	(60)	(46)
Unallocated expense	(58)	(53)
Earnings from operations	\$ 556	\$ 739
Other income, principally interest	\$ 149	\$ 40
Interest and debt expense	(103)	(109)
Earnings before income taxes	\$ 602	\$ 670
Net earnings	\$ 418	\$ 469
Effective income tax rate	30.5%	30.0%
Research and development:		
Commercial Airplanes	\$ 103	\$ 182
Military Aircraft and Missiles	61	62
Space and Communications	124	117
Total research and development expense	\$ 288	\$ 361

Operating and Financial Data

Deliveries	1 st Quarter	
	2000	1999
Commercial Airplanes		
717	3 (1)	–
737	2	14
737 Next-Generation	39	61
747	4*	14
757	10	17
767	5	11
777	10	23
MD-80	–	2 (2)
MD-90	–	5
MD-11	2	1
Total	75	148

* Includes one Airborne Laser 747

Military Aircraft and Missiles		
C-17	3	2
F-15	4	9
F/A-18 C/D	6	6
F/A-18 E/F	4	2
T-45TS	4	3
CH-47	1	3
Apache	2	3
Space and Communications		
767 AWACS	–	2
Delta II	2	2

Note: Commercial Airplanes deliveries by model include deliveries under operating lease which are identified by parentheses. The first 12 F/A-18 E/F aircraft were delivered under a cost-type contract; sales were recognized as work progressed rather than upon delivery.

	Mar. 31	Dec. 31
Contractual backlog (Dollars in billions)	2000	1999
Commercial Airplanes	\$ 75.7	\$ 73.0
Military Aircraft and Missiles	16.8	15.6
Space and Communications	9.6	10.6
Total contractual backlog	\$102.1	\$99.2
Unobligated backlog	\$ 23.7	\$ 24.4
Workforce	192,000	197,000