

BOEING'S SECOND QUARTER 2000 EARNINGS REFLECT STRONG OPERATING PERFORMANCE AND IMPROVING OUTLOOK

Second Quarter Highlights:

- **Delivered 167 commercial aircraft, bringing year-to-date deliveries to 242**
- **Received gross orders for 200 commercial airplanes, bringing the year-to-date total orders to 328, significantly better than plan**
 - **737NG production rate will increase to 28 per month in third quarter 2001**
 - **Deliveries outlook increased for 2001; 2002 firming up**
- **Signed F/A-18E/F multi-year contract for 222 aircraft, worth \$8.9 billion; won first international competition for C-17s by the United Kingdom**
- **Awarded NASA contract for future launches, a potential value of \$5 billion**

Summary financial results: (In millions except per share data)	2nd Quarter		%	June 30		%
	2000	1999	Change	2000	1999	Change
Revenues	\$14,841	\$15,122	(1.9%)	\$24,751	\$29,514	(16.1%)
Net Earnings	\$620	\$701	(11.6%)	\$1,038	\$1,170	(11.3%)
Earnings per share (diluted)	\$0.71	\$0.75	(5.3%)	\$1.18	\$1.24	(4.9%)
Non-recurring items	(\$0.04)	\$0.19		\$0.03	\$0.19	
EPS w/o non-recurring items	\$0.75	\$0.56	33.9%	\$1.15	\$1.05	9.5%

SEATTLE, July 19, 2000 – The Boeing Company [NYSE: BA] reported second quarter net earnings of \$620 million, or \$.71 per share, on revenues of \$14.8 billion. Reported second quarter net earnings included a non-recurring charge of \$34 million, or \$.04 per share, associated with the incurred costs of the planned demonstration launch of a Delta III rocket in August 2000. Reported second quarter 1999 earnings reflected an after-tax gain of \$181 million, or \$.19 per share, associated with a federal income tax settlement. Excluding these non-recurring items, year-over-year earnings were up 34 percent, or \$.19 per share. Excluding the non-recurring items, net margins increased from 3.4 percent in second quarter 1999 to 4.4 percent for the same period in 2000.

“The second quarter was a demonstration of the team pulling together and delivering on its promises,” said Boeing Chairman and Chief Executive Officer Phil Condit. “Back in April, we told you that we would essentially be caught up on our commercial airplane deliveries by the end of second quarter, and we are.

The Commercial Airplanes Group did a superb job in getting the deliveries back on track for our customers. I am proud of what the team accomplished.

"The Company's outlook reflects the strength of the commercial airplane market and our continuing overall improved performance. Our cash flow is strong and we now expect 2000 cash flow to be between \$3.0-\$4.0 billion. We have increased our revenue projections for 2000 and 2001 to \$51 billion and \$53 billion respectively, and increased our anticipated 2001 commercial airplane delivery forecast by 5 to 10 percent above 2000 deliveries. Commercial airplane demand appears stable and we anticipate 2002 deliveries to look similar to 2001," said Condit.

Earnings for the first six months of 2000 were \$1,038 million, or \$1.18 per share, on revenues of \$24.8 billion, compared with \$1,170 million, or \$1.24 per share, on revenues of \$29.5 billion for the first half of 1999. Reported earnings for the first six months of 1999 reflected a non-recurring gain of \$181 million, or \$.19 per share, associated with a federal income tax settlement. Looking at a year-over-year comparison of the first six months, there was a \$34 million after-tax write-off associated with the planned demonstration launch of the Delta III in 2000, as well as a first quarter gain of \$26 million from the sale of a long-held investment and \$33 million of interest income due to a federal income tax audit settlement. Adjusting for non-recurring items for the first six months of 1999 and 2000, the comparable year-over-year net margins increased from 3.4 percent to 4.1 percent.

Free cash flow (operating cash less capital expenditures) was very strong at \$2.9 billion for the second quarter and \$1.7 billion for the six months. Cash balance and short-term investments increased to \$4.9 billion, even after repurchasing 8.7 million shares during the first six months of 2000. To date, the Company has repurchased 116 million shares, approximately 80 percent of the current Board authorization.

Commercial Airplanes: Commercial Airplanes operating earnings for the second quarter of 2000 were \$882 million on revenues of \$9.9 billion, compared with \$448 million of earnings on \$10.1 billion for the same period in 1999. In the second quarter, 167 planes were delivered, bringing the total for the first half of the year to 242, compared with 313 in the first half of 1999. The overall operating margin in the segment was 8.9 percent for the second quarter of 2000, compared with 4.4 percent for the same period last year. Though some margin progress was due to planes substantially built during the first quarter but not delivered until the second quarter, the primary driver for the margin increase was improvements in production processes. Margins for the first six months of 2000 were 7.6 percent, compared with 4.2 percent for the same period last year.

The Commercial Airplanes Group received 200 orders during the quarter, bringing the yearly order total to 328 airplanes. Southwest Airlines announced

an order for 94 737NGs, with options for another 196. American Airlines ordered 20 757-200s, pushing the 757 program beyond the 1,000 mark to 1,009 orders from operators around the world. Taiwan's EVA ordered seven of the new longer-range versions of the 777. In addition, American Trans Air placed an order for 20 737NGs and 10 757-300s, incorporating financing as well as lifecycle maintenance services. This represents an example of the Company's increasing focus on providing total customer solutions.

Military Aircraft and Missiles: Military Aircraft and Missiles operating earnings for the second quarter of 2000 were \$250 million on revenues of \$3.2 billion, compared with \$368 million on revenues of \$3.2 billion for the second quarter of 1999. The segment's operating margin was 7.9 percent, compared with 11.5 percent for the comparable period for 1999. The reduced operating margin was due to fewer F-15 deliveries, program performance on certain helicopter programs and timing issues associated with aerospace support contracts. Margins are expected to be in the low double digits for the full year.

The United Kingdom Ministry of Defence announced its intention to lease four C-17 Globemaster aircraft for strategic airlift requirements, representing the first international contract for the C-17.

During this quarter, the U. S. Government signed a multi-year contract for 222 F/A-18E/F Super Hornet aircraft. The five-year, \$8.9 billion contract joins the other 62 F/A-18E/F already on contract, for a total of 284 planes.

The \$3.1 billion development contract for the RAH-66 Comanche helicopter was signed this quarter. Boeing is a 50 percent partner in this program with United Technologies. The program will manufacture and deliver 13 new helicopters for development and operational testing.

Military Aircraft and Missiles also announced its intent to sell the parts fabrication operations in St. Louis -- part of the Company's effort to enhance competitiveness, streamline facilities, and focus on large-scale systems integration.

Space and Communications: Space and Communications had an operating loss for the second quarter of 2000 of \$38 million on revenues of \$1.8 billion, compared with \$94 million of operating earnings on revenues of \$1.7 billion for the same period in 1999. The reduced margins were primarily due to the increased levels of investment in research and development for Delta IV and Connexion by BoeingSM, and the charge associated with the Delta III demonstration launch. Excluding non-recurring charges, the segment operating margin was .9 percent, compared with 5.4 percent for the same period last year.

Space and Communications announced the consolidation of Delta launch vehicle production facilities in Huntington Beach, Calif., to facilities in Pueblo, Colo., and Decatur, Ala.

The Company received NASA's George M. Low award for quality and technical performance for its Delta II launch program. Teams were evaluated on customer satisfaction, cost, schedule and technical performance, management initiative and continuous improvement.

Boeing reiterated that it expects the Hughes acquisition to close by the end of the third quarter 2000. The Company also announced its intent to purchase Autometric Inc., a leading supplier of software products and services in the geospatial information technology marketplace, and SVS Inc., a high-technology company that is a nationally recognized expert in the electro-optical arena. "These companies are in keeping with our strategy to make niche acquisitions in key areas in order to provide the skills and technologies necessary to enhance our global leadership in large-scale systems integration," said Condit.

Value Scorecard - (Excluding impact of Hughes and other acquisitions)

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	Long-term
Performance Initiatives	Results	Goal	Challenge
Inventory turns	2.9	3.0	4.0
Facility consolidation (in millions)	122 ft ²	109 ft²	95 ft ²
Overhead reduction (in millions)*	\$780	\$1,600	\$2,100
Supplier base	28,800	25,000	18,000

*Baseline established 1998

Outlook - (Excluding impact of Hughes and other acquisitions)

Financial Outlook	2000 Outlook	2001 Outlook
Revenue (in billions)	\$51**	\$53**
Operating margins (%)	7.0% +/-	8.0% +/-
Free cash flow (in billions)	\$3.0-\$4.0**	>\$3.0

** Represents changes from earlier guidance

The Company adjusted its financial guidance this quarter, increasing the revenue and cash flow projections for 2000 and the revenue projections for 2001. Revenues for 2000 were increased from \$50 billion to \$51 billion and cash flow

was increased from \$2.5 billion to a range of \$3 billion to \$4 billion. Revenue projections for 2001 were increased from \$51 billion to \$53 billion, reflecting additional commercial airplane deliveries. The operating margin guidance for 2000 and 2001 remains unchanged. The Company expects the number of 2001 and 2002 commercial airplane deliveries to be 5 percent to 10 percent above 2000 deliveries.

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 improvements in processes and operations, new business and new business opportunities, revenues and revenue growth, execution of post-strike recovery plans, operating margins and margin growth, cash flow, deliveries, launches, compliance with delivery schedules, performance against Company targets, new products, current and future markets for the Company’s products, acquisition of businesses such as Hughes Space and Communications business, the timing thereof and synergies expected in connection therewith, orders and contracts for Company products, decisions regarding production of Company products, launches, disposition of certain company businesses, facilities consolidation, performance against key metrics of the Company’s Value Scorecard (including inventory turns, facilities consolidation, overhead reduction, supplier base consolidation) 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 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; 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 and the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2000.

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<http://www.boeing.com>

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

<i>(Dollars in millions except per share data)</i>	Six months ended June 30		Three months ended June 30	
	2000	1999	2000	1999
Sales and other operating revenues	\$24,751	\$29,514	\$14,841	\$15,122
Cost of products and services	21,491	26,178	12,944	13,420
	3,260	3,336	1,897	1,702
Equity in income (loss) from joint ventures	30	12	(1)	4
General and administrative expense	1,032	1,016	542	525
Research and development expense	663	711	375	350
Gain on dispositions, net	13	7	13	12
Share-based plans expense	127	96	67	50
Earnings from operations	\$ 1,481	\$ 1,532	\$ 925	\$ 793
Other income, principally interest	222	375	73	335
Interest and debt expense	(210)	(219)	(107)	(110)
Earnings before income taxes	1,493	1,688	891	1,018
Income taxes	455	518	271	317
Net earnings	\$ 1,038	\$ 1,170	\$ 620	\$ 701
Basic earnings per share	\$1.20	\$1.25	\$.71	\$.75
Diluted earnings per share	\$1.18	\$1.24	\$.71	\$.75
Cash dividends per share	\$.28	\$.28	\$.14	\$.14
Average diluted shares (millions)	876.9	942.6	876.1	940.5
Excluding the share-based plans:				
Net earnings	\$1,117	\$1,229	\$661	\$731
Diluted earnings per share	\$ 1.27	\$ 1.30	\$.75	\$.78

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

<i>(Dollars in millions except per share data)</i>	June 30	December 31
	2000	1999
Assets	(Unaudited)	
Cash and cash equivalents	\$ 4,772	\$ 3,354
Short-term investments	100	100
Accounts receivable	3,552	3,453
Current portion of customer and commercial financing	319	799
Deferred income taxes	1,906	1,467
Inventories, net of advances and progress billings	6,193	6,539
Total current assets	16,842	15,712
Customer and commercial financing	5,227	5,205
Property, plant and equipment, net	8,070	8,245
Goodwill	2,191	2,233
Prepaid pension expense	4,114	3,845
Other assets	1,033	907
	\$37,477	\$36,147
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	\$11,318	\$11,269
Advances in excess of related costs	1,449	1,215
Income taxes payable	962	420
Short-term debt and current portion of long-term debt	933	752
Total current liabilities	14,662	13,656
Deferred income taxes	141	172
Accrued retiree health care	4,968	4,877
Long-term debt	5,657	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	1,814	1,684
Treasury shares, at cost – 110,040,425 and 102,356,897	(4,468)	(4,161)
Retained earnings	11,272	10,487
Accumulated other comprehensive income	4	6
Unearned compensation	(10)	(12)
ShareValue Trust shares – 38,976,820 and 38,696,289	(1,622)	(1,601)
Total shareholders' equity	12,049	11,462
	\$37,477	\$36,147

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

<i>(Dollars in millions)</i>	Six months ended June 30	
	2000	1999
Cash flows – operating activities:		
Net earnings	\$1,038	\$1,170
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	127	96
Depreciation	641	749
Amortization of goodwill and intangibles	57	53
Customer and commercial financing valuation provision	21	20
Gain on dispositions, net	(13)	(7)
Changes in assets and liabilities –		
Short-term investments		54
Accounts receivable	(102)	(410)
Inventories, net of advances and progress billings	350	(282)
Accounts payable and other liabilities	51	950
Advances in excess of related costs	234	(48)
Income taxes payable and deferred	72	158
Other	(416)	(278)
Accrued retiree health care	91	42
Net cash provided by operating activities	2,151	2,267
Cash flows – investing activities:		
Customer and commercial financing – additions	(669)	(927)
Customer and commercial financing – reductions	1,028	891
Property, plant and equipment, net additions	(452)	(712)
Proceeds from dispositions	75	48
Net cash used by investing activities	(18)	(700)
Cash flows – financing activities:		
New borrowings	196	145
Debt repayments	(338)	(210)
Common shares purchased	(348)	(676)
Stock options exercised, other	29	41
Dividends paid	(254)	(273)
Net cash used by financing activities	(715)	(973)
Net increase in cash and cash equivalents	1,418	594
Cash and cash equivalents at beginning of year	3,354	2,183
Cash and cash equivalents at end of 2nd quarter	\$4,772	\$2,777

The Boeing Company and Subsidiaries
Business Segment Data
(Unaudited)

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2000	1999	2000	1999
Revenues:				
Commercial Airplanes	\$15,051	\$19,917	\$ 9,880	\$10,122
Military Aircraft and Missiles	6,057	6,177	3,158	3,210
Space and Communications	3,457	3,272	1,798	1,729
Customer and Commercial Financing, Other	355	357	180	184
Accounting differences / eliminations	(169)	(209)	(175)	(123)
Operating revenues	\$24,751	\$29,514	\$14,841	\$15,122
Earnings from operations:				
Commercial Airplanes	\$1,141	\$ 844	\$ 882	\$448
Military Aircraft and Missiles	548	690	250	368
Space and Communications	22	155	(38)	94
Customer and Commercial Financing, Other	220	192	115	104
Accounting differences / eliminations	(247)	(120)	(199)	(91)
Share-based plans	(127)	(96)	(67)	(50)
Unallocated expense	(76)	(133)	(18)	(80)
Earnings from operations	\$1,481	\$1,532	\$ 925	\$793
Other income, principally interest	\$ 222	\$ 375	\$ 73	\$ 335
Interest and debt expense	(210)	(219)	(107)	(110)
Earnings before income taxes	\$1,493	\$1,688	\$ 891	\$1,018
Net earnings	\$1,038	\$1,170	\$ 620	\$701
Effective income tax rate	30.5%	30.7%	30.4%	31.1%
Research and development:				
Commercial Airplanes	\$263	\$366	\$160	\$184
Military Aircraft and Missiles	125	119	64	57
Space and Communications	275	226	151	109
Total research and development expense	\$663	\$711	\$375	\$350

**The Boeing Company and Subsidiaries
Operating and Financial Data**

Deliveries	Six months			2nd Quarter		
	2000		1999	2000		1999
Commercial Airplanes						
717	11	(5)	–	8	(4)	–
737	2		25	–		11
737 Next-Generation	141		139	102		78
747	12*		26	8		12
757	28		36	18		19
767	18		25	13		14
777	27		45	17		22
MD-80	–		8 (8)	–		6 (6)
MD-90	–		6	–		1
MD-11	3		3	1		2
Total	242		313	167		165
Military Aircraft and Missiles						
C-17	6		5	3		3
F-15	5		21	1		12
F/A-18 C/D	14		14	8		8
F/A-18 E/F	11		6	7		4
T-45TS	9		6	5		3
CH-47	4		7	3		4
Apache	4		6	2		3
Space and Communications						
767 AWACS	–		2	–		–
Delta II	2		5	–		3
Delta III	–		1	–		1

* Includes one ABL 747

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.

	June 30	Mar. 31	Dec. 31
Contractual backlog (Dollars in billions)	2000	2000	1999
Commercial Airplanes	\$ 77.1	\$ 75.7	\$73.0
Military Aircraft and Missiles	18.8	16.8	15.6
Space and Communications	9.1	9.6	10.6
Total contractual backlog	\$105.0	\$102.1	\$99.2
Unobligated backlog	\$ 24.4	\$ 23.7	\$24.4
Workforce	187,000	192,000	197,000