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BOEING THIRD QUARTER 2000 NET EARNINGS INCREASE 28 PERCENT FROM SAME PERIOD 1999; OUTLOOK ADJUSTED UPWARD

Third Quarter Highlights:

- **Delivered 117 commercial aircraft, bringing year-to-date deliveries to 359**
- **Received gross orders for 149 commercial airplanes, bringing year-to-date total orders to 475**
- **Successful first flight of the X-32A Joint Strike Fighter concept demonstrator**
- **Successful launches of Delta III, Sea Launch, and Delta II**
- **Signed a follow-on, five-year $2.3B multi-year contract for the remanufacture of 269 AH-64D Apache Longbow helicopters**
- **Rolled out the Unmanned Combat Air Vehicle (UCAV) advanced technology demonstrator**
- **Key strategic acquisitions, including Hughes and Jeppesen, strengthen services and spaced-based communications capabilities**

Summary financial results: (In millions except per share data)	3rd Quarter 2000	3rd Quarter 1999	% Change	Nine months ended September 30 2000	Nine months ended September 30 1999	% Change
Revenues	$11,877	$13,279	(10.6)%	$36,628	$42,793	(14.4)%
Net Earnings	$609	$477	27.7%	$1,647	$1,647	0.0%
Earnings per share (diluted)	$0.70	$0.52	34.6%	$1.89	$1.76	7.4%
Non-recurring items	($0.02)	($0.04)		$0.01	$0.15	
EPS w/o non-recurring items	$0.72	$0.56	28.6%	$1.88	$1.61	16.8%

SEATTLE, Oct. 18, 2000 – The Boeing Company [NYSE: BA] reported third quarter net earnings of $609 million, or $.70 per share, on revenues of $11.9 billion. Third quarter 2000 earnings included a non-recurring item which decreased earnings by $.02 per share and 1999 earnings included a number of non-recurring items which decreased earnings by $.04 per share. Excluding these non-recurring items, year-over-year earnings were up 29 percent, or $.16 per share. Third quarter 2000 earnings also included expenses resulting from the increase in Boeing's share price which decreased earnings by $.05 per share. Operating margins were up 46 percent, an increase from 5.0 percent in third quarter 1999, to 7.3 percent for the same period in 2000.

Earnings for the first nine months of 2000 were $1,647 million, or $1.89 per share, compared with $1,647 million, or $1.76 per share, for the first nine months of 1999. Revenues for the nine month period were $36.6 billion, down 14 percent when compared with the first nine months of 1999. Operating margins for the first nine months of 2000 were 6.4 percent, compared with 5.1 percent in the first nine months of last year.

Free cash flow (operating cash less capital expenditures) was very strong at $1.5 billion for the third quarter 2000, up $684 million from the same period last year. The Company's cash balance and short-term investments increased to $6.3 billion, from $3.5 billion at year-end 1999.

During the third quarter the Company repurchased 10.6 million shares, bringing the share repurchase total for the first nine months of the year to 19.3 million shares. To date, the Company has repurchased 128 million shares, approximately 88 percent of the current Board authorization.

"This high-performance quarter underscores the remarkable transformation of our Company and, in particular, the outstanding turnaround of our commercial airplane business," said Boeing Chairman and CEO Phil Condit. "We continue to see significant performance improvements across our commercial airplane product lines. We also continue to make impressive strides in building backlog company wide. That progress, coupled with the strong and steady performance of our military aircraft business, continues to produce solid results.

"Our Space and Communications business remains focused on making the right investments to capture significant, profitable growth opportunities," Condit added. "In addition, our 2001 outlook reflects higher revenues at $57 billion, significant margin improvement to greater than 8.5 percent reflecting our acceleration to reach double digit margins, and continued strong free cash flow."

Commercial Airplanes: Commercial Airplanes operating earnings for the third quarter of 2000 were $739 million on revenues of $7.5 billion, compared with $534 million of earnings on $8.6 billion of revenues for the same period in 1999. The overall operating margin in the segment was up 60 percent at 9.9 percent for the third quarter of 2000, compared with 6.2 percent for the same period last year.

In the third quarter, 117 planes were delivered, bringing the total for the year to 359. The company expects to deliver about 490 aircraft for the year. The Commercial Airplanes Group received 149 orders during the quarter, bringing the yearly order total to 475 airplanes. Commercial Airplane segment backlog was $82.8 billion, an increase of $7.1 billion from September 1999.

Military Aircraft and Missiles: Military Aircraft and Missiles operating earnings for the third quarter of 2000 were $374 million on revenues of $2.9 billion, compared with $102 million on revenues of $2.8 billion for the third quarter of 1999. The segment's operating margin was 12.9 percent, compared with 3.7 percent for the comparable period for 1999. During the third quarter 1999, there was a non-recurring pre-tax charge associated with the F-15 program of $225 million. Excluding this non-recurring item, third quarter 1999 earnings and operating margins were $327 million and 11.8 percent, respectively.

Space and Communications: Space and Communications incurred an operating loss of $14 million for the third quarter of 2000 on revenues of $1.6 billion, compared with operating earnings of $137 million on revenues of $1.7 billion for the same period in 1999. The lower margins were primarily due to research and development spending for the Delta IV and Connexion by Boeing, and a non-recurring charge associated with the Delta III demonstration launch. In third quarter 1999, there was a non-recurring gain from the sale of Boeing Information Services. Excluding these non-recurring items, earnings for the comparable quarter were down by $36 million.

Value Scorecard

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

Continuing the push to streamline operations and optimize core business performance, Boeing announced consolidation of some Puget Sound/Wichita operations that will lead to an estimated reduction of 1.5 million square feet. During the quarter the company also announced the sale of 1.8 million square feet, or 20 percent of the current site, to the St. Louis Airport Authority as part of a proposed facilities consolidation and modernization plan.

“This is all about running a healthy business,” said Chief Financial Officer Mike Sears. “In order to optimize the businesses we have, we must continue to reduce our assets, decrease our flow times and get costs out of the business,” Sears added.

Value Scorecard

Value Scorecard** Performance Initiatives	1999 Results	**2000 Goal**	Long-term 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

* Baseline established 1998
**Excluding impact of Hughes and other acquisitions

Outlook

Financial Outlook	2000 Outlook	2001 Outlook
Revenue (in billions)	$51	$57
Operating margins (%)	7.0%*	>8.5%
Free cash flow (in billions)	>$4.0	$3.0-$4.0

*Excludes the impact of the evaluation of Hughes in-process R&D vs. Goodwill

Reflecting an enhanced outlook, the company increased its financial guidance this quarter. For 2000, the Company increased its operating margins from the conservative side of 7.0%+/-, to 7.0%. As previously announced, free cash flow was increased from $3 - $4 billion to greater than $4 billion. For 2001, revenues were increased from $53 billion to $57 billion, and operating margins were increased from 8.0%+/- to greater than 8.5%. Free cash flow guidance increased from greater than $3.0 billion to a range of $3 billion to $4 billion. The Company expects the number of 2001 commercial airplane deliveries to be approximately 530. Deliveries in 2002 are expected to be similar.

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 performance improvements in the company’s product lines, increases in backlog, new business and growth opportunities, revenues and revenue growth, operating margins and margin growth, cash flow, deliveries, facilities consolidation, performance against key metrics of the Company’s Value Scorecard (including inventory turns, facilities consolidation, overhead reduction, supplier base consolidation) and other Company targets 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; 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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The Boeing Company and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

(Dollars in millions except per share data)	**Nine months ended September 30**		Three months ended September 30	
	2000	1999	**2000**	1999
Sales and other operating revenues	**$36,628**	$42,793	**$11,877**	$13,279
Cost of products and services	**31,484**	37,980	**9,993**	11,802
	5,144	4,813	**1,884**	1,477
Equity in income (loss) from joint ventures	**38**	3	**8**	(9)
General and administrative expense	**1,639**	1,509	**607**	493
Research and development expense	**1,024**	1,026	**361**	315
Gain on dispositions, net	**20**	70	**7**	63
Share-based plans expense	**193**	151	**66**	55
Earnings from operations	**$ 2,346**	$ 2,200	**$ 865**	$ 668
Other income, principally interest	**343**	501	**121**	126
Interest and debt expense	**(320)**	(330)	**(110)**	(111)
Earnings before income taxes	**$ 2,369**	$ 2,371	**$ 876**	$ 683
Income taxes	**722**	724	**267**	206
Net earnings	**$ 1,647**	$ 1,647	**$ 609**	$ 477
Basic earnings per share	**$1.91**	$1.78	**$.71**	$.52
Diluted earnings per share	**$1.89**	$1.76	**$.70**	$.52
Cash dividends per share	**$ .42**	$ .42	**$.14**	$.14
Average diluted shares (millions)	**873.5**	936.3	**873.3**	924.3
Excluding the share-based plans:				
Net earnings	**$1,767**	$1,741	**$650**	$512
Diluted earnings per share	**$2.02**	$1.86	**$.74**	$.55

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 Position

(Dollars in millions except per share data)	**September 30 2000** (Unaudited)	December 31 1999
Assets		
Cash and cash equivalents	**$ 6,162**	$ 3,354
Short-term investments	**100**	100
Accounts receivable	**3,693**	3,453
Current portion of customer and commercial financing	**314**	799
Deferred income taxes	**1,757**	1,467
Inventories, net of advances and progress billings	**6,071**	6,539
Total current assets	**18,097**	15,712
Customer and commercial financing	**5,655**	5,205
Property, plant and equipment, net	**7,930**	8,245
Goodwill	**2,434**	2,233
Prepaid pension expense	**4,249**	3,845
Other assets	**1,082**	907
	$39,447	$36,147
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	**$11,567**	$11,269
Advances in excess of related costs	**1,748**	1,215
Income taxes payable	**1,011**	420
Short-term debt and current portion of long-term debt	**692**	752
Total current liabilities	**15,018**	13,656
Deferred income taxes	**178**	172
Accrued retiree health care	**5,017**	4,877
Long-term debt	**7,081**	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	**2,557**	1,684
Treasury shares, at cost – 117,675,595 and 102,356,897	**(4,902)**	(4,161)
Retained earnings	**11,882**	10,487
Accumulated other comprehensive income		6
Unearned compensation	**(9)**	(12)
ShareValue Trust shares – 39,075,848 and 38,696,289	**(2,434)**	(1,601)
Total shareholders' equity	**12,153**	11,462
	$39,447	$36,147

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

(Dollars in millions)	Nine months ended September 30 **2000**	1999
Cash flows - operating activities:		
Net earnings	**$1,647**	$1,647
Adjustments to reconcile net earnings		
to net cash provided by operating activities:		
Share-based plans	**193**	151
Depreciation	**970**	1,123
Amortization of goodwill and intangibles	**89**	80
Customer and commercial financing valuation provision	**9**	40
Gain on dispositions, net	**(20)**	(70)
Changes in assets and liabilities –		
Short-term investments		179
Accounts receivable	**(193)**	25
Inventories, net of advances and progress billings	**477**	(386)
Accounts payable and other liabilities	**254**	969
Advances in excess of related costs	**533**	(189)
Income taxes payable and deferred	**328**	312
Other	**(575)**	(378)
Accrued retiree health care	**132**	63
Net cash provided by operating activities	**3,844**	3,566
Cash flows - investing activities:		
Customer financing and properties on lease, additions	**(1,121)**	(1,559)
Customer financing and properties on lease, reductions	**1,026**	1,550
Property, plant and equipment, net additions	**(617)**	(1,042)
Net Acquisitions	**(316)**	
Proceeds from dispositions	**120**	324
Net cash used by investing activities	**(908)**	(727)
Cash flows - financing activities:		
New borrowings	**1,610**	267
Debt repayments	**(569)**	(586)
Common shares purchased	**(894)**	(1,681)
Stock options exercised, other	**104**	58
Dividends paid	**(379)**	(407)
Net cash used by financing activities	**(128)**	(2,349)
Net increase in cash and cash equivalents	**2,808**	490
Cash and cash equivalents at beginning of year	**3,354**	2,183
Cash and cash equivalents at end of 3rd quarter	**$6,162**	$2,673

The Boeing Company and Subsidiaries

Business Segment Data

(Unaudited)

(Dollars in millions)	**Nine months ended September 30**		Three months ended September 30	
	2000	1999	**2000**	1999
Revenues:				
Commercial Airplanes	**$22,512**	$28,479	**$ 7,461**	$ 8,562
Military Aircraft and Missiles	**8,951**	8,937	**2,894**	2,760
Space and Communications	**5,071**	4,935	**1,614**	1,663
Customer and Commercial Financing, Other	**526**	543	**171**	186
Accounting differences / eliminations	**(432)**	(101)	**(263)**	108
Operating revenues	**$36,628**	$42,793	**$11,877**	$13,279
Earnings from operations:				
Commercial Airplanes	**$1,880**	$1,378	**$ 739**	$ 534
Military Aircraft and Missiles	**922**	792	**374**	102
Space and Communications	**8**	292	**(14)**	137
Customer and Commercial Financing, Other	**343**	270	**123**	78
Accounting differences / eliminations	**(360)**	(164)	**(113)**	(44)
Share-based plans	**(193)**	(151)	**(66)**	(55)
Unallocated expense	**(254)**	(217)	**(178)**	(84)
Earnings from operations	**$2,346**	$2,200	**$ 865**	$ 668
Other income, principally interest	**$ 343**	$ 501	**$ 121**	$ 126
Interest and debt expense	**(320)**	(330)	**(110)**	(111)
Earnings before income taxes	**$2,369**	$2,371	**$ 876**	$ 683
Income taxes	**722**	724	**267**	206
Net earnings	**$1,647**	$1,647	**$ 609**	$ 477
Effective income tax rate	**30.5%**	30.5%	**30.5%**	30.2%
Research and development:				
Commercial Airplanes	**$ 394**	$ 496	**$131**	$130
Military Aircraft and Missiles	**190**	175	**65**	56
Space and Communications	**440**	355	**165**	129
Total research and development expense	**$1,024**	$1,026	**$361**	$315

The Boeing Company and Subsidiaries

Operating and Financial Data

Deliveries	**Nine months**		3rd Quarter	
Commercial Airplanes	**2000**	1999	**2000**	1999
717	**20 (12)**	2 (2)	**9 (6)**	2 (2)
737	**2**	34	**–**	9
737 Next-Generation	**209** *	207	**68** *	68
747	**19 ****	38	**7**	12
757	**37**	51	**9**	15
767	**30**	33 (1)	**12**	8 (1)
777	**38**	61	**11**	16
MD-80	**–**	17 (14)	**–**	9 (6)
MD-90	**–**	6	**–**	–
MD-11	**4**	6	**1**	3
Total	**359**	455	**117**	142
Military Aircraft and Missiles				
C-17	**10**	8	**4**	3
F-15	**5**	27	**–**	6
F/A-18 C/D	**16**	20	**2**	6
F/A-18 E/F	**17**	10	**6**	4
T-45TS	**13**	9	**4**	3
CH-47	**5**	10	**1**	3
Apache	**6**	9	**2**	3
Space and Communications				
767 AWACS	**–**	2	**–**	–
Delta II	**2**	8	**–**	3
Delta III	**–** ***	1	**–** ***	–

* Includes one C-40

** Includes one ABL 747

*** Excludes 3Q 2000 demonstration launch

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.

	Sep. 30	Jun. 30	Dec. 31
Contractual backlog (Dollars in billions)	2000	2000	1999
Commercial Airplanes	$ 82.8	$ 77.1	$73.0
Military Aircraft and Missiles	19.1	18.8	15.6
Space and Communications	9.2	9.1	10.6
Total contractual backlog	$111.1	$105.0	$99.2
Unobligated backlog	$25.1	$24.4	$24.4
Workforce	188,000	187,000	197,000