

The Boeing Company

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BOEING'S FULL YEAR 1999 EARNINGS UP \$1.2 BILLION, OR 106%, ON IMPROVED PERFORMANCE; FOURTH QUARTER EARNINGS UP 42%

Highlights—

Full Year 1999:

- **Net earnings were \$2,309 million, up 106 percent from 1998, or \$2.49 per share; excluding non-recurring items, earnings per share were \$2.37**
- **Met or exceeded all company-wide 1999 Value Scorecard goals**
- **Generated significant free cash flow of \$4.7 billion; repurchased 69 million shares**
- **Delivered record 620 commercial jetliners**
- **Won significant Future Imagery Architecture and 737-based airborne early warning and control contracts**
- **Major military programs supported in the FY 2000 budget**
- **US Government set the stage for additional 60 C-17 transport aircraft and 222 F/A-18E/F under multi-year procurements**
- **Expanded service businesses, providing customer-focused solutions**
- **Introduced and implemented Managing for Value program**
- **Divested several non-core businesses**
- **Announced consolidated customer financing activities into refocused Boeing Capital Corporation**

Fourth Quarter:

- **Net earnings were \$662 million, up 42 percent from 1998, or \$.74 per share**
- **Delivered 165 commercial jetliners**
- **Unveiled both Joint Strike Fighter demonstrator aircraft**
- **Won a significant competition to provide launches for SkyBridge constellation**
- **Successfully launched first commercial satellite from the Sea Launch venture's floating platform**
- **Received significant commercial airplane orders across all product lines; exceeded internal plans**

Summary financial results: <i>(In millions except per share data)</i>	4 th Quarter			Twelve months ended		
	1999	1998	% Change	December 31 1999	1998	% Change
Revenues	\$15,200	\$17,099	(11%)	\$57,993	\$56,154	3%
Net earnings	\$ 662	\$ 465	42%	\$ 2,309	\$ 1,120	106%
Earnings per share (diluted)	\$.74	\$.48	54%	\$ 2.49	\$ 1.15	117%

SEATTLE, Jan. 19, 2000 – The Boeing Company [NYSE: BA] reported earnings for 1999 of \$2,309 million, or \$2.49 per share, compared to \$1,120 million, or \$1.15 per share, for the full year of 1998. Revenues were \$58 billion, up 3 percent when compared to the 12 months of 1998. Operating margins for 1999 were 5.5 percent compared with 2.8 percent for 1998 – a nearly 100 percent increase.

Fourth quarter revenues were \$15.2 billion, an 11 percent decrease from the same period in 1998. Net earnings for the quarter were \$662 million, or \$.74 per share, up \$197 million over the same period in 1998. Net margins for the quarter rose to 4.4 percent, compared with 2.7 percent for the same period in 1998.

The company generated significant free cash flow (operating cash flow less capital expenditures) of \$2.4 billion for the fourth quarter and \$4.7 billion for the 12 months, reflecting continued improved performance. Cash and short-term investments were \$3.5 billion at the end of 1999, after repurchasing 69 million shares for \$2.9 billion during the year. To date, the company has repurchased 104 million shares, over two-thirds of the 15 percent authorized by the Board of Directors in August 1998.

"Last year was all about performance. We stated our business goals, and we met them. We delivered on commitments to our customers. We teamed together and won significant new business. And, Boeing expanded into new business arenas as we energized our focus on growth," Boeing Chairman and Chief Executive Officer Phil Condit said. "During this pivotal year of progress we had significant achievements on many fronts. We continued the rigorous reform of our design and production processes. We focused on meeting wider customer needs by expanding maintenance and modification services in both our commercial and military businesses, and broadened our electronic-based spares ordering activities.

"Last week, we announced a major strategic step toward solidifying our position as the leader in integrated, space-based information and communications by announcing our intended purchase of Hughes' space and communications businesses. This acquisition provides an excellent strategic fit, offers substantial synergies and opens up new market opportunities for The Boeing Company," Condit said.

Boeing's financial projections will not reflect this acquisition until the closing, expected by the end of the second quarter.

Commercial Airplanes: Commercial Airplanes operating earnings for the full year were \$2,016 million, compared to a loss of \$266 million for 1998, based on the unit cost of airplanes delivered. Revenues for the 12-month period were \$38.4 billion, up 4.1 percent when compared with 1998. Operating margins for the full year of 1999 were 5.2 percent compared with negative 0.7 percent in 1998.

Commercial Airplanes operating earnings for the fourth quarter of 1999 were \$698 million on revenues of \$10.0 billion, compared with operating earnings of \$54 million on revenues of \$12.3 billion for the same period in 1998, all based on the unit cost of airplanes delivered. The 165 commercial jet airplanes delivered in the fourth quarter brought Boeing's total for the year to 620, compared with 559 in the full year of 1998. The overall operating margin in the segment was 7.0 percent for the fourth quarter of 1999, compared with 0.4 percent for the same period last year. Continued significant cost improvement on Next-Generation 737 and 777 more than offset fewer deliveries and a less favorable model mix as compared to the fourth quarter of 1998.

The Commercial Airplane group ended the year with employment of 93,000 compared to 118,000 at the end of 1998. The average labor overtime in the fourth quarter 1999 was 10 percent, compared to a high of 19 percent in 1998.

Significant orders were received by the company as 1999 came to a close. Boeing continues to deliver two-thirds or more of all new jetliners in the world each year.

Bundling and integrating customer solutions has led the growth in service offerings to Boeing customers. A new spares exchange program, upgraded inflight entertainment's systems and a new "Gold Card" program for Boeing Business Jet customers were among the services added in the fourth quarter.

Military Aircraft and Missiles: Military Aircraft and Missiles operating earnings for 1999 were \$1,193 million, including charges for inventory on the F-15

fighter and a favorable contract settlement, compared to \$1,283 million for the full year of 1998. Revenues for the 12-month period were \$12.2 billion, down 6 percent when compared to 1998. Operating margins for 1999 were 9.8 percent, or 11.6 percent excluding the F-15 inventory charge and the favorable contract settlement, compared to 9.9 percent in 1998.

Military Aircraft and Missiles earned \$401 million on revenues of \$3.3 billion in the fourth quarter, compared to \$361 million of earnings on revenues of \$3.9 billion during the same period last year. The segment's operating margin was 12.2 percent for the quarter, an increase from 9.3 percent in the comparable period for 1998. Increased deliveries and higher award fees on the F/A-18E/F and the gain on sale of two non-core businesses offset fewer C-17 and F-15 deliveries.

Military Aircraft and Missiles had solid program execution and expanded its aerospace support businesses in 1999. This segment received 95 percent of available award fees during the year. Congressional approval was received for a multi-year contract on the F/A-18E/F Super Hornet, which will bring the company's total number of multi-year aircraft contracts to four (C-17, AH-64D Apache Longbow helicopter, F/A-18E/F, and AV-8B).

Three C-17 transport aircraft were delivered to the U.S. Air Force in the fourth quarter for total deliveries of 11 in 1999. By the end of 1999, Boeing had delivered 57 of 120 airlifters on contract and the last 45 C-17s have been delivered ahead of schedule. The Defense Appropriations Bill, passed last year, authorized the procurement of an additional 60 C-17s through a multi-year contract.

In December, Boeing unveiled both of its Joint Strike Fighter (JSF) X-32 concept demonstrator aircraft.

"The JSF is the most efficient aircraft design to date," Condit said. "We have a lean manufacturing environment and our fighter represents a complete and affordable solution for the customer." He cited the people on the program as a model team and the extraordinary effort as a showcase of first-time quality work.

In addition, following successful sea trials and operational evaluation, both completed in 1999, Boeing delivered the first Super Hornets to the Naval Air Station at Lemoore, Calif., as part of the Navy's build up of its first operational F/A-18E/F squadron.

Space and Communications: Space and Communications operating earnings for 1999 were \$415 million, including the sale of Boeing Information Services (BIS) and a favorable contract settlement, compared to \$248 million for the full year of 1998. Revenues for the 12-month period were \$6.8 billion, down 1 percent when compared with 1998. Operating margins for the full year of 1999 were 6.1 percent, or 4.0 percent excluding the BIS sale and the favorable contract settlement, compared to 3.6 percent in 1998.

In the fourth quarter of 1999, Space and Communications earned \$123 million including a favorable contract settlement, on revenues of \$1.9 billion, compared to operating earnings of \$91 million on revenues of \$1.7 billion for the same period in 1998. The segment operating margin for the fourth quarter was 6.5 percent, or 3.9 percent excluding the favorable contract settlement, compared with 5.4 percent for the same period in 1998.

Company investment in the development of new products, particularly the Delta IV launch vehicle and the new 737-based airborne early warning and control aircraft reduced this segment's margins. Excluding research and development expense, Space and Communications operating margins are in double digits.

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.

On Dec. 9, Boeing was named the strategic launch provider for the SkyBridge constellation, receiving orders for 2 Delta III and 4 Delta IV vehicles beginning in 2002. SkyBridge will provide high-speed multimedia transmission services to users worldwide with full-service deployment in 2003.

Managing for Value: Boeing's Managing for Value program, which debuted in early 1999, focuses 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 performance metrics.

"Boeing met or exceeded the goals for 1999, and we continue to make progress in driving a value-oriented discipline deep into the organization," Chief Financial Officer Debby Hopkins reported. "Our focus is on creating a company culture that consistently achieves step-function improvements in financial performance and accelerated growth. Toward this end, we have now extended the linkage between incentive compensation and financial results to a larger cross section of the company."

Value Scorecard

Performance Initiatives	1999	1999	2000	
	Goal	Results	Goal	Challenge
Inventory turns	2.9	2.9	3.0	4.0
Facility consolidation (in millions)	122 ft ²	122 ft²	109 ft ²	95 ft ²
Overhead reduction (in millions)	\$600	\$780	\$1,600	\$2,100
Supplier base	31,000	28,800	25,000	18,000

Financial Outlook: 1999 was a strong year for The Boeing Company and is expected to provide a solid foundation for continued progress in 2000 and 2001. The table below lists expectations for company revenues, operating margins and free cash flow. These reflect meaningful progress in realizing continued operational improvements and efficiencies as well as growth in revenue off the reduced 2000 revenue base.

Financial Outlook	1999 Outlook	1999 Results	2000 Outlook	2001 Outlook
Revenue (in billions)	\$58	\$58	\$50	\$51
Operating margins (%)	4.0 – 6.0%	5.5%	7.0% +/-	8.0% +/-
Free cash flow (in billions)	2.5 – \$3.0	\$4.7	>\$2.5	>\$3.0

Editors' Note: *The Value Scorecard may be found, for a limited time, on Boeing's web site. The original public goals for 2000 were announced in July and are reflected here and on the 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, completion of the acquisition of Hughes' space and communications business, 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; actions by regulatory agencies in regard to the proposed acquisition of Hughes' space and communications businesses; 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 September 30, 1999.

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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>	Twelve months ended December 31		Three months ended December 31	
	1999	1998	1999	1998
Sales and other operating revenues	\$57,993	\$56,154	\$15,200	\$17,099
Cost of products and services	51,320	50,492	13,340	15,488
Gross Profit	6,673	5,662	1,860	1,611
Equity in income (loss) from joint ventures	4	(67)	1	3
General and administrative expense	2,044	1,993	535	505
Research and development expense	1,341	1,895	315	464
Gain on dispositions, net	87	13	17	4
Share-based plans	209	153	58	47
Earnings from operations	3,170	1,567	970	602
Other income, principally interest	585	283	84	64
Interest and debt expense	(431)	(453)	(101)	(112)
Earnings before income taxes	3,324	1,397	953	554
Income taxes	1,015	277	291	89
Net earnings	\$ 2,309	\$ 1,120	\$ 662	\$ 465
Basic earnings per share	\$ 2.52	\$ 1.16	\$.75	\$.49
Diluted earnings per share	\$ 2.49	\$ 1.15	\$.74	\$.48
Cash dividends per share	\$.56	\$.56	\$.14	\$.14
Average diluted shares (millions)	925.9	976.7	896.0	960.8

Excluding the share-based plans:

Net earnings	\$ 2,439	\$ 1,216	\$ 698	\$ 494
Diluted earnings per share	\$ 2.63	\$ 1.25	\$.78	\$.51

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)

December 31,	1999	1998
Assets		
Cash and cash equivalents	\$ 3,354	\$ 2,183
Short-term investments	100	279
Accounts receivable	3,453	3,288
Current portion of customer and commercial financing	799	781
Deferred income taxes	1,467	1,495
Inventories, net of advances and progress billings	6,539	8,584
Total current assets	15,712	16,610
Customer and commercial financing	5,205	4,930
Property, plant and equipment, net	8,245	8,589
Deferred income taxes		411
Goodwill	2,233	2,312
Prepaid pension expense	3,845	3,513
Other assets	907	542
	\$36,147	\$36,907
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	\$11,269	\$10,968
Advances in excess of related costs	1,215	1,251
Income taxes payable	420	569
Short-term debt and current portion of long-term debt	752	869
Total current liabilities	13,656	13,657
Deferred income taxes	172	
Accrued retiree health care	4,877	4,831
Long-term debt	5,980	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
Other equity accounts	6,403	7,257
Total shareholders' equity	11,462	12,316
	\$36,147	\$36,907

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

(Dollars in millions)

Year ended December 31,	1999	1998	1997
Cash flows - operating activities:			
Net earnings (loss)	\$ 2,309	\$ 1,120	\$ (178)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Special charges			1,400
Share-based plans	209	153	(99)
Depreciation	1,538	1,517	1,354
Amortization of goodwill and intangibles	107	105	104
Gain on dispositions, net	(87)	(13)	
Changes in assets and liabilities –			
Short-term investments	179	450	154
Accounts receivable	(225)	(167)	(251)
Inventories, net of advances and progress billings	2,030	618	(1,008)
Accounts payable and other liabilities	334	(806)	1,490
Advances in excess of related costs	(36)	(324)	(139)
Income taxes payable and deferred	462	145	(451)
Other	(714)	(479)	(272)
Accrued retiree health care	46	35	(4)
Net cash provided by operating activities	6,152	2,354	2,100
Cash flows - investing activities:			
Customer and commercial financing - additions	(2,398)	(2,603)	(1,889)
Customer and commercial financing - reductions	1,914	1,418	1,030
Property, plant and equipment, net additions	(1,236)	(1,665)	(1,391)
Proceeds from dispositions	359	37	
Net cash used by investing activities	(1,361)	(2,813)	(2,250)
Cash flows - financing activities:			
New borrowings	437	811	232
Debt repayments	(676)	(693)	(867)
Common shares purchased	(2,937)	(1,397)	(141)
Common shares issued			268
Stock options exercised, other	93	65	166
Dividends paid	(537)	(564)	(557)
Net cash used by financing activities	(3,620)	(1,778)	(899)
Net increase (decrease) in cash and cash equivalents	1,171	(2,237)	(1,049)
Cash and cash equivalents at beginning of year	2,183	4,420	5,469
Cash and cash equivalents at end of year	\$ 3,354	\$ 2,183	\$ 4,420

The Boeing Company and Subsidiaries
Business Segment Data
(Unaudited)

<i>(Dollars in millions)</i>	Twelve months ended December 31		Three months ended December 31	
	1999	1998	1999	1998
Revenues:				
Commercial Airplanes	\$38,409	\$36,880	\$ 9,990	\$12,280
Military Aircraft and Missiles	12,220	12,990	3,283	3,875
Space and Communications	6,831	6,889	1,896	1,686
Customer and Commercial Financing, Other	837	730	234	161
Accounting differences / eliminations	(304)	(1,335)	(203)	(903)
Operating revenues	\$57,993	\$56,154	\$15,200	\$17,099
Earnings (loss) from operations:				
Commercial Airplanes	\$ 2,016	\$ (266)	\$ 698	\$ 54
Military Aircraft and Missiles	1,193	1,283	401	361
Space and Communications	415	248	123	91
Customer and Commercial Financing, Other	492	367	162	34
Accounting differences / eliminations	(432)	372	(268)	191
Share-based plans	(209)	(153)	(58)	(47)
Unallocated expense	(305)	(284)	(88)	(82)
Earnings (loss) from operations	\$ 3,170	\$ 1,567	\$ 970	\$ 602
Other income, principally interest	\$ 585	\$ 283	\$ 84	\$ 64
Interest and debt expense	(431)	(453)	(101)	(112)
Earnings before income taxes	\$ 3,324	\$ 1,397	\$ 953	\$ 554
Net earnings	\$ 2,309	\$ 1,120	\$ 662	\$ 465
Effective income tax rate	30.5%	19.8%	30.5%	16.1%
Research and development:				
Commercial Airplanes	\$ 585	\$ 1,021	\$ 89	\$ 222
Military Aircraft and Missiles	264	304	89	91
Space and Communications	492	570	137	151
Total research and development expense	\$ 1,341	\$ 1,895	\$ 315	\$ 464

Operating and Financial Data

Deliveries	Twelve Months		4th Quarter	
	1999	1998	1999	1998
Commercial Airplanes				
717	12 (2)	—	10	—
737	42	116 (6)	8	24 (6)
737 Next-Generation	278	165	71	74
747	47	53 (3)	9	21 (3)
757	67	50	16	15
767	44 (1)	47	11	12
777	83	74	22	22
MD-80	26 (21)	8 (4)	9 (7)	3 (2)
MD-90	13	34	7	16
MD-11	8	12 (2)	2	4
Total	620	559	165	191

Military Aircraft and Missiles

C-17	11	10	3	4
F-15	35	39	8	14
F/A-18 C/D	25	29	5	5
F/A-18 E/F	13	1	3	1
T-45TS	12	16	3	5
CH-47	14	18	4	4
757 – C-32A	—	4	—	2
Apache	11	5	2	2

Space and Communications

767 AWACS	2	2	—	—
Delta II	11	13	3	5
Delta III	1	1	—	—

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.

	Dec. 31	Sept. 30	Dec. 31
Contractual backlog (Dollars in billions)	1999	1999	1998
Commercial Airplanes	\$ 73.0	\$ 75.7	\$ 86.1
Military Aircraft and Missiles	15.6	16.5	17.0
Space and Communications	10.6	8.7	9.8
Total contractual backlog	\$99.2	\$100.9	\$112.9
Unobligated backlog	\$ 24.4	\$ 20.1	\$ 23.5
Workforce	197,000	202,000	231,000