

BOEING REPORTS \$1.01 EPS FOR THE FOURTH QUARTER, UP 36%, AND 2000 EPS OF \$2.88, UP 22%, EXCLUDING NON-RECURRING ITEMS

- GENERATED \$4.9 BILLION CASH FLOW, INCREASED CONTRACTUAL BACKLOG 24% TO \$123 BILLION

Highlights:

Full Year 2000:

- **Achieved operating margins of 7.4 percent, a 25 percent increase year over year from 1999, resulting in net earnings of \$2.5 billion, or \$2.88 per share excluding non-recurring items.**
- **Produced strong free cash flow of \$4.9 billion**
- **Completed 146 million share repurchase program and authorized a new 10 percent share repurchase program; increased the dividend 21 percent**
- **Completed strategic acquisitions, including Hughes' space and communication businesses and Jeppesen; announced the disposition of St. Louis fabrication operations, completed Jan 8, 2001**
- **Delivered 489 commercial jetliners, commercial backlog rose strongly to \$89.8 billion; launched longer-range 777, 747-400 and 767-400ER aircraft**
- **Received \$8.9 billion multi-year contract for 222 F/A-18E/F Super Hornet aircraft; JSF X-32A concept demonstrator entered test flight**
- **Received \$6 billion follow-on order National Missile Defense contract**

Fourth Quarter:

- **Produced operating margins of 9.3 percent, a 46 percent increase over fourth quarter 1999, resulting in net earnings of \$877 million on revenues of \$14.7 billion, or \$1.01 per share, excluding non-recurring items**
- **Delivered 130 jetliners; signed major services contracts with FedEx and UPS**
- **Completed aircraft carrier variant tests, initial aerial refueling and first supersonic flight with the JSF X-32A**
- **Signed greater than \$1 billion dollar contract for 4 Airborne Early Warning & Control aircraft for Australia**
- **Won competition to provide Airborne Early Warning & Control aircraft for Turkey with a potential contract value of \$1.5 billion**
- **Delivered 8 Delta II launch vehicles**

Summary Financial Results: (In millions except per share data)	4th Quarter			Twelve months ended		
			%	December 31		%
	2000	1999	Change	2000	1999	Change
Revenues	\$14,693	\$15,200	-3%	\$51,321	\$57,993	-12%
Net earnings	\$481	\$662		\$2,128	\$2,309	
Non-recurring amounts	\$396	\$ 0		\$385	(\$112)	
Earnings w/o non-recurring items	\$877	\$662	32%	\$2,513	\$2,197	14%
Earnings per share (diluted)	\$0.55	\$0.74		\$2.44	\$2.49	
Non-recurring items	\$0.46	\$0.00		\$0.44	(\$0.12)	
EPS w/o non-recurring items	\$1.01	\$0.74	36%	\$2.88	\$2.37	22%

SEATTLE, Jan. 17, 2001 – The Boeing Company [NYSE: BA] reported net earnings for the year 2000, excluding non-recurring items, of \$2,513 million, or \$2.88 per share. Operating margins increased 25 percent to 7.4 percent, excluding non-recurring items. Non-recurring pre-tax charges of \$616 million, or \$0.44 cents per share after-tax, were recorded for the year. These reflected fourth quarter write-offs associated with acquisition and divestiture activities and were primarily related to in-process research and development expenses and employee benefit expenses, as well as previously disclosed costs related to a Delta III demonstration launch. As a result, reported net earnings for 2000 totaled \$2,128 million, or \$2.44 per share. Non-recurring items for the year are summarized below:

2000 Non-Recurring Items (In millions except per share data)	Fourth Quarter		Full Year 2000	
	Pre-Tax Impact	EPS Impact	Pre-Tax Impact	EPS Impact
Acquisitions/Divestitures:				
In-process R&D	(\$557)	(\$0.40)	(\$557)	(\$0.40)
Benefit costs impact	(\$96)	(\$0.07)	(\$96)	(\$0.07)
Delta III demonstration launch			(\$78)	(\$0.06)
Other	\$20	\$0.01	\$115	\$0.09
Total	(\$633)	(\$0.46)	(\$616)	(\$0.44)

Annual revenues totaled \$51 billion, down 12 percent compared to 1999, largely due to fewer commercial aircraft deliveries.

Net fourth quarter earnings, excluding non-recurring items, were up 32 percent versus the fourth quarter of 1999 to \$877 million, or \$1.01 per share. Quarterly earnings also included general and administrative expenses of \$36 million, or \$0.03 cents per share, related primarily to performance share vesting resulting from the increase in Boeing's share price. Reported fourth quarter earnings were \$481 million, or \$0.55 per share.

Cash flow remained a major strength of the company. In the fourth quarter, the company generated significant free cash flow (operating cash flow less capital expenditures) of \$1.7 billion and, for the full year, generated \$4.9 billion. The company repurchased 42 million shares for \$2.4 billion and completed the 146 million share repurchase program authorized by the Board of Directors in August 1998. After share repurchase and acquisition activity, year-end cash and short-term investment balances totaled \$1,010 million.

"The Boeing team did a tremendous job in 2000," Boeing Chairman and Chief Executive Officer Phil Condit said. "Despite anticipated lower revenues, we promised better margins, solid profitability and powerful cash flow in 2000, and we delivered. All of this resulted in significant returns to our shareholders. Our entire leadership team is focused on running healthy core businesses. The outstanding performance improvement at our commercial airplane group was especially noteworthy," he added. "We also took significant strategic actions to continue to build a world class team and a growing, global enterprise."

During 2000, a variety of actions added to the company's strong intellectual capital base and set the stages for future growth. Boeing completed several key acquisitions, including Hughes' space and communications businesses, Jeppesen, Continental Graphics and Autometrics. Three major initiatives were elevated to separate business unit status: Connexion by BoeingSM, Air Traffic Management and Boeing Capital Corporation.

Commercial Airplanes: Commercial Airplanes 2000 operating earnings were \$2,736 million compared with \$2,082 million reported for 1999. Commercial aircraft results were favorably impacted by fourth quarter adjustments totaling \$68 million for subcontractor termination and other termination activity primarily related to completed MD-80, MD-90 and MD-11 programs. These offset \$52 million non-recurring pre-tax charges for in-process research and development associated with the acquisitions of Jeppesen and Continental Graphics. After netting the impacts of these items, segment operating margins for 2000 were 8.7 percent, up from 5.4 percent in 1999, reflecting strong operating performance improvements despite a 19 percent drop in revenues to \$31.2 billion.

For the fourth quarter, segment operating earnings were \$856 million on revenues of \$8.7 billion. After netting the impacts of the fourth quarter termination adjustments and non-recurring charges described above, segment operating margins for 2000 were 9.7 percent, up from 7.0 percent in 1999.

The 130 commercial jet airplanes delivered in the fourth quarter brought total deliveries for 2000 to 489, compared with 620 in 1999. The contractual backlog for Commercial Airplanes products and commercial aviation services reached \$89.8

billion, a \$17 billion increase versus year-end 1999, reflecting prospects for sustained strength in the aircraft delivery stream.

Military Aircraft and Missiles: Military Aircraft and Missiles operating earnings for the year 2000 were \$1,271 million on revenues of \$12.2 billion. Comparable 1999 operating earnings, which exclude the impact of non-recurring charges associated with the F-15 program, were \$1,463 million on revenues of \$12.2 billion. Operating margins were 10.4 percent compared with 12.0 percent in 1999, reflecting cost growth on certain services and helicopter programs.

For the fourth quarter, segment operating earnings were \$349 million on revenues of \$3.2 billion. During the same period last year comparable operating earnings were \$401 million on revenues of \$3.3 billion. Operating margins totaled 10.8 percent versus 12.2 percent in 1999.

As a result of strong customer demand for its premier portfolio of products and services, segment contractual backlog for products and aerospace support services increased \$4.3 billion to \$19.9 billion.

Space and Communications: Space and Communications operating earnings for the full year were \$260 million compared with \$320 million in 1999, excluding non-recurring items. Segment reported results were impacted by \$505 million pre-tax non-recurring charges associated with the acquisition of several businesses, principally Hughes' space and communications businesses in the fourth quarter, as well as \$78 million of costs associated with a Delta III demonstration launch earlier in the year. Segment operating margins excluding non-recurring charges for 2000 and 1999 were 3.2 percent, and 4.7 percent, reflecting continued research and development investments for the future and program mix. Revenues for the 12-month period were \$8.0 billion compared to \$6.8 billion in 1999, reflecting growth of Integrated Defense Systems programs and the addition of Boeing Satellite Systems revenues.

Fourth quarter segment operating earnings excluding non-recurring items totaled \$174 million on revenues of \$3.0 billion, compared to operating earnings of \$123 million on revenues of \$1.9 billion for the same period in 1999. Quarterly operating margins were 5.9 percent compared with 6.5 percent in 1999.

With the inclusion of Boeing Satellite Services and as a result of significant contract wins, contractual backlog for the segment increased to \$13.4 billion compared with \$10.6 billion at year-end 1999, a 26 percent increase.

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

"We are pleased that our focus on running healthy businesses has resulted in achieving our 2000 financial and performance goals," said Mike Sears, senior vice president and chief financial officer. "Our results clearly indicate we have made significant progress towards driving a value-oriented discipline deep into the organization," he added. "Looking ahead, we will maintain our sharp focus on operating excellence, increased competitiveness and greater profitability."

Value Scorecard**	1999	2000	2000
Performance Initiatives	Results	Goal	Results
Inventory turns	2.9	3.0	3.0
Facility consolidation (in millions)	122ft ²	109ft²	109ft²
Overhead reduction (in millions)*	\$780	\$1,600	\$1,603
Supplier base	28,800	25,000	20,406

* Baseline established 1998

**Excluding impact of Hughes and other acquisitions

Outlook: The company's financial guidance for 2001 and 2002 is shown below.

The strong outlook for 2001 remains consistent with that previously provided. Initial guidance for 2002 reflects expected continued growth in revenues to greater than \$62 billion, while the operating margin is expected to improve to more than 9 percent. Cash flow is expected to exceed \$4 billion. The company estimates annual commercial aircraft deliveries in 2001 and 2002 to be approximately 530 each year, which is consistent with totals previously provided. Research and development expenses, including development of the new 747X aircraft, Delta IV launch vehicles and Connexion by BoeingSM, are expected to be in the range of 3.0 percent to 3.5 percent of sales.

Financial Outlook	2001	2002
Revenue (in billions)	\$57	>\$62
Operating margins (%)	>8.5%	>9.0%
Free cash flow (in billions)	\$3.0-\$4.0	>\$4.0

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 prospects for sustained strength in the commercial aircraft delivery stream, company focus on operating excellence, increased competitiveness and greater profitability, revenues, operating margins, free cash flow, a stable delivery environment, deliveries, research and development expense, and other trend projections. This forward-looking information is based upon a number of assumptions including assumptions regarding global economic, passenger and freight growth; current and future markets for the Company's products and services; demand for the Company's products and services; performance of internal plans, including, without limitation, plans for productivity gains, reductions in cycle time and improvements in asset utilization; product performance; customer financing; customer, supplier and subcontractor performance; customer model selections; favorable outcomes of certain pending sales campaigns and U. S. and foreign government procurement actions; 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 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; the actual outcomes of certain pending sales campaigns and U. S. and foreign government procurement activities; 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; domestic and international economic conditions; 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 September 30, 2000.

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

<i>(Dollars in millions except per share data)</i>	Twelve months ended		Three months ended	
	December 31		December 31	
	2000	1999	2000	1999
Sales and other operating revenues	\$51,321	\$57,993	\$14,693	\$15,200
Cost of products and services	43,712	51,320	12,228	13,340
	7,609	6,673	2,465	1,860
Equity in income from joint ventures	64	4	26	1
General and administrative expense	2,335	2,044	696	535
Research and development expense	1,998	1,341	974	315
Gain on dispositions, net	34	87	14	17
Share-based plans expense	316	209	123	58
Earnings from operations	\$ 3,058	\$ 3,170	\$ 712	\$ 970
Other income, principally interest	386	585	43	84
Interest and debt expense	(445)	(431)	(125)	(101)
Earnings before income taxes	\$ 2,999	\$ 3,324	\$ 630	\$ 953
Income taxes	871	1,015	149	291
Net earnings	\$ 2,128	\$ 2,309	\$ 481	\$ 662
Basic earnings per share	\$2.48	\$2.52	\$.57	\$.75
Diluted earnings per share	\$2.44	\$2.49	\$.55	\$.74
Cash dividends per share	\$.59	\$.56	\$.17	\$.14
Average diluted shares (millions)	871.3	925.9	867.2	896.0
Excluding the share-based plans:				
Net Earnings	\$2,325	\$2,439	\$558	\$698
Diluted earnings per share	\$2.67	\$2.63	\$.64	\$.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 Position

(Dollars in millions except per share data)

December 31
2000

December 31
1999

(Unaudited)

Assets

Cash and cash equivalents	\$ 1,010	\$ 3,354
Short-term investments		100
Accounts receivable	4,928	3,453
Current portion of customer and commercial financing	359	799
Deferred income taxes	2,130	1,467
Inventories, net of advances and progress billings	6,794	6,539
Total current assets	15,221	15,712
Customer and commercial financing	6,600	5,205
Property, plant and equipment, net	8,814	8,245
Goodwill and acquired intangibles	5,214	2,233
Prepaid pension expense	4,845	3,845
Other assets	1,324	907
	\$42,018	\$36,147

Liabilities and Shareholders' Equity

Accounts payable and other liabilities	\$11,979	\$11,269
Advances in excess of related costs	3,517	1,215
Income taxes payable	1,551	420
Short-term debt and current portion of long-term debt	1,232	752
Total current liabilities	18,279	13,656
Deferred income taxes		172
Accrued retiree health care	5,152	4,877
Long-term debt	7,567	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	2,693	1,684
Treasury shares, at cost – 136,385,222 and 102,356,897	(6,221)	(4,161)
Retained earnings	12,090	10,487
Accumulated other comprehensive income	(2)	6
Unearned compensation	(7)	(12)
ShareValue Trust shares – 39,156,280 and 38,696,289	(2,592)	(1,601)
Total shareholders' equity	11,020	11,462
	\$42,018	\$36,147

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

<i>(Dollars in millions)</i>	Twelve months ended		
	December 31		
	2000	1999	1998
Cash flows - operating activities:			
Net earnings	\$2,128	\$2,309	\$1,120
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Share-based plans	316	209	153
Depreciation	1,317	1,538	1,517
Amortization of goodwill and intangibles	719	107	105
Customer and commercial financing valuation provision	13	72	61
Gain on dispositions, net	(34)	(87)	(13)
Changes in assets and liabilities –			
Short-term investments	100	179	450
Accounts receivable	(768)	(225)	(167)
Inventories, net of advances and progress billings	1,097	2,030	652
Accounts payable and other liabilities	(311)	217	(840)
Advances in excess of related costs	1,387	(36)	(324)
Income taxes payable and deferred	421	462	145
Other	(712)	(597)	(479)
Accrued retiree health care	269	46	35
Net cash provided by operating activities	5,942	6,224	2,415
Cash flows - investing activities:			
Customer financing and properties on lease, additions	(2,571)	(2,398)	(2,603)
Customer financing and properties on lease, reductions	1,433	1,842	1,357
Property, plant and equipment, net additions	(932)	(1,236)	(1,665)
Acquisitions, net of cash acquired	(5,727)		
Proceeds from dispositions	169	359	37
Net cash used by investing activities	(7,628)	(1,433)	(2,874)
Cash flows - financing activities:			
New borrowings	2,687	437	811
Debt Repayments	(620)	(676)	(693)
Common shares purchased	(2,357)	(2,937)	(1,397)
Stock options exercised, other	136	93	65
Dividends paid	(504)	(537)	(564)
Net cash used by financing activities	(658)	(3,620)	(1,778)
Net increase (decrease) in cash and cash equivalents	(2,344)	1,171	(2,237)
Cash and cash equivalents at beginning of year	3,354	2,183	4,420
Cash and cash equivalents at end of year	\$1,010	\$3,354	\$2,183

The Boeing Company and Subsidiaries
Business Segment Data
(Unaudited)

<i>(Dollars in millions)</i>	Twelve months ended		Three months ended	
	December 31		December 31	
	2000	1999	2000	1999
Revenues:				
Commercial Airplanes	\$31,171	\$38,475	\$8,659	\$9,996
Military Aircraft and Missiles	12,197	12,220	3,246	3,283
Space and Communications	8,039	6,831	2,968	1,896
Customer and Commercial Financing, Other	758	771	232	228
Accounting differences / eliminations	(844)	(304)	(412)	(203)
Operating revenues	\$51,321	\$57,993	\$14,693	\$15,200
Earnings from operations:				
Commercial Airplanes	\$2,736	\$2,082	\$856	\$ 704
Military Aircraft and Missiles	1,271	1,193	349	401
Space and Communications	(323)	415	(331)	123
Customer and Commercial Financing, Other	494	426	151	156
Accounting differences / eliminations	(442)	(432)	(82)	(268)
Share-based plans	(316)	(209)	(123)	(58)
Unallocated expense	(362)	(305)	(108)	(88)
Earnings from operations	\$3,058	\$3,170	\$712	\$ 970
Other income, principally interest	\$ 386	\$ 585	\$ 43	\$ 84
Interest and debt expense	(445)	(431)	(125)	(101)
Earnings before income taxes	\$2,999	\$3,324	\$630	\$ 953
Income Taxes	871	1,015	149	291
Net earnings	\$2,128	\$2,309	\$481	\$662
Effective income tax rate	29.0%	30.5%	23.7%	30.5%
Research and development:				
Commercial Airplanes	\$ 626	\$ 585	\$232	\$89
Military Aircraft and Missiles	262	264	72	89
Space and Communications	1,110	492	670	137
Total research and development expense	\$1,998	\$1,341	\$974	\$315

The Boeing Company and Subsidiaries
Operating and Financial Data

Deliveries	Twelve months		4th Quarter	
	2000	1999	2000	1999
Commercial Airplanes				
717	32 (23)	12 (2)	12 (11)	10
737	2	42	—	8
737 Next-Generation	279 *	278	70 *	71
747	25 **	47	6	9
757	45	67	8	16
767	44	44 (1)	14	11
777	55	83	17	22
MD-80	—	26 (21)	—	9 (7)
MD-90	3	13	3	7
MD-11	4	8	—	2
Total	489	620	130	165

Military Aircraft and Missiles

C-17	13	11	3	3
F-15	5	35	—	8
F/A-18 C/D	16	25	—	5
F/A-18 E/F	26	13	9	3
T-45TS	8	12	2	3
CH-47	7	14	2	4
Apache	16	11	3	2

Space and Communications

767 AWACS	—	2	—	—
Delta II	10	11	8	3
Delta III	— ***	1	—	—

* Includes three C-40 Aircraft

** 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.

	Dec. 31	Sep. 30	Dec. 31
Contractual backlog (Dollars in billions)	2000	2000	1999
Commercial Airplanes	\$ 89.8	\$ 82.8	\$73.0
Military Aircraft and Missiles	19.9	19.1	15.6
Space and Communications	13.4	9.2	10.6
Total contractual backlog	\$123.1	\$111.1	\$99.2
Unobligated backlog	\$29.9	\$25.1	\$24.4
Workforce	198,000	188,000	197,000