

BOEING REPORTS STRONG FIRST QUARTER EPS OF \$0.89, EXCLUDING NON-RECURRING ITEMS; REAFFIRMS POSITIVE OUTLOOK

First Quarter Highlights:

- **Reported net earnings of \$762 million, (\$0.89 per share diluted) excluding non-recurring items**
- **Achieved operating margins of 9.2 percent**
- **Produced strong free cash flow of \$850 million**
- **Reached agreement with IRS resulting in a one-time R&D tax credit of \$343 million and interest income totaling \$210 million**
- **Delivered 122 commercial jet airplanes**
- **Completed JSF X-32A flight testing; achieved successful first flight of STOVL JSF X-32B demonstrator**
- **Successfully launched 702 series satellite for XM Radio on Sea Launch**
- **Announced the first Delta IV commercial launch customer**
- **Definitized agreements to lease four C-17 military airlifters to the UK**
- **Announced corporate re-architecture to support growth and value strategies**
- **Unveiled Boeing's sonic cruiser airplane for the 21st century and focused the Commercial Airplanes long-range product strategy**

Summary Financial Results: (In millions, except per share data)	1st Quarter		% Change
	2001	2000*	
Revenues	\$13,293	\$9,910	34%
Net earnings	\$1,237	\$418	
Non-recurring amounts	\$475	\$59	
Earnings w/o non-recurring items	\$762	\$359	112%
Earnings per share (diluted)	\$1.45	\$0.48	
Non-recurring items	\$0.56	\$0.07	
EPS w/o non-recurring items	\$0.89	\$0.41	117%
Diluted Shares for EPS	852.2	878.0	

* Reflects 1Q00 work stoppage impact

SEATTLE, April 20, 2001 – The Boeing Company [NYSE: BA] reported strong financial results for the first quarter with net earnings of \$762 million or \$0.89 per share on \$13.3 billion of revenue. These results exclude a \$475 million non-recurring earnings tax benefit. Net earnings including the non-recurring tax benefit totaled \$1,237 million, or \$1.45 per share. Operating earnings and margins totaled \$1.2 billion and 9.2 percent, respectively. Total backlog at the end of the quarter was up slightly to \$153 billion, of which \$124 billion is contractually committed.

The company generated \$850 million of free cash flow (operating cash flow less capital expenditures) in the quarter. Ending cash and short-term investment balances were nearly \$1.6 billion. Consolidated debt at the end of the period totaled \$8.9 billion, of which \$4.6 billion is attributable to Boeing Capital Corporation.

General and administrative expenses attributable to deferred stock compensation decreased \$55 million, resulting in a favorable 0.4 percent operating margin impact and \$0.04 impact on earnings per share. This is a result of the decrease in Boeing's share price over the quarter.

Financial results for the quarter reflect continued solid operating performance across the company's core businesses. Overall financial results were up significantly versus the first quarter of 2000, which was impacted by a 40-day work stoppage by engineers and technicians. The February 28, 2001 Puget Sound earthquake did not have a material financial impact.

During the quarter the company took key actions that reflect its ongoing transformation. On March 21, the company elevated the leaders of its three largest businesses to chief executive officers and announced plans for a new, leaner and strategically focused world headquarters. On March 29, Boeing Commercial Airplanes unveiled plans to focus its new product development efforts on a longer-range sonic cruiser airplane able to fly at near-supersonic speeds and having the potential to change the way the world flies.

"We are off to a great start for 2001," said Phil Condit, Boeing chairman and chief executive officer. "I am extremely pleased with our quarterly operating results as they reflect our continuing focus on running healthy core businesses and achieving strong operating performance. I am also very encouraged by our continuing transformation and the strategic potential represented by both the corporate re-architecture and our 'new frontier' opportunities. These activities illustrate our collective determination to seize worldwide growth opportunities and generate shareholder value."

Commercial Airplanes: First quarter Commercial Airplanes segment revenues totaled \$8.4 billion, up 63 percent compared to the first three months of 2000, which was impacted by the work stoppage. Commercial Airplanes delivered

122 jet airplanes during the quarter compared to 75 during the first quarter of 2000. Segment operating earnings and margins totaled \$860 million and 10.2 percent, respectively, driven by continued operating improvements as well as delivery mix.

During the quarter Commercial Airplanes announced plans to focus its product development activities on a faster, longer-range sonic cruiser airplane, highlighting Commercial Airplanes' commitment to innovation and customer focus. Commercial Airplanes will team with its customers to ensure that the design of the new airplane provides the most value to the industry, and initial customer response has been enthusiastic.

Contractual backlog at the end of the quarter was \$88.6 billion. As expected, demand for new airplanes moderated when compared to the strong levels experienced in the latter half of 2000. Commercial Airplanes received 120 gross orders during the quarter versus 128 in the first quarter of 2000. Based on its current assessment that the U.S. economy will experience a "soft landing," the Commercial Airplanes delivery outlook is stable. The 2001 delivery forecast is nearly sold out, and the 2002 delivery forecast is more than 80 percent sold.

Military Aircraft and Missile Systems: Military Aircraft and Missile Systems revenues for first quarter totaled \$2.4 billion compared to \$2.8 billion a year ago. Revenues decreased primarily as a result of fewer F-15, C-17 and F/A-18 deliveries versus first quarter of 2000. Overall operating performance continued to be solid as segment earnings and operating margins totaled \$246 million and 10.1 percent, respectively, compared to \$294 million and 10.3 percent during the first quarter of 2000.

Major events during the quarter included significant progress on the Joint Strike Fighter program. On February 5, the Boeing JSF X-32A concept demonstrator completed flight testing after its 66th flight, meeting all government test objectives and demonstrating additional capabilities. On March 29, the Boeing JSF X-32B demonstrator successfully completed its first flight, entering a four month test program to validate the Boeing approach to short-takeoff and vertical landing (STOVL) flight. Subsequent to the quarter, on April 13, the X-32B completed the first STOVL flight of the entire Joint Strike Fighter program.

Contractual backlog at the end of the quarter increased 19 percent to \$20.4 billion compared to \$17.1 billion at the end of 2000.

Space and Communications: Space and Communications reported first quarter revenues of \$2.2 billion, up 35 percent compared to the \$1.7 billion revenues reported for the first three months of 2000. The increase in revenues reflects Space and Communications' growing business base, primarily Boeing Satellite Systems.

First quarter operating earnings totaled \$84 million. Operating margins increased slightly to 3.7 percent versus 3.6 percent during the first quarter of 2000 as the company continued to invest in developing its Delta IV launch vehicle.

During the quarter operational integration of Boeing Satellite Systems (formerly Hughes space and communication businesses) was largely completed. Other milestones include the successful completion of extended duration testing on the RS-68 engine for the Delta IV, the announcement of the first Delta IV commercial launch customer and the successful launch of a Boeing Satellite Systems 702 satellite by Sea Launch.

Contractual backlog at the end of the quarter increased 10 percent to \$15.1 billion compared to \$13.7 billion at the end of 2000.

Financing Segment: Customer and Commercial Financing, which consists primarily of Boeing Capital Corporation, had first quarter revenues totaling \$206 million on total assets of \$7.1 billion. Operating income, excluding interest expense, relating to financing segment activities totaled \$142 million. Financing related interest costs totaled \$74 million, and earnings before income taxes totaled \$68 million. Major events for first quarter included a well received \$750 million 10-year Boeing Capital Corporation bond issue as well as the definitization of lease terms under which the United Kingdom Royal Air Force will lease four C-17 Globemaster III airlifters. Initial deliveries of the leased airlifters are scheduled for May 2001.

Non-Recurring Item (Taxes): In March 2001 the company reached final agreement with the Internal Revenue Service, primarily regarding previously filed claims for refund of research and development tax credits. These claims dealt primarily with historical fixed-price development program expenses incurred by McDonnell Douglas from 1986 to 1992. The agreement with the IRS resulted in

financial recognition during the quarter of \$343 million of tax credit and \$210 million (\$132 million after-tax) of related interest income. The net earnings and EPS impact of this agreement totaled \$475 million and \$0.56, respectively, during the quarter. A pro-forma summary of the earnings impact on the quarter is included below.

Tax Settlement Impact - Income <i>(\$ millions, except EPS)</i>	Excluding Tax Settlement	Including Tax Settlement	Tax Settlement Impact
Earnings from operations	\$1,218	\$1,218	
Other income, principally interest	25	235	\$210
Interest and debt expense	(148)	(148)	
Earnings before income taxes	1,095	1,305	
Income Taxes	(334)	(69)	265*
Accounting Change	1	1	
Net earnings	\$762	\$1,237	\$475
Earnings per share (852.2M shares)	\$0.89	\$1.45	\$0.56
Effective Income Tax Rate	30.5%	5.3%	(25.2%)

*\$343 million tax credit less \$78 million taxes (37.1% marginal rate) due on \$210 million interest income

Outlook: The company's financial guidance for 2001 and 2002 is shown below. The outlook remains consistent with that previously provided. "I am pleased to report that we can reaffirm our guidance reflecting a solid financial outlook," said Mike Sears, senior vice president and chief financial officer. "As promised, we continue to execute well on our core businesses, invest for future growth and competitiveness, and maintain significant balance sheet strength."

For 2001, the company expects revenues of approximately \$57 billion and an operating margin greater than 8.5 percent. The company also expects to generate \$3 billion to \$4 billion of free cash flow. This estimate includes the second quarter impact of paying approximately \$900 million in taxes which come due as a result of completing activities under a long-term government contract.

Guidance for 2002 reflects expected growth in revenues to greater than \$62 billion, while the operating margin is expected to improve to more than 9 percent. Free cash flow is expected to exceed \$4 billion. The company estimates annual commercial airplane deliveries in 2001 and 2002 to approximate 530 each year.

The company expects aggregate research and development expenses 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

Change in Segment Financial Reporting: Beginning this quarter, segment results have been realigned to reflect the business and management structure of the company. Revenue and operating income for each of the core business units as well as the customer and commercial financing segment are now reported on a stand-alone basis. Results for the company's other businesses, including Phantom Works, Connexionsm by Boeing and Air Traffic Management, have been combined into a single "Other" grouping. Comparable prior periods have been restated.

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 products (including, without limitation, the “sonic cruiser”), deliveries, realization of technical and market benefits from acquisitions, revenues, operating margins, free cash flow, taxes, research and development expenses, 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 design processes, production processes and 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 December 31, 2000.

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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	
	2001	2000
Sales and other operating revenues	\$13,293	\$9,910
Cost of products and services	11,070	8,547
	2,223	1,363
Equity in income (loss) from joint ventures	22	31
General and administrative expense	523	490
Research and development expense	422	288
Share-based plans expense	82	60
Earnings from operations	\$ 1,218	\$ 556
Other income, principally interest	235	149
Interest and debt expense	(148)	(103)
Earnings before income taxes	\$ 1,305	\$ 602
Income taxes	69	184
Net earnings before cumulative effect of accounting change	\$ 1,236	\$ 418
Cumulative effect of accounting changes, net	1	
Net earnings	\$ 1,237	\$ 418
Basic earnings per share	\$1.48	\$.48
Diluted earnings per share	\$1.45	\$.48
Cash dividends per share	\$.17	\$.14
Average diluted shares (millions)	852.2	878.0
Excluding the share-based plans:		
Net Earnings	\$1,288	\$456
Diluted earnings per share	\$1.51	\$.52

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)

	March 31 2001	December 31 2000
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 1,552	\$ 1,010
Accounts receivable	4,524	4,928
Current portion of customer and commercial financing	926	995
Deferred income taxes	2,153	2,137
Inventories, net of advances and progress billings	8,016	6,794
Total current assets	17,171	15,864
Customer and commercial financing	6,185	5,964
Property, plant and equipment, net	8,712	8,814
Goodwill and acquired intangibles, net	5,247	5,214
Prepaid pension expense	5,080	4,845
Deferred income taxes		60
Other assets	1,403	1,267
	\$43,798	\$42,028
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	\$12,169	\$11,979
Advances in excess of related costs	3,943	3,517
Income taxes payable	1,336	1,561
Short-term debt and current portion of long-term debt	658	1,232
Total current liabilities	18,106	18,289
Deferred income taxes	38	
Accrued retiree health care	5,182	5,152
Long-term debt	8,238	7,567
Minority interest in subsidiaries	16	
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	2,381	2,693
Treasury shares, at cost – 137,604,401 and 136,385,222	(6,307)	(6,221)
Retained earnings	13,327	12,090
Accumulated other comprehensive income	(26)	(2)
Unearned compensation	(6)	(7)
ShareValue Trust shares – 39,266,086 and 39,156,280	(2,210)	(2,592)
Total shareholders' equity	12,218	11,020
	\$43,798	\$42,028

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

<i>(Dollars in millions)</i>	Three months ended March 31	
	2001	2000
Cash flows - operating activities:		
Net earnings	\$ 1,237	\$ 418
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	82	60
Depreciation	315	323
Amortization of goodwill and intangibles	69	29
Customer and commercial financing valuation provision	4	1
Changes in assets and liabilities –		
Short-term investments		1
Accounts receivable	404	31
Inventories, net of advances and progress billings	(1,227)	(1,435)
Accounts payable and other liabilities	343	(211)
Advances in excess of related costs	426	36
Income taxes payable and deferred	(128)	15
Other	(488)	(274)
Accrued retiree health care	53	45
Net cash provided (used) by operating activities	1,090	(961)
Cash flows - investing activities:		
Customer financing and properties on lease, additions	(470)	(397)
Customer financing and properties on lease, reductions	264	1,011
Property, plant and equipment, net additions	(240)	(205)
Proceeds from dispositions	68	17
Net cash provided (used) by investing activities	(378)	426
Cash flows - financing activities:		
New borrowings	850	125
Debt repayments	(770)	(104)
Common shares purchased	(131)	(104)
Stock options exercised, other	29	19
Dividends paid	(148)	(127)
Net cash used by financing activities	(170)	(191)
Net increase (decrease) in cash and cash equivalents	542	(726)
Cash and cash equivalents at beginning of year	1,010	3,354
Cash and cash equivalents at end of 1st quarter	\$ 1,552	\$ 2,628

The Boeing Company and Subsidiaries
Business Segment Data
(Unaudited)

<i>(Dollars in millions)</i>	Three months ended	
	March 31	
	2001	2000
Revenues:		
Commercial Airplanes	\$ 8,443	\$5,171
Military Aircraft and Missiles	2,427	2,846
Space and Communications	2,246	1,659
Customer and Commercial Financing	206	167
Other	71	61
Accounting differences / eliminations	(100)	6
Operating revenues	\$13,293	\$9,910
Earnings from operations:		
Commercial Airplanes	\$ 860	\$ 259
Military Aircraft and Missiles	246	294
Space and Communications	84	60
Customer and Commercial Financing	142	107
Other	(51)	2
Accounting differences / eliminations	25	(48)
Share-based plans	(82)	(60)
Unallocated expense	(6)	(58)
Earnings from operations	\$1,218	\$ 556
Other income, principally interest	\$ 235	\$ 149
Interest and debt expense	(148)	(103)
Earnings before income taxes	\$1,305	\$ 602
Income Taxes	69	184
Net earnings before cumulative effect of accounting change	\$1,236	\$ 418
Effective income tax rate	5.3%	30.5%
Research and development:		
Commercial Airplanes	\$195	\$103
Military Aircraft and Missiles	53	61
Space and Communications	123	124
Other	51	
Total research and development expense	\$422	\$288

The Boeing Company and Subsidiaries
Operating and Financial Data

Deliveries	1st Quarter	
	2001	2000
Commercial Airplanes		
717	7 (1)	3 (1)
737	–	2
737 Next-Generation	72 *	39
747	7	4 **
757	8	10
767	10	5
777	16	10
MD-11	2	2
Total	122	75
Military Aircraft and Missiles		
C-17	2	3
F-15	–	4
F/A-18 C/D	–	6
F/A-18 E/F	7	4
T-45TS	4	4
CH-47	2	1
Apache	2	2
Space and Communications		
Delta II	–	2
Delta III	–	–
Satellites	1	–
* Includes one C-40 Aircraft		
** Includes one ABL 747		

Note: Commercial Airplanes deliveries by model include deliveries under operating lease, which are identified by parentheses.

	March 31	December 31
Contractual backlog (<i>Dollars in billions</i>)	2001	2000
Commercial Airplanes	\$ 88.6	\$ 89.8
Military Aircraft and Missiles	20.4	17.1
Space and Communications	15.1	13.7
Total contractual backlog	\$124.1	\$120.6
Unobligated backlog	\$29.2	\$31.3
Workforce	199,000	198,000