

BOEING REPORTS STRONG SECOND QUARTER EPS OF \$0.95, EXCLUDING NON-RECURRING ITEM, AND ENHANCES GUIDANCE

Second Quarter Highlights:

- **Reported net earnings of \$804 million (\$0.95 per share diluted), excluding a non-recurring item**
- **Achieved operating margins of 8.9 percent**
- **Produced strong free cash flow of \$906 million after \$900 million tax payment**
- **Delivered 141 commercial airplanes; including first 737-900s**
- **Won key C-130 and AWACS modernization programs**
- **Grew financing assets \$1.1 billion**
- **Connexion by BoeingSM and four of the world's largest airlines announced plans to provide broadband communication service to the traveling public**
- **Announced revolutionary next-generation air traffic management concepts**
- **Selected Chicago as new World Headquarters site, continuing implementation of new corporate architecture**

Summary Financial Results: (In millions, except per share data)	2nd Quarter		%	Six months ended June 30		%
	2001	2000		2001	2000	
			Change			Change
Revenues	\$15,374	\$14,841	4%	\$28,667	\$24,751	16%
Net earnings	\$840	\$620	35%	\$2,077	\$1,038	100%
Non-recurring items *	(\$36)	\$34		(\$511)	(\$25)	
Earnings w/o non-recurring items	\$804	\$654	23%	\$1,566	\$1,013	55%
Earnings per share (diluted)	\$0.99	\$0.71	39%	\$2.45	\$1.18	108%
Non-recurring items	(\$0.04)	\$0.04		(\$0.60)	(\$0.03)	
EPS w/o non-recurring items	\$0.95	\$0.75	27%	\$1.85	\$1.15	61%
Diluted Shares for EPS	845.1	876.1		848.1	876.9	

* details on pages 2 and 3

SEATTLE, July 18, 2001 – The Boeing Company [NYSE: BA] reported strong financial results for the second quarter with net earnings of \$804 million, or \$.95 per share, on \$15.4 billion of revenue. These results exclude a \$36 million non-recurring earnings benefit associated with improved F-15E production outlook. Net earnings, including the non-recurring F-15E related benefit, totaled \$840 million, or \$0.99 per share. Operating earnings and margins totaled \$1.4 billion and 8.9 percent, respectively. Backlog remained strong and essentially stable for the first

half of the year, totaling \$148.5 billion, of which \$121.0 billion is contractually committed.

“I am pleased with our strong results for the quarter and first half of 2001,” said Boeing chairman and CEO Phil Condit. “Our core businesses continue to deliver strong, consistently improving earnings, margins and cash flow, while our newer businesses achieved milestones toward delivering future growth and profitability.”

During the quarter, Condit announced that Chicago would be the site of Boeing’s new World Headquarters. “We continue to transform Boeing with a focus on long-term growth and value creation. Our new corporate architecture -- including a leaner, strategically focused headquarters located centrally to our major businesses, our customers and key markets -- is a major element of our strategy. We expect to be operating in Chicago starting the fourth of September,” he said.

Net earnings for the first six months of 2001 were \$2,077 million, or \$2.45 per share, on revenues of \$28.7 billion, compared with \$1,038 million, or \$1.18 per share, on revenues of \$24.8 billion for the first half of 2000. Reported net earnings for the first six months of 2001 reflect a non-recurring tax benefit of \$475 million, or \$.56 per share in the first quarter, and an after-tax benefit of \$36 million, or \$.04 per share relating to the F-15E program in the second quarter, as noted above. Non-recurring impacts to reported net earnings for the first six months of 2000 included, on an after-tax basis, \$26 million gain from the sale of a long-held investment and \$33 million of interest income due to a federal income tax audit settlement during the first quarter. Also in 2000, a non-recurring after-tax charge of \$34 million associated with the incurred costs of the successful demonstration launch of a Delta III rocket was recognized during the second quarter. Adjusting for non-recurring items for the first six months of 2000 and 2001, the comparable year-over-year net margins increased from 4.1 percent to 5.5 percent.

The 2001 cumulative non-recurring impact to net earnings is highlighted in the table below:

2001 Cumulative Non-Recurring Impact: <i>(Dollars in Millions, except EPS)</i>	EPS	Net Earnings
Net earnings excluding non-recurring	<u>\$1.85</u>	<u>\$1,566</u>
1Q01		
R&D Tax Settlement	\$0.40	\$343
Interest on R&D tax settlement	\$0.16	\$132
2Q01		
F-15E Program adjustment	<u>\$0.04</u>	<u>\$36</u>
Total	<u>\$0.60</u>	<u>\$511</u>
Cumulative Reported Net Earnings	<u>\$2.45</u>	<u>\$2,077</u>

The company generated \$906 million of free cash flow (operating cash flow less capital expenditures) for the quarter, and \$1,756 million for the six months. Free cash flow in the second quarter was reduced by approximately \$900 million in taxes as a result of completing activities under a long-term government contract. Exclusive of the one-time tax payment, free cash flow was a strong \$1.8 billion. Ending cash and short-term investment balances were \$1.5 billion. The company also repurchased 22.6 million shares during the second quarter. To date, including activity subsequent to the quarter, the company has repurchased 30.3 million shares, or approximately 36 percent of the current board authorization.

Consolidated debt at the end of the period increased \$1.7 billion to \$10.6 billion, of which \$5.6 billion is attributable to Boeing Capital Corporation (BCC). The increase reflects debt issued to support customer financing activity during the quarter. The company's balance sheet remains strong.

During the quarter, expense attributable to the company's stock-based compensation programs totaled \$65 million after-tax, or \$.08 per share. Unlike previous quarters, the impact to general and administrative expenses attributable to deferred stock compensation was minimal.

Commercial Airplanes: Second quarter Commercial Airplanes segment revenues totaled \$9.3 billion, compared with \$9.9 billion last year. Commercial Airplanes delivered 141 airplanes during the quarter, compared with 167 a year ago. Second quarter 2000 results reflected the accelerated production recovery after a work stoppage by engineers and technicians. Second quarter 2001 operating earnings and margins totaled \$955 million and 10.3 percent, respectively, driven by continued operating improvements. Segment operating margins for the first six

months of 2001 were 10.2 percent compared with 7.6 percent for the same period last year.

During the quarter, Commercial Airplanes delivered the first 737-900s to launch customer Alaska Airlines, as well as to Continental Airlines and KLM. Also during the quarter, Commercial Airplanes received firm orders from Air France and ILFC for the new Longer Range 747-400 Freighter. In addition, Commercial Airplanes continued to streamline its operations and provide total customer solutions.

For the first six months of 2001, Commercial Airplanes received 180 gross orders, and backlog at the end of the quarter totaled \$86.9 billion, which is down slightly as anticipated given the strong order rate experienced last year. For the year, Commercial Airplanes anticipates 400 gross orders. The Commercial Airplanes delivery forecast for 2001 and 2002 of approximately 530 airplanes each year has been revised. Commercial Airplanes now estimates 2001 deliveries to total 538 airplanes, and 2002 deliveries to be between 510 and 520 airplanes. The delivery forecast is essentially sold out in 2001 and more than 85 percent sold in 2002.

Military Aircraft and Missile Systems: Military Aircraft and Missile Systems revenues for second quarter totaled \$3.3 billion compared with \$3.1 billion a year ago. Operating performance continued to be solid as segment operating earnings and margins totaled \$410 million and 12.5 percent, respectively, compared with \$246 million and 8.0 percent during the second quarter of 2000. Segment operating margins for the first six months of 2001 were 11.5 percent compared with 9.1 percent for the same period last year.

Approximately \$57 million of the Military Aircraft and Missile Systems operating earnings increase in the second quarter is from the adjustment of a non-recurring charge taken in 1999 for the F-15 program. In April 2001, the U. S. Air Force ordered an additional 10 F-15Es which improved the financial outlook of the F-15 program. Excluding this non-recurring event, operating earnings and margins were \$353 million and 10.7 percent, respectively.

During the quarter, the Military Aerospace Support business captured a strategic win to modernize the aircraft of another manufacturer. Boeing was selected to develop, produce and install a modern common cockpit avionics system

for approximately 500 transport aircraft in service with the U. S. Air Force under the C-130 Avionics Modernization Program. The initial engineering and manufacturing development contract value is expected to be \$485 million; potential total program value is approximately \$4 billion.

Also during the quarter, the Joint Strike Fighter (JSF) short-takeoff-and-vertical-landing (STOVL) aircraft, the X-32B, successfully completed its first vertical landing. Subsequent to the quarter, the X-32B completed its remaining government defined flight test requirements. The X-32A aircraft, used for aircraft carrier and conventional takeoff and landings, successfully completed its flight test program in February of this year. The JSF program downselect is expected in October 2001.

During the quarter, Military Aircraft and Missiles Systems delivered two C-17 Globemaster III transport aircraft to the United Kingdom Royal Air Force, marking the first C-17 deliveries to an international customer. The transaction will be accounted for as a lease on a consolidated basis.

Contractual backlog at the end of the quarter was \$19.9 billion.

Space and Communications: Space and Communications reported second quarter revenues of \$2.5 billion, up 40 percent compared with the \$1.8 billion revenues reported in the second quarter of 2000. The increase in revenues reflects Space and Communications' growing business base, primarily Boeing Satellite Systems.

Second quarter operating earnings totaled \$130 million. Operating margins increased to 5.2 percent versus a negative 1.3 percent during the second quarter of 2000, when the company recorded a non-recurring charge for the successful Delta III demonstration launch. Segment operating margins for the first six months of 2001 were 4.5 percent compared with 1.0 percent in 2000.

During the quarter, the Air Force selected Space and Communications to sustain and improve the service's Airborne Warning and Control System, reaffirming its market leadership in airborne surveillance. Additional Space and Communication milestones included the successful completion of key tests involving the integrated common booster core and RS-68 engine plus Shuttle and Delta II launches. Sea Launch also concluded the successful launch of the second XM Radio Boeing 702 Satellite.

Contractual backlog at the end of the quarter was \$14.2 billion.

Customer and Commercial Financing: Customer and Commercial Financing, which consists primarily of Boeing Capital Corporation (BCC), had second quarter revenues totaling \$234 million, an increase of 32 percent versus the prior year period. Financing related interest costs totaled \$90 million, and earnings before income taxes totaled \$95 million.

In support of its volume growth, BCC issued \$1 billion in 5-year global term notes. In addition, BCC teamed with American Airlines to issue \$640 million of debt secured by leases on 32 MD-83 aircraft.

Connexion by BoeingSM: Connexion by BoeingSM signed a letter of intent to pursue the new venture with American, Delta and United Airlines. The venture will provide passengers with two-way broadband connectivity, live television and entertainment, and other in-flight services. Connexion by BoeingSM also announced the signing of a memorandum of understanding with Lufthansa to be the international launch customer for the Connexion by BoeingSM high speed Internet service. Together, the four airlines initially plan to equip over 1,500 airplanes with this capability. This represents more than 10 percent of the current operating fleet of airplanes with 100 seats or more.

Air Traffic Management: Boeing's Air Traffic Management team unveiled a proposal to bring fundamental change to the U.S. National Airspace System by increasing capacity, reducing delays and enhancing safety. The proposed satellite based air traffic system builds on and enhances the current FAA modernization plans. As requirements are refined, Boeing will collaborate with air traffic services providers outside the United States to develop a solution that is compatible with global applications.

Outlook: Reflecting an enhanced outlook, the company has revised its financial guidance for 2001 and 2002. "The strong performance trends exhibited by our core businesses support our positive outlook for the future," said Mike Sears, senior vice president and chief financial officer. "Our teams are doing the right things to focus on growing revenues, operating more efficiently and consistently delivering stronger financial results. Our strong cash performance is particularly notable."

Revenue guidance is increased for 2001 from \$57 billion to \$58 billion, reflecting the higher Commercial Airplane delivery forecast. Additionally during the quarter, as a result of the American Airlines purchase of TWA, 32 MD-83s previously classified as operating leases were converted to sales valued at approximately \$800 million, with no gain or loss. Revenue guidance for 2002 remains unchanged at greater than \$62 billion.

Operating margin guidance for 2001 is increased from greater than 8.5 percent to greater than 8.75 percent. For 2002, operating margin guidance is unchanged at greater than 9.0 percent.

Reflecting strong operating performance, the company is increasing its free cash flow guidance in 2001 from between \$3.0 billion and \$4.0 billion to between \$3.5 billion and \$4.5 billion. Additionally, the company is increasing its free cash flow guidance for 2002 from greater than \$4.0 billion to greater than \$5.0 billion.

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)	\$58	>\$62
Operating margins (%)	>8.75%	>9.0%
Free cash flow (in billions)	\$3.5 - \$4.5	>\$5.0

Note on segment reporting:

Beginning first quarter 2001, segment results were 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, Connexion by BoeingSM and Air Traffic Management, have been combined into a single "Other" grouping. Restated results by quarter for 2000 are available on the Boeing website at 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 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 and the 10Q for the quarter ended 31 March 2001.

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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)

	Six months ended June 30		Three months ended June 30	
	2001	2000	2001	2000
Sales and other operating revenues	\$28,667	\$24,751	\$15,374	\$14,841
Cost of products and services	23,895	21,491	12,825	12,944
	4,772	3,260	2,549	1,897
Equity in income (loss) from joint ventures	44	30	22	(1)
General and administrative expense	1,167	1,032	644	542
Research and development expense	883	663	461	375
Gain on dispositions, net		13		13
Share-based plans expense	181	127	99	67
Earnings from operations	\$ 2,585	\$ 1,481	\$ 1,367	\$ 925
Other income, principally interest	252	222	17	73
Interest and debt expense	(320)	(210)	(172)	(107)
Earnings before income taxes	\$ 2,517	\$ 1,493	\$ 1,212	\$ 891
Income taxes	441	455	372	271
Net earnings before cumulative effect of accounting change	\$ 2,076	\$ 1,038	\$ 840	\$ 620
Cumulative effect of accounting change, net	1			
Net earnings	\$ 2,077	\$ 1,038	\$ 840	\$ 620
Basic earnings per share	\$2.50	\$1.20	\$1.02	\$.71
Diluted earnings per share	\$2.45	\$1.18	\$.99	\$.71
Cash dividends paid per share	\$.34	\$.28	\$.17	\$.14
Average diluted shares (millions)	848.1	876.9	845.1	876.1

Excluding the impact of all stock-related compensation *

Net Earnings	\$2,159	\$1,117	\$905	\$661
Diluted earnings per share	\$2.55	\$1.27	\$1.07	\$.75

Note: All references to earnings per share in the text of this press release refer to diluted earnings per share.

* Share based plans expense plus general and administrative expense attributable to deferred stock compensation.

The Boeing Company and Subsidiaries
Consolidated Statements of Position

(Dollars in millions except per share data)

	June 30	December 31
	2001	2000
	(Unaudited)	
Assets		
Cash and cash equivalents	\$ 1,502	\$ 1,010
Accounts receivable	4,710	4,928
Current portion of customer and commercial financing	1,409	995
Deferred income taxes	2,161	2,137
Inventories, net of advances and progress billings	7,407	6,794
Total current assets	17,189	15,864
Customer and commercial financing	6,800	5,964
Property, plant and equipment, net	8,701	8,814
Goodwill and acquired intangibles, net	5,223	5,214
Prepaid pension expense	5,315	4,845
Deferred income taxes		60
Other assets	1,469	1,267
	\$44,697	\$42,028
Liabilities and Shareholders' Equity		
Accounts payable and other liabilities	\$11,981	\$11,979
Advances in excess of related costs	4,210	3,517
Income taxes payable	802	1,561
Short-term debt and current portion of long-term debt	780	1,232
Total current liabilities	17,773	18,289
Deferred income taxes	84	
Accrued retiree health care	5,215	5,152
Deferred lease income	306	
Long-term debt	9,810	7,567
Minority interest in subsidiaries	14	
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	2,468	2,693
Treasury shares, at cost – 158,881,036 and 136,385,222	(7,658)	(6,221)
Retained earnings	13,873	12,090
Accumulated other comprehensive income	(16)	(2)
Unearned compensation	(5)	(7)
ShareValue Trust shares – 39,369,118 and 39,156,280	(2,226)	(2,592)
Total shareholders' equity	11,495	11,020
	\$44,697	\$42,028

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

<i>(Dollars in millions)</i>	Six months ended June 30	
	2001	2000
Cash flows - operating activities:		
Net earnings	\$ 2,077	\$ 1,038
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Share-based plans	181	127
Depreciation	600	641
Amortization of goodwill and intangibles	141	57
Customer and commercial financing valuation provision	1	9
Gain on dispositions, net		(13)
Changes in assets and liabilities –		
Accounts receivable	218	(102)
Inventories, net of advances and progress billings	(618)	350
Accounts payable and other liabilities	10	51
Advances in excess of related costs	693	234
Income taxes payable and deferred	(638)	72
Deferred lease income	306	
Other	(831)	(416)
Accrued retiree health care	86	91
Net cash provided by operating activities	2,226	2,139
Cash flows - investing activities:		
Customer financing and properties on lease, additions	(1,913)	(669)
Customer financing and properties on lease, reductions	568	1,040
Property, plant and equipment, net additions	(470)	(452)
Proceeds from dispositions	68	75
Net cash used by investing activities	(1,747)	(6)
Cash flows - financing activities:		
New borrowings	2,300	196
Debt repayments	(517)	(338)
Common shares purchased	(1,540)	(348)
Stock options exercised, other	67	29
Dividends paid	(297)	(254)
Net cash provided (used) by financing activities	13	(715)
Net increase in cash and cash equivalents	492	1,418
Cash and cash equivalents at beginning of year	1,010	3,354
Cash and cash equivalents at end of 2nd quarter	\$ 1,502	\$ 4,772

The Boeing Company and Subsidiaries
Business Segment Data
(Unaudited)

<i>(Dollars in millions)</i>	Six months ended		Three months ended	
	June 30		June 30	
	2001	2000	2001	2000
Revenues:				
Commercial Airplanes	\$17,760	\$15,051	\$ 9,317	\$ 9,880
Military Aircraft and Missiles	5,716	5,938	3,289	3,092
Space and Communications	4,765	3,457	2,519	1,798
Customer and Commercial Financing	440	344	234	177
Other	166	130	95	69
Accounting differences / eliminations	(180)	(169)	(80)	(175)
Operating revenues	\$28,667	\$24,751	\$15,374	\$14,841
Earnings from operations:				
Commercial Airplanes	\$ 1,815	\$ 1,141	\$ 955	\$ 882
Military Aircraft and Missiles	656	540	410	246
Space and Communications	214	36	130	(24)
Customer and Commercial Financing	327	237	185	130
Other	(126)	(23)	(75)	(25)
Accounting differences / eliminations	(14)	(247)	(39)	(199)
Share-based plans	(181)	(127)	(99)	(67)
Unallocated expense	(106)	(76)	(100)	(18)
Earnings from operations	\$ 2,585	\$ 1,481	\$ 1,367	\$ 925
Other income, principally interest	\$ 252	\$ 222	\$ 17	\$ 73
Interest and debt expense	(320)	(210)	(172)	(107)
Earnings before income taxes	\$ 2,517	\$ 1,493	\$ 1,212	\$ 891
Income Taxes	441	455	372	271
Net earnings before cumulative effect of accounting change	\$ 2,076	\$ 1,038	\$ 840	\$ 620
Effective income tax rate	17.5%	30.5%	30.7%	30.4%
Research and development:				
Commercial Airplanes	\$385	\$263	\$190	\$160
Military Aircraft and Missiles	123	123	70	62
Space and Communications	248	261	125	137
Other	127	16	76	16
Total research and development expense	\$883	\$663	\$461	\$375

The Boeing Company and Subsidiaries
Operating and Financial Data

Deliveries	Six months		2nd Quarter	
	2001	2000	2001	2000
Commercial Airplanes				
717	24 (15)	11 (5)	17 (14)	8 (4)
737	–	2	–	–
737 Next-Generation	145 * (2)	141	73 (2)	102
747	16	12 **	9	8
757	20	28	12	18
767	23	18	13	13
777	33	27	17	17
MD-11	2	3	–	1
Total	263	242	141	167
Military Aircraft and Missiles				
C-17	6 (2)	6	4 (2)	3
F-15	–	5	–	1
F/A-18 C/D	–	14	–	8
F/A-18 E/F	16	11	9	7
T-45TS	8	9	4	5
CH-47	6	4	4	3
C-40	2	–	2	–
Apache	3	4	1	2
Space and Communications				
Delta II	3	–	3	–
Delta III	–	2	–	–
Satellites	5	–	4	–

* Includes one intercompany C-40 Aircraft

** Includes one ABL 747

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

	June 30	Mar. 31	Dec. 31
Contractual backlog (Dollars in billions)	2001	2001	2000
Commercial Airplanes	\$ 86.9	\$ 88.6	\$89.8
Military Aircraft and Missiles	19.9	20.4	17.1
Space and Communications	14.2	15.1	13.7
Total contractual backlog	\$121.0	\$124.1	\$120.6
Unobligated backlog	\$27.5	\$29.2	\$31.3
Workforce	199,000	199,000	198,000