

Boeing Announces 3Q Earnings Charge for F-15 Inventory

Boeing reported that it will take a special third quarter charge to earnings of \$225 million pretax associated with inventory on the F-15 program. This is in addition to a \$45 million charge taken earlier this year for F-15 inventories.

Boeing had procured long-lead items in anticipation of orders this year for as many as 24 F-15s for international customers. Based on current market analysis, recent international customer decisions, and actions pending in Congress, the company now believes that there is a limited near-term market for this aircraft. Today's announcement reflects this change.

"We're encouraged by recent congressional support for procurement of additional F-15s for the U.S. Air Force this year," said Phil Condit, Boeing chairman and chief executive officer. "Additional orders from the U.S. government would keep the F-15 line viable for potential future sales."

The F-15 repeatedly has proven itself as the most capable multi-role fighter in the world. "We're continuing aggressive efforts to market the aircraft to customers requiring its advanced capabilities," Condit said.

Today's financial announcement is not expected to affect Boeing employment levels in St. Louis, where the F-15 Eagle is produced.

Due to continued improvement in operations, Boeing remains committed to previously published consolidated financial projections despite the F-15 charge and any impacts associated with settlement of a new contract with the company's largest labor union.

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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 revenues, operating margins, and other trend projections. This forward-looking information is based upon a number of assumptions, including assumptions regarding demand; internal performance; customer financing; customer, supplier and subcontractor performance; customer model selections; government policies and actions; price escalation; factors affecting the real estate market; 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; 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; 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 June 30, 1999.

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