

Third-Quarter Performance Review

Harry Stonecipher – Chief Executive Officer

James Bell – Chief Financial Officer

October 27, 2004

Third Quarter In Review

- **Defense markets remain robust... commercial markets improving**
- **Solid performance in core businesses**
 - Integrated Defense Systems achieved double-digit revenue and earnings growth
 - Commercial Airplanes landed key orders and made progress on the 7E7
- **Outstanding cash generation... excellent financial health**
- **Investing in growth programs**

Performing well... positioned for growth

Integrated Defense Systems

- **Growing revenue and margins**
 - Outstanding program performance
 - Commercial satellite challenges
- **Excellent progress on development programs**
 - FCS scope to expand
 - GMD capabilities delivered
 - Battlespace Comm programs progressing
- **Awards enhance IDS business base**
 - Signed C-17 Global Sustainment contract option
 - Captured DIRECTV satellite order
 - Awarded AMF JTRS Pre-SDD contract



Network – centric operations

Continued focus on performance is yielding results

Commercial Airplanes

- **Continued profitability reflects ongoing lean enterprise improvements**
- **Delivered 67 airplanes; captured 114 gross orders**
- **All Nippon Airways and Air New Zealand finalized 7E7 orders for 52 airplanes**
 - proposal activity remains strong
- **Won key 777 campaigns at Singapore Airlines, Emirates and Etihad Airways**
- **Achieved 800th delivery of the 737-800 Next Generation airplane**
- **Began major assembly of the 777-200LR, world's longest-range jetliner**



800th delivery of 737-800 goes to Ryanair

Other Businesses

- **Boeing Capital Corporation**

- Aircraft financing market improving... monitoring rising fuel costs
- Reducing exposures through asset sales and restructures
- Solid operating and financial performance



- **Connexion by BoeingSM**

- Commercial roll-out with Lufthansa proceeding well
- Captured additional contract with China Airlines... LOIs with Korean Airlines and Asiana Airlines



Implementation of strategies on-track

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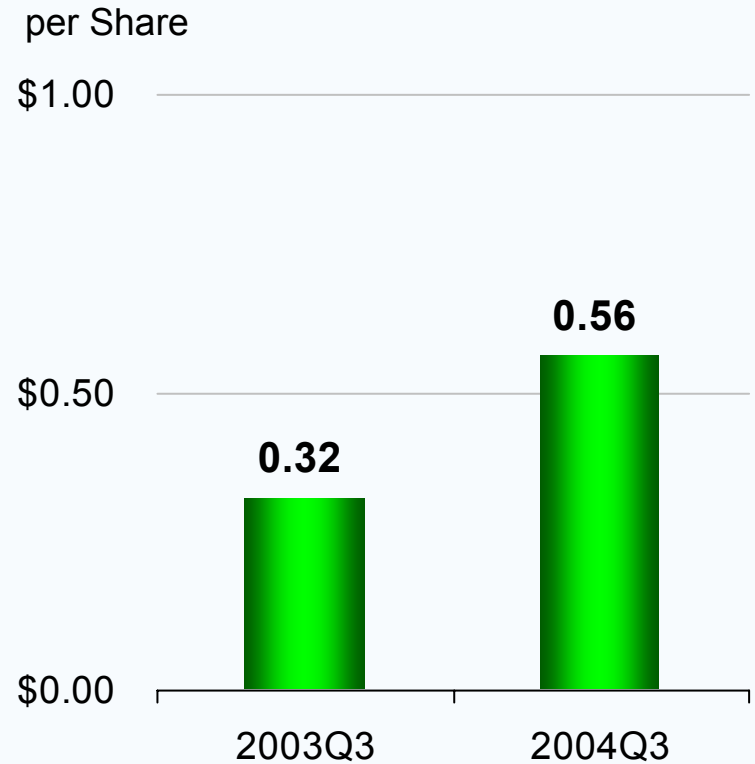
October 27, 2004

Third-Quarter Financial Summary

- **Businesses performing well**
 - excellent growth and operating margins at IDS
 - solid performance at BCA
- **Generated \$2.3 billion of cash flow during the quarter before investment in pensions**
- **Balanced cash deployment continues... including additional \$1.6 billion discretionary pension contribution**
- **Raising 2004 financial guidance**

Strong financial performance

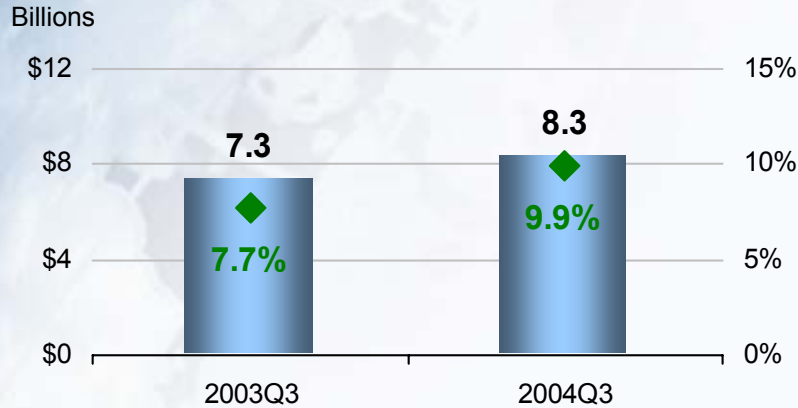
Revenue and Earnings



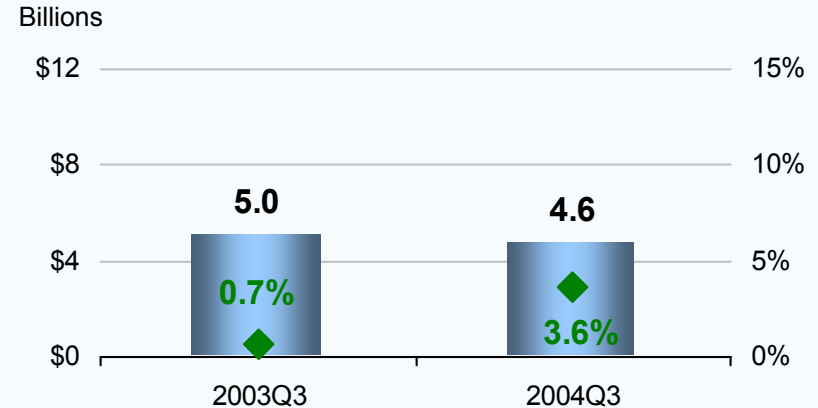
Solid revenue and earnings growth

Core Business Units

Integrated Defense Systems



Commercial Airplanes

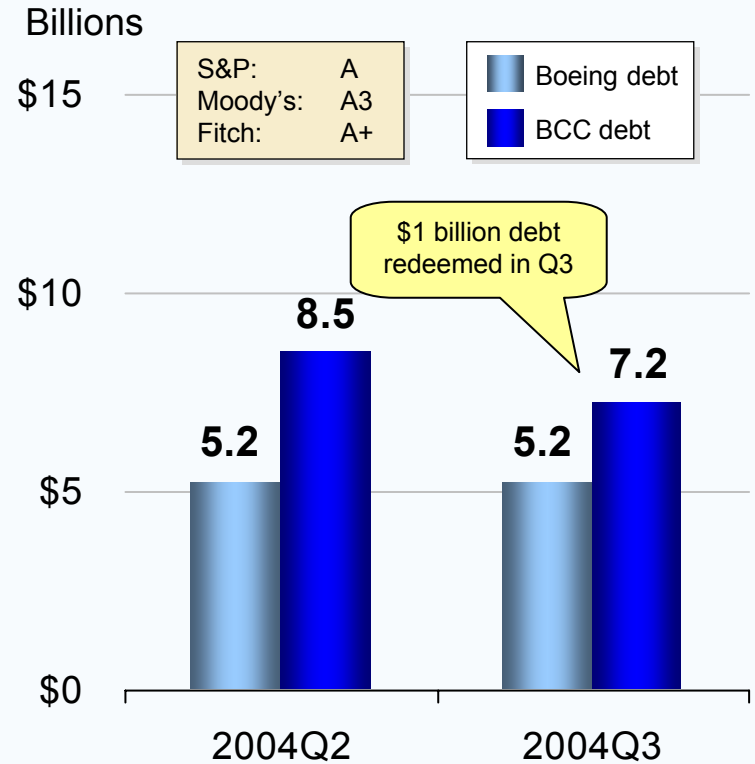
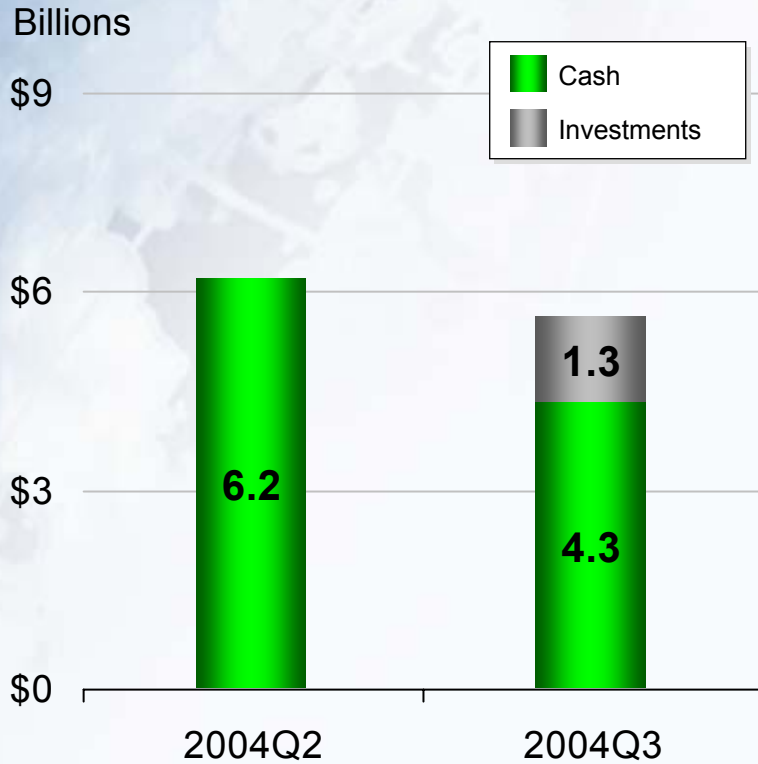


- Revenues up 13% driven by growth in Network Systems and Support Systems
- Outstanding operating margins led by Aircraft and Weapon Systems
- Large backlog supports growth

- Revenues reflect higher mix of 737 deliveries
- Continued progress on lean initiatives
- 7E7 program on-track

Businesses executing well

Cash and Debt Balances



Excellent financial health

Cash Flow

| \$ Millions | 3Q04 |
|----------------------------|----------------|
| Net Earnings | 456 |
| Depreciation/non-cash | 603 |
| Working Capital | 1,216 |
| Pension | <u>(1,600)</u> |
| Operating cash flow | 675 |
| Capital Expenditures | <u>(332)</u> |
| Free cash flow* | 343 |

Pension Update

- **In 2004**
 - Pension returns ~ 13%
 - YTD cash contributions = \$3.6 billion
- **In 2005 (Estimates)**
 - Expected rate of return likely at 8.5%
 - Discount rate likely at 5.75%
 - EPS headwind ~ \$0.46 - \$0.50
 - Required cash contributions < \$50 million
- **Continuing to assess additional discretionary contributions**

**Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated October 27, 2004.*

Outstanding cash flow... pension status greatly improved

Guidance Raised for 2004

| | <u>2004</u> | <u>2005</u> |
|----------------------------|--|-----------------|
| Revenues | \$52B +/- | \$57B - \$59B |
| Earnings Per Share | \$2.25 - \$2.45 \$2.40 - \$2.60 ¹ | \$2.35 - \$2.60 |
| Operating Cash Flow | \$3.0B - \$3.5B > \$3.5B ² | >\$5.0B |

¹ Includes \$0.50 from tax refunds, settlements and prior year tax adjustments

² After \$3.6 billion in discretionary and non-discretionary contributions to pension plans

Forecasting solid growth

Going Forward

- **Strategy on track... continuing to execute well**
- **Strong financial health... investing for the future**
- **Businesses well positioned for growth**
- **Committed to highest standards of integrity**

Delivering value to customers and shareholders

Forward-Looking Information Is Subject to Risk and Uncertainty

Certain statements in this report may constitute “forward-looking” statements within the meaning of the Private Litigation Reform Act of 1995. Words such as “expects,” “intends,” “plans,” “projects,” “believes,” “estimates,” and similar expressions are used to identify these forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Actual outcomes and results may differ materially from what is expressed or forecasted in these forward-looking statements. As a result, these statements speak only as of the date they were made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Our actual results and future trends may differ materially depending on a variety of factors, including the continued operation, viability and growth of major airline customers and non-airline customers (such as the U.S. Government); adverse developments in the value of collateral securing customer and other financings; the occurrence of any significant collective bargaining labor dispute; our successful execution of internal performance plans, production rate increases and decreases (including any reduction in or termination of an aircraft product), acquisition and divestiture plans, and other cost-reduction and productivity efforts; charges from any future SFAS No. 142 review; an adverse development in rating agency credit ratings or assessments; the actual outcomes of certain pending sales campaigns including the 717 program and the launch of the 7E7 program and U.S. and foreign government procurement activities, including the uncertainty associated with the procurement of tankers by the U.S. Department of Defense (DoD); the cyclical nature of some of our businesses; unanticipated financial market changes which may impact pension plan assumptions; domestic and international competition in the defense, space and commercial areas; continued integration of acquired businesses; performance issues with key suppliers, subcontractors and customers; significant disruption to air travel worldwide (including future terrorist attacks); global trade policies; worldwide political stability; domestic and international economic conditions; price escalation; the outcome of political and legal processes, changing priorities or reductions in the U.S. Government or foreign government defense and space budgets; termination of government or commercial contracts due to unilateral government or customer action or failure to perform; legal, financial and governmental risks related to international transactions; legal proceedings; tax settlements with the IRS; U.S. Air Force review of previously awarded contracts; and other economic, political and technological risks and uncertainties. Additional information regarding these factors is contained in our SEC filings, including, without limitation, our Annual Report on Form 10-K for the year ended December 31, 2003 and Form 10-Q for the period ending March 31, 2004 and June 30, 2004.