

Fourth-Quarter and Full-Year 2004 Performance Review

Harry Stonecipher – Chief Executive Officer
James Bell – Chief Financial Officer

February 2, 2005

2004 In Review

- **Robust defense markets... commercial airplane markets gaining strength**
- **Significantly improved results... reflects focus on execution**
- **Excellent financial health... outstanding cash generation**
- **Investment in new products supporting solid growth outlook**

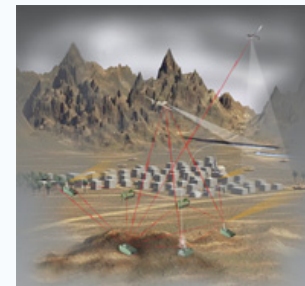
Solid results... significant growth ahead

Integrated Defense Systems

- **Growing revenue and margins**
- **Outstanding program performance**
- **Excellent progress on development programs – solidifying future growth**
 - Multi-mission Maritime Aircraft award
 - FCS contract expansion
 - J-UCAS capability demo contract award
 - Delta IV Heavy achieves test objectives
 - EA-18G production begins



C-17



Future Combat Systems



F/A-18E/F



MMA

Focus on execution yields strong performance

Commercial Airplanes

- **Strong operating performance**

- Delivered 285 airplanes . . .
67 in 4th quarter
- Captured 277 gross orders . . .
81 in 4th quarter

- **Achieved outstanding progress on new 787 (formerly 7E7)**

- Won 126 orders and commitments from eight airlines in 2004
- Captured 186 total orders and commitments to date, including recent announcement from six airlines in China

- **Delivered 1,500th 737NG airplane and 500th 777 airplane**



Boeing 787

Delivering value

Other Businesses

- **Boeing Capital Corporation**

- Aircraft financing market improving... lease rates rising
- Implemented new strategy... sold CFS business for \$2 billion
- Doubled pre-tax income in 2004



- **Connexion by BoeingSM**

- Successfully launched commercial service with four airlines in 2004
- Captured 90 new orders from 3 airlines
- Expanded potential market... began maritime pilot



BCC and Connexion on-track

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2004 Financial Summary

- **Solid revenue and earnings growth... strong operating performance offsets increased product development and pension expense**
- **Outstanding operating cash flow... generated over \$8 billion before pension investments**
- **Balanced cash deployment... invested in growth programs, strengthened pension fund, resumed share repurchase, increased dividend**
- **Strong balance sheet... net debt-to-capital lowered significantly**

Strong financial performance

2004 Financial Results

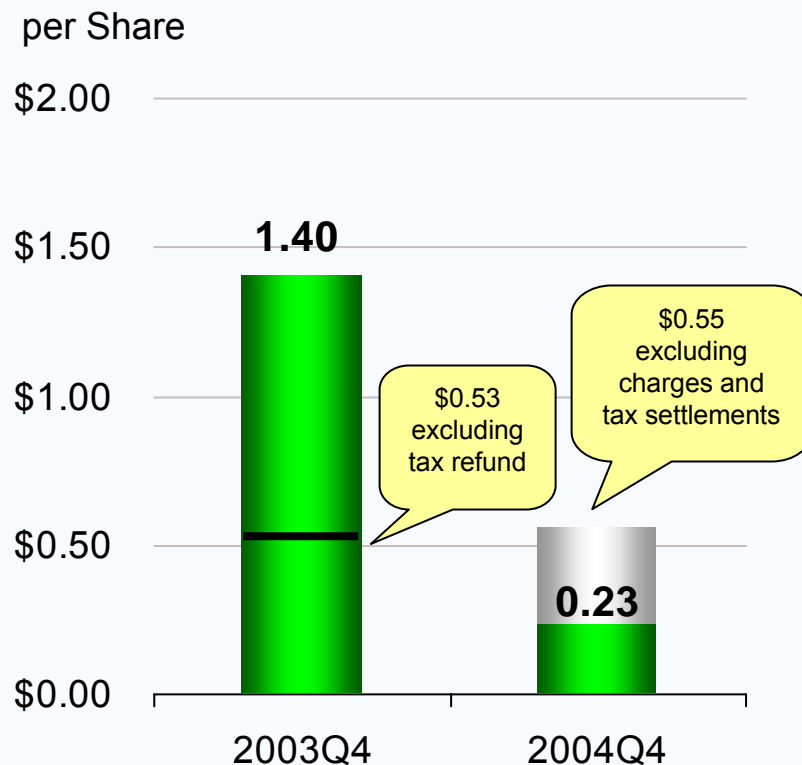
	<u>2004</u>	<u>2003</u>	<u>Change</u>
Revenues	\$52.5B	\$50.3B	4%
Operating Income	\$2.0B	0.4B	N.M.
Operating Margin ¹	3.8%	0.8%	3.0 Pts
Earnings per Share ¹	\$2.30	\$0.89	158%
Operating Cash Flow ²	\$3.7B	\$2.7B	37%

¹ Includes 717 and 767 Tanker charges in 2004, goodwill and IDS commercial space charges in 2003 and tax benefits in both years.

² After \$4.4 billion and \$1.7 billion in pension contributions in 2004 and 2003, respectively.

Solid growth

Fourth-Quarter Revenue and Earnings

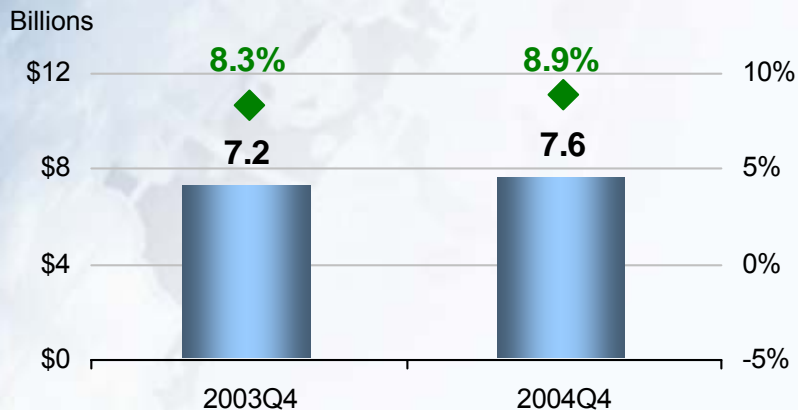


Fourth-quarter earnings reflect charges

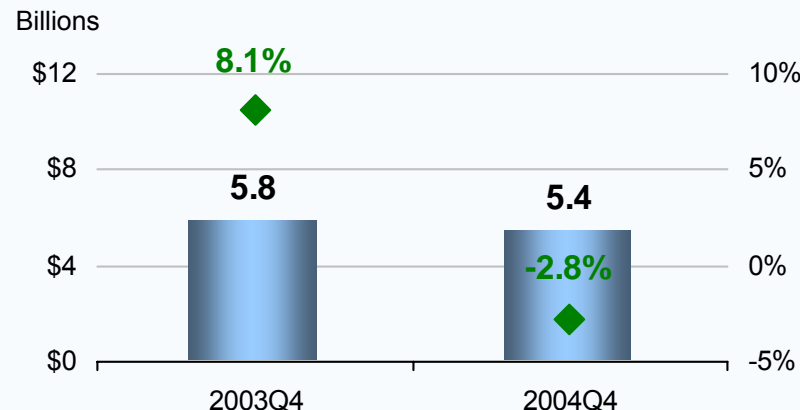
Core Business Units

(Fourth-Quarter)

Integrated Defense Systems



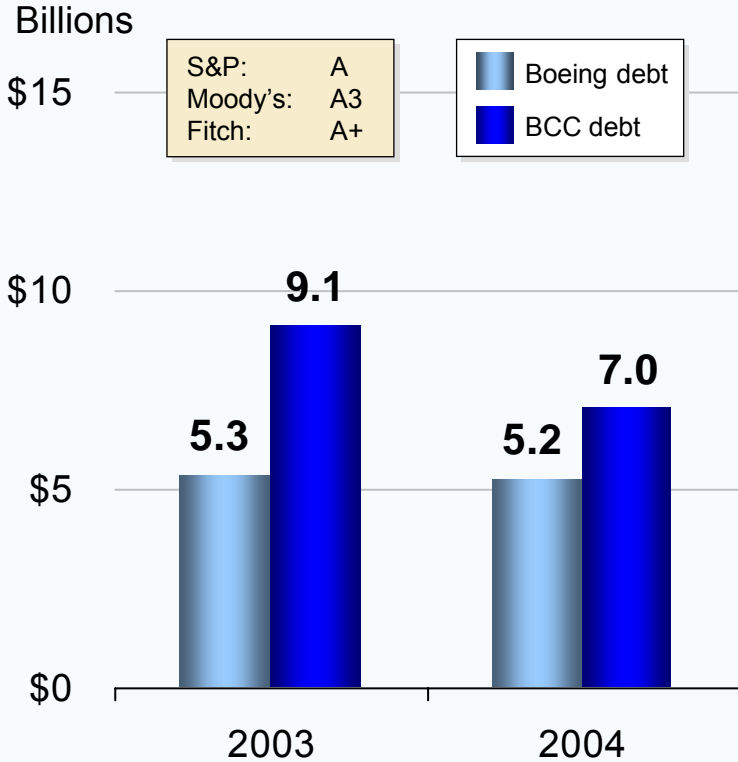
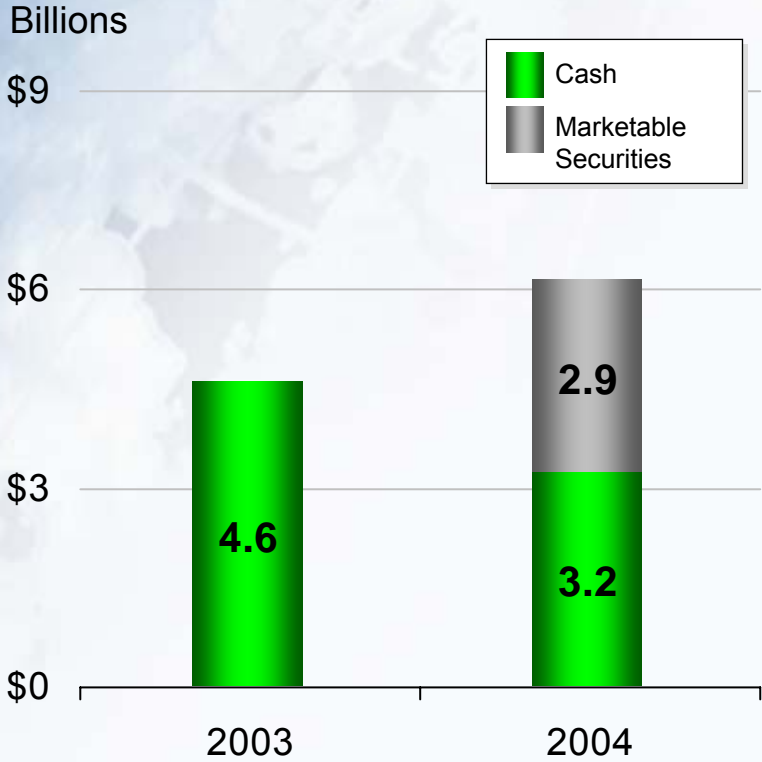
Commercial Airplanes



- Revenues up 5% driven by growth in Network Systems and Support Systems
- Strong operating margins offset somewhat by 767 tanker charge (Q4 margins 9.9% before charge)
- \$87 billion backlog supports growth
- Continued progress on lean initiatives offset by 717 and 767 tanker charges (Q4 margins 6.0% before charges)
- Fewer 777 deliveries in Q4 2004
- 787 program on-track with 186 orders and commitments (as of Jan '05)

Businesses executing well

Cash and Debt Balances



Strong balance sheet and liquidity

Cash Flow

\$ Billions	2004	2003
Net Earnings	1.9	0.7
Depreciation/non-cash	3.0	3.1
Working Capital	3.2	0.6
Pension Contributions	<u>(4.4)</u>	<u>(1.7)</u>
Operating cash flow	3.7	2.7
Capital Expenditures	<u>(1.0)</u>	<u>(0.7)</u>
Free cash flow*	2.7	2.0

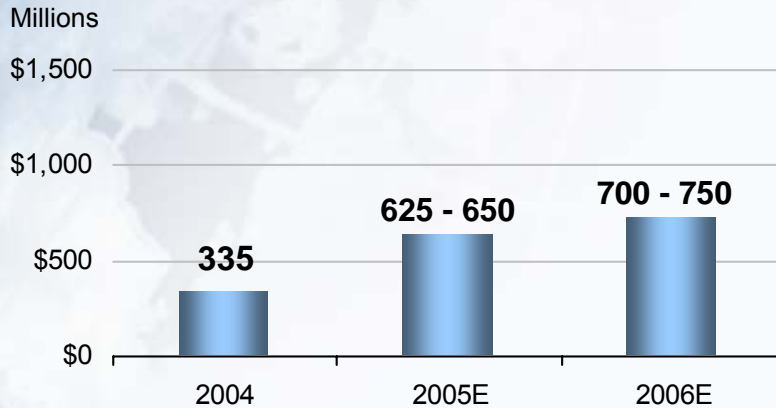
- **Strong working capital performance**
 - Commercial airplane recovery driving advances
 - Lean initiatives reducing inventories
- **\$4.4 billion in pension contributions**
- **CapEx rising to support 787 and IDS growth**
- **Balanced cash deployment**

*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated February 2, 2005.

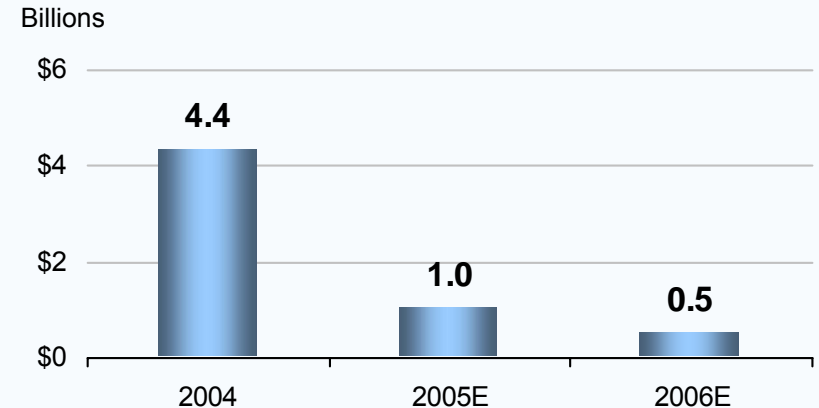
Outstanding cash flow... over \$8 billion before pensions

Pensions Turning the Corner

Pension Expense (non-cash)



Pension Funding



- Key 2005 Assumptions
 - Expected Rate of Return = 8.5% (actual 2004 returns ~ 13%)
 - Discount Rate = 5.75%
- Pension expense expected to decline in 2007
- Funded \$4.4 billion in 2004... \$2.2 billion after-tax OCI write-up to equity
- Minimal required funding going forward (< \$100 million in 2005 and 2006)
- Evaluating additional contributions until fully funded

Pension expense expected to peak in 2006

Financial Guidance

	<u>2005</u>	<u>2006</u>
Revenues	~ \$58B	\$62B - \$63B
Earnings Per Share	\$2.40 - \$2.60	\$3.00 - \$3.20
Operating Cash Flow¹	>\$5.0B	>\$5.5B

¹ Includes \$1.0 billion and \$0.5 billion in expected pension-plan contributions in 2005 and 2006, respectively.

Forecasting solid growth

Looking Ahead

- **Boeing expects strong growth in 2005 and 2006**
- **Our businesses are well positioned in growing markets**
- **We are relentlessly committed to:**
 - **Highest standards of integrity**
 - **Business execution**
 - **Driving performance to new levels**

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 and the launch of the 787 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 and investigatory proceedings; tax settlements with the IRS and various states; 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, June 30, 2004 and Sept. 30, 2004.