



# First-Quarter 2005 Performance Review

**James Bell**  
Chief Executive Officer & Chief Financial  
Officer

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# First Quarter In Review

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- **Intense focus on execution... driving strong operating performance**
- **Solid defense markets... strengthening commercial airplane markets**
- **Excellent cash generation... balanced cash deployment**
- **Significant new product investment... focused on maintaining product leadership and delivering value**

***Solid results... growth outlook on track***

# Integrated Defense Systems

- Growing revenue and margins
- Outstanding program performance
- Launch suspension lifted
- Excellent progress on development programs – solidifying future growth
  - Definitized FCS contract expansion and opened System-of-Systems Integration Lab
  - Completed F-15K first flight
  - Rolled out Italian tanker
  - Performed successful tests of Laser JDAM and SDB
  - Accomplished C-130 AMP development milestone



KC-767 Italian Tanker



F-15K



Chinook

***Focus on execution... meeting customers' needs***

# Commercial Airplanes

- **Strong operating performance**
  - Delivered 70 airplanes
  - Captured 63 gross orders
- **787 program continues to make excellent progress**
  - Successfully demonstrated key technologies
  - Announced 67 orders and commitments in Q1... 237 to date
- **Completed first flight of 777-200LR... longest range commercial airplane**
- **Announced agreement to sell Wichita/Tulsa Division... supports large-scale systems integration strategy**



777-200LR First Flight

*Delivering value*

# Other Businesses

## ■ Boeing Capital Corporation

- Aircraft financing market improving... lease rates rising
- Solid operating performance... remain focused on reducing risk
- Paid \$55m dividend to Boeing...brings total cash returned to Boeing to \$760m over past 15 months



## ■ Connexion by Boeing<sup>SM</sup>

- Commercial service operating on nearly 60 aircraft
- Captured new orders from three airlines... over 450 total orders and options from 10 airlines to date
- Announced the launching of maritime service



***BCC and Connexion performing well***

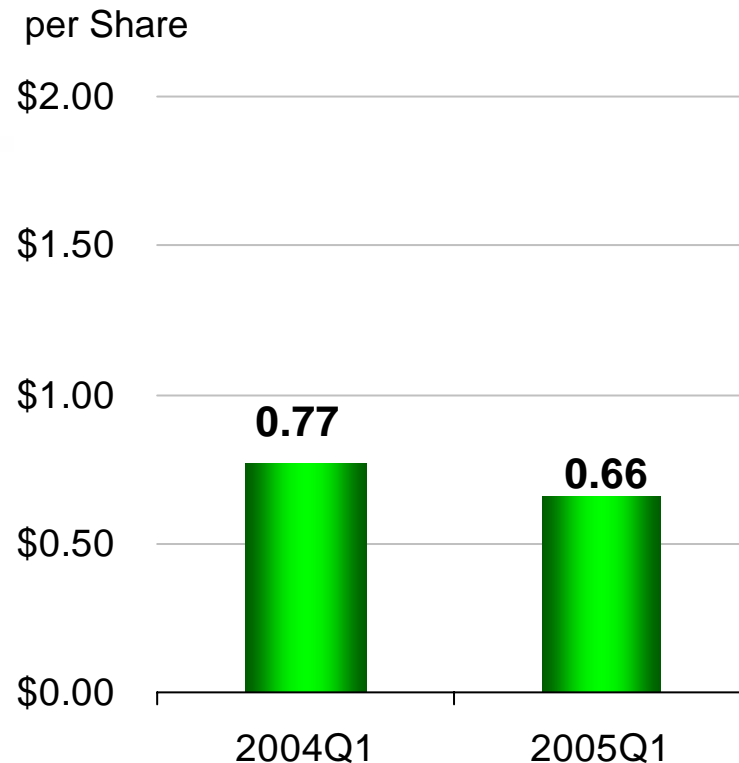
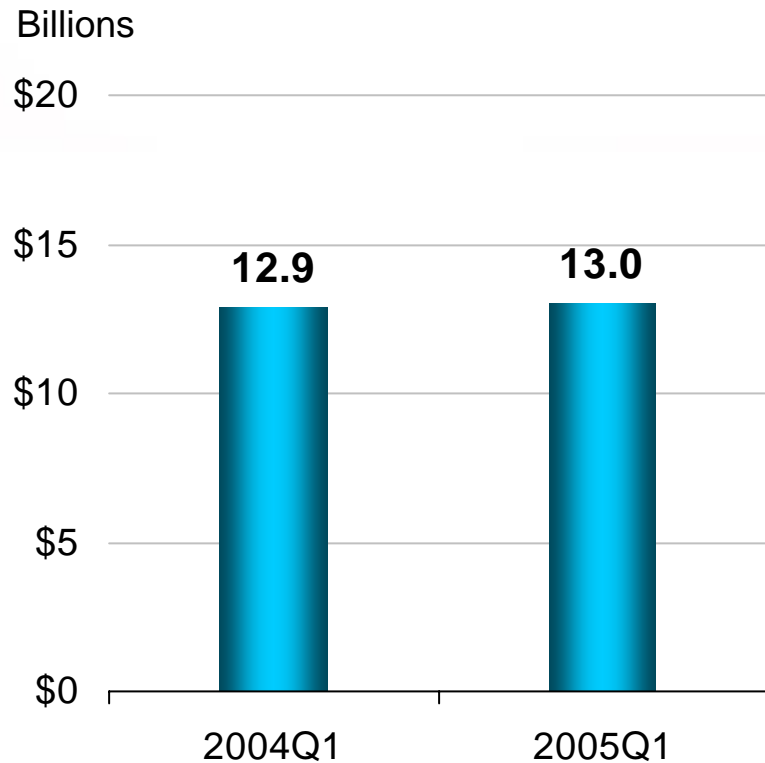
# First-Quarter Financial Summary

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- **Stable revenues and solid net earnings... strong operating performance offset by increased non-cash expense for share-based plans and pensions**
- **Excellent operating cash flow... balanced cash deployment**
  - Generated over \$1.8 billion before pension contribution
  - Invested in 787 and IDS growth platforms
  - Made additional pension contribution of \$455 million
  - Repurchased 8.9 million shares for \$495 million
- **Strong balance sheet... debt maturities reduced leverage**

***Robust financial performance continues***

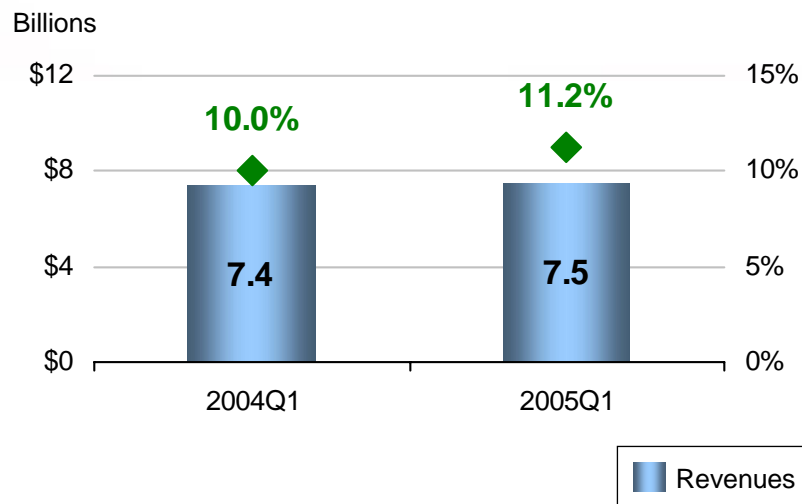
# First-Quarter Revenue and Earnings



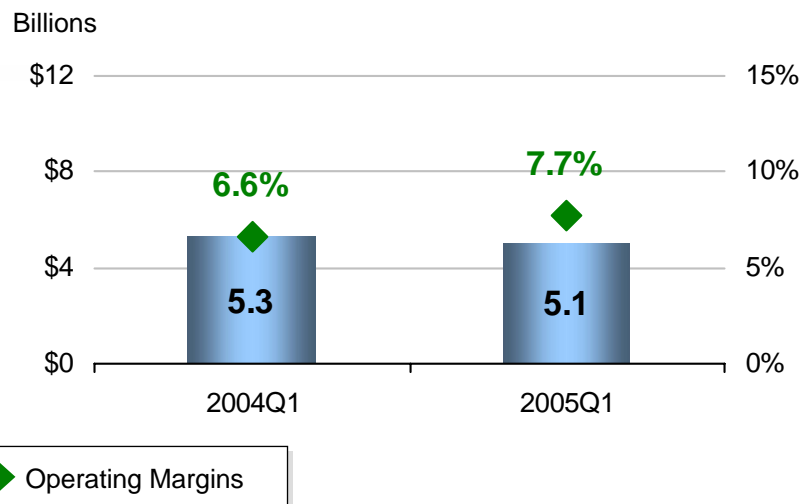
***Strong operating performance offset by higher pension and SBP expense***

# Core Business Units

## Integrated Defense Systems



## Commercial Airplanes

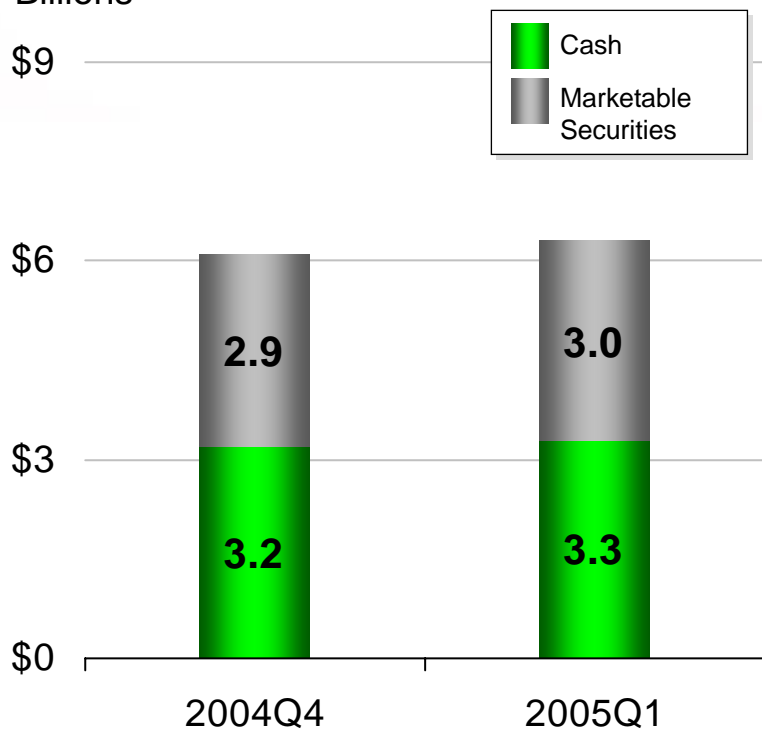


- Revenues up 2% driven by growth in Network Systems
- Excellent operating margins at 11.2%
- \$86 billion backlog supports growth
- Continued progress on lean initiatives offset lower revenues from fewer deliveries
- Outstanding sales success
- 787 program on-track with 237 orders and commitments (as of April 2005)

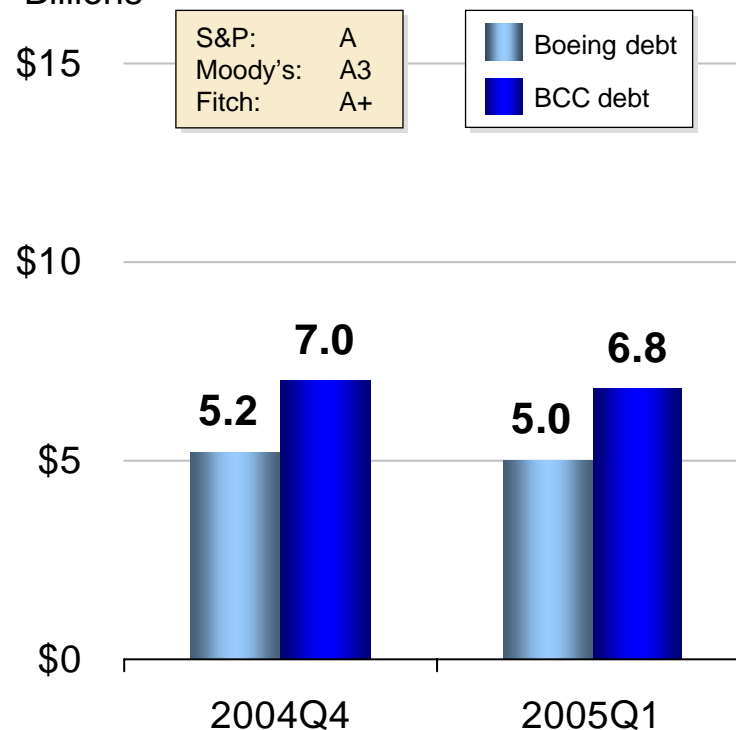
***Businesses executing well***

# Cash and Debt Balances

Billions



Billions



***Strong balance sheet and liquidity***

# Cash Flow

<b>\$ Billions</b>	<b>2005Q1</b>	<b>2004Q1</b>
Net Earnings	0.5	0.6
Depreciation/non-cash	0.9	0.6
Working Capital	0.5	(0.3)
Pension Contributions	<u>(0.5)</u>	<u>(1.0)</u>
<b>Operating cash flow</b>	1.4	(0.1)
Capital Expenditures	<u>(0.3)</u>	<u>(0.2)</u>
Free cash flow*	1.1	(0.3)

\*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated April 27, 2005.

- Strong working capital performance
- Balanced cash deployment
  - CapEx rising to support 787 and IDS growth
  - \$455 million in pension contributions
  - Repurchased 8.9 million shares for \$495 million
  - Paid down \$372 million of maturing debt

***Excellent cash flow... over \$1.8 billion before pensions***

# Financial Guidance

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	<u>2005</u>	<u>2006</u>
<b>Revenues</b>	~ \$58B	\$62B - \$63B
<b>Earnings Per Share</b>	\$2.40 - \$2.60	\$3.00 - \$3.20
<b>Operating Cash Flow<sup>1</sup></b>	>\$5.0B	>\$5.5B

<sup>1</sup> After \$1.0 billion and \$0.5 billion in expected pension-plan contributions in 2005 and 2006, respectively.

*Forecasting solid growth*

# Looking Ahead

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- **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

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- **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, 2004.**

