



Second-Quarter 2005 Performance Review

Jim McNerney

Chairman and Chief Executive Officer

James Bell

Chief Financial Officer

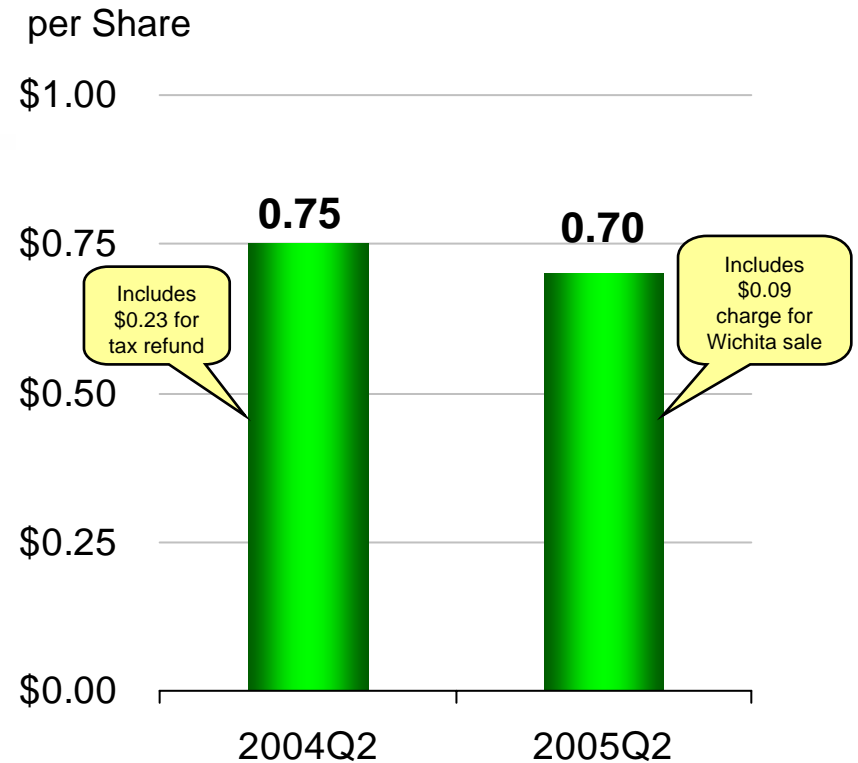
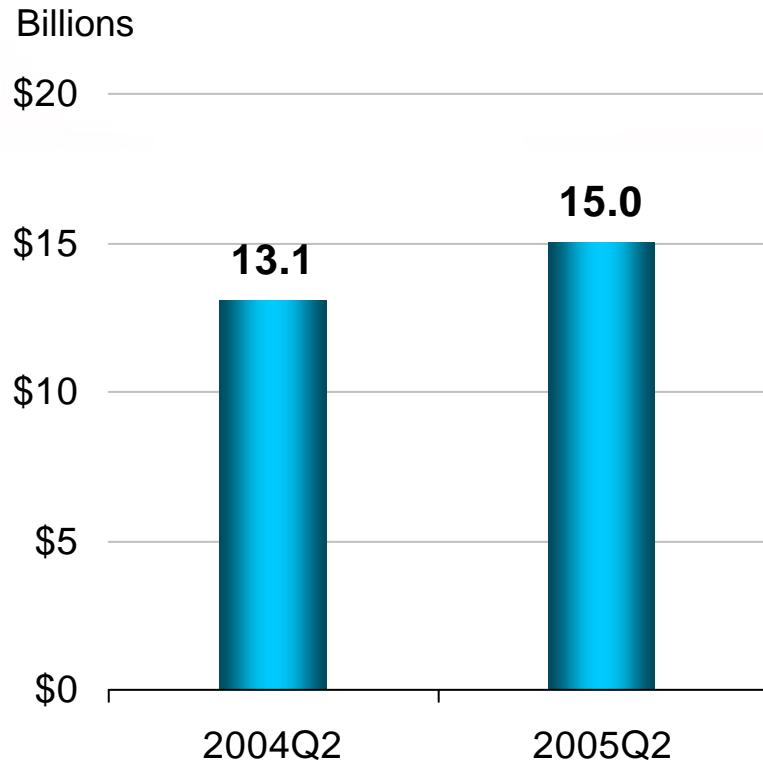
July 27, 2005

Second Quarter in Review

- **Strong execution across businesses driving significant gains in operating performance**
- **Robust traffic growth driving greater commercial airplane demand and higher financial outlook... defense markets remain solid, but growth will slow**
- **Operating cash flow remains outstanding... executing balanced cash deployment strategy**
- **Significant new product investment... major growth programs (FCS, 787) on plan**

Strong results... outlook for earnings growth on track

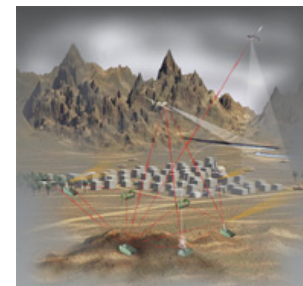
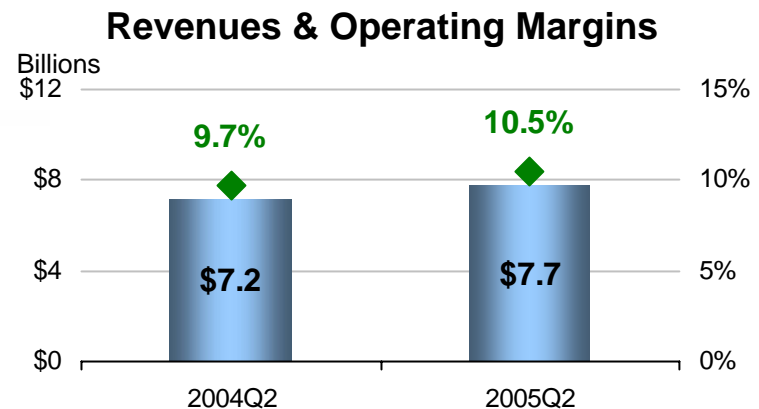
Revenue and Earnings



Core businesses driving strong revenues and earnings

Integrated Defense Systems

- **Solid revenue, growing margins**
- **Balanced defense portfolio**
 - Delivered 22 production aircraft
 - FCS passes Milestone B
 - P-8A (MMA) completes initial wind-tunnel tests
 - J-UCAS finishes Systems Requirements Review
- **United Launch Alliance announced**



Future Combat Systems

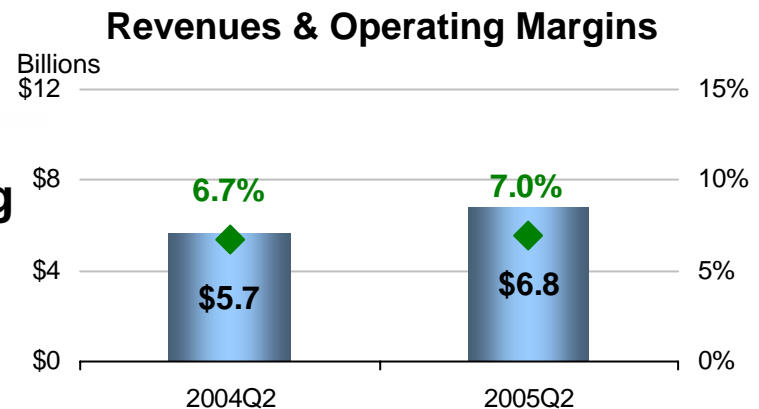


P-8A (MMA)

Focus on execution... meeting customers' needs

Commercial Airplanes

- **Strong operating performance**
 - Delivered 85 airplanes
- **Captured 376 gross orders including key orders for 747 and 767... backlog up 26% from Q1**
- **787 program on schedule... 252 orders and commitments to date**
- **Launched 777 Freighter Program with Air France**
- **747-400 Special Freighter program on schedule for Q4 delivery**
- **Completed sale of Wichita/Tulsa operations**



777 Freighter Program Launched

Delivering value

Other Businesses

■ Boeing Capital Corporation

- Aircraft financing market continues to strengthen... lease rates rising
- Improved operating performance... remain focused on reducing risk
- Paid \$105m dividend to Boeing... total cash returned now at \$865m over past 18 months



■ Connexion by BoeingSM

- Commercial service operating on over 70 aircraft with more than 100 daily flights
- Total orders and options from 11 airlines exceeding 500 aircraft
- Teekay Shipping signs on as maritime launch customer for up to 90 vessels



BCC and Connexion performing well

Cash Flow

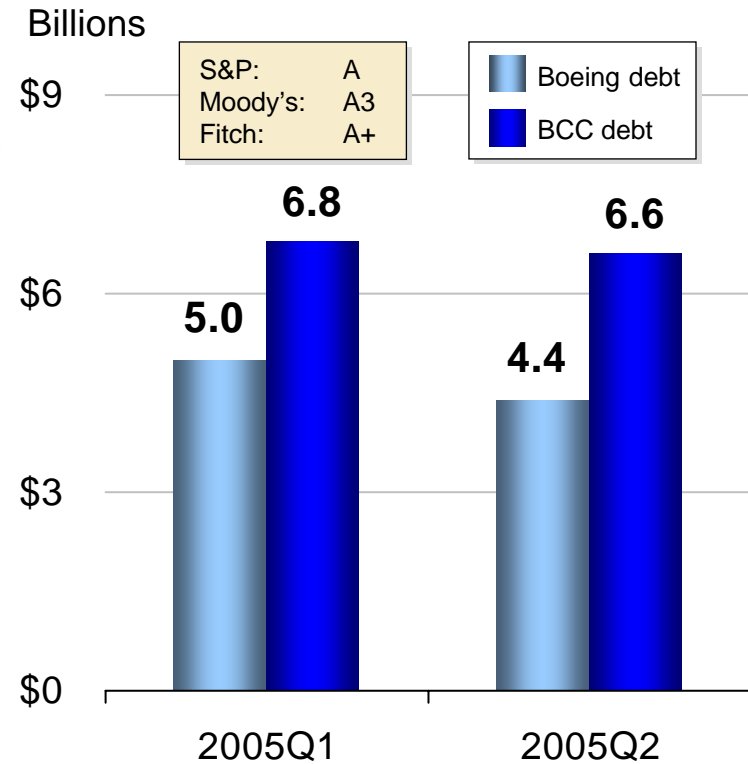
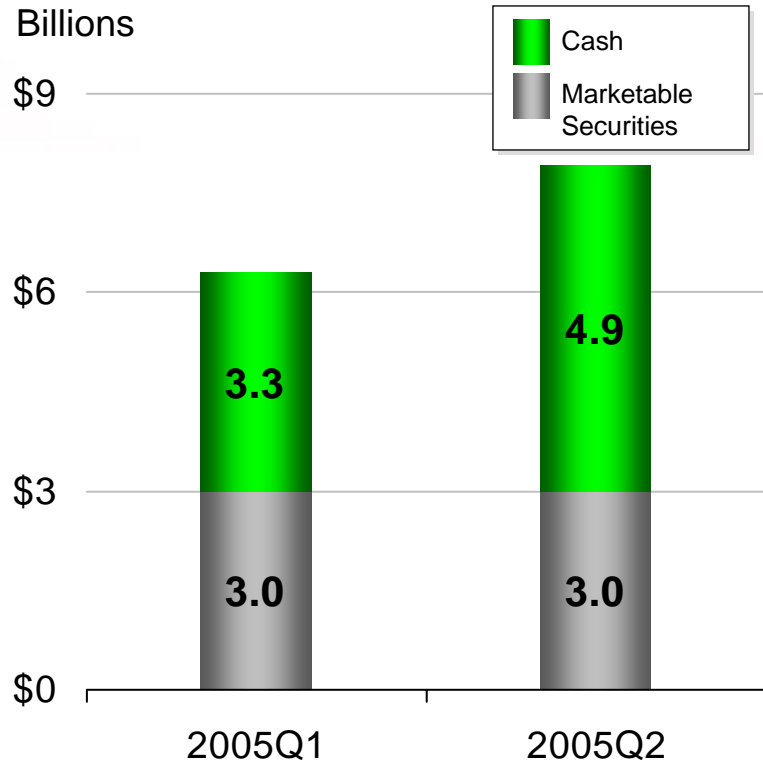
\$ Billions	2005Q2	2004Q2
Net Earnings	0.6	0.6
Depreciation/non-cash	0.9	0.6
Working Capital	1.2	1.1
Pension Contributions	<u>0.0</u>	<u>(1.0)</u>
Operating cash flow	2.7	1.3
Capital Expenditures	<u>(0.5)</u>	<u>(0.1)</u>
Free cash flow*	2.2	1.2

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

- Continued working capital improvements
- Balanced cash deployment
 - CapEx rising to support 787 and IDS growth
 - Repurchased 10.3 million shares for \$646 million
 - Authorized additional buyback of 40 million shares
 - Paid down \$800 million of maturing debt

***Commercial orders and program execution drive
\$2.7 billion in operating cash flow***

Cash and Debt Balances



Cash builds... while debt declines

Financial Guidance

	<u>2005</u>	<u>2006</u>
Revenues	~ \$58B	~ \$62B \$62B - \$63B
Earnings per Share	\$2.75 - \$2.85 \$2.40 - \$2.60	\$3.00 - \$3.20
Operating Cash Flow ¹	>\$6.0B >\$5.5B	>\$5.5B

¹ After \$1.6 billion and \$0.5 billion in expected pension-plan contributions in 2005 and 2006, respectively.

2005 outlook improving... BCA growth offsetting higher pension expense and lower IDS revenue growth in 2006

Earnings Guidance

	<u>2005</u>	<u>2006</u>
Prior Guidance	\$2.40 - \$2.60	\$3.00 - \$3.20
BCA / IDS Performance	~ 0.30	~ 0.30
<i>After Operating Improvements</i>	\$2.75 - \$2.85	\$3.30 - \$3.50
Wichita Sale ¹	(0.28)	
Rocketdyne Sale ²	0.28	
Additional Pension Expense (from possible lower discount rate)		~ (0.30)
Current Guidance	\$2.75 - \$2.85	\$3.00 - \$3.20

¹ A \$348 million pre-tax loss (primarily related to a non-cash pension charge) was recorded for the sale of Wichita with \$110 million recognized in the second quarter and \$238 million to be recognized in the third quarter.

² The sale of Rocketdyne is expected to generate a pre-tax gain of approximately \$360 million. Assuming the transaction closes in the third quarter, a pre-tax gain of approximately \$575 million will be recognized in the third quarter with a pre-tax loss of approximately \$215 million (related to a non-cash pension charge) to be recognized in the fourth quarter.

Strong operating performance offsetting potentially significant pension growth in 2006



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, 2004 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.**