



Third-Quarter 2005 Performance Review

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Chief Financial Officer

October 26, 2005

Third Quarter in Review

- **Strong core earnings... business momentum building**
- **Commercial Airplanes continued outstanding sales success and margin expansion... '05 results impacted by IAM strike**
- **Integrated Defense Systems delivered double-digit margins and achieved key milestones... defense market growth moderating**
- **Raising EPS guidance for 2005 and 2006**

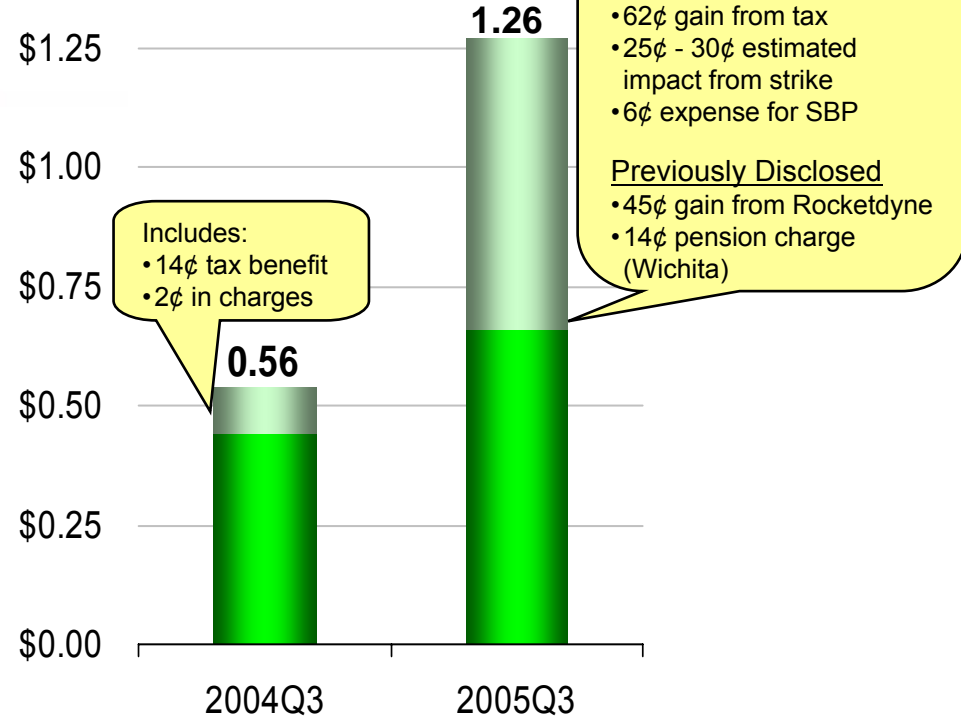
Solid results... strong momentum

Revenue and Earnings

Billions



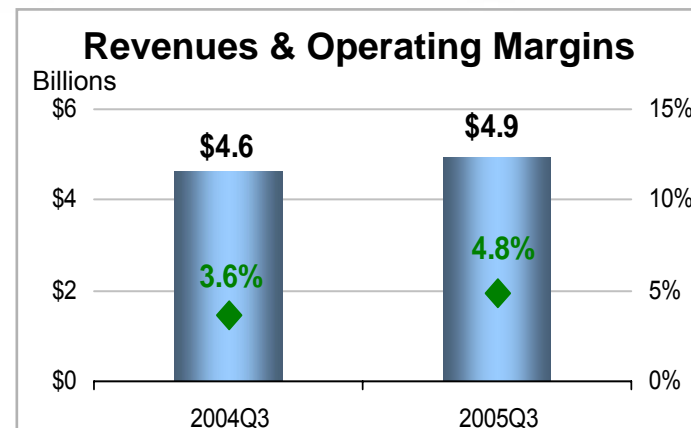
per Share



Businesses driving strong core earnings growth

Commercial Airplanes

- **Continued strong operating performance... impacted by IAM strike**
 - Delivered 62 airplanes in Q3 (21 fewer than expected due to strike)
- **Captured 202 gross orders across all models**
 - Won 641 gross orders through Q3 '05
 - Backlog up 39% this year to \$98 billion
- **787 Dreamliner completed firm configuration... 293 orders and commitments to date from 24 customers**
- **Launched 737-900 Extended Range program with Lion Air**

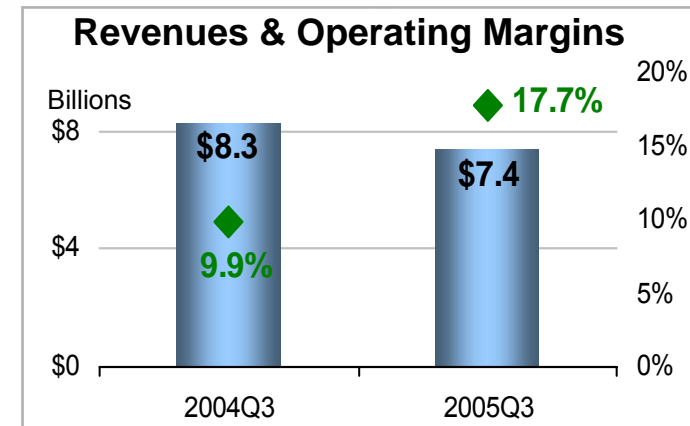


737-900ER Program Launched

Focused on performance and growth

Integrated Defense Systems

- **Margins expanding, revenue moderating**
- **Awarded new and follow-on contracts**
 - Apache production and new block development contracts signed
 - J-UCAS Demonstration contract awarded
 - Selected for Chinook Total Life Cycle Support Program with UK
- **Achieving Major Milestones**
 - Successful FCS System of Systems Functional Review
 - V-22 granted approval for full-rate production
- **Completed Rocketdyne sale**



V-22



Apache

Market growth moderating... focused on execution

Other Businesses

■ Boeing Capital Corporation

- Environment continues to improve... aircraft financing market strengthening
- Solid operating performance and risk mitigation
- Maintaining conservative financial position



■ Connexion by BoeingSM

- Commercial service operating on 85 aircraft with more than 120 daily flights
- Total orders and options from 11 airlines for approximately 450 aircraft
- Market acceptance and usage continues to increase
- Second Maritime customer commitment brings total orders and options to >150 vessels



BCC and Connexion on track

Cash Flow

\$ Billions	2005Q3
Net Earnings	1.0
Depreciation/non-cash	0.5
Working Capital	0.4
Pension Contributions	<u>(1.4)</u>
Operating cash flow	0.5
Capital Expenditures	<u>(0.3)</u>
Free cash flow*	0.2

*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated October 26, 2005.

Pension Update

▪ In 2005

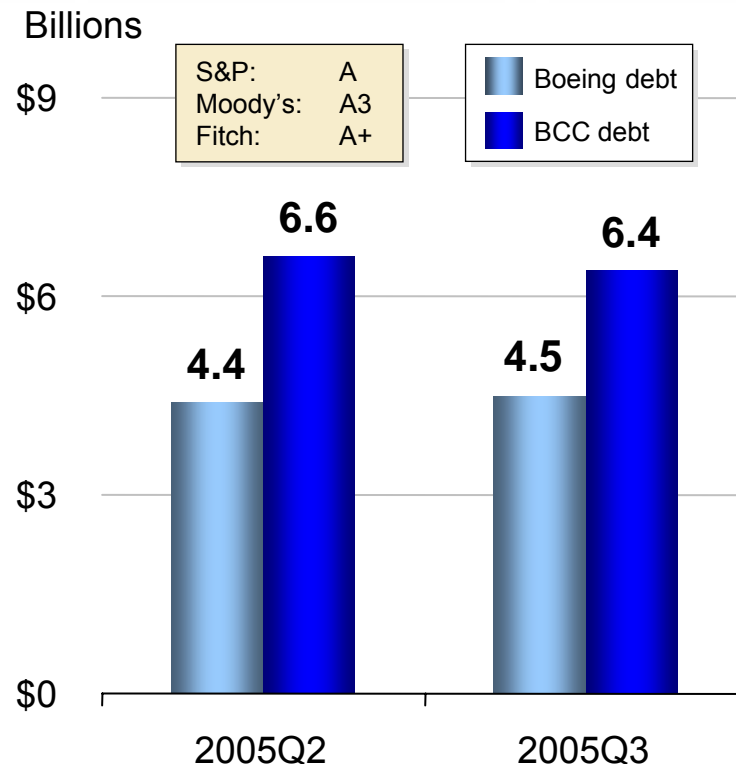
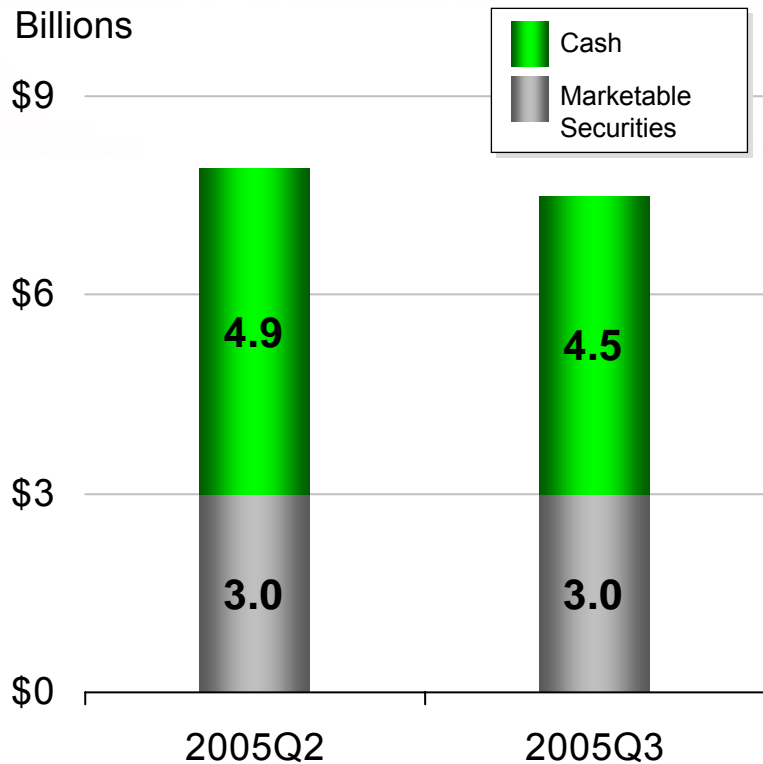
- Pension asset returns ~ 14%
- YTD cash contributions \$1.8 billion

▪ In 2006 (Estimates)

- Expected rate of return likely to remain 8.5%
- Discount rate likely reduced to 5.5%
- Pension expense likely to be ~\$1.0 billion
- Required cash contributions < \$50 million

Strong cash flow... pensions performing well

Cash and Debt Balances



Outstanding balance sheet and liquidity

Financial Guidance

	<u>2005</u>	<u>2006</u>
Revenues	~ \$55.5B ~ \$58B	~ \$62B
Earnings per Share	\$2.95 - \$3.05 \$2.75 - \$2.85	\$3.10 - \$3.30 \$3.00 - \$3.20
Operating Cash Flow ¹	>\$7.0B >\$6.0B	>\$5.5B

¹ After \$1.8 billion and \$0.5 billion in expected pension-plan contributions in 2005 and 2006, respectively.

Guidance in 2005 affected by strike... but core earnings and cash flow growth improving

EPS Guidance

	<u>2005</u>	<u>2006</u>
Prior EPS Guidance ^{1, 2}	\$2.75 - \$2.85	\$3.00 - \$3.20
▪ BCA Performance		~ 0.15
<i>After Operating Improvements</i>	\$2.75 - \$2.85	\$3.15 - \$3.35
▪ Tax Benefits	0.62	
▪ Share Based Plans (additional expense)	(0.06)	
▪ Estimated Strike Impact (30 less deliveries in 2005)	(0.35) – (0.40)	
▪ Lower Pension Expense Forecast (5.5% discount rate instead of 5.25%)		~0.10
▪ Deferred Tax Charge in Q1 2006		(0.15)
Current EPS Guidance	\$2.95 - \$3.05	\$3.10 - \$3.30

¹ A \$294 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 \$184 million that was recognized in the third quarter.

² The sale of Rocketdyne generated a pre-tax gain of approximately \$375 million. A pre-tax gain of \$582 million was recognized in the third quarter with a pre-tax loss of approximately \$190 million (related to a non-cash pension charge) to be recognized in the fourth quarter.

Strong underlying EPS performance



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 Reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005.