



Second-Quarter 2006 Performance Review

Jim McNerney

Chairman, President and Chief Executive Officer

James Bell

Chief Financial Officer

July 26, 2006

Second Quarter Summary

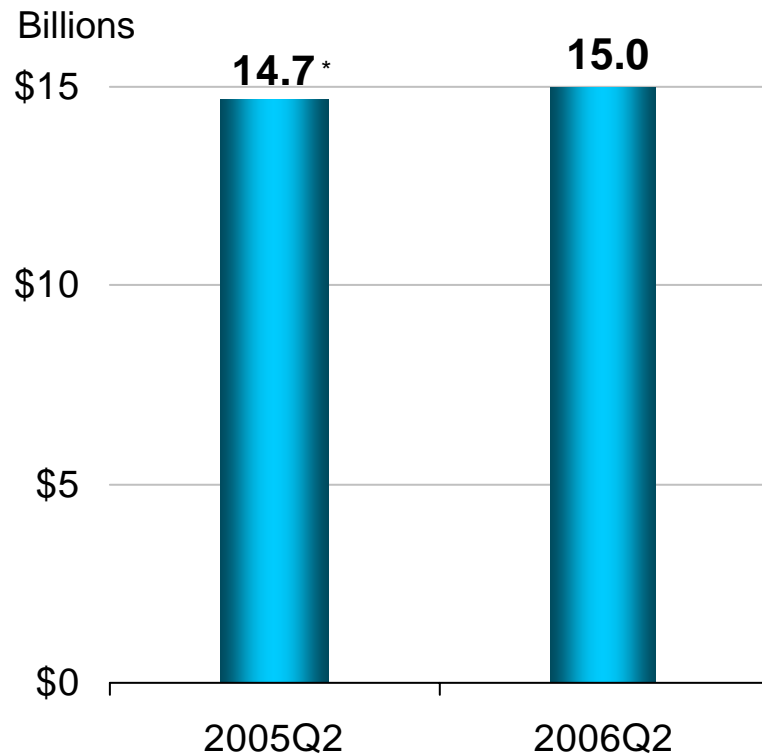
Boeing | Investor Relations

- **Reported EPS affected by previously-disclosed charges**
- **Excellent cash generation... effective cash deployment**
- **Backlog expanded to a record \$220 billion**
- **Commercial airplane business is a major growth driver... defense portfolio remains solid**
- **Business execution is paramount focus**
- **EPS outlook for 2006 reflects charges and operating improvements**
- **Guidance raised for 2007 on stronger commercial airplanes outlook**

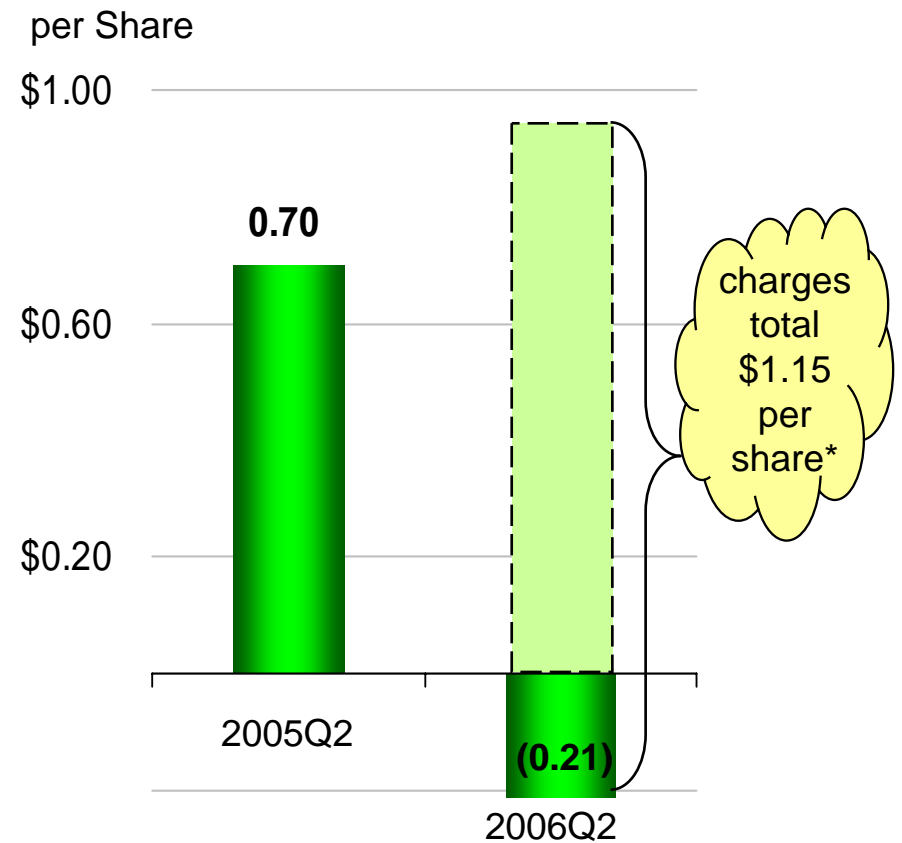
Growth outlook strengthening

Revenue and Earnings

Boeing | Investor Relations



* Includes \$0.4 billion benefit for a customer's buyout of several operating leases



* Includes \$0.75 per share for Global Settlement, and \$0.40 for AEW&C

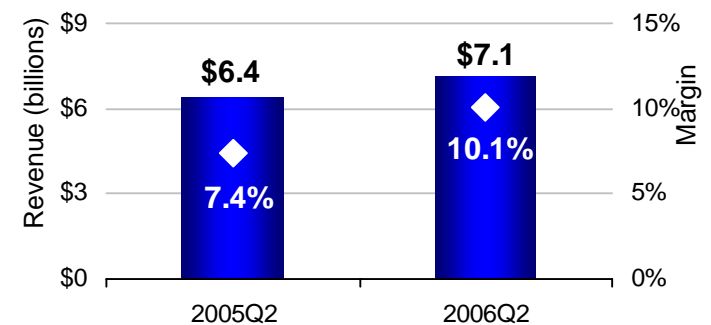
Q2 EPS reflects charges

Commercial Airplanes

Boeing | Investor Relations

- **Profitably managing production ramp-up**
 - Double-digit growth in revenues, deliveries
 - Continued strong margins
 - Increasing R&D investments
- **Grew orders and backlog**
 - Captured 311 airplane orders in Q2
 - Increased backlog to a record \$142 billion
- **Continued 787 program progress**
 - Won 364 firm orders since launch
 - Began major assembly
- **Expanded Services business**
 - Completed purchase of Carmen Systems
 - Entered definitive agreement to acquire Aviall
- **Rolled out first 737-900ER airplane**

Revenues & Operating Margins



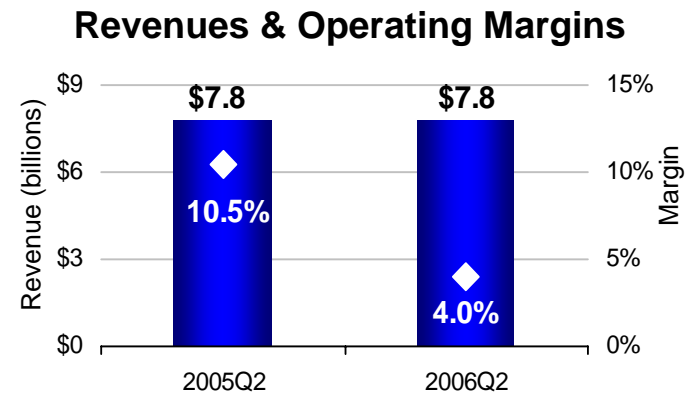
First Boeing 737-900ER rolls out of factory

Focused on performance and growth...delivering value

Integrated Defense Systems

Boeing | Investor Relations

- **Strong performance impacted by AEW&C charge**
- **Executing well balanced defense portfolio**
 - Delivered 24 production aircraft and one satellite
 - Executed six successful launches
 - Tested GMD silo and launch system
 - Demonstrated FCS capabilities in joint experiment
 - Completed EA-18G program flight milestone
- **ULA joint venture progressing**
- **Industry-leading backlog of \$78 billion**



Focused on the customer, committed to execution

Other Businesses

Boeing | Investor Relations

- **Boeing Capital Corporation**

- Delivered pre-tax earnings of \$62 million, while maintaining a conservative financial position
- Aircraft financing market continues to strengthen
- Reduced debt over \$2.7 billion and returned over \$1 billion cash to Boeing in last two years

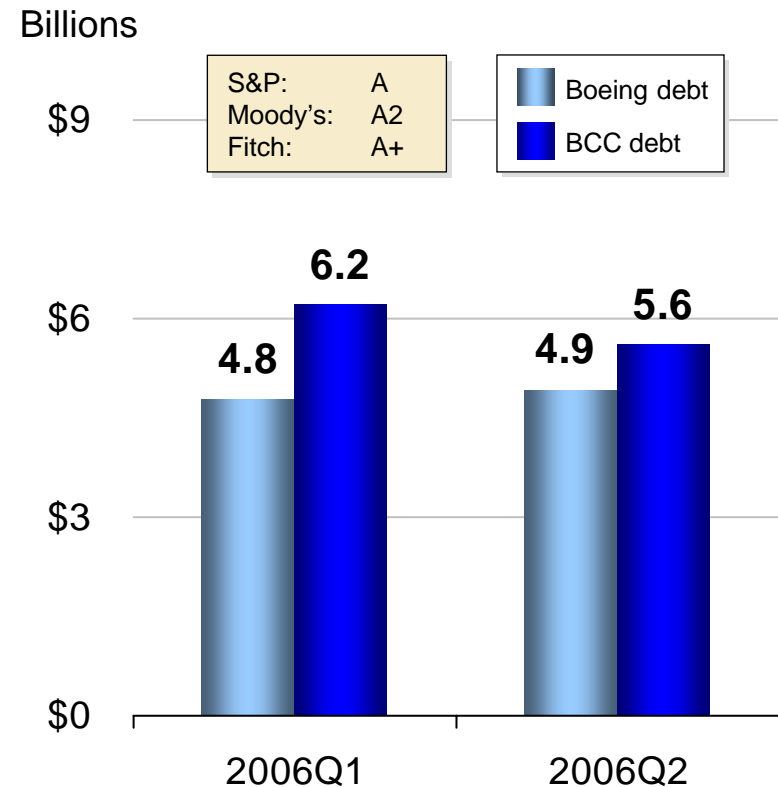
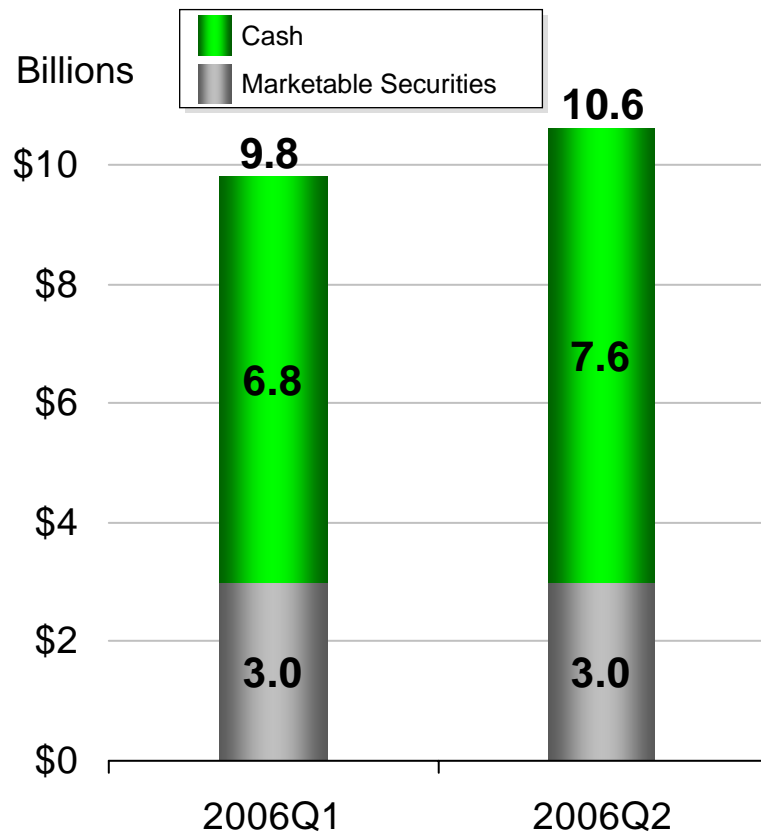
- **Connexion by Boeing[®]**

- Exploring strategic alternatives for the business
- Impact of decision could result in charge of up to \$350 million (pre-tax) in the second half of 2006... but, is expected to be accretive to EPS in 2007 and beyond

Boeing Capital on track; evaluating strategic options for Connexion

Cash and Debt Balances

Boeing | Investor Relations



Outstanding liquidity; reduced debt by \$0.5 billion

Cash Flow

Boeing | Investor Relations

\$ Billions	2005Q2	2006Q2
Net Earnings	0.6	(0.2)
Depreciation/non-cash	0.9	0.7
Working Capital	1.2	1.9
Pension Contributions	<u>(0.0)</u>	<u>(0.0)</u>
Operating cash flow	2.7	2.4
Capital Expenditures	<u>(0.5)</u>	<u>(0.3)</u>
Free cash flow*	2.2	2.1

- **Strong working capital performance continues**
- **Balanced cash deployment**
 - Investment in growth programs (e.g., 787, 747-8, services)
 - Repurchased 6.3 million shares for \$525 million
 - Retired \$0.6 billion of BCC debt

*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated July 26, 2006.

Generated over \$2.4 billion in cash flow

Financial Guidance

Boeing | Investor Relations

	<u>2006</u>	<u>2007</u>
Revenues	\$60B \$60B - \$60.5B	\$63.5B - \$64.5B \$64.5B - \$65.5B
Earnings Per Share¹	\$3.25 - \$3.45 \$2.40 - \$2.55	\$4.10 - \$4.30 \$4.25 - \$4.45
Operating Cash Flow²	>\$5.5B	>\$5.5B

¹Includes total charges of \$1.15 to 2006 EPS for global settlement and AEW&C

²After \$0.5 billion in expected pension-plan contributions in each of 2006 and 2007.

***EPS outlook in 2006 affected by charges...
Guidance for 2007 increased***

EPS Guidance

Boeing | Investor Relations

	<u>2006</u>	<u>2007</u>
Prior EPS Guidance	\$3.25 - \$3.45	\$4.10 - \$4.30
▪ BCA Growth	~ 0.05	~ 0.10
▪ Other Performance	~ 0.05	~ 0.05
<i>After Operating Improvements</i>	\$3.35 - \$3.55	\$4.25 - \$4.45
▪ Global Settlement Charge	(0.75)	
▪ AEW&C Charge	(0.40)	
▪ Lower Pension Expense Forecast	~0.15	
Current EPS Guidance	\$2.40 - \$2.55	\$4.25 - \$4.45

BCA growth driving EPS improvements

Looking Ahead

Boeing | Investor Relations

- **Boeing's growth outlook is strengthening**
- **Our businesses are well positioned in healthy markets**
- **We are relentlessly committed to:**
 - Highest standards of integrity
 - Business execution
 - Driving performance to new levels
 - Growth and productivity

Delivering value to customers and shareholders

Forward-Looking Information Is Subject to Risk and Uncertainty

Boeing | Investor Relations

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 in this press release include, among others, statements regarding future results as a result of our growth and productivity initiatives, our 2006 and 2007 financial outlook and the benefits of the new IDS structure. 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 including our company-wide growth and productivity initiatives, production rate increases and decreases (including any reduction in or termination of an aircraft product), availability of raw materials, acquisition and divestiture plans, and other cost-reduction and productivity efforts; charges from any future SFAS No. 142 review; ability to meet development, production and certification schedules for the 787 program; technical or quality issues in development programs or in the commercial satellite industry; 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) and funding of the C-17 program; 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, 2005 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006.

