



# Third-Quarter 2006 Performance Review

**Jim McNerney**

Chairman, President and Chief Executive Officer

**James Bell**

Chief Financial Officer

October 25, 2006

# Third Quarter Summary

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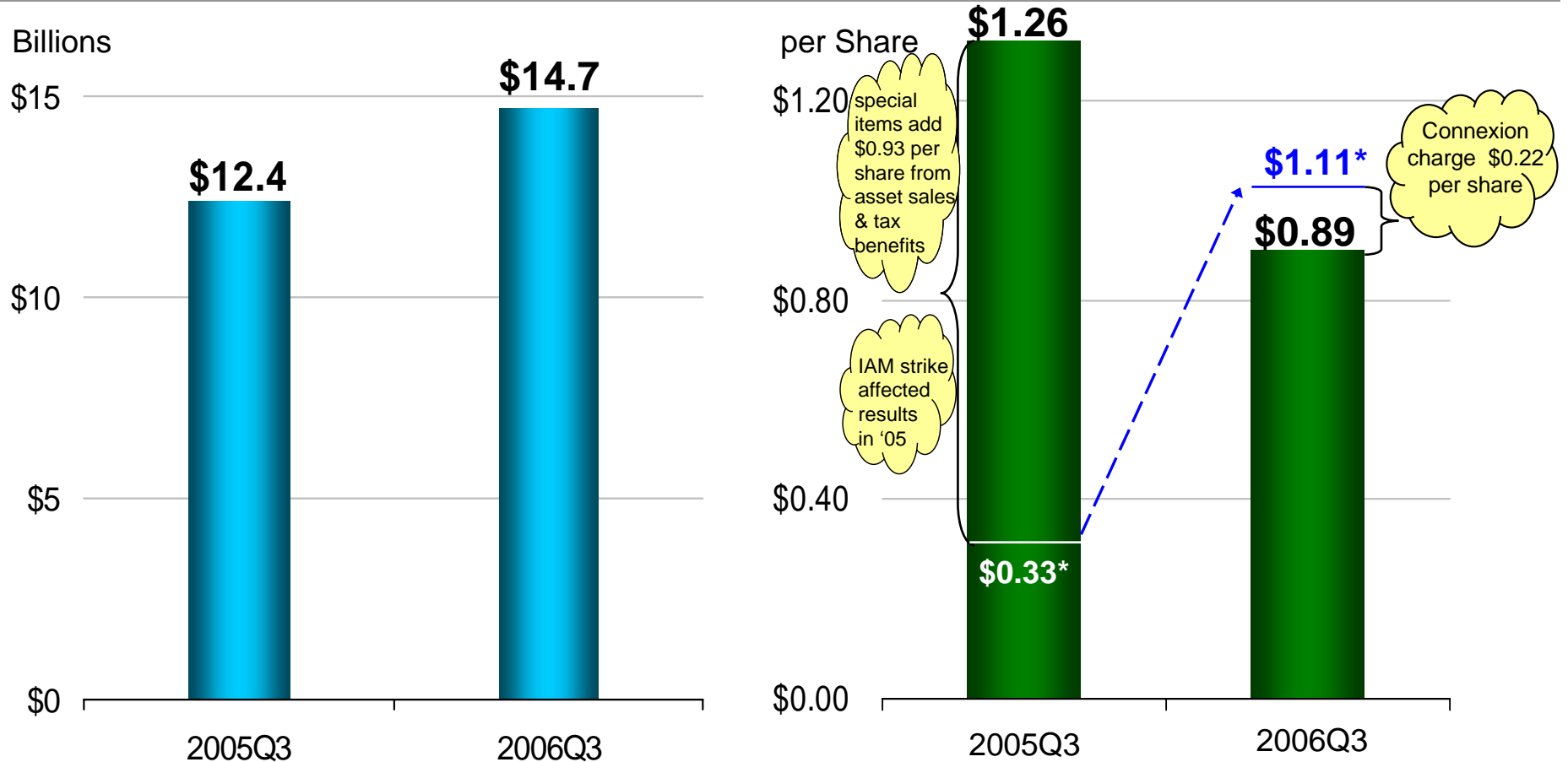
- **Strong growth in revenue (+19%) and adjusted EPS\***
- **Backlog expanded to a record \$229 billion**
- **Expanded Services business through internal growth and Aviall acquisition**
- **Authorized \$3 billion share repurchase program**
- **2006 EPS outlook reflects charges and operating improvements**
- **Raised guidance for 2007 on Connexion, Aviall and performance**
- **Strong performance continues... significant growth at Commercial Airplanes... solid execution on Defense programs**

***Strong momentum***

\*Adjusted EPS is a non-GAAP measure. Definitions, reconciliations and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated October 25, 2006

# Revenue and Earnings

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**Q3 core EPS growth strong**

\*Adjusted EPS is a non-GAAP measure. Definitions, reconciliations and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated October 25, 2006

# Commercial Airplanes

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## ■ Profitably managing production ramp-up

- Strong margins while increasing R&D investments
- Delivered 100 airplanes in Q3

## ■ Outstanding sales success

- Captured 243 airplane orders in Q3; 760 ytd
- Grew backlog to a record \$154 billion

## ■ 787 program progressing

- Won 432 firm orders since launch
- Began Large Cargo Freighter flight testing
- Addressing weight and supplier challenges

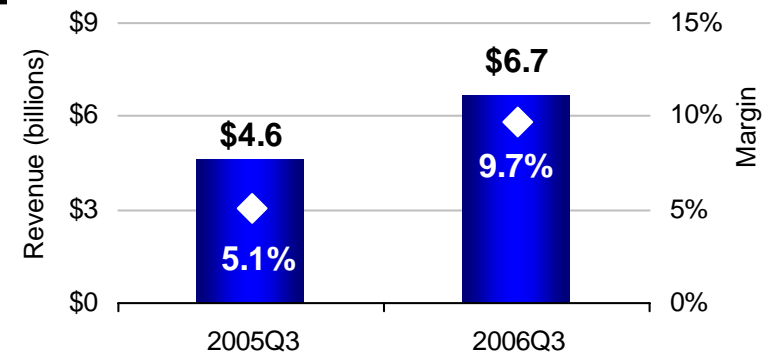
## ■ Expanding Services business

- Completed purchase of Aviall, Inc.
- Reached agreement to acquire C-Map

## ■ Achieved key milestones

- Delivered 2,000<sup>th</sup> Next Generation 737; Completed first flight of 737-900ER

## Revenues & Operating Margins



747 Large Cargo Freighter



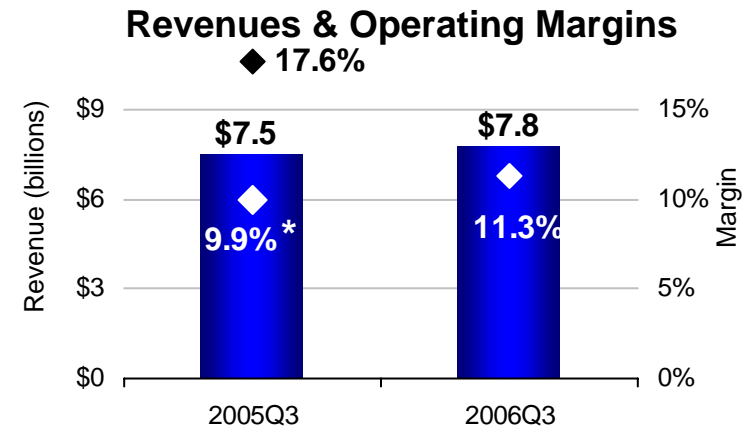
737-900ER First Flight

***Focused on product development, performance and growth***

# Integrated Defense Systems

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- **Strong operating performance**
  - Delivered 29 production aircraft and 2 satellites
  - Expanded margins to 11.3%
- **Awarded new and follow-on contracts**
  - Secure Border Initiative Network
  - FY07 defense bill adds additional C-17s
  - Block III Apache Longbow
- **Completed major milestones**
  - Executed successful GMD missile flight test
  - Completed successful FCS milestone review
  - Demonstrated successful KC-767 tanker boom flight-testing
- **ULA received FTC anti-trust clearance**



C-17 Globemaster III

***Focused on performance***

\*Adjusted IDS operating margins is a non-GAAP measure to exclude gain on Rocketdyne sale. Definitions, reconciliations and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated October 25, 2006

# Other Businesses

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## ▪ **Boeing Capital Corporation**

- Delivered record pre-tax earnings of \$122 million reflecting strong core performance and favorable asset sales
- Aircraft financing market strength continues
- Returned \$284 million in cash dividends to Boeing year-to-date

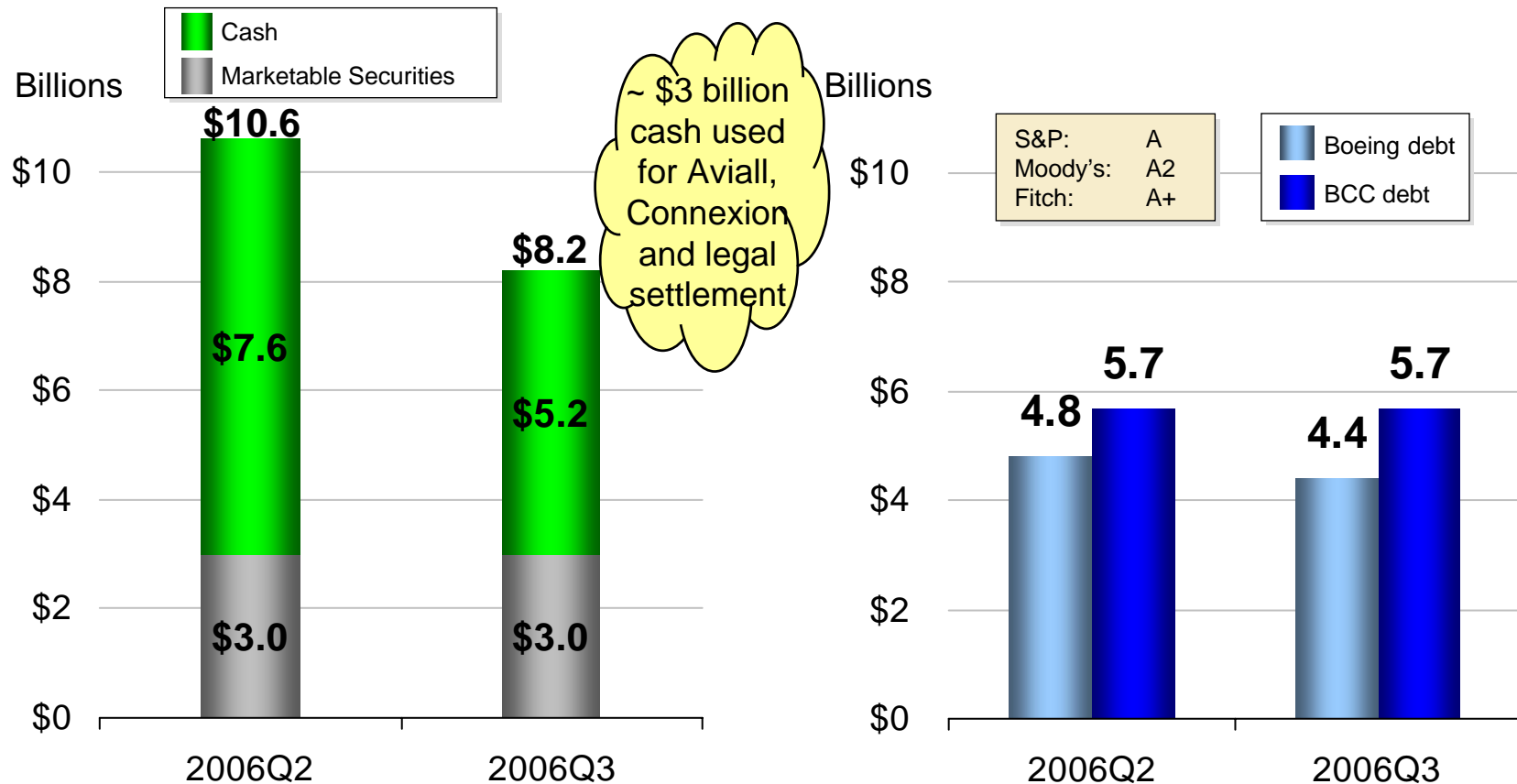
## ▪ **Connexion Termination**

- Previously announced decision to terminate service results in charges totaling \$0.25 per share in 2H 2006 (\$0.22 per share in Q3 and \$0.03 per share in Q4)
- Decision is accretive to EPS by approximately \$0.15 per share beginning in 2007

***Boeing Capital delivers strong results; Connexion wind down on track***

# Cash and Debt Balances

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***Outstanding liquidity and balance sheet strength***

# Cash Flow and Pension Update

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<b>\$ Billions</b>	<b>2006Q3</b>	<b>2005Q3</b>
Net Earnings	<b>0.7</b>	1.0
Depreciation/non-cash	<b>1.0</b>	0.5
Working Capital <sup>1</sup>	<b>(1.1)</b>	0.4
Pension Contributions	<b><u>(0.0)</u></b>	<u>(1.4)</u>
<b>Operating cash flow</b>	<b>0.6</b>	0.5
Capital Expenditures	<b><u>(0.3)</u></b>	<u>(0.3)</u>
Free cash flow*	<b>0.3</b>	0.2

<sup>1</sup>Includes \$615 cash payment for legal settlement

\*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated October 25, 2006.

## ■ Pension Plans Strengthened

- **In 2006**
  - Pension asset returns were ~ 10%
  - Cash contributions totaled ~ \$500 million
  - Pensions fully funded on PBO basis
- **In 2007**
  - Rate of return assumption likely decreasing to ~ 8.25%
  - Discount rate likely increasing to ~ 6%
  - Pension expense likely ~ \$1 billion; required cash contributions < \$50 million
- **New FASB rules for pensions and retiree medical**
  - Expect reduction to book equity of ~ \$7B at end of 2006

***Strong cash flow... pensions fully funded***

# Financial Guidance

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	<u>2006</u>	<u>2007</u>
<b>Revenues</b>	<del>\$60B - \$60.5B</del> ~ \$60.5B	<del>\$64.5B - \$65.5B</del> \$65.5B - \$66.0B
<b>Earnings Per Share<sup>1</sup></b>	<del>\$2.40 - \$2.55</del> \$2.40 - \$2.50	<del>\$4.25 - \$4.45</del> \$4.45 - \$4.65
<b>Operating Cash Flow<sup>2</sup></b>	>\$5.5B	>\$5.5B

<sup>1</sup>Includes total charges of \$1.39 to 2006 EPS for global settlement, AEW&C, and Connexion.

<sup>2</sup>After \$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

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	<u>2006</u>	<u>2007</u>
<b>Prior EPS Guidance</b>	<b>\$2.40 - \$2.55</b>	<b>\$4.25 - \$4.45</b>
▪ Connexion	(0.25)	~ 0.15
▪ Performance Improvements and Aviall (net of increased R&D)	~ 0.20	~ 0.05
<b>Current EPS Guidance</b>	<b>\$2.40 - \$2.50</b>	<b>\$4.45 - \$4.65</b>

*Performance improvements and Connexion termination  
driving EPS guidance changes*

# 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 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 quarters ended March 31, 2006 and June 30, 2006.

