



Fourth-Quarter and Full-Year 2006 Performance Review

Jim McNerney

Chairman, President and Chief Executive Officer

James Bell

Chief Financial Officer

January 31, 2007

2006 Summary

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- **Significantly improved financial results... focused on growth and productivity**
 - Revenues up 26% in Q4 and 15% for the year
 - Reported EPS of \$1.29 in Q4 and \$2.85 for the year
 - Adjusted EPS* up 57% in Q4 and 51% for the year
- **Record year for revenue, cash flow, backlog, and airplane orders**
 - Cash flow climbed to \$7.5 billion
 - Total backlog grew to \$250 billion
 - Commercial airplane net orders totaled 1,044 (second consecutive record year)
 - Key defense program wins added to backlog
- **Invested in major growth areas (787, 747-8, Services, P-8A)**
- **Increased dividend 17% and approved \$3 billion share repurchase program**
- **Raising EPS guidance for 2007, forecasting strong growth in 2008**

Raising the bar... significant growth ahead

*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 January 31, 2007

2006 Financial Results

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	<u>2005</u>	<u>2006</u>	<u>Change</u>
<i>Revenues</i>	\$53.6B	\$61.5B	15%
<i>Operating Income</i>	2.8B	\$3.0B	7%
<i>Reported EPS</i>	\$3.20	\$2.85	(11%)
<i>Adjusted EPS*</i>	\$2.39	\$3.62	51%
<i>Operating Cash Flow</i>	\$7.0B	\$7.5B	7%

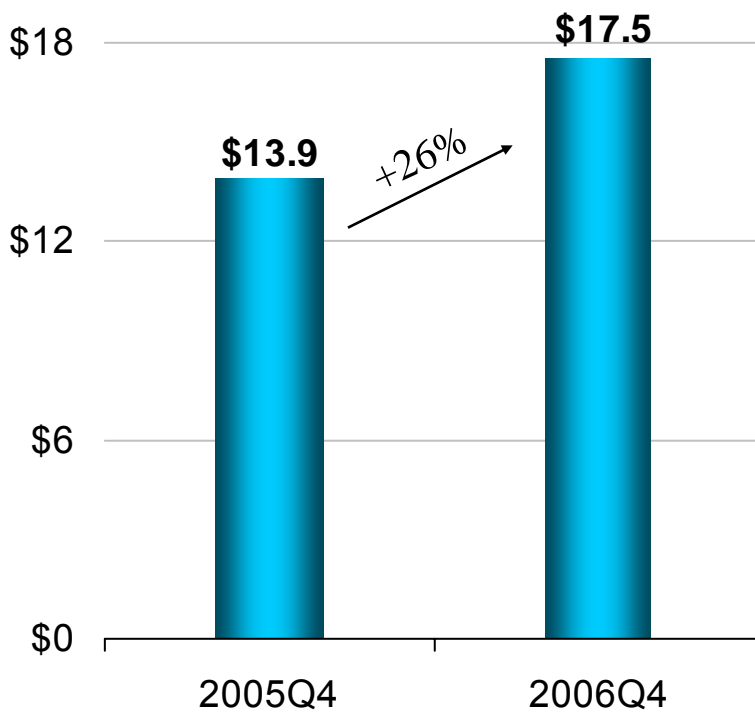
Strong core earnings growth and cash generation

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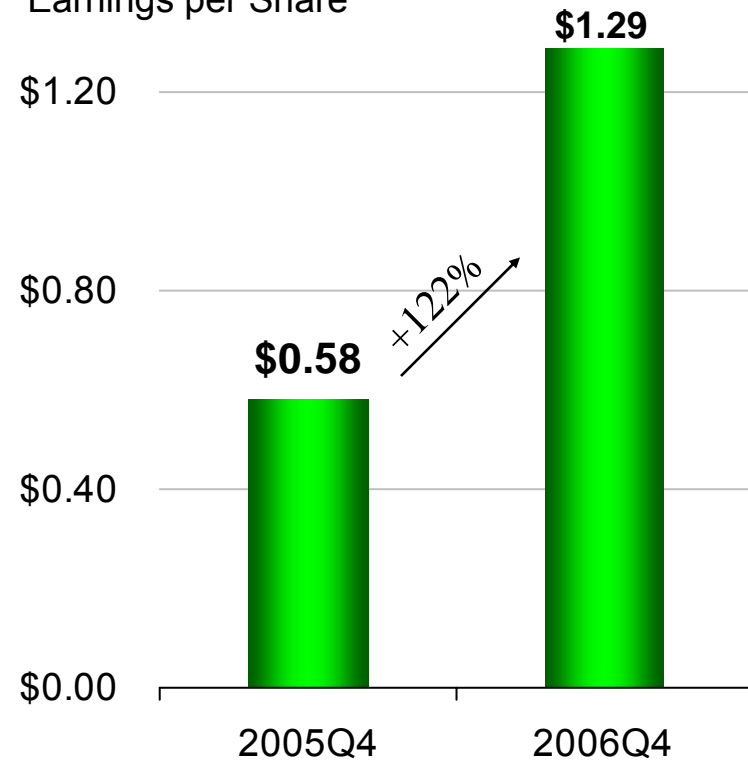
Fourth-Quarter Revenue and Earnings

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Revenue, Billions



Earnings per Share



Adjusted EPS * \$0.74 $\xrightarrow{+57\%}$ \$1.16

Double-digit growth in revenue and core EPS

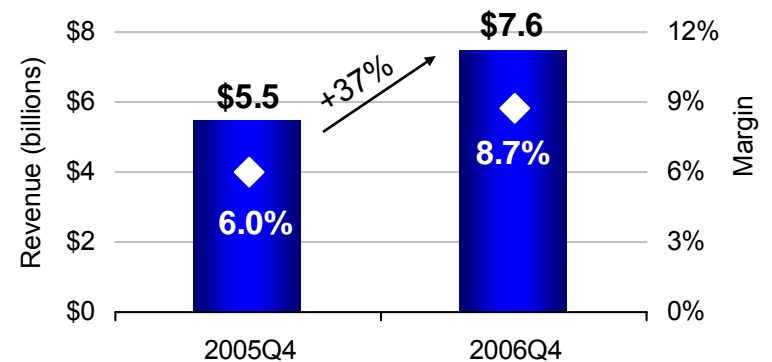
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Commercial Airplanes

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- **Profitably managing production ramp-up**
 - Delivered 398 airplanes in 2006... 103 in fourth quarter
 - Margin expansion to 9.6% for 2006
- **Outstanding sales success**
 - Won record 1,050 gross (1,044 net) orders in 2006
 - Grew backlog to record \$174 billion
- **787 continues to make progress**
 - Won 452 firm orders since launch
 - Managing weight and schedule challenges
 - Expect first delivery in May 2008 as planned
- **747-8 program achieves market success**
 - Major orders for freighter and passenger versions
 - Achieved firm freighter configuration
- **Expanding Services business**
 - Organic growth complemented by strategic acquisitions

Revenues & Operating Margins



787



747-8

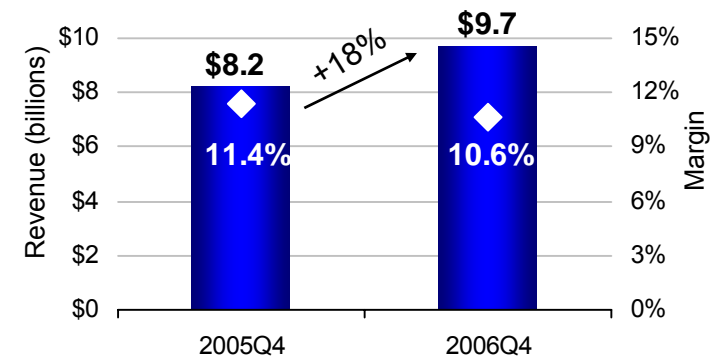
Focused on customers, productivity and growth

Integrated Defense Systems

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- **Delivered double-digit revenue growth and margins**
- **Executing well balanced defense portfolio**
 - Outstanding performance on support and production programs
 - Executing on key milestones in network and space
 - Focused on AEW&C execution
- **Continued success on contract wins**
 - US Air Force Combat Search & Rescue Contract
 - US Army CH-47 Contract
 - Korea's EX Airborne Early Warning & Control Contract
 - C-17 Contracts (US Air Force 10 aircraft; Australia 4 aircraft)
- **Initiated ULA operations**

Revenues & Operating Margins



HH-47 Helicopter

Responding to changing market...intense focus on execution

Other Businesses

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■ Boeing Capital Corporation

- Grew pre-tax earnings 25% in 2006 to a record \$291 million, reflecting strong core performance and favorable asset sales
- Reduced debt \$1.4 billion and returned \$0.7 billion in cash to Boeing over past two years
- Aircraft financing market strength continues
- Maintaining a conservative financial position focused on risk retirement

■ Connexion Termination

- Business wind down is essentially complete; \$0.03 per share charge in Q4 as previously disclosed

Strong results for Boeing Capital; Connexion wind down complete

Cash Flow

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\$ Billions	2005	2006
Net Earnings	2.6	2.2
Depreciation/non-cash	3.3	3.1
Working Capital	3.0	2.7
Pension Contributions	<u>(1.9)</u>	<u>(0.5)</u>
Operating cash flow	7.0	7.5
Capital Expenditures	<u>(1.5)</u>	<u>(1.7)</u>
Free cash flow*	5.5	5.8

* Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated January 31, 2007.

■ Outstanding Cash Generation

■ Balanced Cash Deployment

- Invested in organic growth (787, 747-8)
- Increased dividend 17%
- Returned \$2B to shareholders via share repurchase (25 million shares)
- Value-creating M&A (Aviall, ULA)

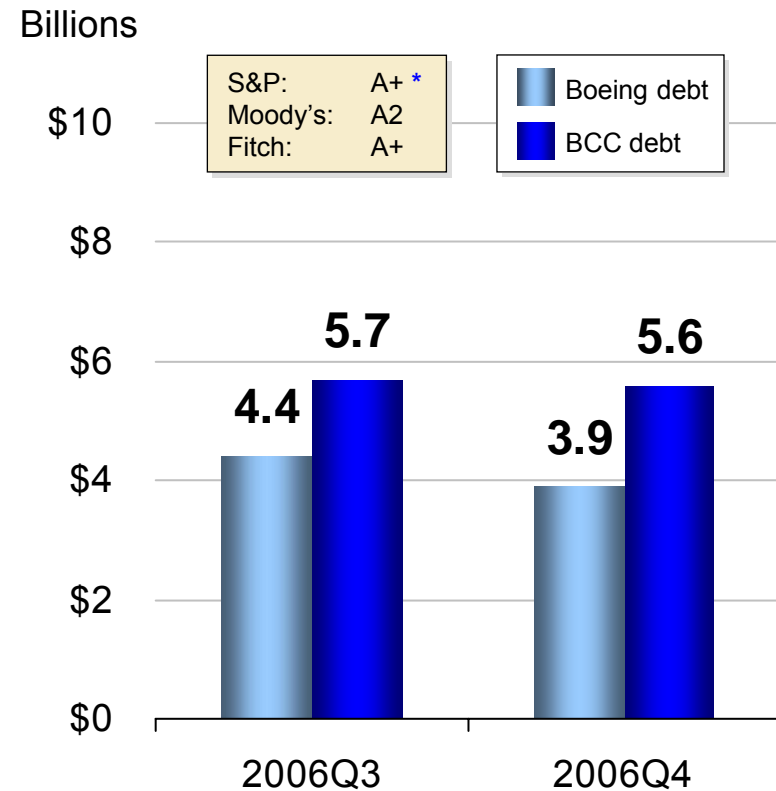
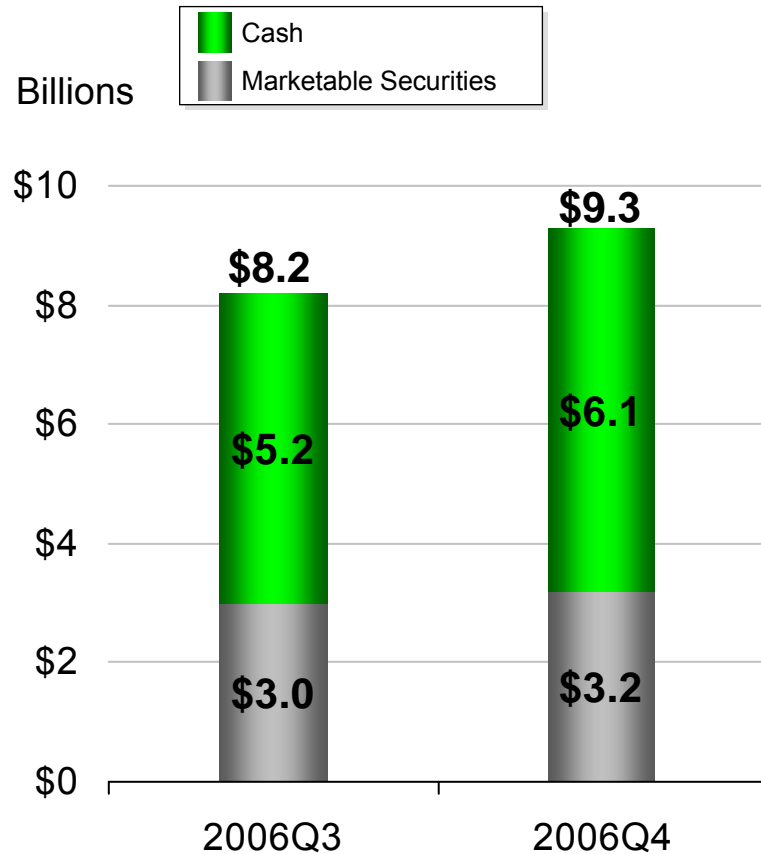
■ Pension Plan Strengthened

- Fully funded
- New FASB rules reduced book equity by ~ \$6.5B

Generated record \$7.5 billion of operating cash flow

Cash and Debt Balances

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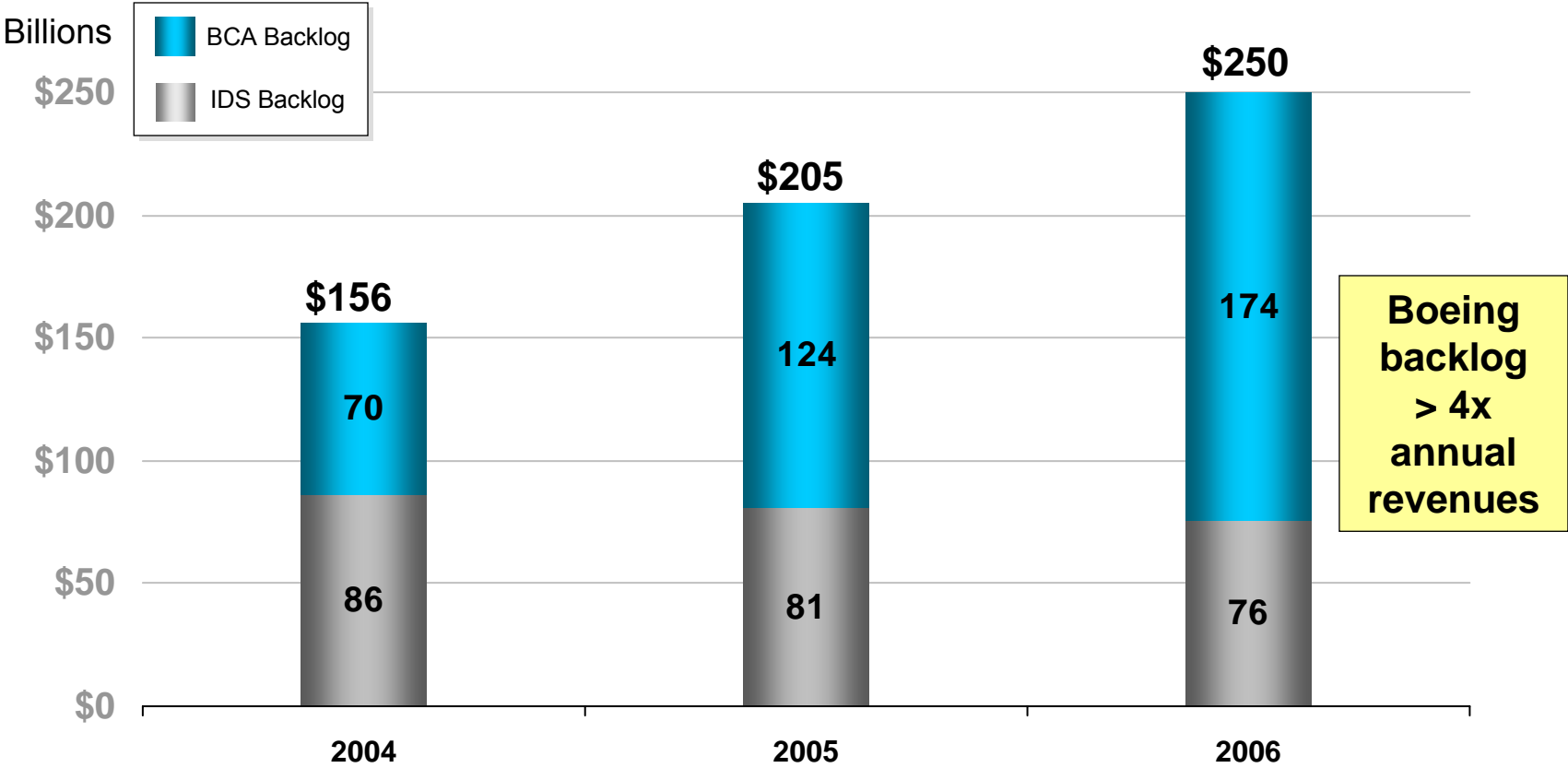


*S&P upgraded Boeing during Q4

Outstanding liquidity; Boeing upgraded by Moody's and S&P during 2006

Backlog Expanding to Record Level

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Future growth driven by industry-leading backlog of \$250 billion

Financial Guidance

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	<u>2007</u>	<u>2008</u>
Revenues	\$64.5B - \$65B	\$71B - \$72B
Earnings Per Share	\$4.55 - \$4.75	\$5.55 - \$5.75
Operating Cash Flow¹	>\$4B	>\$7B

¹After \$0.5 billion in expected pension-plan contributions in each of 2007 and 2008.

Forecasting strong growth

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 2007 and 2008 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 (affecting schedule and cost estimates) or in the satellite industry; an adverse development in rating agency credit ratings or assessments; the actual outcomes of certain pending sales campaigns and the timely 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; costs associated with the exit of the Connexion by Boeing business; 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, June 30, 2006, and September 30, 2006.

