



# Second-Quarter 2008 Performance Review

**Jim McNerney**

Chairman, President and Chief Executive Officer

**James Bell**

Chief Financial Officer

July 23, 2008

# Second-Quarter Summary

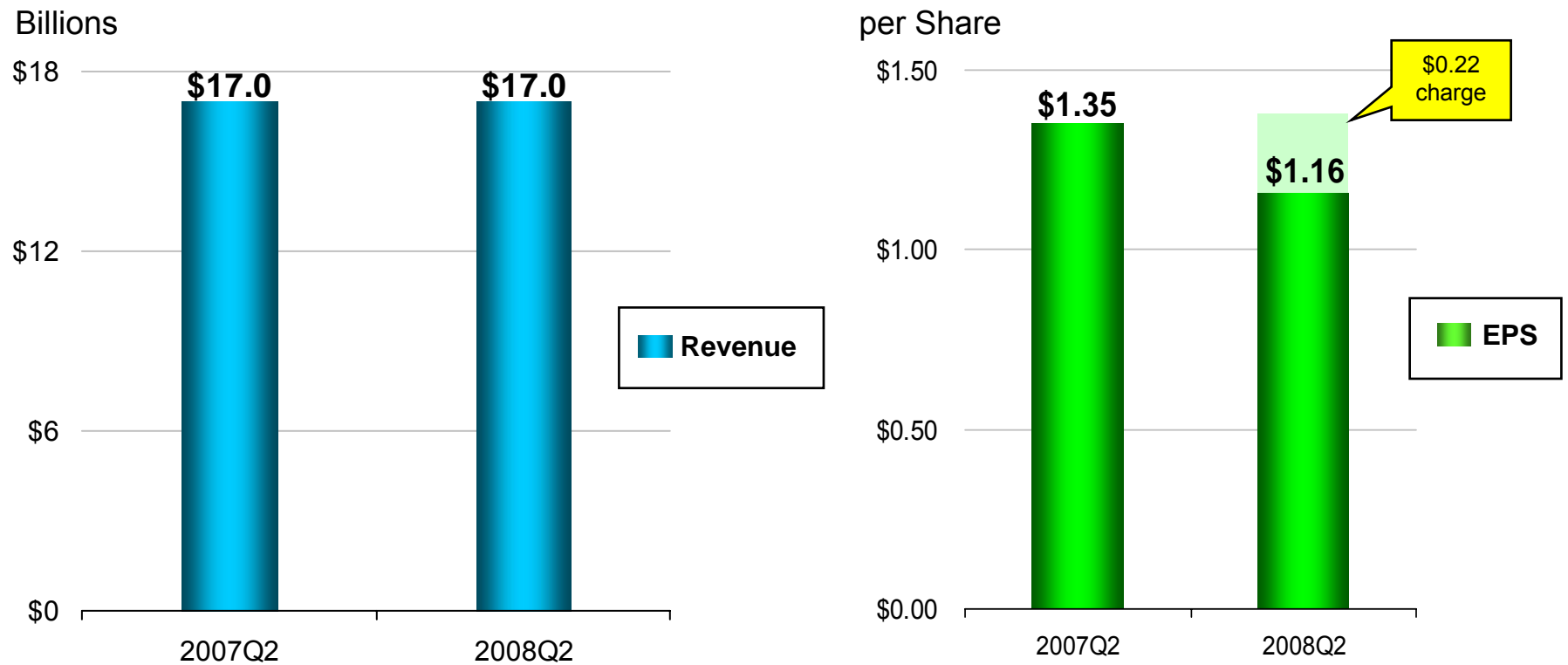
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- Steady revenues... EPS affected by previously disclosed charge
- First half reflects strong growth in operating earnings and EPS
- Record backlog of \$346 billion, up 6% year-to-date, at more than five times current revenues
- Core businesses on track... realizing productivity gains
- Development programs progressing... overcoming challenges
- Environment remains volatile, but company is in strong position
- Guidance reaffirmed for 2008 and 2009

***Strong growth outlook***

# Revenue and Earnings

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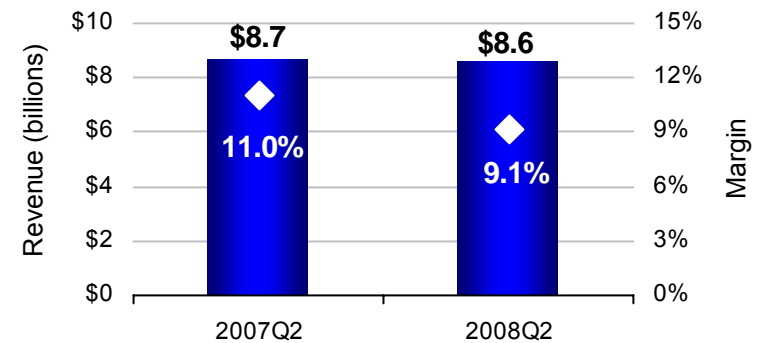
***Solid fundamentals***

# Commercial Airplanes

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- **2Q margins impacted by delivery mix, higher period costs and infrastructure cost absorption resulting from 787 schedule announced in April**
- **Delivered 126 airplanes in second quarter**
- **Outstanding sales success**
  - Captured 187 gross orders in 2Q; 476 year-to-date
  - Backlog increased to record \$275 Billion
- **787 progress**
  - Completed Power-On testing
  - Started assembly of 3<sup>rd</sup> flight-test airplane
  - Successfully completed horizontal stabilizer testing
- **Achieved key milestones**
  - Premiered first 777 Freighter and began flight testing in July
  - Delivered first 767-300BCF to ANA Cargo

## Revenues & Operating Margins



777 Freighter



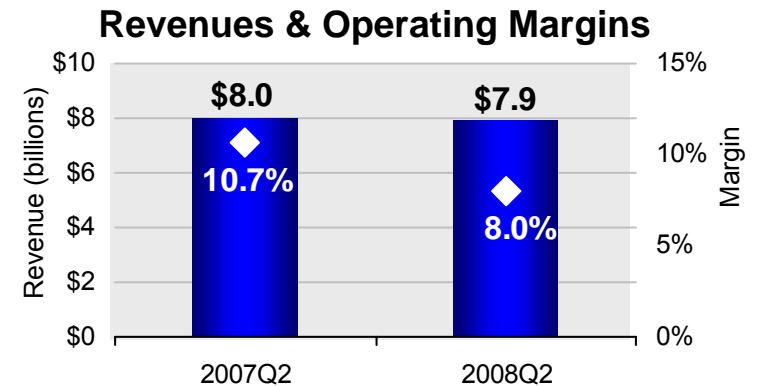
767-300BCF

***Focused on customers, productivity and growth***

# Integrated Defense Systems

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- **Strong performance impacted by AEW&C charge**
- **GAO sustains Boeing Tanker Protest**
- **Capturing new and follow-on business**
  - US government approves funding for additional C-17s
  - Korea signs F-15K follow-on contract
  - US Air Force KC-135 PDM contract
  - Significant proprietary contract win
- **Executing well-balanced defense portfolio**
  - Successfully completed Power-On for P-8A
  - First EA-18G delivered to fleet
  - Successfully completed major milestone for FCS
  - Outstanding performance on production and support programs
- **Robust backlog of \$71.3 Billion**



**KC-767 Tanker**

***Focused on the customer, committed to execution***

# Other Results

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## ■ Boeing Capital Corporation

- Reducing portfolio size while supporting business units
- Delivered pre-tax income of \$45 million on \$179 million in revenues
- Maintaining a conservative financial position focused on risk retirement
- Aircraft financing market adapting to tightness in broader credit markets

## ■ Other and Unallocated Expense

- Other Segment expense increased \$69 million reflecting increased aircraft financing reserves
- Unallocated expenses declined by \$236 million, driven by lower share-based plans, deferred compensation and pension expenses
- Pre-tax (non-cash) pension expense decreased as expected to \$216 million

***Solid financing results and declining centralized costs***

# Cash Flow

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<b>\$ Billions</b>	<b>2007Q2</b>	<b>2008Q2</b>
Net Earnings	1.1	<b>0.9</b>
Depreciation/non-cash	0.4	<b>0.4</b>
Working Capital	2.1	<b>(1.6)</b>
Pension Contributions	<u>(0.0)</u>	<b><u>(0.0)</u></b>
<b>Operating cash flow</b>	3.6	<b>(0.3)</b>
Capital Expenditures	<u>(0.4)</u>	<b><u>(0.3)</u></b>
Free cash flow*	3.2	<b>(0.6)</b>

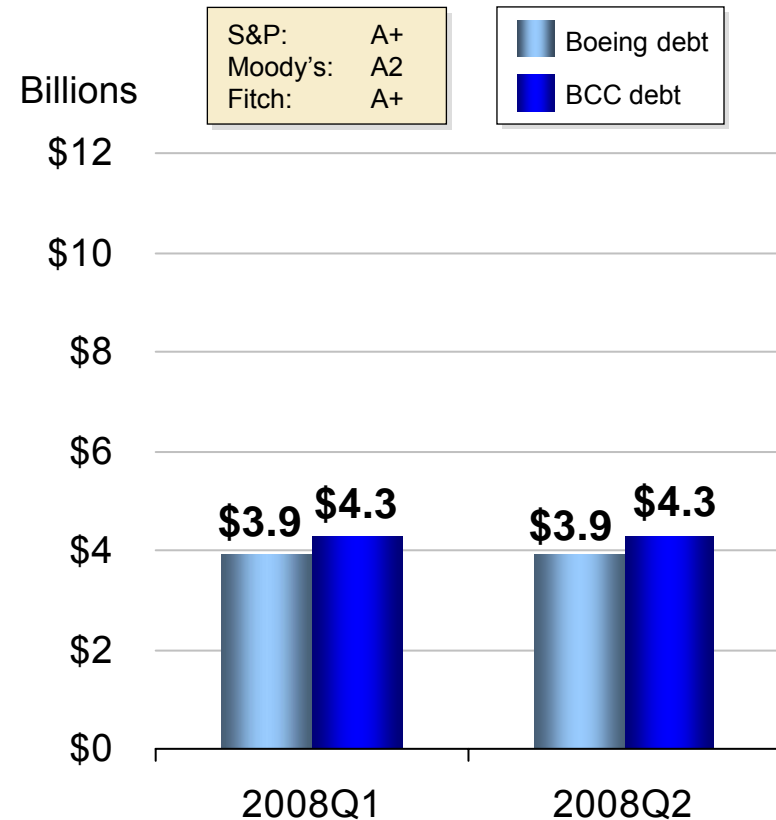
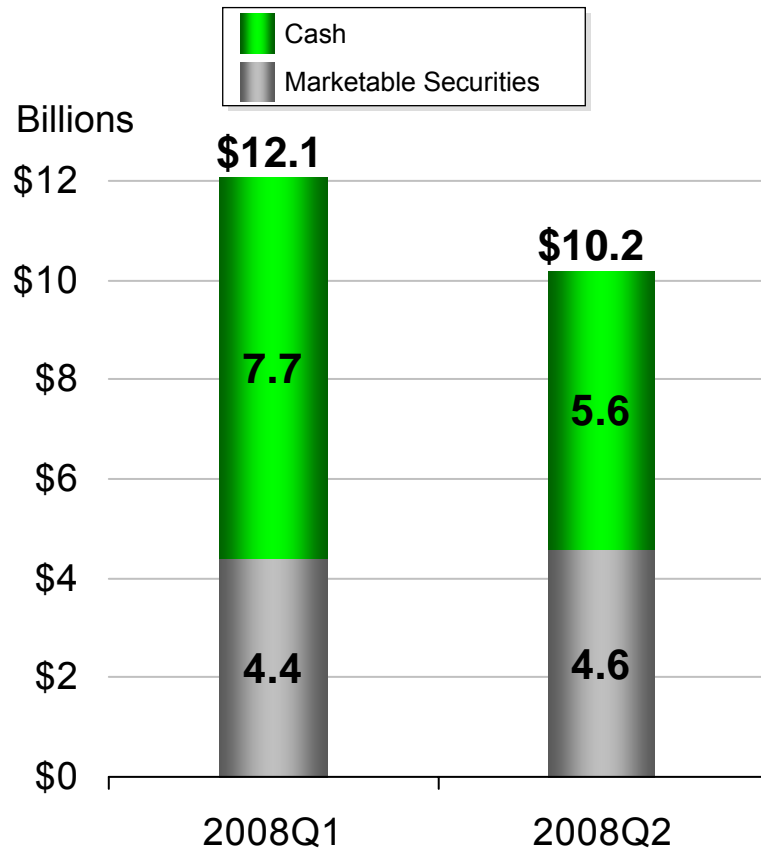
- **Cash flow used to fund growth**
  - Working capital requirements for 787
- **Balanced cash deployment**
  - Investment in growth programs
  - Repurchased 11.0 million shares for \$859 million and paid \$300 million in dividends

\*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding these non-GAAP measures are provided in the company's earnings press release dated July 23, 2008.

*Investing for future growth and shareholder return*

# Cash and Debt Balances

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***Outstanding liquidity... stable debt levels***

# Financial Guidance

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	<u>2008</u>	<u>2009</u>
<b>Revenues</b>	\$67B - \$68B	\$72B - \$73B
<b>Earnings Per Share</b>	\$5.70 - \$5.85	\$6.80 - \$7.00
<b>Operating Cash Flow<sup>1</sup></b>	>\$2.5B	>\$6B

<sup>1</sup>After \$0.5 billion in pension-plan contributions in each of 2008 and 2009.

***Reaffirming 2008 and 2009 financial guidance***

# 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 Securities 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 2008 and 2009 financial outlook and the benefits of the 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 and the ability to meet scheduled deliveries of the 787 airplane; 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 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, 2007 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2008.



The Boeing Company and Subsidiaries  
Reconciliation of Non-GAAP Measures  
Adjusted Operating Margins (Unaudited)

In addition to disclosing results that are determined in accordance with U.S. generally accepted accounting principles (GAAP), the company also discloses non-GAAP results that exclude certain significant charges or credits that are important to an understanding of the company's ongoing operations. The company provides reconciliations of its non-GAAP financial reporting to the most comparable GAAP reporting. The company believes that discussion of results excluding certain significant charges or credits provides additional insights into underlying business performance. Adjusted operating margin is not a measure recognized under GAAP. The determination of significant charges or credits may not be comparable to similarly titled measures used by other companies and may vary from quarter to quarter.

	<u>2Q 2008</u>	<u>First Half 2008</u>
IDS Operating earnings	637	1,497
Add back:		
AEW&C Charge	248	248
Adjusted operating earnings	<u>885</u>	<u>1,745</u>
IDS Revenues	7,934	15,509
Operating margin	8.0%	9.7%
<b>Adjusted operating margin</b>	<b>11.2%</b>	<b>11.3%</b>

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	<u>2Q 2008</u>	<u>First Half 2008</u>
PE&MS Operating earnings	160	549
Add back:		
AEW&C Charge	248	248
Adjusted operating earnings	<u>408</u>	<u>797</u>
PE&MS Revenues	3,293	6,549
Operating margin	4.9%	8.4%
<b>Adjusted operating margin</b>	<b>12.4%</b>	<b>12.2%</b>