Boeing’s Management Model

CHARTS THE COURSE

Initiative Toolkit

Financial Objectives
- Move Toward World-Class: Margins, Earnings, Cash

Growth
- Customer Satisfaction

Productivity
- Competitiveness

Financial Performance
- Economic Profit

Performance to Plan
- Employee Accountability

Stock Price

SETS HIGH EXPECTATIONS

Stakeholders
- Employees
- Customers
- Shareholders
- Communities

LIVES BOEING VALUES

Attaining World-Class Growth and Productivity:
- Committed, performance-driven management
- Maximize learning across the enterprise and from outside
- Adapt and apply learnings in clearly defined businesses

FINDS A WAY

DELIVERS RESULTS

INSPIRES OTHERS
CEO Perspective – Performance and Leadership

Jim McNerney
Chairman, President and CEO
The Boeing Company

May 23, 2007
Strong Momentum

- Record year for revenue, cash flow, airplane orders, and backlog in 2006

- Strong commercial airplane demand… solid defense markets

- Excellent cash generation… balanced cash deployment

- Significant new product investment… focused on maintaining product leadership and delivering value

- Product strength driving record backlog of $262 billion

Growth outlook on track
Transformation Strategy Driving Results

World’s largest, best integrated aerospace company

1996 Revenue $23B
Integrated Defense Systems 25%
Commercial Airplanes 75%

2006 Revenue $61.5B
Integrated Defense Systems 53%
Commercial Airplanes 47%
Strong Financial Performance

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Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>49.3</td>
</tr>
<tr>
<td>2004</td>
<td>51.4</td>
</tr>
<tr>
<td>2005</td>
<td>53.6</td>
</tr>
<tr>
<td>2006</td>
<td>61.5</td>
</tr>
</tbody>
</table>

CAGR: 8%

Earnings from Operations

<table>
<thead>
<tr>
<th>Year</th>
<th>Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>1.3*</td>
</tr>
<tr>
<td>2004</td>
<td>2.0</td>
</tr>
<tr>
<td>2005</td>
<td>2.6*</td>
</tr>
<tr>
<td>2006</td>
<td>3.9*</td>
</tr>
</tbody>
</table>

CAGR: 44% *

Delivering significant growth and profitability

*Adjusted Earnings from Operations is a non-GAAP measure. The CAGR for GAAP earnings from operations is 96%. Definitions, reconciliations and further disclosures regarding these non-GAAP measures are provided in the attached disclosure.
Strong Financial Performance (cont’d)

Earnings Per Share

- 2003: $1.90*
- 2004: $2.06*
- 2005: $2.39*
- 2006: $2.85

24%* CAGR

Operating Cash Flow

- 2003: $2.8
- 2004: $3.5
- 2005: $7.0
- 2006: $7.5

39% CAGR

*Adjusted EPS is a non-GAAP measure. The CAGR for GAAP EPS is 47%. Definitions, reconciliations and further disclosures regarding these non-GAAP measures are provided in the attached disclosure.
### Good Start to 2007 – Q1 Results

(Millions, except per share data)

<table>
<thead>
<tr>
<th></th>
<th>Q1 2007</th>
<th>Q1 2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>$15,365</td>
<td>$14,264</td>
<td>↑ 8%</td>
</tr>
<tr>
<td>Earnings from Operations</td>
<td>$1,309</td>
<td>$959</td>
<td>↑ 36%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>8.5%</td>
<td>6.7%</td>
<td>↑ 1.8 Pts</td>
</tr>
<tr>
<td>Reported Net Income</td>
<td>$877</td>
<td>$692</td>
<td>↑ 27%</td>
</tr>
<tr>
<td>Reported Earnings per Share</td>
<td>$1.13</td>
<td>$0.88</td>
<td>↑ 28%</td>
</tr>
</tbody>
</table>

**Strong momentum… growth outlook on track**
Product Strategy Driving Backlog to Record Level

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Future growth driven by industry-leading backlog of $262 billion

Boeing backlog >4x annual revenues
Outstanding Balance Sheet Strength

Over $8 billion cash; industry-leading credit quality
Forecasting Strong Growth and Profitability

Financial guidance

**Revenues**
- 2007E: $64.5 - 65 billions
- 2008E: $71 - 72 billions

**EPS**
- 2007E: $4.55 - 4.75 per share
- 2008E: $5.55 - 5.75 per share

**Operating Cash Flow**
- 2007E: $>4 billions
- 2008E: $>7 billions
Improving Key Financial Metrics

Strong Revenue Growth

- Implementing growth plans and investing in new technologies
- Large backlog fuels growth

Net Margins (goal >7%)

- Targeting core business operating margins >10% to achieve net margin goal
- Consistently achieved at top industrial companies

Value-driven innovation foundation for long-term growth

*Adjusted Net Margins is a non-GAAP measure. Definitions, reconciliations and further disclosures regarding these non-GAAP measures are provided in the attached disclosure.
Improving Key Financial Metrics

**RONA (goal > 20%)**

- Utilize assets efficiently
- Recognize inherent differences between BCA/IDS and BCC

**Cash Flow (goal >10% as % of rev)**

- Consistent with top performing companies
- Focus on cash conversion
- Record orders drove strong cash in ’05 and ‘06

---

Growing strength in **asset utilization and cash flow generation**

(1) The financial impact of the decision to exit the Connexion by Boeing business and the settlement with the U.S. Department of Justice reduced 2006 RONA by 6 percentage points.
Economic Profit – Linking Pay to Performance

Economic Profit *

- Economic Profit strongly correlated with shareholder value
- New compensation plan links pay to EP goals
  - One year commitment
  - Three year commitment
- Stock plans extend deep into organization
  - Stock options
  - Share Value Trust

*Economic Profit is a non-GAAP measure. Definitions, reconciliations and further disclosures regarding these non-GAAP measures are in the attached disclosure.
Investing in the 787, 747-8 and IDS growth programs

Investments focused on advanced materials, processes and equipment (composites)

Maintaining Boeing’s product leadership... while expanding margins
Targeted M&A Supports Organic Growth Strategy

**Strategy**

**Acquisitions/Joint Ventures**
- Strengthening core businesses by adding key capabilities and tapping new markets
- Primarily small to modest sized
- Focus on growth driving increased activity

**Divestitures**
- Reducing costs and risk combined with more focus on strategic alignment
- Long-term supply agreements utilized to secure lower costs
- Major initiatives complete

**Recent Activity**
- Aviall
- C-Map and Carmen Systems
- Conquest and Frontier Systems
- United Launch Alliance (JV)
- Shanghai MRO (JV)
- Wichita/Tulsa (now Spirit)
- Rocketdyne
- BCC Commercial Finance
- Commercial Electronics
- Electron Dynamic Devices

**Enhancing growth and maintaining focus on Boeing’s core businesses**
Strong Performance Benefiting Shareholders

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Share Repurchase

- 90 million shares repurchased since 2004
- Expect share repurchase to cover dilution and reduce total shares outstanding

Dividends \(^{(1)}\)

- Focused on steadily increasing dividends
- Targeted payout ratio between 30% and 40%

Balanced strategy

\(^{(1)}\) Annualized dividend payment made in the second quarter of each year.
Delivering Value to Shareholders

Total Return to Shareholders
(stock appreciation plus dividends)

Source: Bloomberg

Boeing… a top quartile performer
Productivity in Finance

- Deploying a lean toolset in Finance
  - Improving efficiency, eliminating non-value added activity

- An example: Finance Transformation... results to-date are promising
  - 15% reduction in number of finance systems
  - 75% reduction in time to close
  - 50% reduction in post-closing adjustments

“The status quo isn’t acceptable. Our challenge is to continually find ways to improve quality while reducing costs.”
- James Bell
Looking Ahead

- Boeing expects strong growth in 2007 and 2008

- Our businesses are well positioned in growing markets

- We are relentlessly committed to:
  - Highest standards of integrity
  - Business execution
  - Driving performance to new levels

Delivering value to customers and shareholders
The Boeing Company and Subsidiaries
Reconciliation of Non-GAAP Measures
Adjusted Operating Earnings (Unaudited - $ millions)

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 earnings, a term which may be used interchangeably with “adjusted earnings from operations,” 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.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating earnings as reported</td>
<td>3,014</td>
<td>2,812</td>
<td>2,007</td>
<td>398</td>
</tr>
<tr>
<td>Global settlement</td>
<td>599</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Shutdown/Asset Dispositions/Divestitures</td>
<td>335</td>
<td>(41)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Air Force 767 Tanker and 717 Program completion</td>
<td></td>
<td></td>
<td>555</td>
<td></td>
</tr>
<tr>
<td>Goodwill impairment charge</td>
<td></td>
<td></td>
<td></td>
<td>913</td>
</tr>
<tr>
<td>Total adjusted operating earnings</td>
<td>3,948</td>
<td>2,771</td>
<td>2,562</td>
<td>1,311</td>
</tr>
</tbody>
</table>


The Boeing Company and Subsidiaries
Reconciliation of Non-GAAP Measures
Adjusted Earnings Per Share (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 earnings per share 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.

<table>
<thead>
<tr>
<th></th>
<th>Twelve months ended</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>2006</td>
</tr>
<tr>
<td></td>
<td>2.85</td>
</tr>
<tr>
<td>Global settlement with U.S. Department of Justice</td>
<td>0.75</td>
</tr>
<tr>
<td>Business Shutdown/Asset Dispositions/Divestitures</td>
<td>0.24</td>
</tr>
<tr>
<td>Air Force 767 Tanker and 717 Program completion</td>
<td>-</td>
</tr>
<tr>
<td>Goodwill impairment charge</td>
<td>-</td>
</tr>
<tr>
<td>Interest associated with income tax benefits</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Net (gain)/loss on Discontinued Operations, Net of Taxes</td>
<td>(0.01)</td>
</tr>
<tr>
<td>Income tax benefits</td>
<td>(0.20)</td>
</tr>
<tr>
<td>Cumulative effect of accounting change</td>
<td></td>
</tr>
<tr>
<td>Adjusted earnings per share</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$3.62</td>
</tr>
<tr>
<td>Weighted average diluted shares (millions)</td>
<td>787.6</td>
</tr>
</tbody>
</table>
The Boeing Company and Subsidiaries
Reconciliation of Non-GAAP Measures
Adjusted Net 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 net margins 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.

<table>
<thead>
<tr>
<th>$ millions except per share amounts</th>
<th>Twelve months ended December 31</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006</td>
</tr>
<tr>
<td><strong>Net Earnings as Reported (A)</strong></td>
<td>2,215</td>
</tr>
<tr>
<td><strong>Total Revenues as Reported (B)</strong></td>
<td>61,530</td>
</tr>
<tr>
<td><strong>Net Margins (A divided by B)</strong></td>
<td>3.6%</td>
</tr>
<tr>
<td><strong>Adjusted earnings per share (C)</strong></td>
<td>$3.62</td>
</tr>
<tr>
<td><strong>Weighted average diluted shares (millions) (D)</strong></td>
<td>787.6</td>
</tr>
<tr>
<td><strong>Adjusted Net Earnings (C multiplied by D) = F</strong></td>
<td>2,851</td>
</tr>
<tr>
<td><strong>Adjusted Net Margins (F divided by B)</strong></td>
<td>4.6%</td>
</tr>
</tbody>
</table>
The company uses Economic Profit to measure financial performance and determine certain elements of compensation. Economic Profit is a non-GAAP measure that excludes certain significant charges or credits that are important to an understanding of the company's ongoing operations. Economic profit is defined as net operating profit after tax (operating earnings, adjusted to exclude share-based plans expense and Boeing Capital Corporation interest expense, and reduced for taxes using an effective tax rate), less a capital charge (average net assets multiplied by a targeted cost of capital, where average net assets exclude cash, marketable securities, debt and certain pension and other post-retirement benefit obligations). The calculation of economic profit may also exclude certain significant charges or credits to provide additional insights into underlying business operations. 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. The company does not intend for economic profit to be considered in isolation or as a substitute for any GAAP measure.

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating earnings</td>
<td>2,007</td>
<td>2,812</td>
<td>3,014</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share based plans expense</td>
<td>655</td>
<td>1,036</td>
<td>743</td>
</tr>
<tr>
<td>BCC interest expense</td>
<td>350</td>
<td>359</td>
<td>353</td>
</tr>
<tr>
<td>Settlement with U.S. DOJ</td>
<td>571</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Connexion by Boeing charge</td>
<td>320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted operating earnings</td>
<td>3,012</td>
<td>4,207</td>
<td>5,001</td>
</tr>
<tr>
<td>Adjusted effective tax rate</td>
<td>30.0%</td>
<td>29.3%</td>
<td>30.4%</td>
</tr>
<tr>
<td><strong>Adjusted net operating profit after tax</strong></td>
<td>2,108</td>
<td>2,974</td>
<td>3,481</td>
</tr>
<tr>
<td>BCC average net assets*</td>
<td>9,307</td>
<td>7,677</td>
<td>6,827</td>
</tr>
<tr>
<td>Non-BCC average net assets*</td>
<td>8,179</td>
<td>7,198</td>
<td>4,782</td>
</tr>
<tr>
<td>BCC targeted cost of capital</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
</tr>
<tr>
<td>Non-BCC targeted cost of capital</td>
<td>10.5%</td>
<td>10.5%</td>
<td>10.5%</td>
</tr>
<tr>
<td>BCC capital charge (BCC average net assets * BCC targeted cost of capital)</td>
<td>503</td>
<td>415</td>
<td>369</td>
</tr>
<tr>
<td>Non-BCC capital charge (Non-BCC average net assets * Non-BCC targeted cost of capital)</td>
<td>859</td>
<td>756</td>
<td>502</td>
</tr>
<tr>
<td><strong>Total capital charge</strong></td>
<td>1,361</td>
<td>1,170</td>
<td>871</td>
</tr>
<tr>
<td><strong>EP (Adjusted net operating profit after tax less Total capital charge)</strong></td>
<td>747</td>
<td>1,804</td>
<td>2,610</td>
</tr>
</tbody>
</table>

* Average net assets represent an average of monthly net assets. Net assets = (total assets less cash & marketable securities) less (total liabilities excluding debt)
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 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 furnishings; 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, 2006 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2007.
Boeing Commercial Airplanes

Scott Carson
Executive Vice President, The Boeing Company
President and Chief Executive Officer, Commercial Airplanes

May 23, 2007
Boeing Commercial Airplanes

- Performance
- Business Environment
  - Near and Long-term
- Product Development
  - Airplanes, Services and Solutions
- Productivity
  - Lean Global Enterprise
Performance and Outlook

Airplane Deliveries

Billions

Revenues

Margins

Delivering growth and profitability

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People Working Together as a Global Enterprise for Aerospace Leadership

as measured by:

- Customer,
- Employee,
- Investor,
- & Community satisfaction

Goal
Creating value through profitable growth for all

Prefer Boeing
Top quartile

Investor
Top quartile

Good neighbor
Global Business Environment

- Instability with shifting world order
- Strong long-term global market
- GDP, trade, liberalization, new business models, technology, traffic
- Fuel prices, environmental pressure, security issues cause uncertainty
- Demand for air travel growing and increasingly segmented
- Airline competitive strategies focused on efficiency and product innovation – profitability returning
- Services competitors consolidating to provide a broader and integrated range of services
- Aggressive competition, emerging competitors
- More global talent base, strong demand for critical technical skills

Changing and dynamic marketplace with growth opportunities
Business Environment
Long Term Global Growth Market

Long-term market outlook is strong
Long-Term Traffic Growth Trends Continue

Airlines will continue to address passenger desires for non-stops and frequencies

**Index (1980=100)**

**Nonstop markets > 3,000 statute miles**

- ASKs
- Frequency Growth
- Airport Pairs
- Airplane Size in Seats

*Airlines will continue to address passenger desires for non-stops and frequencies*
Strategy

- Skilled and motivated team
  - Working Together
  - Highest ethical standards

- Detailed customer knowledge and focus
  - Understand and shape the market
  - Valued relationships
  - Customer preferred solutions
  - Superior customer experience

- Market-driving products and services
  - Point-to-point…nonstop…frequency
  - Simplified product family
  - Services and business solutions

- Continuous quality and productivity improvement
  - Efficiently produce through cycles
  - Large-scale systems integration
  - Lean global enterprise

Delivering value
Detailed Customer Knowledge and Focus

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Market-Driving Products and Services

Annual Investor Conference | Boeing Commercial Airplanes

20-year forecast: $2.6 trillion market . . . 27,200 airplanes

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Over One-Third of All New Airplane Deliveries Are For Replacement

- 17,630 New Airplanes for Growth
- 9,580 New Airplanes for Replacement
- 8,760 Retained Fleet

Over One-Third of All New Airplane Deliveries Are For Replacement

Annual Investor Conference | Boeing Commercial Airplanes

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Industry Leadership

Working together with airlines, industry and government to establish best practices and public policy at the global level – for a better future

Plan and Commitment

- Pioneer new technologies
- Deliver progressive new products and services
- Relentlessly pursue manufacturing and lifecycle improvements
- Improve performance of current fleets
Product Development Plan

- **747**
  - More Efficiency and Capability
  - 747-8/-8 Freighter
  - 747LCF

- **777**
  - Even more Value
  - 777 Freighter

- **787**
  - Breakthrough Capability, Comfort & Economics
  - 787-3/-8/-9
  - 787-10

- **767**
  - Support key customers
  - Tanker Provisioned 767-200LRXF

- **737**
  - Completing the Family
  - 737-900ER
  - P-8A Poseidon (BCA)
  - Replacement Studies

- **CAS**
  - Freighter Conversions
  - GoldCare/e-Enabled
  - Marine – C-Map
  - Aviall/Carmen

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Customer Preferred Products

2006 Orders ($)

All Airplanes -- $195B

Twin-Aisle Airplanes* -- $94B

Boeing twin-aisle airplanes (787, 777, 747) achieving outstanding success

*Boeing 767, 787, 777, 747; Airbus A330, A340, A350, A380
Healthy backlog from established customers... continuing to grow
787 Worldwide Market Interest Strong
567 firm orders, 44 customers

Firm Orders

Firm Customers/Operators

Most successful program launch in commercial aviation
U.S. Network Carrier Fleets Are Aging, Near-Term Fleet Action Is Imperative

Airplane deliveries need to begin during this period... to avoid unmanageable fleet replacement activity during this period.

2007-2008 likely to see orders from US network carriers.
Quality and Productivity Improvements
737 and 777 Assembly

737 Lean Progress
- 50% factory cycle time reduction
- 132% inventory turns increase
- 55% cost of quality reduction
- 36% customer introduction hours reduction
- 41% covered floor space reduction

777 Lean Progress
- 14% Factory flow time reduction
- 32% Inventory turns increase
- 27% Engineering quality improvement
- 7% Cost of quality reduction
- 43% Factory footprint reduction

Lean global enterprise
Summary

- Good long-term market
- Product and services development supporting and shaping future
- Competition will remain intense
- Focused on customer, product development and production system execution
- Proactive approach and engagement to environmental concerns
- Continuing lean operations

Profitable growth . . . expanding margins
787 Program

Mike Bair
Vice President/General Manager
Boeing 787 Program

May 23, 2007
The 787 Is a Complete, Flexible, Efficient Family

787-8
210-250 passengers (three-class)
7,650 – 8,200 nmi | 14,200 – 15,200 km

787-3
290-330 passengers (two-class)
2,500 – 3,050 nmi | 4,650 – 5,650 km

787-9
250-290 passengers (three-class)
8,000 – 8,500 nmi | 14,800 - 15,750 km
Configured for Success
787-8 Design Features

- Advanced wing design
- Breakthrough passenger cabin
- Composite primary structure
- Large cargo capacity
- Overhead crew rests
- Enhanced flight deck
- Advanced engines and nacelles
- Innovative systems technologies
787 Surpasses 500 Customer Orders
With JAL Order
Partners Across The Globe Are Bringing The 787 Together

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U.S.
- Boeing
- Spirit
- Vought
- GE
- Goodrich

CANADA
- Boeing
- Messier-Dowty

AUSTRALIA
- Boeing

JAPAN
- Kawasaki
- Mitsubishi
- Fuji

KOREA
- KAL-ASD

EUROPE
- Messier-Dowty
- Rolls-Royce
- Latecoere
- Alenia
- Saab

WING TIPS
- Korea

MOBILE TRAILING EDGE
- Australia

TAIL FIN
- Fredrickson, Washington

HORIZONTAL STABILIZER
- Foggia, Italy

AFT FUSELAGE
- Charleston, S.C.

FIXED TRAILING EDGE
- Nagoya, Japan

WING
- Nagoya, Japan

ENGINE NACELLES
- Chula Vista, CA

CENTER FUSELAGE
- Grottaglie, Italy

FORWARD FUSELAGE
- Nagoya, Japan
- Wichita, Kansas

CARGO/ACCESS DOORS
- Sweden

WING/BODY FAIRING
- Winnipeg, Canada

MAIN LANDING GEAR
- Wheel Well
- Nagoya, Japan

CENTER WING BOX
- Nagoya, Japan

LANDING GEAR
- Gloucester, UK

ENGINES
- GE-Evendale, Ohio
- Rolls-Royce-Derby, UK

FIXED AND MOVABLE LEADING EDGE
- Tulsa, Oklahoma
Dreamlifter
Route Structure

Annual Investor Conference | Boeing Commercial Airplanes

Section 41
Wichita, KS to Everett, WA

Section 44
Grottaglie, Italy to Charleston, SC

Section 11/45
Nagoya, Japan to Charleston, SC

Joined
Section 47-48
Charleston, SC to Everett, WA

Horizontal Stabilizer
Foggia, Italy to Charleston, SC

Section 43
Nagoya, Japan to Charleston, SC

Wing
Nagoya, Japan to Everett, WA
Spirit Aerosystems
Forward Fuselage – Follow-on Airplanes

Line #2 in CS449
Structures Installation

Line 9998

Line #3 in CS 449
Structures Installation

Line #4 Deburr & Edge Seal

Line #5 Mandrel Extraction

Line #6 C Axis Leak Check
Vought
Aft Fuselage Sections in Join for AP #1
Forward Body and AFT Body Delivered to Everett
Final Major Structure for 787 Dreamliner
Center Fuselage Delivered to Everett
Mitsubishi Heavy Industries (MHI) Nagoya AP #1 Wings – On Their Way
Mitsubishi Heavy Industries (MHI) Nagoya
AP #1 Wings being loaded on the Dreamlifter
Spirit
A/P #1 Pylons being Unloaded in Everett
Goodrich
Thrust Reverser A/P #1 – Rolls-Royce
Hamilton Sundstrand
Cabin Air Conditioning and Temperature Control System
Final Assembly
Vertical Fin
Final Assembly
Horizontal Stabilizer
Final Assembly
Wing Laydown
Final Assembly
Forward, Mid, and Aft Body in Position 1
# 787 Development on Track

## Timeline:

<table>
<thead>
<tr>
<th>Event</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airplane Announcement</td>
<td>2002</td>
</tr>
<tr>
<td>Authority to Offer</td>
<td>2003</td>
</tr>
<tr>
<td>Program Launch</td>
<td>2004</td>
</tr>
<tr>
<td>Firm Configuration</td>
<td>2005</td>
</tr>
<tr>
<td>Start of Major Assembly</td>
<td>2006</td>
</tr>
<tr>
<td>787-8 First Flight</td>
<td>2007</td>
</tr>
<tr>
<td>787-8 Enters Service</td>
<td>2008</td>
</tr>
<tr>
<td>787-3 Enters Service</td>
<td>2009</td>
</tr>
<tr>
<td>787-9 Enters Service</td>
<td>2010</td>
</tr>
</tbody>
</table>
Integrated Defense Systems

Jim Albaugh
Executive Vice President, The Boeing Company
President and CEO, Integrated Defense Systems

May 23, 2007
**Integrated Defense Systems**

- Right organization
- Validated strategy
- Solid revenue base
- Focused on cost and execution
- Manageable risk

**Balanced portfolio; focused on execution**

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**IDS 2006 Performance**

<table>
<thead>
<tr>
<th><strong>2006</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$32.4B</td>
</tr>
<tr>
<td>Operating Earnings</td>
<td>$3.0B</td>
</tr>
<tr>
<td>Operating Margins</td>
<td>9.3%</td>
</tr>
</tbody>
</table>

- Record revenue – $32.4B
- Margins – 9.3%
- Solid backlog – $75B
- Outstanding performance on support and production programs

**Continuing focus on execution and customer needs**
# IDS 1Q 2007 Performance

**Annual Investor Conference | Integrated Defense Systems**

<table>
<thead>
<tr>
<th>1Q07</th>
<th>7% Revenue growth over 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$7.7B</td>
</tr>
<tr>
<td>Operating Earnings</td>
<td>$0.8B</td>
</tr>
<tr>
<td>Operating Margins</td>
<td>10.2%</td>
</tr>
<tr>
<td></td>
<td>Double digit margins</td>
</tr>
<tr>
<td></td>
<td>Significant milestones – FCS, ABL, FAB-T, TSAT</td>
</tr>
<tr>
<td></td>
<td>Captured international business</td>
</tr>
</tbody>
</table>

**Focus on execution of large backlog**
Business Environment
U.S. Defense Budget

DoD funding expected to decline 3% annually

<table>
<thead>
<tr>
<th>Year</th>
<th>Defense Budget $B</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>$594B</td>
</tr>
<tr>
<td>FY08</td>
<td>$663B</td>
</tr>
<tr>
<td>FY09</td>
<td>$594B</td>
</tr>
<tr>
<td>FY10</td>
<td>$565B</td>
</tr>
<tr>
<td>FY11</td>
<td>$535B</td>
</tr>
<tr>
<td>FY12</td>
<td>$505B</td>
</tr>
<tr>
<td>FY13</td>
<td>$481B</td>
</tr>
</tbody>
</table>

CAGR 02-08 | 08-13
Total        | 11.5% | -3.1%
Baseline     | 6.5%  | 2.0%
Investment   | 8.3%  | 1.8%

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DoD Investment Accounts Will be Squeezed

- Global War on Terror
- Asymmetric threats
- Regional conflicts
- Emerging peer

- Mature platforms
- Accelerated obsolescence
- War consumption
- Costly reset and repair
- Aging infrastructure

- US Political changes
- Country at war?
- Peace dividend?
- Higher scrutiny

- End-strength increases
- Costs per unit increasing
- Energy
- Medical, housing, quality of life
DoD Capability Focus Areas

- **Precision Effects**
  - Global Force Projection
  -Kinetic and Non-kinetic Effects
  -Electronic Warfare

- **Global Mobility**
  -Tactical Mobility
  -Strategic Lift
  -Tankers

- **Integrated ISR**
  -Persistent ISR
  -Global Situational Awareness
  -Intelligence
  -Multi-use Platforms, Systems

- **Integrated C3**
  -Interoperability
  -Increased Bandwidth
  -Tactical Situational Awareness
  -Ad-hoc Self Forming Networks
  -Information Assurance

- **Space Exploitation**
  -Redundancy against vulnerabilities
  -Space Superiority
  -Defensive Counter Space

- **Integrated Training**
  -Live, virtual, and constructive training
  -Integrated scenario simulation

- **Integrated Logistics**
  -Supply Chain Management
  -Performance Based Logistics
  -Factory to foxhole

Customers facing difficult investment choices
IDS Organized Around Markets & Capabilities

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- **Precision Effects**
- **Global Mobility**
  - John Lockard
- **Integrated ISR**
- **Integrated C3**
- **Space Exploitation**
- **Network & Space Systems**
  - Roger Krone
- **Integrated Logistics**
- **Support Systems**
  - Pat Finneran
- **Integrated Training**

**Products & Services**
- F-15
- F-18
- CH-47
- N-UCAS
- P-8A
- AWACS
- C-17
- Apache
- Tankers
- ABL
- Classified
- FAB-T
- JTRS
- Satellites
- ISS
- Sea Launch
- Shuttle
- F-18
- ISS
- FCS
- PAC-3
- GMD
- Maintenance, Modifications & Upgrades
- Training Systems and Services
- C-17 GSP
- First
- FCS
- PAC-3
- Sea Launch
- FAB-T
- JTRS
- Satellites
- ISS
- Classified
- ABL
- Maintenance, Modifications & Upgrades
- Training Systems and Services
- C-17 GSP
- First
- FCS
- PAC-3
- Sea Launch
- FAB-T
- JTRS
- Satellites
- ISS
Environmental Summary

Geopolitical and Threat
- Increasing, multi-dimensional threats

Political and Budget
- Moderating and reprioritized DoD budget

Customers
- Balancing readiness, reset, end strength and modernization increasing focus on affordability

Markets and Competitors
- Limited new starts
- Financially strong, aggressive competitors
IDS Strategic Focus

- Keep programs sold and extend core business - focus on execution
- Shape and capture major unawarded program opportunities
- Increase international focus
- Expand presence in attractive adjacencies and select capabilities

Drive affordability to reduce cost and improve competitiveness
Productivity & Execution – Go Hand in Hand

Productivity

Efficiency

Sustained Cost Reduction

Improved Competitiveness

New Business

Initiatives

Execution

Effectiveness

Kept Promises

Increased Earnings/Margins

Repeat Customers

Lessons Learned

Both required for long-term growth
Instantiating a Culture of Execution and Productivity

Boeing Leadership Meeting

IDS Leadership Meeting
(All IDS E-Series Leaders)

All Program Manager Meeting

Leadership Excellence

Leadership Attributes

Cost Structure

_program Management Best Practices

Functional Excellence

Supplier Management & Quality

Employee Involvement

Non-advocate Reviews

Systems Engineering

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Productivity is Paying Off

**F/A-18**
- F/A-18 assembly line converted to pulsed moving line
- 55% reduction in cycle time
- 90% reduction in defects

**C-17**
- 157K square ft reduction in manufacturing area
- 20% reduction in aircraft cycle time
- 17% savings on work in process
- 50% increase in inventory turns

**Satellite Development Center**
- 40% increase in on-time engineering
- 65% reduction in rework
- 85% reduction in quality defects

**Facility Consolidation**
- 1.7M square feet reduction
- Vacating leased facilities

**Overhead Reduction**
- $100M reduction in overhead in 2006
Several Key Opportunities in 2007:

- CSAR-X
- USAF Tanker
- N-UCAS
- ARES
- Proprietary

- TSAT
- GPS-III
- JTRS-AMF
- BAMS

Over $100B in opportunities
International Focus

Growing International demand with most attractive opportunities in the Middle East and Asia
Integrated Defense Systems

- 2007 revenue ~$31.0B
- 2008 revenue ~ $32-$33B
- 2007 margins ~11%
- 2008 margins ~11%

Focused on execution and financial performance
Precision Engagement and Mobility Systems

Annual Investor Conference | Integrated Defense Systems

Based on 2006 revenues

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$14.4B</td>
<td>$13.5B</td>
</tr>
<tr>
<td>Margins*</td>
<td>13.9%</td>
<td>12.5%</td>
</tr>
</tbody>
</table>

* Excludes 2006 AEW&C charges

Execute
- F/A-18E/F and EA-18G
- C-17
- F-15 and F-22
- P-8A (Poseidon)
- AWACS & AEW&C
- Apache, Chinook
- V-22
- JDAM, Small Diameter Bomb

Capture
- CSAR-X
- USAF Tankers
- N-UCAS
- C-17 Follow on
- International Fighters
- Joint Cargo Aircraft (JCA)
- Future Long Range Strike

Market stability with continued strong margins
Network and Space Systems

Annual Investor Conference | Integrated Defense Systems

![Data Chart]

37%

**Based on 2006 revenues (including ULA Joint Venture)**

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$12.0B</td>
<td>$11.0B</td>
</tr>
<tr>
<td>Margins</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

**Execute**
- Future Combat System
- Ground-based Midcourse Defense
- Proprietary
- Joint Tactical Radio – Ground Mobile Radio
- Military and Commercial Satellites
- SBInet
- Space Shuttle, International Space Station

**Capture**
- Transformational Satellite Communication System
- Joint Tactical Radio – Airborne Maritime and Fixed Station
- Proprietary
- GPS III
- ARES
- Commercial Satellites

**Significant opportunities with improving margins**
Support Systems

Based on 2006 revenues

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$6.1B</td>
<td>$6.5B</td>
</tr>
<tr>
<td>Margins</td>
<td>13.7%</td>
<td>13.0%</td>
</tr>
</tbody>
</table>

19%

Support Systems

Precision Engagement & Mobility Systems

Network & Space Systems

Growth opportunities with continued strong margins

**Execute**
- F/A-18 Performance Based Logistics
- C-17 Performance Based Logistics
- Rotorcraft Support
- UK Through Life Customer Support (Chinook)
- KC-135 Program Depot Maintenance
- C-130 Avionics Modernization Program
- VIP Modifications and Support
- Training Systems

**Capture**
- C-17 GSP follow-on
- V-22 support
- Expand Performance Based Logistics and Depot Partnerships with USG
- KC-135 re-compete
- KC-10 re-compete
- Expand International support

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Summary

- Right strategy
- Right leadership team
- Right organization

Strong performance...focused on execution and growth opportunities

$31.0B
2007E Revenue