



# First-Quarter 2014 Performance Review

**Jim McNerney**

Chairman and Chief Executive Officer

**Greg Smith**

Executive Vice President and Chief Financial Officer

April 23, 2014

# First-Quarter Summary

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- Results reflect strong core operating performance
- Successful execution on production ramp-ups and development programs
- Continued focus on cost reductions and productivity improvements
- Strong commercial airplane orders; key defense awards
- Proven product strategy; large diversified backlog at \$440 billion
- Executed cash deployment strategy and addressed pension liability

***Strong results...reducing risk, production ramp-ups on plan***

# Business Environment

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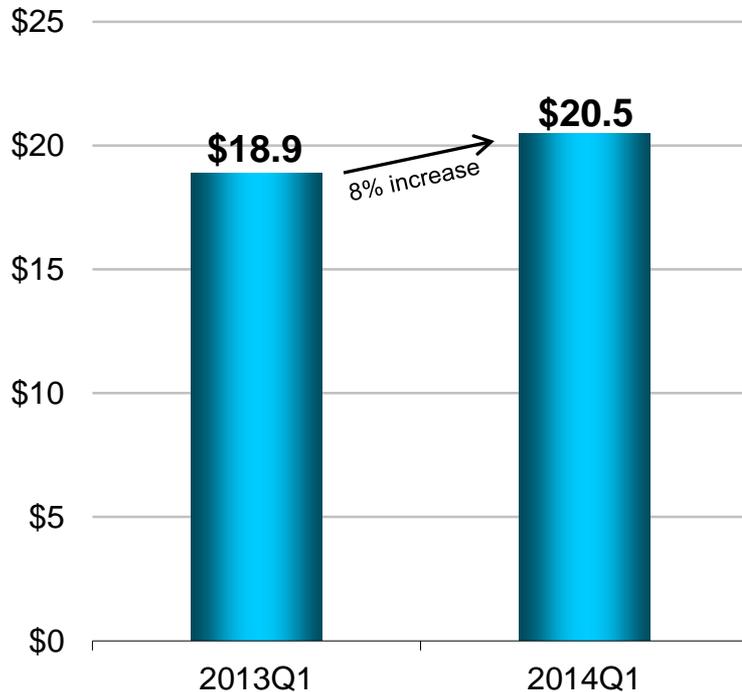
- Global economic growth continues at a moderate pace
- Passenger traffic healthy; cargo traffic gradually improving
- Commercial aviation remains long-term growth industry
- International defense growth opportunities; defense budget pressures in U.S. and other developed markets
- Defense markets will trend with threat environment

***Commercial up-cycle progressing; dynamic defense environment***

# First-Quarter Revenue and Earnings

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## Revenue (Billions)



## Core Earnings per Share \*



\* Non-GAAP measures. Definitions, reconciliations, and further disclosures regarding non-GAAP measures are provided in the company's earnings press release dated April 23, 2014.

**Continued strong core operating performance**

# Commercial Airplanes

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- **Continued strong operating performance**
- **Delivered 161 airplanes in Q1**
- **Orders valued at \$14B; backlog of \$374B**
  - Won 235 net orders in Q1
- **Reached 10 per month production rate for 787**
- **Completed 787-10 preliminary design review**
- **Reached 42 per month production rate for 737 in April**

## Revenues & Operating Margins



Unveiled first 787-9 for Air New Zealand

***Focusing on execution, quality and productivity***

# Defense, Space & Security

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- **Continued strong operating performance**
- **Capturing new and follow-on business**
  - U.S. Navy contract for 16 P-8A Poseidon aircraft
  - U.S. Army contract for 82 Apache Block III helicopters
- **Executing balanced defense and space portfolio**
  - Delivered 46 aircraft
  - Delivered first Kuwait C-17
  - Fourth KC-46A test aircraft in assembly
  - Delivered AEW&C aircraft to Turkey
- **Orders valued at \$5B; Backlog of \$66B**

## Revenues & Operating Margins



P-8A Poseidon

***Focused on execution and productivity . . . capturing opportunities***

# Other Results

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- **Boeing Capital Corporation**

- Supporting business units while prudently managing portfolio and risk
- Net financing portfolio of \$3.5 billion at the end of the quarter, as portfolio run-off exceeded new volume

- **Other and Unallocated Expense**

- Unallocated expenses in the first quarter 2014 included previously announced GAAP non-cash pension curtailment charges of \$334 million
- First quarter 2013 income tax expense included a \$145 million benefit for the 2012 R&D tax credit

*Supporting businesses and managing risks*

# Cash Flow

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\$ Billions	1Q13	1Q14
Net Earnings	1.1	<b>1.0</b>
Depreciation/non-cash	0.5	<b>0.5</b>
Working Capital <sup>1</sup>	(1.1)	<b>(0.4)</b>
<b>Operating Cash Flow Before Pension Contributions*</b>	0.5	<b>1.1</b>
Pension Contributions	(0.0)	<b>(0.0)</b>
<b>Operating Cash Flow</b>	0.5	<b>1.1</b>
<b>Free Cash Flow*</b>	0.0	<b>0.6</b>

<sup>1</sup> Excluding pension contributions

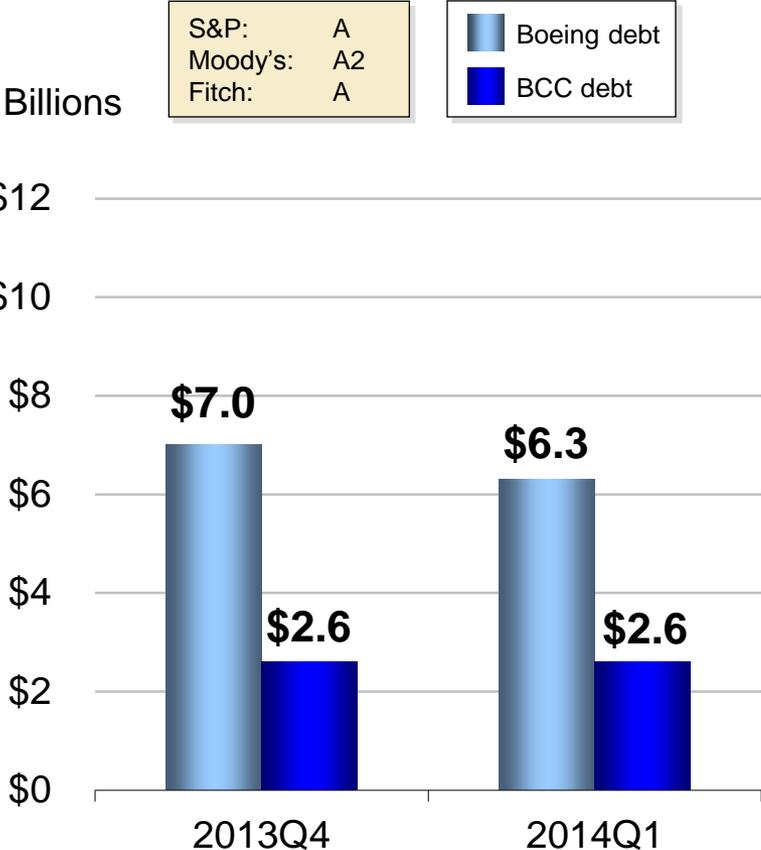
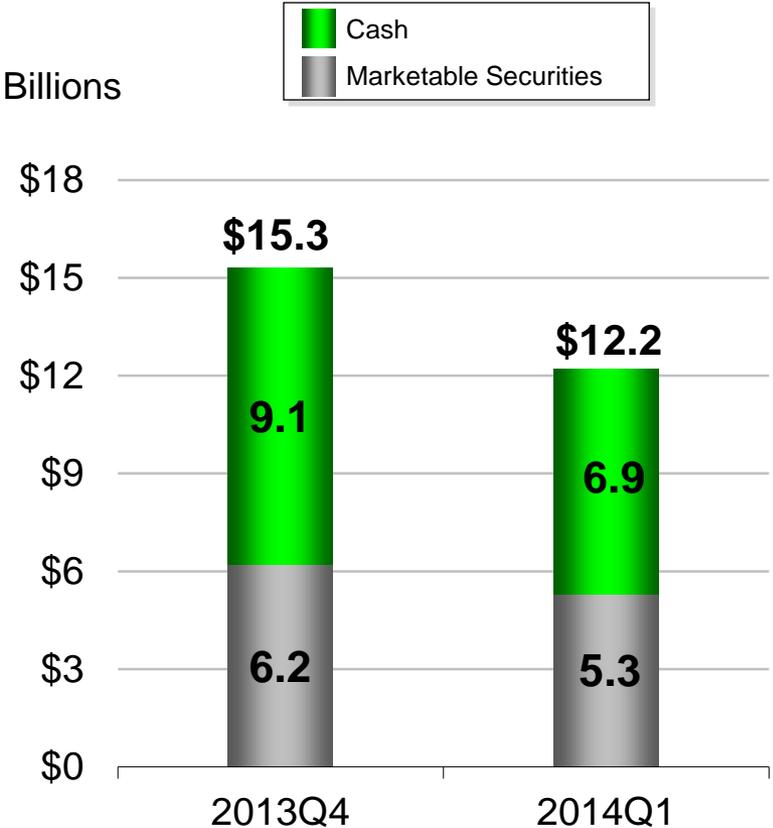
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- Increased production rates
- Strong core operating performance
- Inventory build on the 787 program
- Timing of receipts and expenditures
- Disciplined cash management providing strong liquidity
- Repurchased 19.4 million shares for \$2.5 billion and paid \$0.5 billion in dividends

***Solid cash flow...increasing capital deployment to shareholders***

# Cash and Debt Balances

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***Strong liquidity with manageable debt levels***

# Financial Guidance

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2014

Revenue

\$87.5 - 90.5B

Core EPS\*

**\$7.15 - 7.35**

~~\$7.00 - 7.20~~

Operating Cash Flow Before  
Pension Contributions\*

~ \$7.0B

\* Non-GAAP measures. Definitions, reconciliations, and further disclosures regarding non-GAAP measures are provided in the company's earnings press release dated April 23, 2014.

***Increasing Core EPS guidance***

# Caution Concerning Forward-Looking Statements

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This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as “may,” “should,” “expects,” “intends,” “projects,” “plans,” “believes,” “estimates,” “targets,” “anticipates,” and similar expressions are used to identify these forward-looking statements. Examples of forward-looking statements include statements relating to our future financial condition and operating results, as well as any other statement that does not directly relate to any historical or current fact. Forward-looking statements are based on our current expectations and assumptions, which may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties, and changes in circumstances that are difficult to predict. Many factors could cause actual results to differ materially and adversely from these forward-looking statements. Among these factors are risks related to: (1) general conditions in the economy and our industry, including those due to regulatory changes; (2) our reliance on our commercial airline customers; (3) the overall health of our aircraft production system, planned production rate increases across multiple commercial airline programs, our commercial development and derivative aircraft programs, and our aircraft being subject to stringent performance and reliability standards; (4) changing budget and appropriation levels and acquisition priorities of the U.S. government; (5) our dependence on U.S. government contracts; (6) our reliance on fixed-price contracts; (7) our reliance on cost-type contracts; (8) uncertainties concerning contracts that include in-orbit incentive payments; (9) our dependence on our subcontractors and suppliers, as well as the availability of raw materials, (10) changes in accounting estimates; (11) changes in the competitive landscape in our markets; (12) our non-U.S. operations, including sales to non-U.S. customers; (13) potential adverse developments in new or pending litigation and/or government investigations; (14) customer and aircraft concentration in Boeing Capital’s customer financing portfolio; (15) changes in our ability to obtain debt on commercially reasonable terms and at competitive rates in order to fund our operations and contractual commitments; (16) realizing the anticipated benefits of mergers, acquisitions, joint ventures/strategic alliances or divestitures; (17) the adequacy of our insurance coverage to cover significant risk exposures; (18) potential business disruptions, including those related to physical security threats, information technology or cyber-attacks or natural disasters; (19) work stoppages or other labor disruptions; (20) significant changes in discount rates and actual investment return on pension assets; (21) potential environmental liabilities; and (22) threats to the security of our or our customers’ information.

Additional information concerning these and other factors can be found in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Any forward-looking statement speaks only as of the date on which it is made, and we assume no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise, except as required by law.

