



# Market Update

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# Forward-Looking Statements

Certain statements we make during this conference are “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, epidemics, sanctions 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.



# Global market performance since 2010



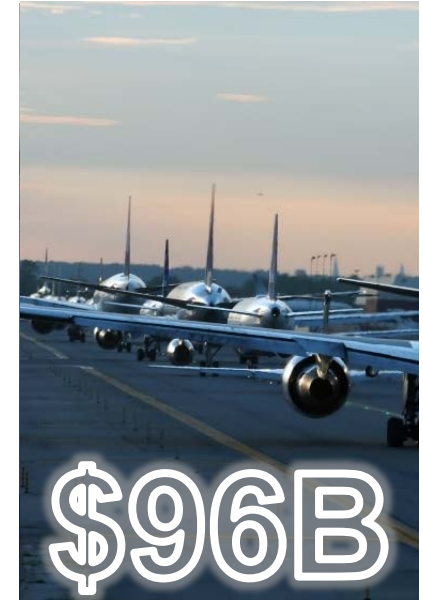
Global economic growth rate below average



Passenger market resilient, growing



Cargo market weak, challenging



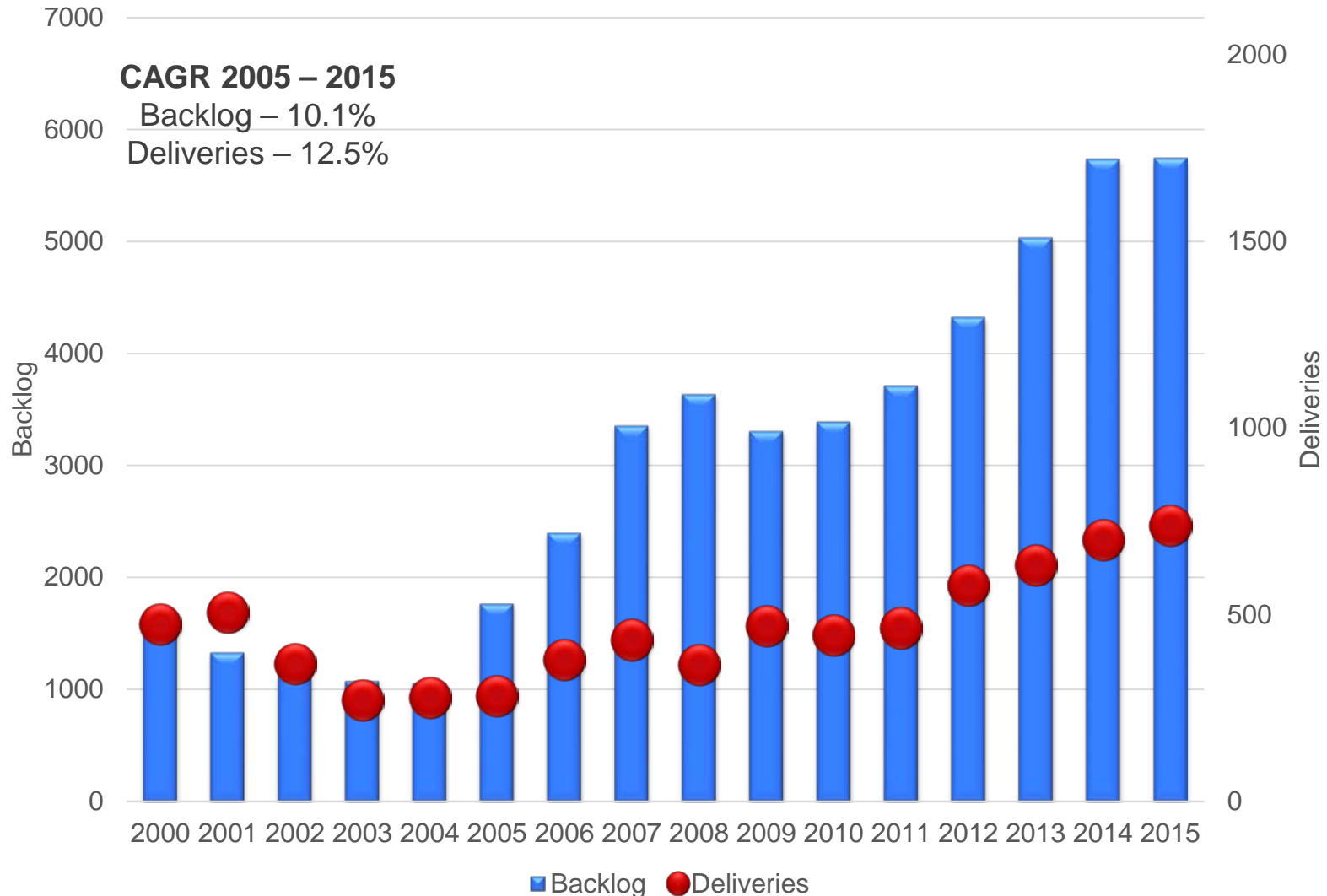
Airlines managing better than ever before

NOTE: Annual growth rates (%) and cumulative profit (\$B)

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# Boeing deliveries and backlog

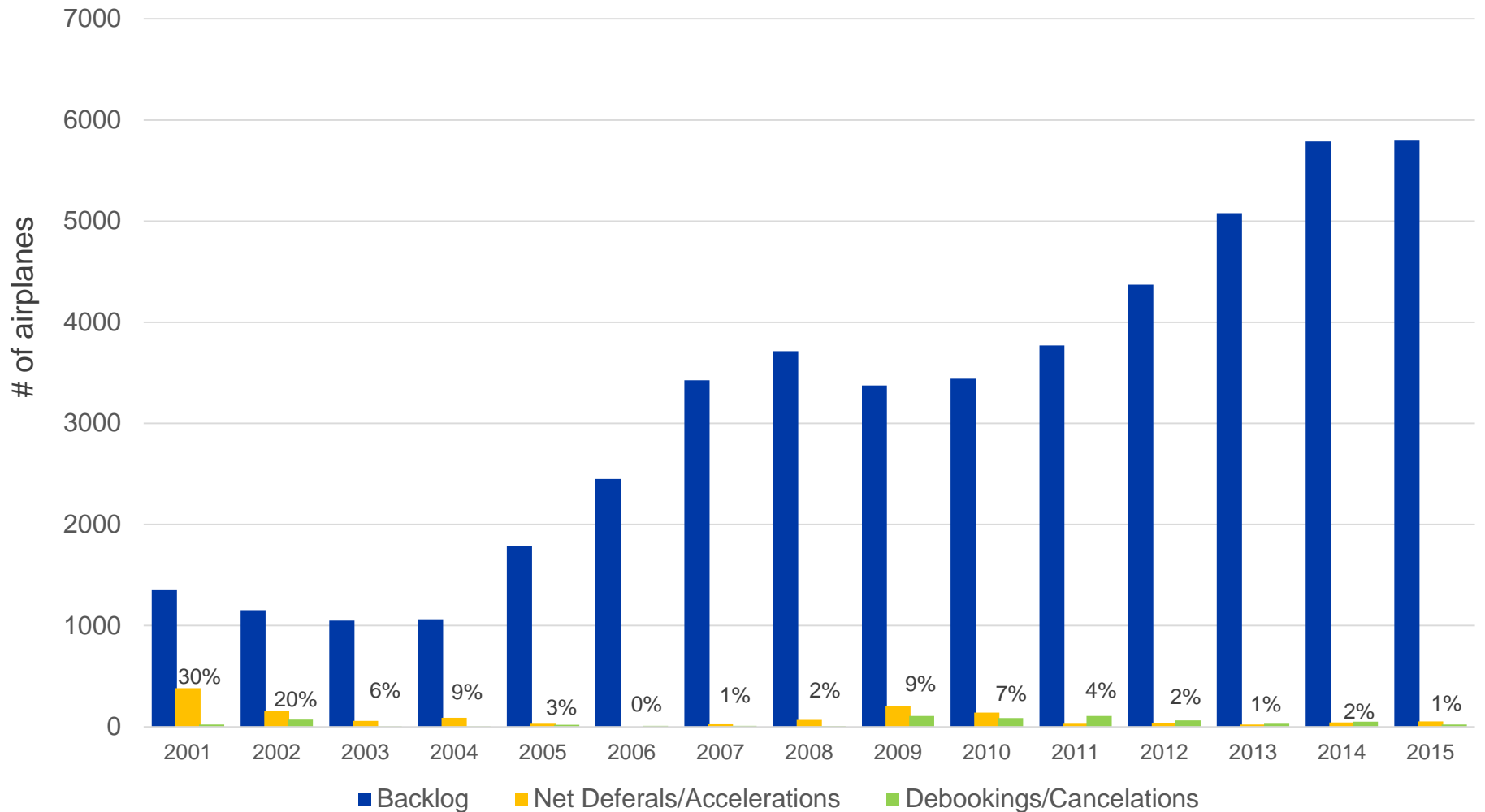
Backlog and deliveries growing near same rate over the last 10 years



Source: Flightglobal Ascend Year-end 2015

# Boeing backlog at unprecedented levels

*Backlog movement at a historical low*

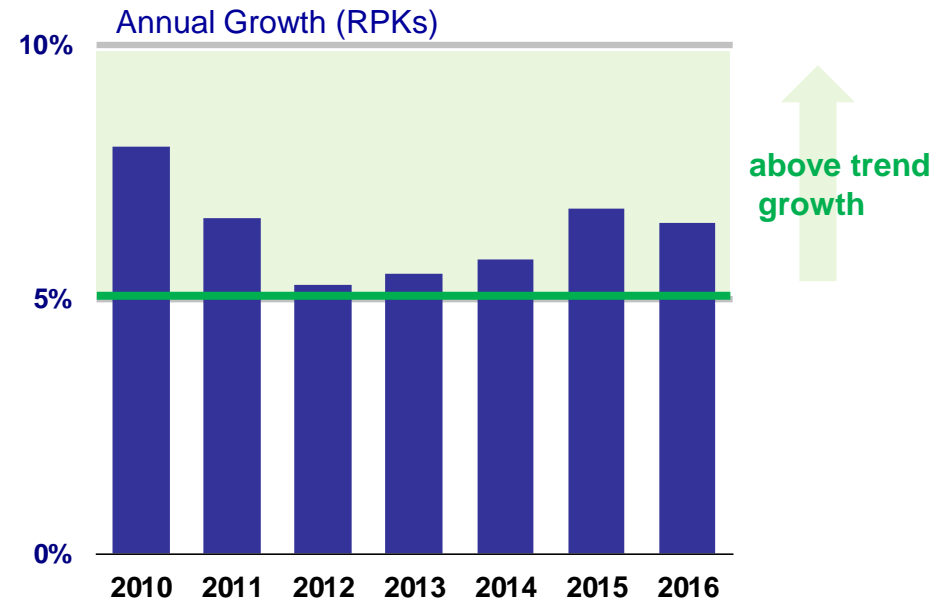


(Total change as a % of backlog)

# Passenger traffic resilient due to multiple factors

*Traffic growth continues at above-average levels*

- Healthy consumer economy supports travel
- Emerging markets middle class growth
- New airline business models
- Demographics support leisure travel
- Air travel relative affordability
- Business travel – revenue focus, travel intensive sectors outperforming



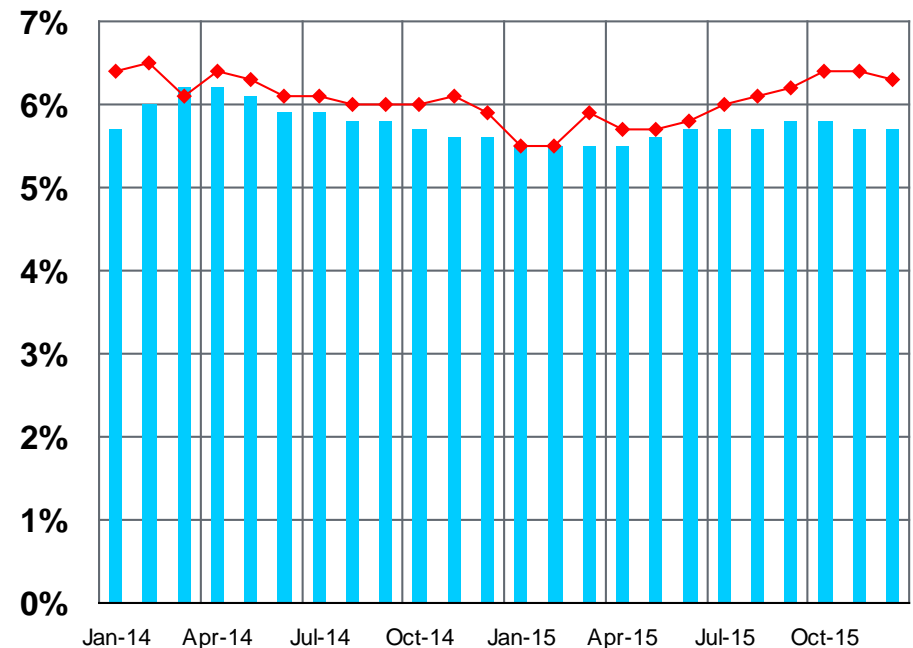
Source: ICAO, BCA

# World passenger traffic and capacity

*Airline traffic growth exceeding airline capacity growth*

- Traffic growth > long-term average
- Load factors at/near record highs
- Parked fleet - typical seasonal trends
- Utilization at historic peaks

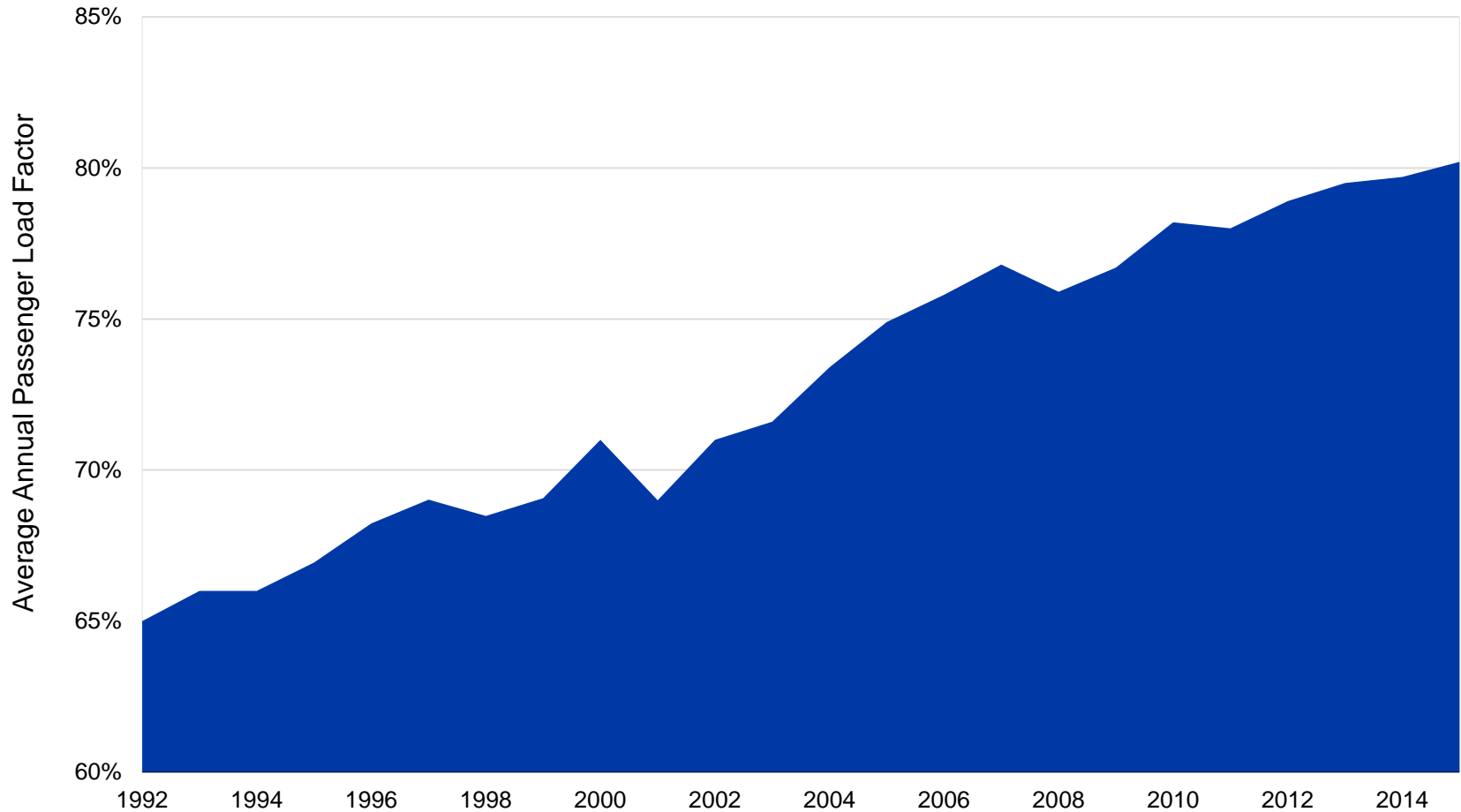
Year-over-year growth – 12 month rolling avg



■ Available Seat Kilometers (capacity)  
— Revenue Passenger Kilometers (traffic)

# World load factors at historic high

*Airplane load factors indicate that assets are fully utilized.... no overcapacity*



Source: ICAO

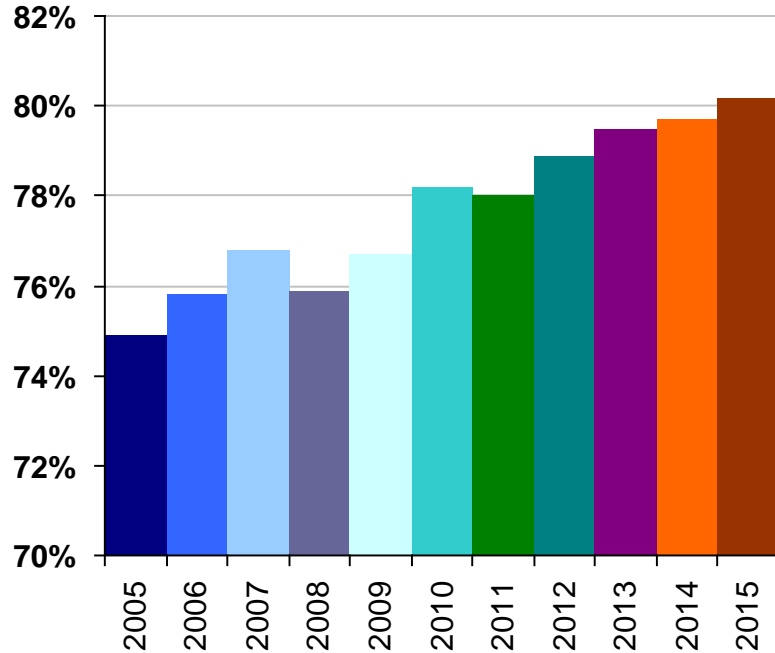
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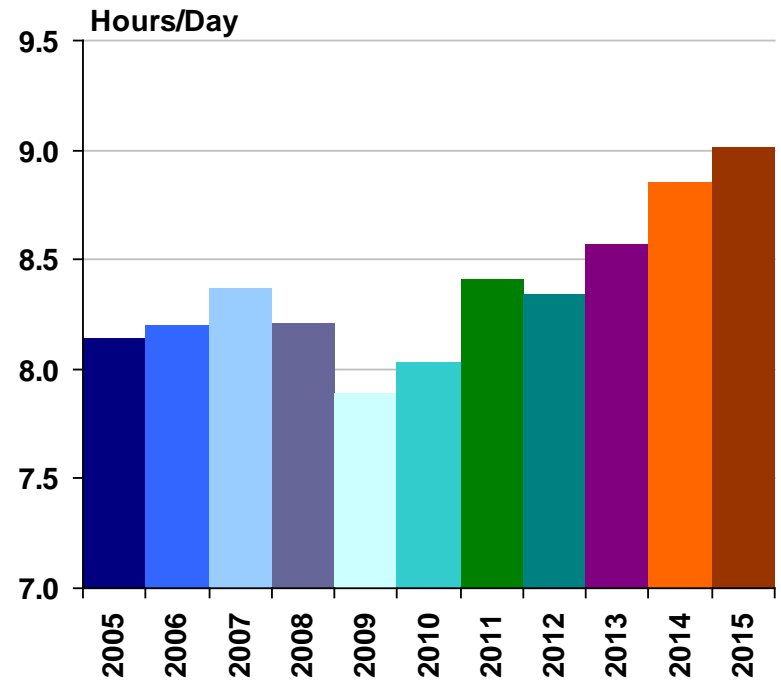
# Airline Productivity Rising

*Assets are being efficiently utilized*

## World Load Factors



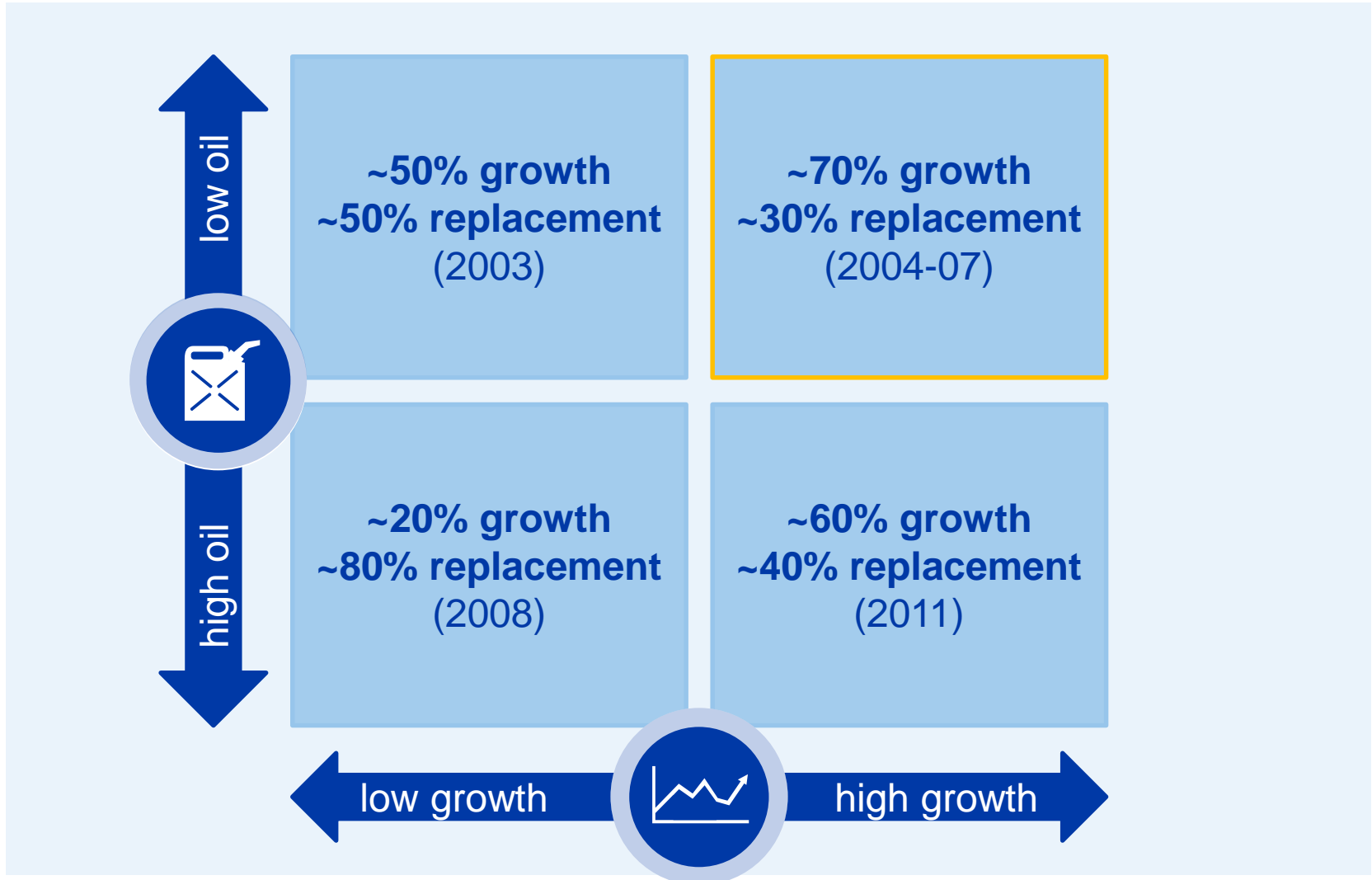
## Airplane Utilization



Sources: Utilization – BCA RMT; Load Factors – ICAO

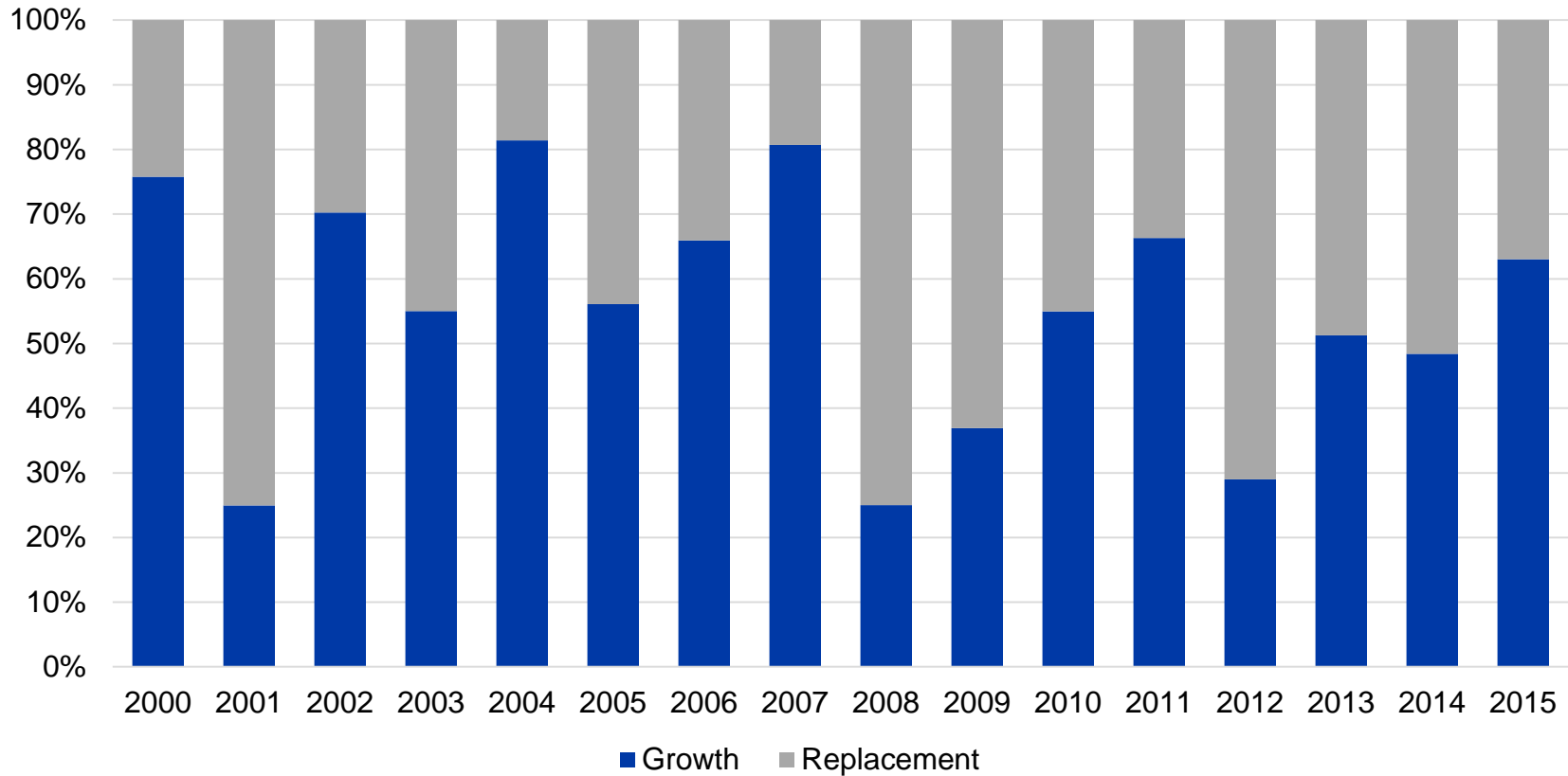
# Airlines adjust fleet to market conditions

*Flexibility adds to industry stability*



# Growth vs replacement fluctuates over time

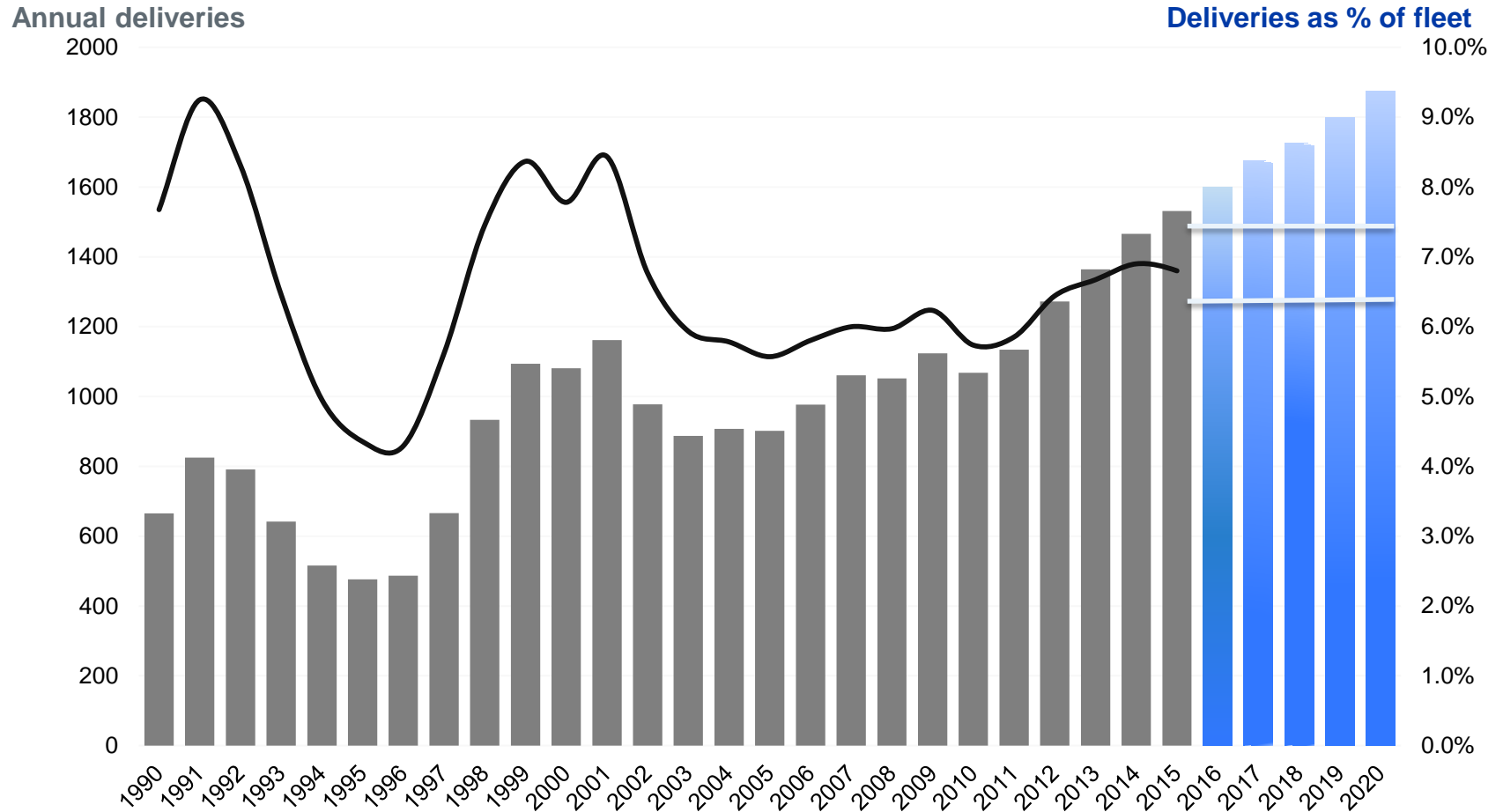
*Replacement of 2.5-3% annually, plus Growth of 3.5-4% makes up delivery mix*



Source: Ascend

# Deliveries tracking with historical ratios

Replacement of 2.5-3% plus Growth of 3.5-4%

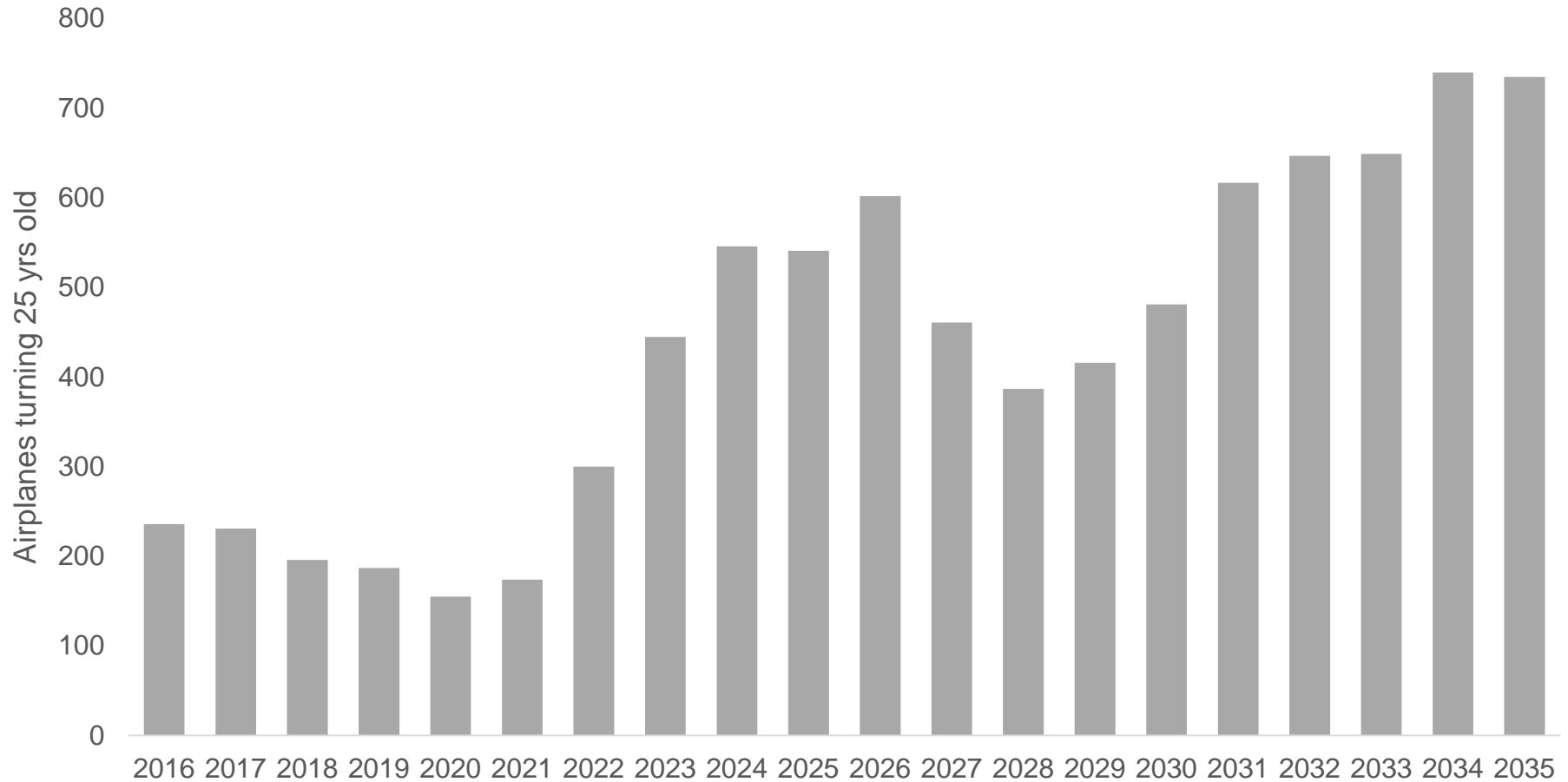


Source: Ascend

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# Single Aisle replacement demand increasing

*Some replacements delayed, others accelerated*

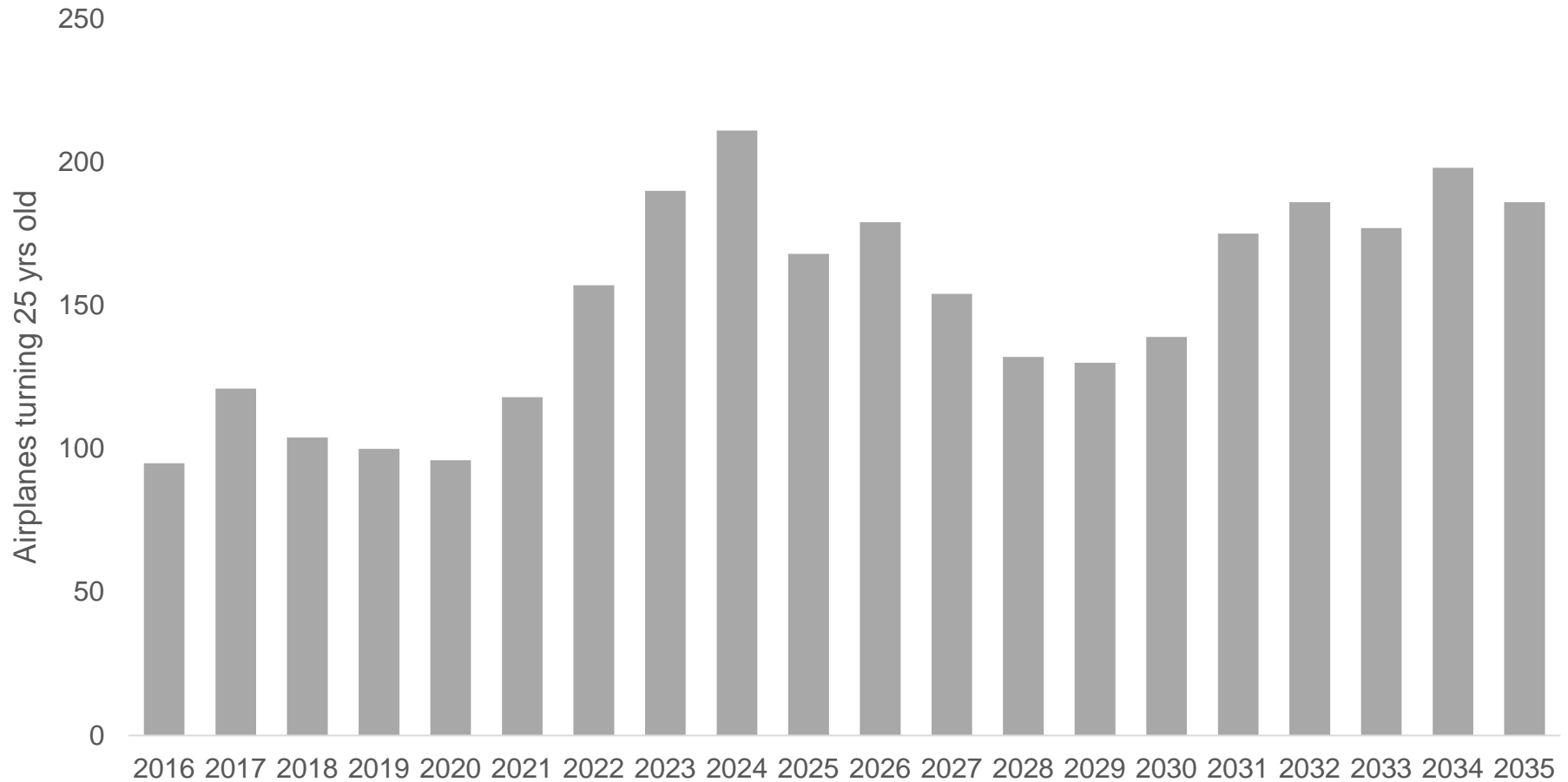


Excludes over 700 airplanes that are older than 25 years

SOURCE: Flightglobal Ascend Online database & BCA Analysis

# Widebody replacement demand increasing

*Some replacements delayed, others accelerated*



Excludes over 300 airplanes that are older than 25 years

SOURCE: Flightglobal Ascend Online database & BCA Analysis



# China economic transition continues

*Service driven economy emerging*

**Heavy industry growth slowdown**

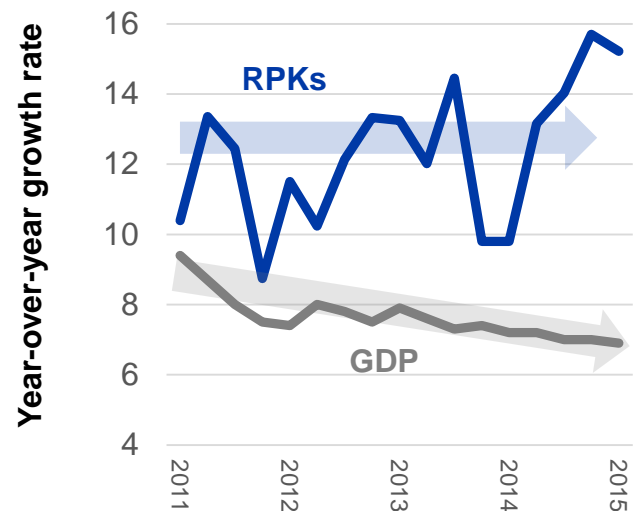
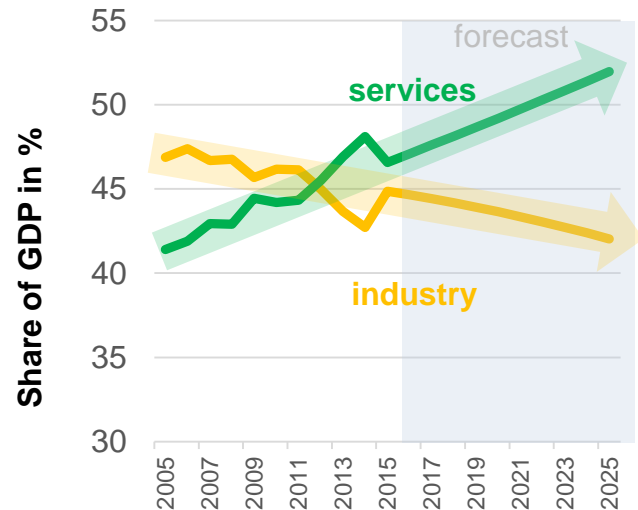
**Service sector continuing growth**

**Air passenger travel strong**

**Cargo impact from weak industry**

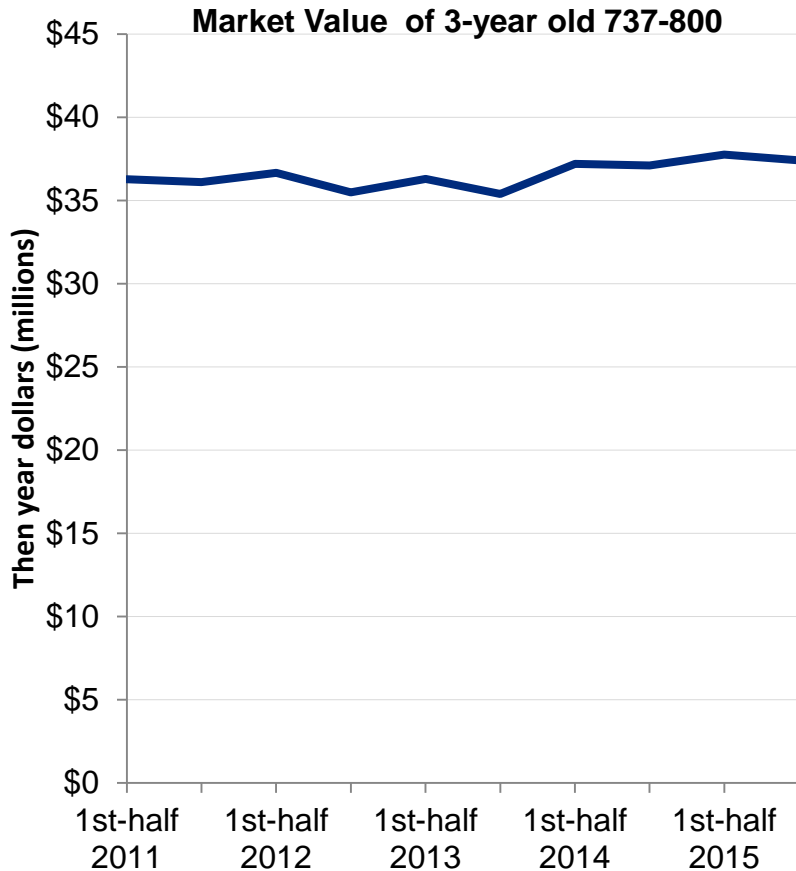
## Risks:

- Weakness spills into consumption
- Large exchange rate devaluation
- Financial market / debt crisis
- Geopolitical (South China Sea)

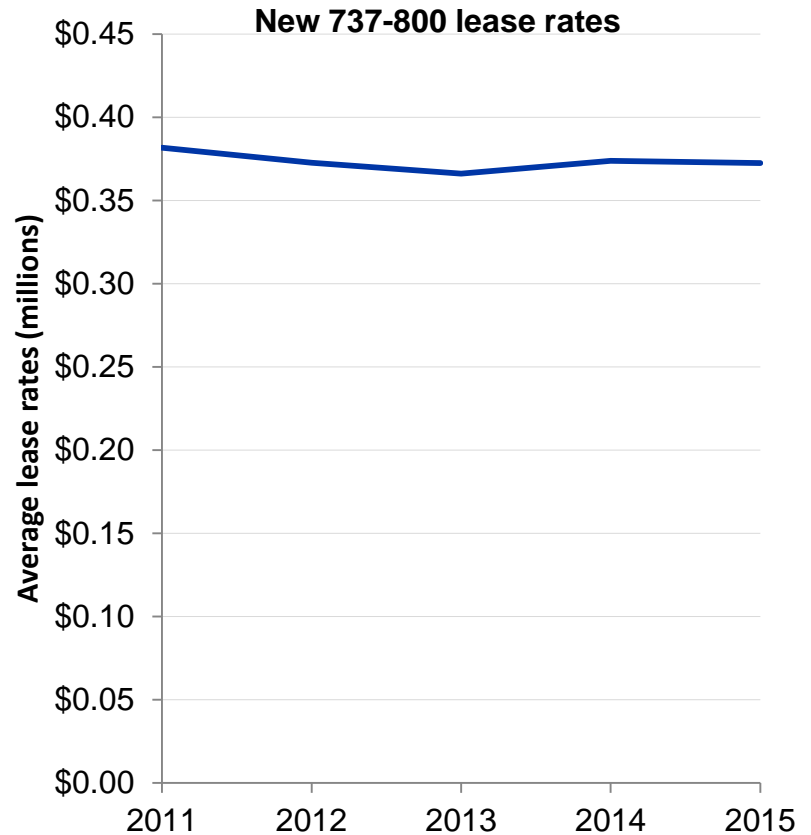


***China's economic transition supports air travel***

# 737-800 values and lease rates remain stable



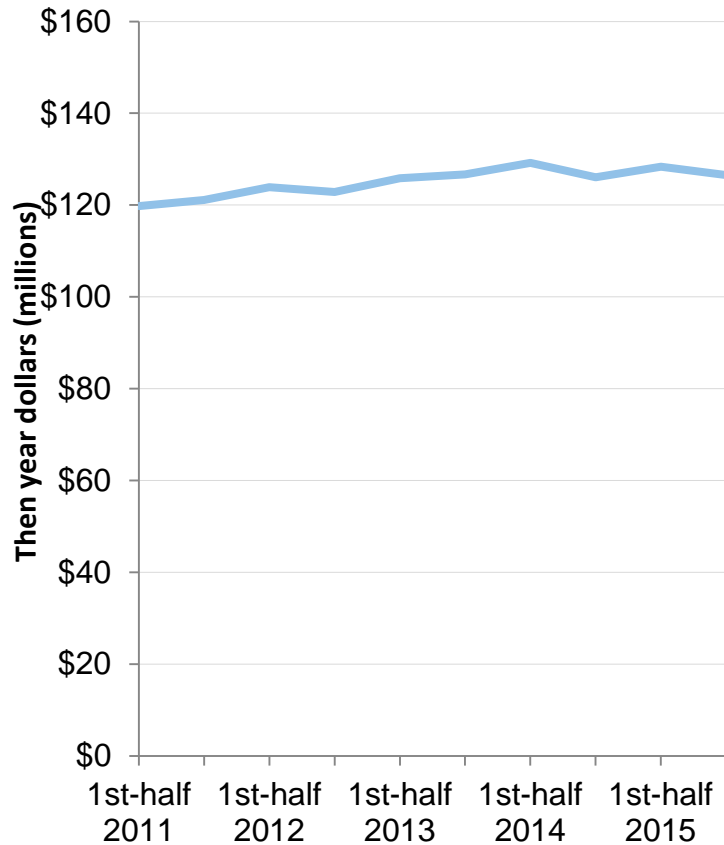
Market Value Source: Average bluebook values from Ascend AVITAS IBA



Lease Rate Source: IBA, ASG, AVAC, CV, MBA, ASCEND  
Data through 12/7/15  
Lease Rate data tends to lag by a few months  
Lease Rates exclude Maintenance Reserves

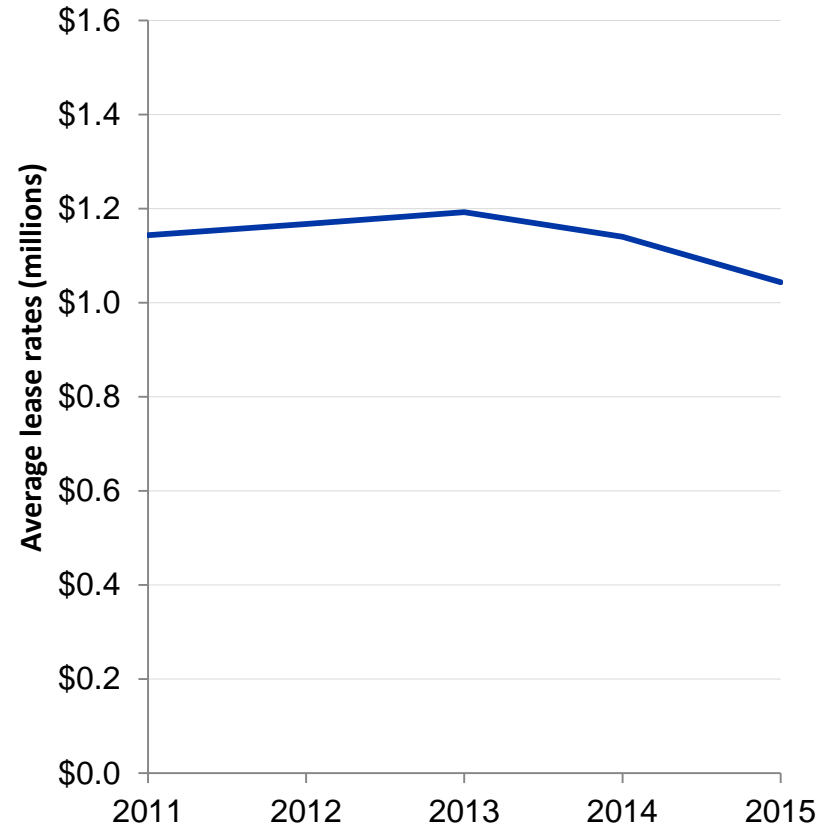
# 777-300ER values and lease rates stable

## Market Value 3 year old 777-300ER



Market Value Source: Average bluebook values from Ascend AVITAS IBA

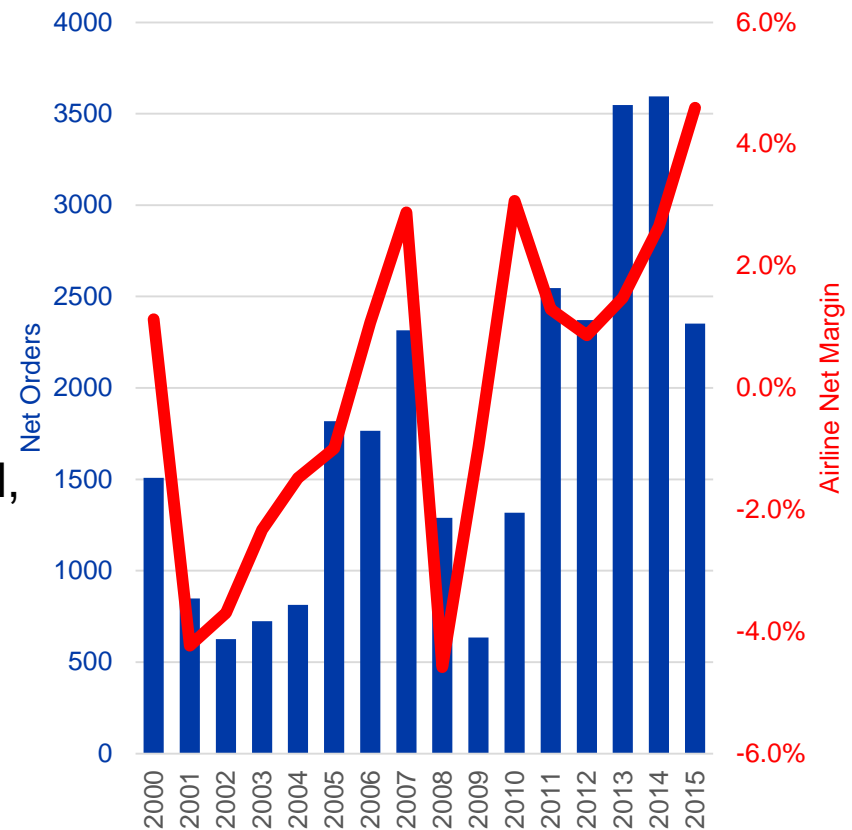
## New 777-300ER lease rates



Lease Rate Source: IBA, ASG, AVAC, CV, MBA, ASCEND  
Data through 12/7/15  
Lease Rate data tends to lag by a few months  
Lease Rates exclude Maintenance Reserves

# Oil price implications

- Stronger passenger traffic demand
- Fuel efficient airplanes operating hedge against price volatility (near-term deliveries)
- Airlines planning for higher fuel prices (longer-term orders)
- Deferred retirements provide only marginal, short-term capacity
  - Incremental capacity from low utilization airplanes, for peak demand periods
  - Heavy check capex limits longer-term prospects
- Airline orders more closely track airline profitability



Source: FG Ascend, ICAO, World Bank, St. Louis Fed, Boeing analysis

**Improving airline profitability is the primary driver of aircraft order peaks**

