

# Fourth Quarter and Full-Year 2014 Earnings Review



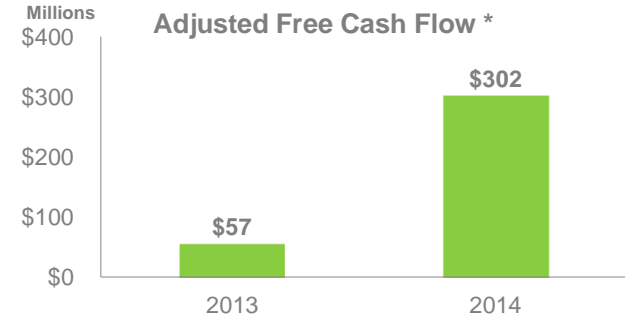
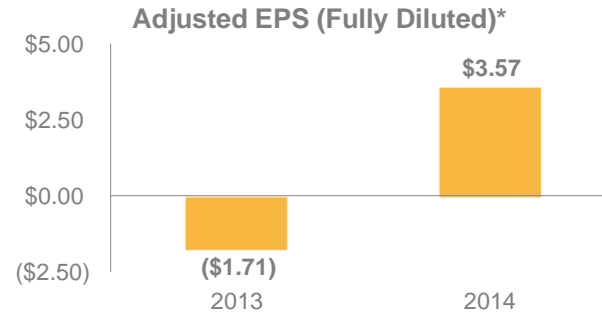
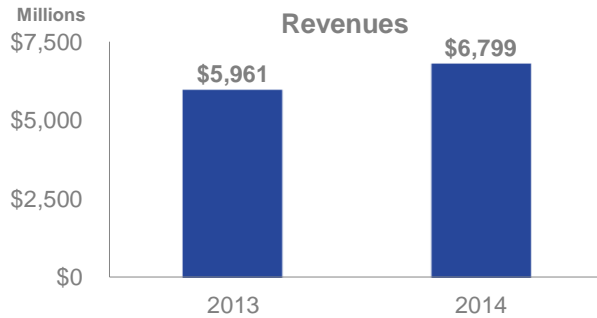
**Larry Lawson**  
President and Chief Executive Officer

**Sanjay Kapoor**  
Senior Vice President and Chief Financial Officer

February 3, 2015



# 2014 Financial Results



- ▶ Record high revenues and deliveries
- ▶ 14% Increase y/y
- ▶ 2014 includes \$229 million of Gulfstream revenues

- ▶ Benefit of cost reductions and risk retirement
- ▶ Improved performance

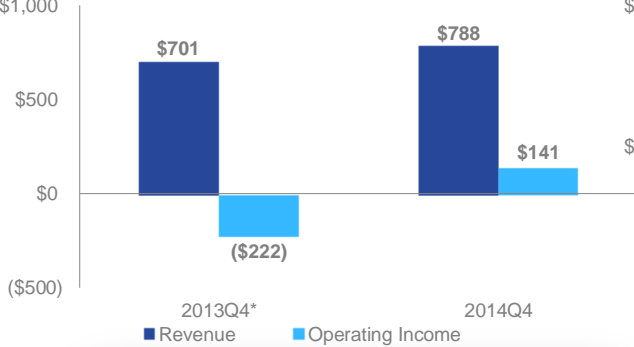
- ▶ Focused on free cash flow
- ▶ Balanced capital expenditures

\*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding this non-GAAP measure are appended to this document.

# Segment Results

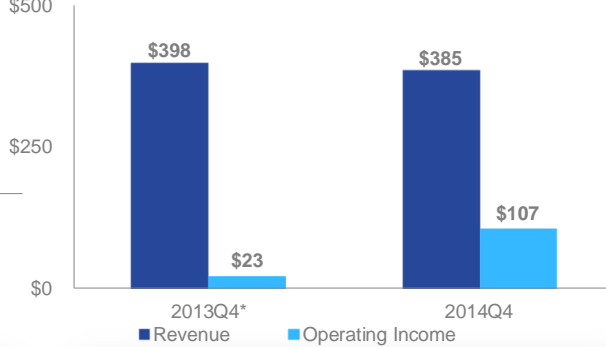
Millions  
\$1,000

## Fuselage Systems



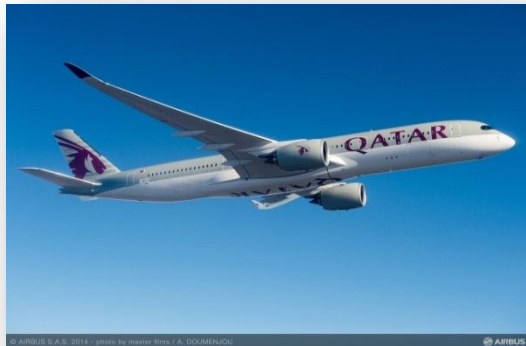
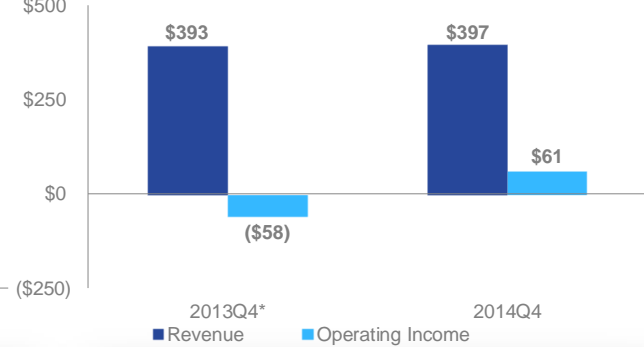
Millions  
\$500

## Propulsion Systems



Millions  
\$500

## Wing Systems



A350-900 First Delivery



KC-46 Tanker First Flight



787 Moveable Leading Edge

\*SG&A and R&D in 2013 reclassified from segment operating income to unallocated expense to conform to current year presentation.

# Gulfstream Divestiture Impact

## Earnings Per Share

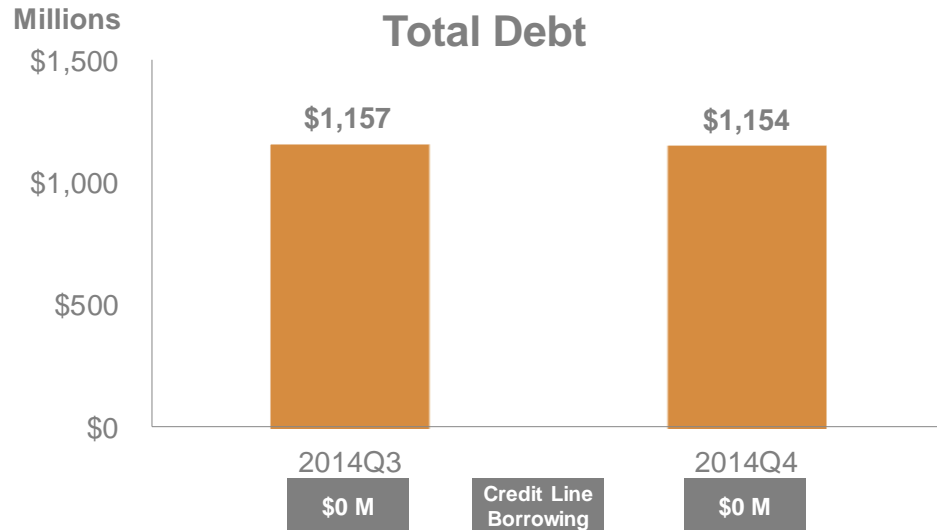
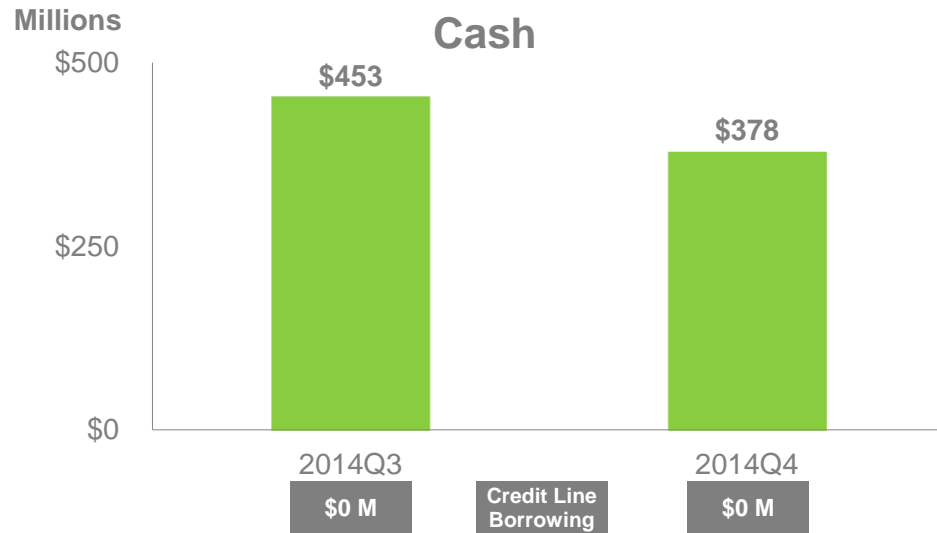
Pretax Charge	(\$3.33)
Tax Benefit	<u>\$1.94</u>
2014 EPS Impact	(\$1.39)

## Cash

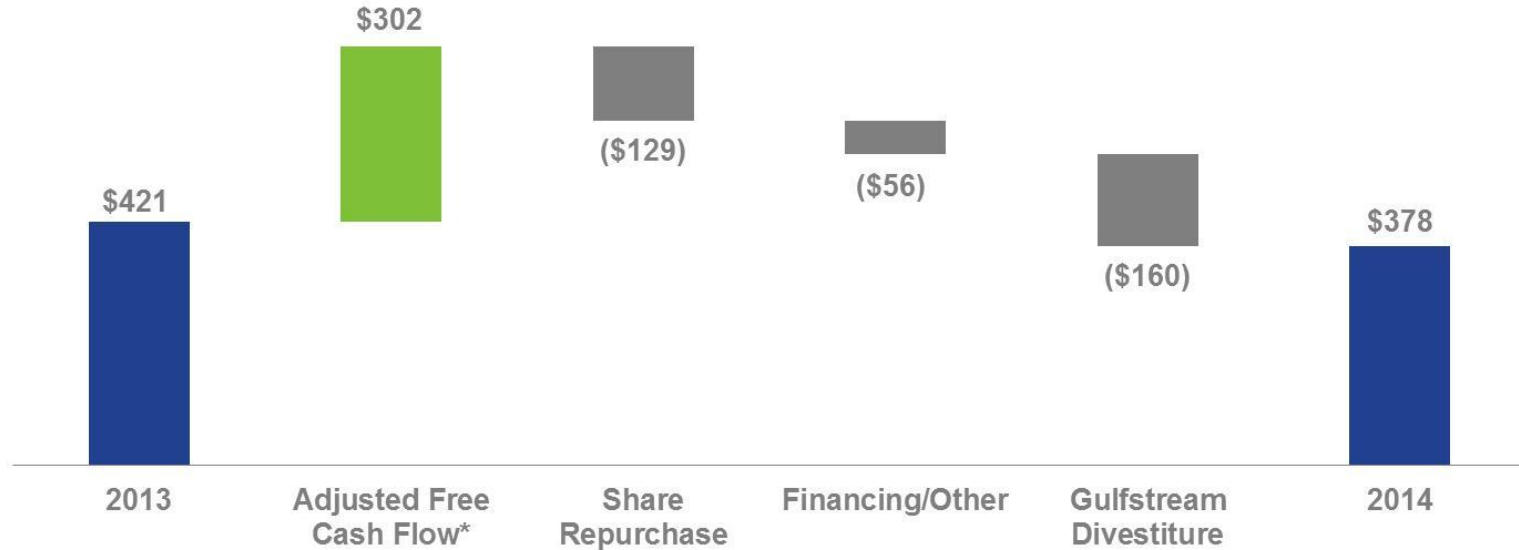
Cash Payment on December 30, 2014	(\$160)
2015 Cash Tax Benefit	\$221

Dollars in millions, except per share data

# Cash and Debt Balances



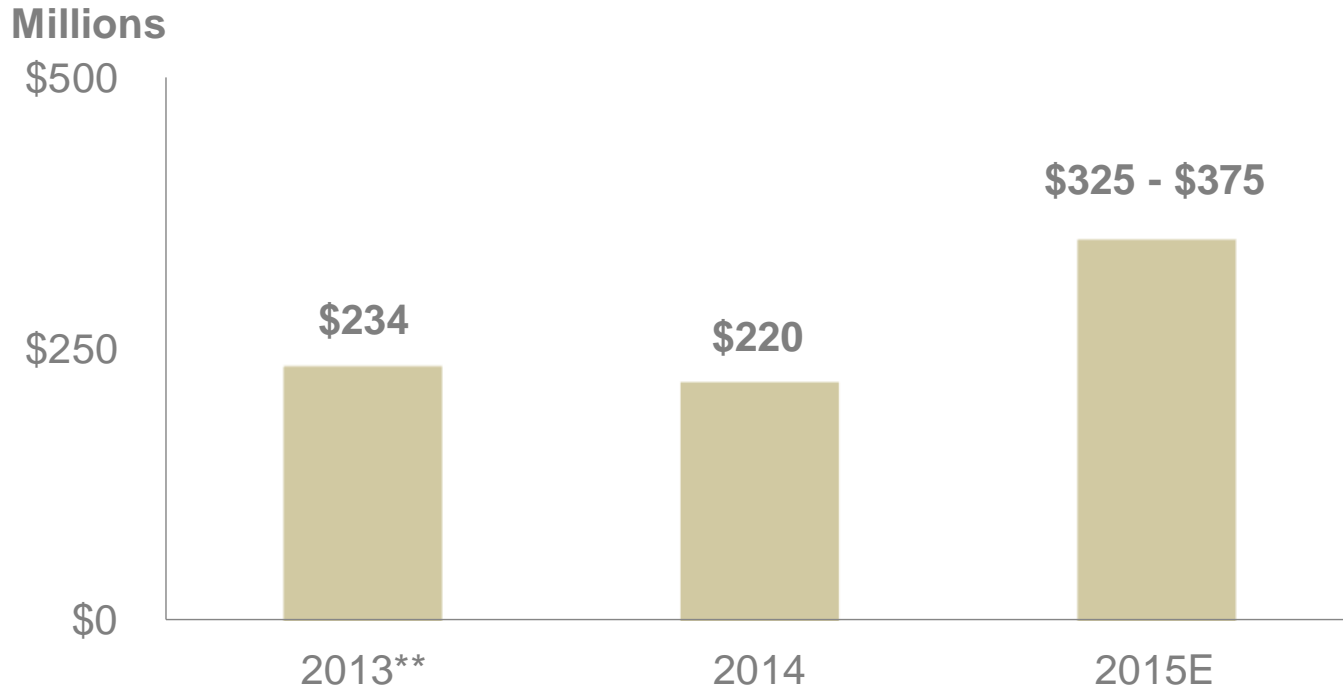
# 2014 Cash Balance Walk



Dollars in millions

\*Non-GAAP measure. Definitions, reconciliations, and further disclosures regarding this non-GAAP measure are appended to this document.

# Capital Expenditures



\*\*2013 excludes \$38 million of severe weather capital expenditures

# 2015 Financial Guidance

Financial Guidance updated February 3, 2015

## 2015 Guidance

**Revenues**

**\$6.6 - \$6.7 billion**

**Earnings Per Share (Fully Diluted)**

**\$3.60 - \$3.80**

**Effective Tax Rate\*\***

**~32.0% - 33.0%**

**Free Cash Flow\***

**\$600 - \$700 million**

\*\*Effective tax rate guidance, among other factors, assumes the benefit attributable to the extension of the U.S. Research Tax Credit and does not assume an impact for any potential adjustment to the valuation allowance against the U.S. net deferred tax assets.

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# Looking Forward



- ▶ Increased productivity and reduced cost
- ▶ Investments in rate increases
- ▶ Continued progress on A350
- ▶ Emphasis on long-term growth
- ▶ Capital deployment

# Forward-Looking Information

## Cautionary Statement Regarding Forward-Looking Statements:

This presentation contains “forward-looking statements” that may involve many risks and uncertainties. Forward-looking statements reflect our current expectations or forecasts of future events. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “anticipate,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “should,” “will,” or other similar words, or the negative thereof, unless the context requires otherwise. These statements reflect management’s current views with respect to future events and are subject to risks and uncertainties, both known and unknown. Our actual results may vary materially from those anticipated in forward-looking statements. We caution investors not to place undue reliance on any forward-looking statements. Important factors that could cause actual results to differ materially from those reflected in such forward-looking statements and that should be considered in evaluating our outlook include, but are not limited to, the following: 1) our ability to continue to grow our business and execute our growth strategy, including the timing, execution, and profitability of new and maturing programs; 2) our ability to perform our obligations and manage costs related to our new and maturing commercial, business aircraft and military development programs and the related recurring production; 3) margin pressures and the potential for additional forward losses on new and maturing programs; 4) our ability to accommodate, and the cost of accommodating, announced increases in the build rates of certain aircraft; 5) the effect on business and commercial aircraft demand and build rates of the following factors: changing customer preferences for business aircraft, including the effect of global economic conditions on the business aircraft market and expanding conflicts or political unrest in the Middle East or Asia; 6) customer cancellations or deferrals as a result of global economic uncertainty; 7) the effect of economic conditions in the industries and markets in which we operate in the U.S. and globally and any changes therein, including fluctuations in foreign currency exchange rates; 8) the success and timely execution of key milestones such as receipt of necessary regulatory approvals and customer adherence to their announced schedules; 9) our ability to successfully negotiate future pricing under our supply agreements with Boeing, Airbus and our other customers; 10) our ability to enter into profitable supply arrangements with additional customers; 11) the ability of all parties to satisfy their performance requirements under existing supply contracts with Boeing and Airbus, our two major customers, and other customers and the risk of nonpayment by such customers; 12) any adverse impact on Boeing’s and Airbus’ production of aircraft resulting from cancellations, deferrals or reduced orders by their customers or from labor disputes or acts of terrorism; 13) any adverse impact on the demand for air travel or our operations from the outbreak of diseases or epidemic or pandemic outbreaks; 14) our ability to avoid or recover from cyber-based or other security attacks, information technology failures or other disruptions; 15) returns on pension plan assets and the impact of future discount rate changes on pension obligations; 16) our ability to borrow additional funds or refinance debt; 17) competition from commercial aerospace original equipment manufacturers and other aerostructures suppliers; 18) the effect of governmental laws, such as U.S. export control laws and U.S. and foreign anti-bribery laws such as the Foreign Corrupt Practices Act and the United Kingdom Bribery Act, and environmental laws and agency regulations, both in the U.S. and abroad; 19) any reduction in our credit ratings; 20) the cost and availability of raw materials and purchased components; 21) our ability to recruit and retain highly-skilled employees and our relationships with the unions representing many of our employees; 22) spending by the U.S. and other governments on defense; 23) the possibility that our cash flows and borrowing facilities may not be adequate for our additional capital needs or for payment of interest on and principal of our indebtedness; 24) our exposure under our existing senior secured revolving credit facility to higher interest payments should interest rates increase substantially; 25) the effectiveness of any interest rate hedging programs; 26) the effectiveness of our internal control over financial reporting; 27) the outcome or impact of ongoing or future litigation, claims and regulatory actions; and 28) exposure to potential product liability and warranty claims. These factors are not exhaustive and it is not possible for us to predict all factors that could cause actual results to differ materially from those reflected in our forward-looking statements. These factors speak only as of the date hereof, and new factors may emerge or changes to the foregoing factors may occur that could impact our business. As with any projection or forecast, these statements are inherently susceptible to uncertainty and changes in circumstances. Except to the extent required by law, we undertake no obligation to, and expressly disclaim any obligation to, publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. 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 and Quarterly Reports on Form 10-Q.

# Non-GAAP Measure Disclosure

Management believes the non-GAAP (Generally Accepted Accounting Principles) measures used in this report provide investors with important perspectives into the company's ongoing business performance. The company does not intend for the information to be considered in isolation or as a substitute for the related GAAP measure. Other companies may define the measure differently.

## Adjusted Free Cash Flow (\$ in millions)

	4th Quarter		Twelve Months	
	2014	2013	2014	2013
<b>Cash Provided by Operating Activities</b>	\$33.3	\$61.3	\$361.6	\$260.6
Severe Weather Impact	-	10.7	-	30.3
Cash Transferred on Gulfstream Divestiture	160.0	-	160.0	-
<b>Adjusted Cash Provided by Operating Activities</b>	<u>\$193.3</u>	<u>\$72.0</u>	<u>\$521.6</u>	<u>\$290.9</u>
<b>Capital Expenditures</b>	(\$86.2)	(\$81.1)	(\$220.2)	(\$272.6)
Severe Weather Impact	-	15.0	-	38.4
<b>Adjusted Capital Expenditures</b>	<u>(\$86.2)</u>	<u>(\$66.1)</u>	<u>(\$220.2)</u>	<u>(\$234.2)</u>
<b>Adjusted Cash Provided by Operating Activities</b>	\$193.3	\$72.0	\$521.6	\$290.9
<b>Adjusted Capital Expenditures</b>	<u>(86.2)</u>	<u>(66.1)</u>	<u>(220.2)</u>	<u>(234.2)</u>
<b>Adjusted Free Cash Flow</b>	<u>\$107.1</u>	<u>\$5.9</u>	<u>\$301.4</u>	<u>\$56.7</u>

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## Adjusted EPS

	4th Quarter		Twelve Months	
	2014	2013	2014	2013
GAAP Diluted Earnings Per Share	(\$0.77)	(\$4.15)	\$2.53	(\$4.40)
Net loss impact of the Gulfstream divestiture	\$1.42 <i>a</i>	-	\$1.39 <i>a</i>	-
Impact of deferred tax asset valuation allowance not associated with the Gulfstream divestiture	0.22 <i>b</i>	-	(0.35) <i>c</i>	2.69 <i>d</i>
Diluted Shares	138.8	141.4	141.6	141.3
Adjusted Diluted Earnings Per Share	\$0.87	(\$4.15)	\$3.57	(\$1.71)

*a* Represents the net earnings per share impact of the Gulfstream divestiture of \$471.1 million charge less tax benefit of \$273.9 million.

*b* Represents the net earnings per share impact of deferred tax asset valuation allowance not associated with the Gulfstream divestiture of \$30.2 million.

*c* Represents the net earnings per share impact of deferred tax asset valuation allowance not associated with the Gulfstream divestiture of (\$49.1) million.

*d* Represents the net earnings per share impact of deferred tax asset valuation allowance not associated with the Gulfstream divestiture of \$381.0 million.

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## Free Cash Flow (\$ in millions)

	<u>Guidance</u> <u>2015</u>
<b>Cash Provided by Operating Activities</b>	\$925 - \$1,075
<b>Capital Expenditures</b>	<u>(325 - 375)</u>
<b>Free Cash Flow</b>	\$600 - \$700



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