

First Quarter 2017 Earnings Review

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May 3, 2017



Recent Highlights



B737-9 MAX Roll-Out



CH – 53K

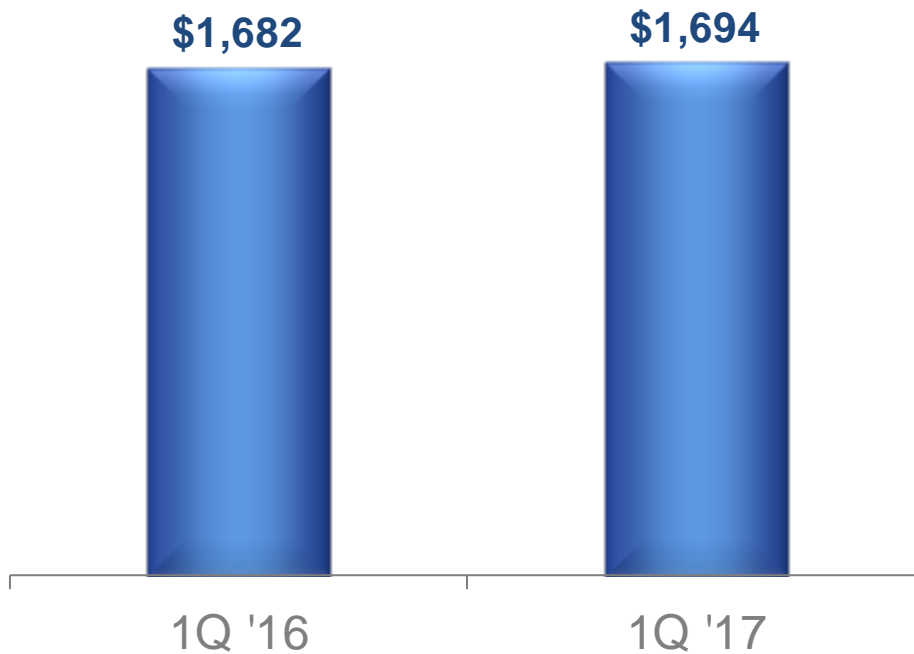


B787-10 First Flight

- Successful execution of multiple production rate changes
- Record number of A350 and A320 deliveries
- Celebrated with Boeing the completion of the 787-10 and 737 MAX 9 first flights
- CH-53K Milestone C approved by the Defense Acquisition Board
- Repurchased 1.4M shares (\$82M)

Revenue

\$ millions

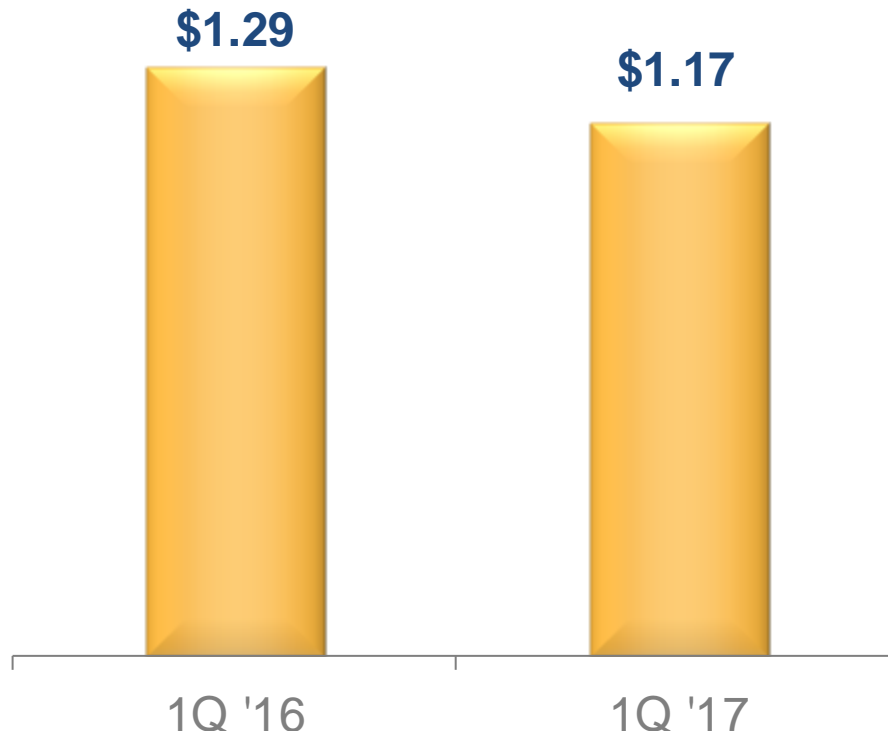


- Revenue growth 1% y/y
- Backlog at \$46 billion
- Record shipset deliveries

Met Customer Requirements on Delivery Rate

EPS (fully diluted)

\$ per share



- Higher favorable changes in estimates recognized in 1Q2016
- Lower production deliveries on B737 and B777
- Impact of severe weather event charges
- Lower share count

Net Year-Over-Year Operational Improvement

Free cash flow*

\$ millions



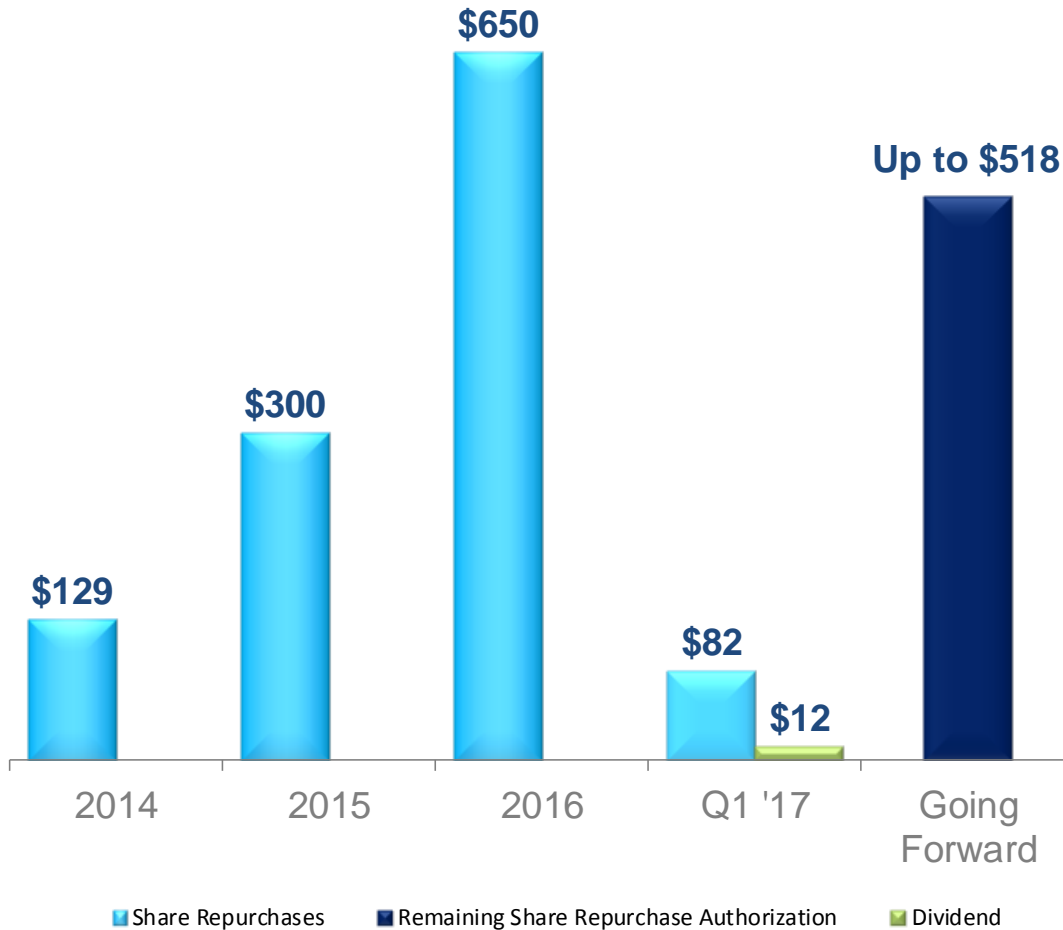
Q1 '16 Adjusted Free Cash Flow* was \$0

2017 Free Cash Flow Guidance Reaffirmed



Capital deployment

\$ millions



- Repurchased 1.4 million shares during Q1 2017
- \$518 million remaining on current share repurchase program
- \$0.10 per share quarterly dividend

Focus on Total Shareholder Return

Fuselage segment

\$ millions



Revenue



- Revenue up 5% y/y
- Higher production deliveries on A350 and increased defense-related activity
- Operating margin of 16.4%

1Q '16
\$178

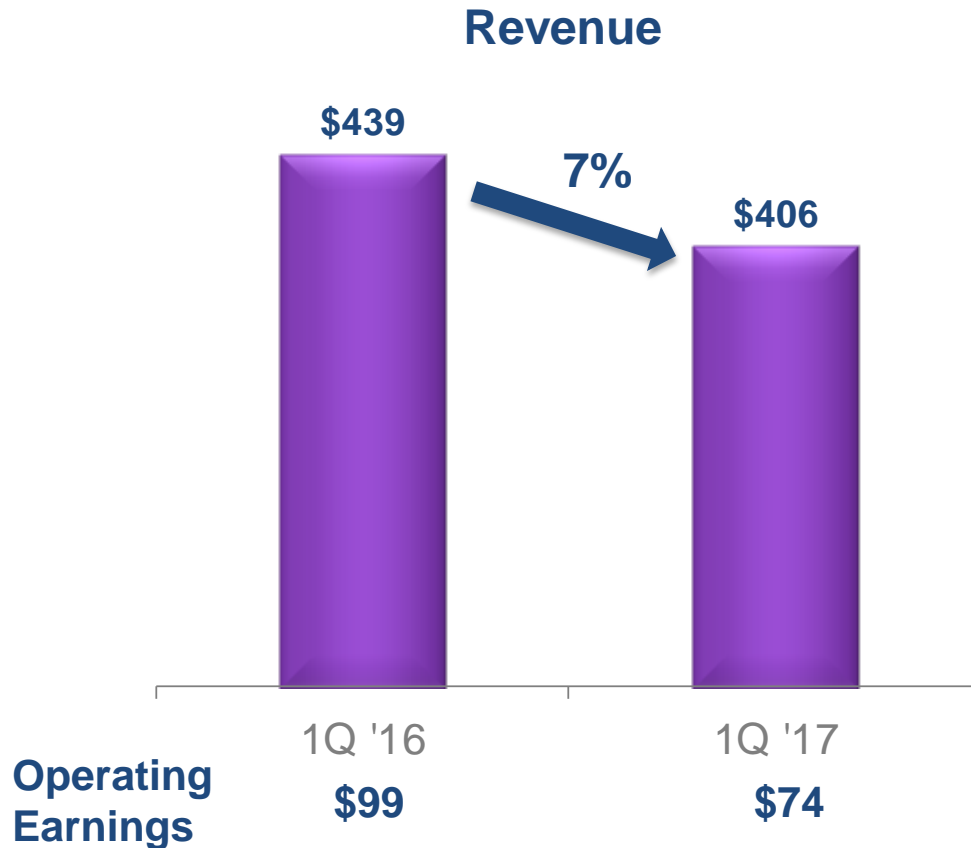
1Q '17
\$150

Operating
Earnings

Higher A350 XWB and Defense-Related Revenue

Propulsion segment

\$ millions



- Revenue down 7% y/y
- Lower production deliveries on 777 and 747
- Operating margin of 18.1%

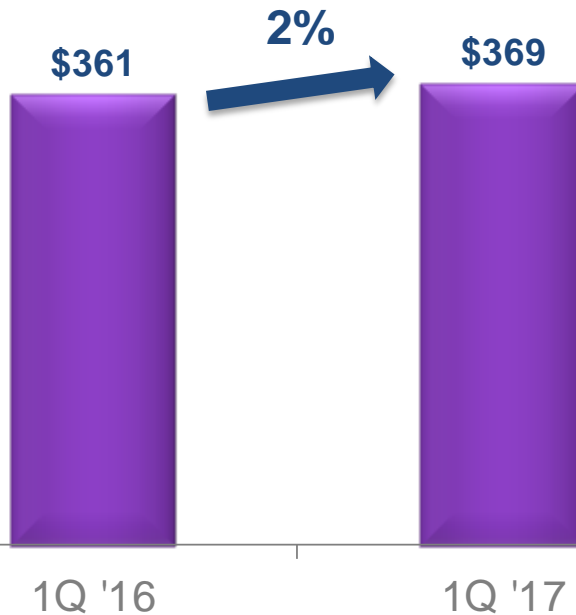
Lower 777 and 747 Deliveries

Wing segment

\$ millions



Revenue



- Revenue up 2% y/y
- Higher production deliveries on A350
- Operating margin of 16%

Higher A350 XWB Revenue

2017 Financial Guidance

Financial Guidance Unchanged May 3, 2017

	<u>2017 Guidance</u>
Revenue	\$6.8 - \$6.9 billion
Earnings Per Share (Fully Diluted)	\$4.60 - \$4.85
Effective Tax Rate	31 - 32%
Free Cash Flow*	\$450 - \$500 million



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 “aim,” “anticipate,” “believe,” “could,” “continue,” “estimate,” “expect,” “goal,” “forecast,” “intend,” “may,” “might,” “objective,” “plan,” “predict,” “project,” “should,” “target,” “will,” “would,” and other similar words or phrases, 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 aircraft demand and build rates of 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, 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 our two major customers, Boeing and Airbus, 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) the effect of potential changes in tax law, such as those outlined in recent proposals on U.S. tax reform; 20) any reduction in our credit ratings; 21) our dependence on our suppliers, as well as the cost and availability of raw materials and purchased components; 22) our ability to recruit and retain highly-skilled employees and our relationships with the unions representing many of our employees; 23) spending by the U.S. and other governments on defense; 24) the possibility that our cash flows and borrowing facility may not be adequate for our additional capital needs or for payment of interest on and principal of our indebtedness; 25) our exposure under our existing senior revolving credit facility to higher interest payments should interest rates increase substantially; 26) the effectiveness of any interest rate hedging programs; 27) the effectiveness of our internal control over financial reporting; 28) the outcome or impact of ongoing or future litigation, claims, and regulatory actions; and 29) 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.

Free Cash Flow (\$ in millions)

	First Quarter		Guidance
	2017	2016	2017
Cash Provided by Operating Activities	\$112	\$94	\$700 - \$800
Capital Expenditures	(41)	(51)	(250 - 300)
Free Cash Flow	\$71	\$43	\$450 - \$500
Cash Received under 787 Interim Pricing Agreement	-	(43)	
Adjusted Free Cash Flow	\$71	\$0	\$450 - \$500

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Normalized Segment Margins (\$ in millions)

	<u>March 30, 2017</u>	<u>As Percentage of Revenue</u>
Fuselage Systems		
Operating Earnings	\$150.4	16.4%
Changes in Estimates:		
Cumulative Catch-up Adjustment	(0.2)	
Net Forward Loss	(5.9)	
Total Changes in Estimates	<u>(\$6.1)</u>	
Normalized Fuselage Operating Earnings	<u>\$156.5</u>	<u>17.1%</u>
Propulsion Systems		
Operating Earnings	\$73.7	18.1%
Changes in Estimates:		
Cumulative Catch-up Adjustment	1.5	
Total Changes in Estimates	<u>\$1.5</u>	
Normalized Propulsion Operating Earnings	<u>\$72.2</u>	<u>17.8%</u>
Wing Systems		
Operating Earnings	\$58.5	15.9%
Changes in Estimates:		
Cumulative Catch-up Adjustment	8.0	
Change in Estimate on Loss Program	1.8	
Total Changes in Estimates	<u>\$9.8</u>	
Normalized Wing Operating Earnings	<u>\$48.7</u>	<u>13.2%</u>