

Second Quarter 2017 Earnings Review

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Summary of Boeing Memorandum of Understanding (MOU)



- Resolves open commercial issues on a range of programs, including 737 MAX and 787, into 2022
- Agrees to joint study with Boeing to develop advanced aerostructures and manufacturing processes
- Agrees on step-down pricing on 787-9 and -10 resulting in forward loss of \$353 million (net charge of \$346 million)
- Implements joint cost reduction efforts with financial incentives on 787
- Establishes productivity discounts on 737 tied to volume commitments
- Agrees on investments for rate increases on the 737 and 787
- Returns \$235 million 787 interim payment
- Moves to industry standard payment terms

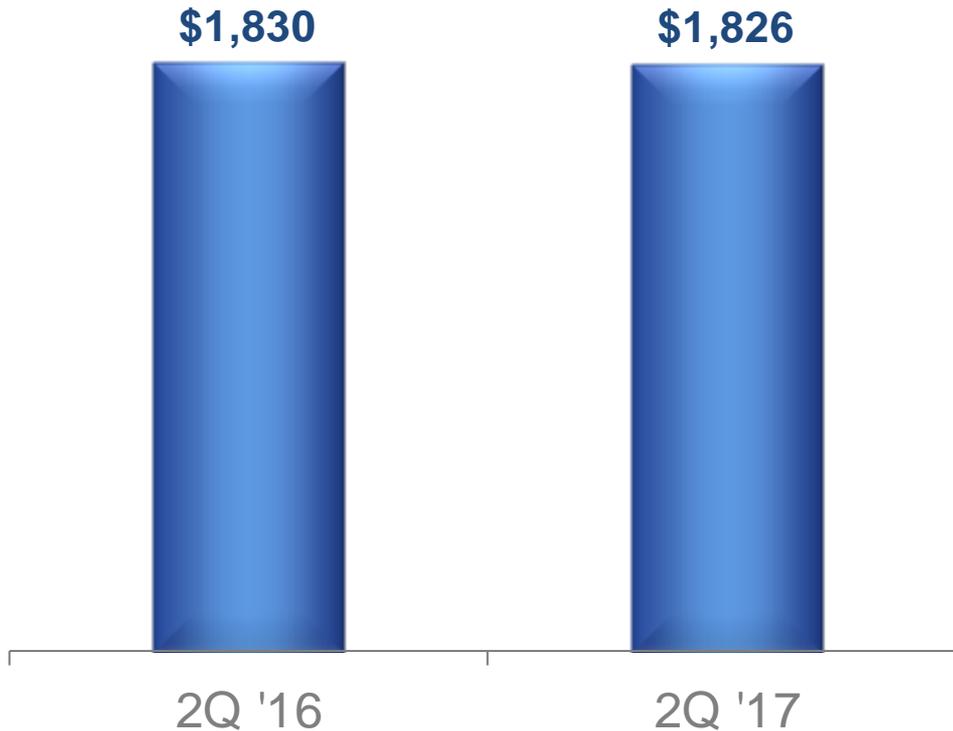
Q2 Highlights



- Celebrated with Boeing the first customer delivery of 737 MAX and the launch of MAX 10
- Delivered the 600th 787
- Repurchased 2.2M shares (\$126M)
- Established 5-axis Fabrication Center of Excellence in Wichita, KS
- Established 3- and 4-axis Fabrication Center of Excellence in McAlester, OK
- Announced plans to expand manufacturing facilities in Malaysia
- Announced technology collaboration with Norsk Titanium for 3D printing of titanium parts

Revenue

\$ millions



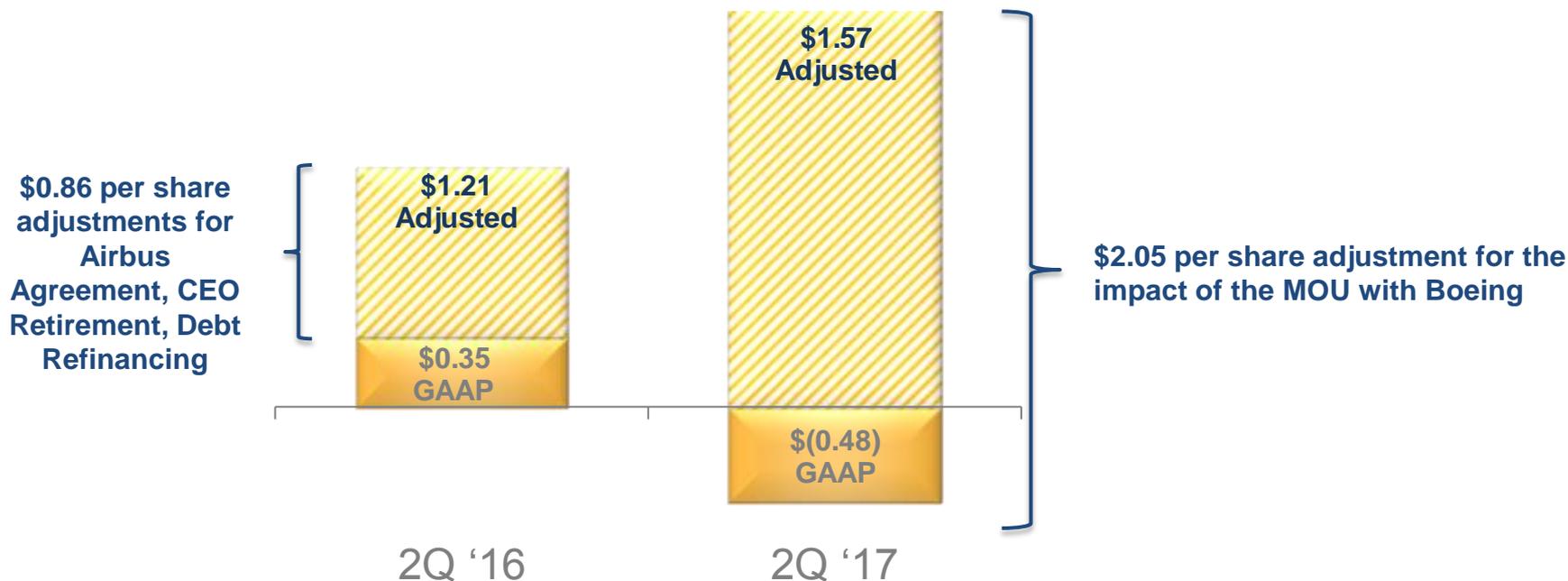
- Record shipset deliveries
- Higher deliveries on 737 and A350
- Lower deliveries on 777 and decreased GCS&S activity
- Backlog at \$46 billion

Met Customer Requirements on Delivery Rate

Adjusted EPS (fully diluted)*

\$ per share

- 30% year-over-year improvement
- Solid operational performance
- Lower share count
- Lower tax rate



2017 Adjusted EPS* Guidance Increased by \$0.40



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

Free cash flow*

\$ millions



- 9% year-over-year improvement
- Timing of CapEx
- Continued focus on cash

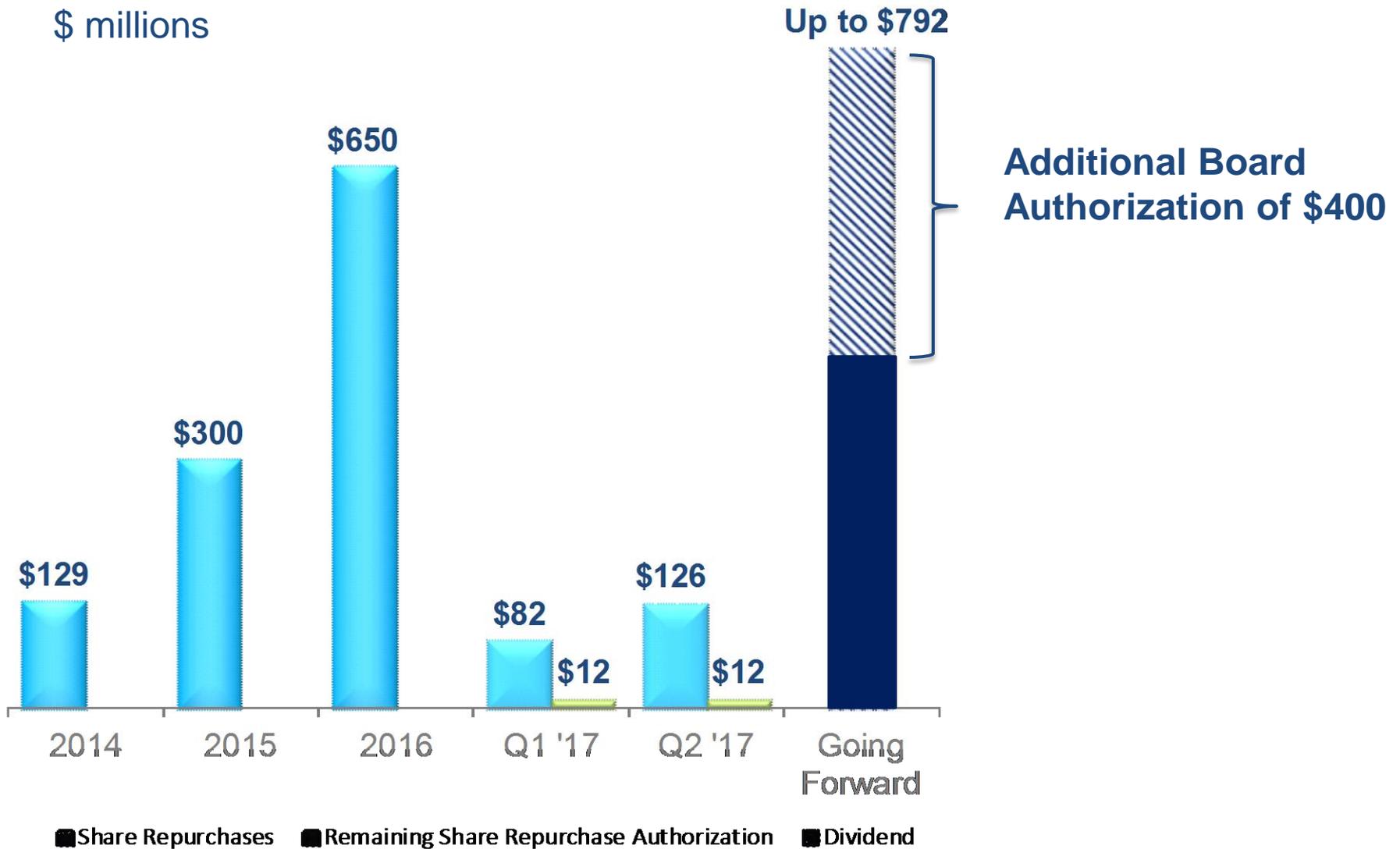
2017 FCF Guidance Increased by \$50 Million



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Capital deployment

\$ millions



Board Increased Existing Authorization to \$1 Billion

Fuselage segment

\$ millions

Revenue



- Revenue up 2% y/y
- Delivered the 600th Boeing 787 shipset
- Includes impact from MOU with Boeing of \$244.7 million

Operating Margin

2.3%

(8.5)%

Normalized Margin*

16.8%

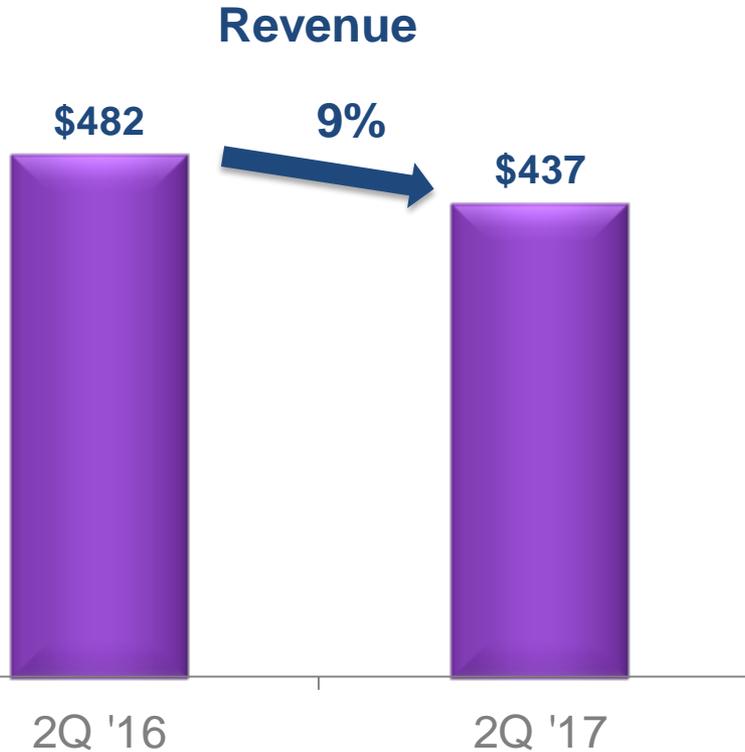
17.6%

Higher 737 and Defense-Related Revenue



Propulsion segment

\$ millions



- Revenue down 9% y/y
- Lower production deliveries on 777, lower revenue on 787, and decreased GCS&S activity
- Includes impact from MOU with Boeing of \$50.9 million

Operating Margin

15.4%

9.4%

Normalized Margin*

17.7%

19.6%

Lower 777, 787 and GCS&S Revenue



Wing segment

\$ millions



Revenue

\$424

6%

\$451

2Q '16

2Q '17

Operating Margin

15.3%

6.8%

Normalized Margin*

12.7%

14.1%

- Revenue up 6% y/y
- Higher production deliveries on A350 and A320, and higher revenue on 787
- Includes impact from MOU with Boeing of \$50.4 million

Higher A350 XWB, A320 and 787 Revenue



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2017 Financial Guidance

Financial Guidance Updated August 2, 2017

	2017 Guidance	
	Prior	New
Revenues	\$6.8 - \$6.9 billion	\$6.8 - \$6.9 billion
Earnings Per Share (Fully Diluted)	\$4.60 - \$4.85	\$2.95 - \$3.20
Adjusted Earnings Per Share (Fully Diluted)*	\$4.60 - \$4.85	\$5.00 - \$5.25
Effective Tax Rate	31 - 32%	~29%
Free Cash Flow*	\$450 - \$500 million	\$500 - \$550 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 under our new and maturing commercial, business aircraft and military development programs, and the related recurring production; 3) our ability to accurately estimate and manage performance, cost and revenue under our contracts, including our ability to achieve certain cost reductions with respect to the 787 program; 4) margin pressures and the potential for additional forward losses on new and maturing programs; 5) our ability to accommodate, and the cost of accommodating, announced increases in the build rates of certain aircraft; 6) 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; 7) customer cancellations or deferrals as a result of global economic uncertainty or otherwise; 8) 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; 9) the success and timely execution of key milestones such as the receipt of necessary regulatory approvals and customer adherence to their announced schedules; 10) our ability to successfully negotiate, or re-negotiate, future pricing under our supply agreements with Boeing and our other customers; 11) our ability to enter into profitable supply arrangements with additional customers; 12) 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; 13) 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; 14) any adverse impact on the demand for air travel or our operations from the outbreak of diseases or epidemic or pandemic outbreaks; 15) our ability to avoid or recover from cyber-based or other security attacks, information technology failures, or other disruptions; 16) returns on pension plan assets and the impact of future discount rate changes on pension obligations; 17) our ability to borrow additional funds or refinance debt; 18) competition from commercial aerospace original equipment manufacturers and other aerostructures suppliers; 19) 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; 20) the effect of potential changes in tax law, such as those outlined in recent proposals on U.S. tax reform; 21) any reduction in our credit ratings; 22) our dependence on our suppliers, as well as the cost and availability of raw materials and purchased components; 23) our ability to recruit and retain highly-skilled employees and our relationships with the unions representing many of our employees; 24) spending by the U.S. and other governments on defense; 25) 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; 26) our exposure under our existing senior revolving credit facility to higher interest payments should interest rates increase substantially; 27) the effectiveness of any interest rate hedging programs; 28) the effectiveness of our internal control over financial reporting; 29) the outcome or impact of ongoing or future litigation, claims, and regulatory actions; and 30) exposure to potential product liability and warranty claims; and (31) our ability to successfully negotiate and execute with Boeing Definitive Documentation, as defined in the MOU, to implement the MOU in the third quarter of 2017. 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 Report 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 EPS				Guidance 2017
	2nd Quarter		Six Months		
	2017	2016	2017	2016	
GAAP Diluted Earnings Per Share	(\$0.48)	\$0.35	\$0.71	\$1.65	\$2.95 - \$3.20
Impact of Airbus Agreement, CEO Retirement, and Debt Refinancing ¹	-	0.86	-	0.86	
Impact of MOU with Boeing ²	2.05	-	2.05	-	2.05
Adjusted Diluted Earnings Per Share	\$1.57	\$1.21	\$2.76	\$2.51	\$5.00 - \$5.25
Diluted Shares (in millions)	118.2	129.3	119.8	130.9	

¹ Represents the net earnings per share impact of the Airbus agreement of \$0.68, CEO retirement costs of \$0.11 and debt refinancing charge of \$0.07.

² Represents the net earnings per share impact of the MOU with Boeing of \$2.05.

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	Free Cash Flow				
	(\$ in millions)				
	<u>Second Quarter</u>		<u>Six Months</u>		<u>Guidance</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Cash Provided by Operating Activities	\$222	\$215	\$334	\$309	\$750 - \$850
Capital Expenditures	(47)	(54)	(88)	(105)	(250 - 300)
Free Cash Flow	\$175	\$161	\$246	\$204	\$500 - \$550
Cash Received under 787 Interim Pricing Agreement	-	-	-	(43)	
Adjusted Free Cash Flow	\$175	\$161	\$246	\$161	\$500 - \$550

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Normalized Segment Margins (\$ in millions)

	For the Three Months Ended June 29, 2017	As Percentage of Revenue
Fuselage Systems		
Operating Earnings	(\$80.2)	-8.5%
Adjustments to normalize earnings:		
Impact of MOU with Boeing	(244.7)	
Other Cumulative Catch-up Adjustment	0.7	
Other Net Forward Loss	(1.1)	
Total adjustments	(\$245.1)	
Normalized Fuselage Operating Earnings	\$164.9	17.6%
Propulsion Systems		
Operating Earnings	\$41.0	9.4%
Adjustments to normalize earnings:		
Impact of MOU with Boeing	(50.9)	
Other Cumulative Catch-up Adjustment	6.1	
Other Net Forward Loss	0.3	
Total adjustments	(\$44.5)	
Normalized Propulsion Operating Earnings	\$85.5	19.6%
Wing Systems		
Operating Earnings	\$30.8	6.8%
Adjustments to normalize earnings:		
Impact of MOU with Boeing	(50.4)	
Other Cumulative Catch-up Adjustment	17.5	
Other Net Forward Loss	0.1	
Total adjustments	(\$32.8)	
Normalized Wing Operating Earnings	\$63.6	14.1%

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Normalized Segment Margins (\$ in millions)

	For the Three Months Ended June 30, 2016	As Percentage of Revenue
Fuselage Systems		
Operating Earnings	\$21.0	2.3%
Changes in Estimates:		
Cumulative Catch-up Adjustment	-	
Net Forward Loss	(134.5)	
Total adjustments	(\$134.5)	
Normalized Fuselage Operating Earnings	\$155.5	16.8%
Propulsion Systems		
Operating Earnings	\$74.3	15.4%
Changes in Estimates:		
Cumulative Catch-up Adjustment	(8.8)	
Net Forward Loss	(2.4)	
Total adjustments	(\$11.2)	
Normalized Propulsion Operating Earnings	\$85.5	17.7%
Wing Systems		
Operating Earnings	\$64.8	15.3%
Changes in Estimates:		
Cumulative Catch-up Adjustment	9.8	
Net Forward Loss	1.2	
Total adjustments	\$11.0	
Normalized Wing Operating Earnings	\$53.8	12.7%