

BOEING CO

FORM 10-Q (Quarterly Report)

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **June 30, 2013**

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-442

THE BOEING COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

91-0425694

(I.R.S. Employer Identification No.)

100 N. Riverside Plaza, Chicago, IL

(Address of principal executive offices)

60606-1596

(Zip Code)

(312) 544-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 17, 2013, there were 754,444,329 shares of common stock, \$5.00 par value, issued and outstanding.

THE BOEING COMPANY
FORM 10-Q
For the Quarter Ended June 30, 2013
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Part I. Financial Information
Item 1. Financial Statements

The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

<i>(Dollars in millions, except per share data)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Sales of products	\$35,556	\$34,026	\$19,238	\$17,341
Sales of services	5,152	5,362	2,577	2,664
Total revenues	40,708	39,388	21,815	20,005
Cost of products	(30,165)	(28,420)	(16,437)	(14,759)
Cost of services	(4,004)	(4,342)	(1,995)	(1,962)
Boeing Capital interest expense	(37)	(58)	(18)	(25)
Total costs and expenses	(34,206)	(32,820)	(18,450)	(16,746)
	6,502	6,568	3,365	3,259
Income from operating investments, net	88	91	43	45
General and administrative expense	(1,900)	(1,858)	(929)	(903)
Research and development expense, net	(1,468)	(1,692)	(763)	(857)
Gain/(loss) on dispositions, net	22	(2)		(2)
Earnings from operations	3,244	3,107	1,716	1,542
Other income, net	22	22	13	10
Interest and debt expense	(195)	(220)	(96)	(106)
Earnings before income taxes	3,071	2,909	1,633	1,446
Income tax expense	(878)	(1,018)	(546)	(479)
Net earnings from continuing operations	2,193	1,891	1,087	967
Net gain/(loss) on disposal of discontinued operations, net of taxes of \$0, \$1, \$0 and \$0	1	(1)	1	
Net earnings	\$2,194	\$1,890	\$1,088	\$967
Basic earnings per share from continuing operations	\$2.88	\$2.51	\$1.43	\$1.28
Net gain/(loss) on disposal of discontinued operations, net of taxes				
Basic earnings per share	\$2.88	\$2.51	\$1.43	\$1.28
Diluted earnings per share from continuing operations	\$2.85	\$2.49	\$1.41	\$1.27
Net gain/(loss) on disposal of discontinued operations, net of taxes				
Diluted earnings per share	\$2.85	\$2.49	\$1.41	\$1.27
Cash dividends paid per share	\$0.97	\$0.88	\$0.485	\$0.44
Weighted average diluted shares (millions)	770.1	760.7	771.8	762.0

See Notes to the Condensed Consolidated Financial Statements.

The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Net earnings	\$2,194	\$1,890	\$1,088	\$967
Other comprehensive income, net of tax:				
Currency translation adjustments	(88)	(10)	(65)	(55)
Unrealized loss on derivative instruments:				
Unrealized loss arising during period, net of tax of \$51, \$7, \$36 and \$18	(89)	(12)	(63)	(30)
Reclassification adjustment for (gain)/loss included in net earnings, net of tax of \$3, (\$5), \$4 and (\$5)	(3)	8	(5)	8
Total unrealized loss on derivative instruments, net of tax	(92)	(4)	(68)	(22)
Defined benefit pension plans & other postretirement benefits:				
Amortization of prior service cost included in net periodic pension cost, net of tax of (\$3), (\$6), (\$2) and (\$3)	5	8	2	4
Net actuarial gain arising during the period, net of tax of (\$16), (\$24), \$0 and (\$15)	30	43		27
Amortization of actuarial losses included in net periodic pension cost, net of tax of (\$431), (\$375), (\$216) and (\$187)	755	653	377	327
Settlements and curtailments included in net income, net of tax of (\$5), (\$3), \$0 and (\$1)	9	5		2
Pension and post retirement benefits related to our equity method investments, net of tax (\$1), \$6, \$0 and \$2	3	(11)	1	(5)
Total defined benefit pension plans & other postretirement benefits, net of tax	802	698	380	355
Other comprehensive income, net of tax	622	684	247	278
Comprehensive income related to noncontrolling interest	21	1	19	1
Comprehensive income, net of tax	\$2,837	\$2,575	\$1,354	\$1,246

See Notes to the Condensed Consolidated Financial Statements.

The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Financial Position
(Unaudited)

<i>(Dollars in millions, except per share data)</i>	June 30 2013	December 31 2012
Assets		
Cash and cash equivalents	\$8,694	\$10,341
Short-term and other investments	5,631	3,217
Accounts receivable, net	6,406	5,608
Current portion of customer financing, net	320	364
Deferred income taxes	25	28
Inventories, net of advances and progress billings	40,234	37,751
Total current assets	61,310	57,309
Customer financing, net	3,991	4,056
Property, plant and equipment, net of accumulated depreciation of \$14,717 and \$14,645	9,814	9,660
Goodwill	5,043	5,035
Acquired intangible assets, net	3,011	3,111
Deferred income taxes	6,307	6,753
Investments	1,166	1,180
Other assets, net of accumulated amortization of \$464 and \$504	1,449	1,792
Total assets	\$92,091	\$88,896
Liabilities and equity		
Accounts payable	\$10,437	\$9,394
Accrued liabilities	12,412	12,995
Advances and billings in excess of related costs	18,145	16,672
Deferred income taxes and income taxes payable	5,072	4,485
Short-term debt and current portion of long-term debt	883	1,436
Total current liabilities	46,949	44,982
Accrued retiree health care	7,431	7,528
Accrued pension plan liability, net	20,070	19,651
Non-current income taxes payable	275	366
Other long-term liabilities	1,039	1,429
Long-term debt	8,695	8,973
Shareholders' equity:		
Common stock, par value \$5.00 – 1,200,000,000 shares authorized; 1,012,261,159 shares issued	5,061	5,061
Additional paid-in capital	4,181	4,122
Treasury stock, at cost - 258,226,771 and 256,630,628 shares	(16,412)	(15,937)
Retained earnings	31,490	30,037
Accumulated other comprehensive loss	(16,794)	(17,416)
Total shareholders' equity	7,526	5,867
Noncontrolling interest	106	100
Total equity	7,632	5,967
Total liabilities and equity	\$92,091	\$88,896

See Notes to the Condensed Consolidated Financial Statements.

The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(Unaudited)

*(Dollars in millions)***Six months ended June 30**

	2013	2012
Cash flows – operating activities:		
Net earnings	\$2,194	\$1,890
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash items –		
Share-based plans expense	107	99
Depreciation and amortization	865	848
Investment/asset impairment charges, net	26	45
Customer financing valuation benefit	(5)	(1)
(Gain)/loss on disposal of discontinued operations	(1)	2
(Gain)/loss on dispositions, net	(22)	2
Other charges and credits, net	31	361
Excess tax benefits from share-based payment arrangements	(47)	(39)
Changes in assets and liabilities –		
Accounts receivable	(550)	(310)
Inventories, net of advances and progress billings	(2,614)	(2,737)
Accounts payable	848	742
Accrued liabilities	(682)	(594)
Advances and billings in excess of related costs	1,472	(152)
Income taxes receivable, payable and deferred	608	705
Other long-term liabilities	(60)	(15)
Pension and other postretirement plans	1,638	686
Customer financing, net	188	216
Other	(5)	(3)
Net cash provided by operating activities	3,991	1,745
Cash flows – investing activities:		
Property, plant and equipment additions	(976)	(780)
Property, plant and equipment reductions	44	16
Acquisitions, net of cash acquired	(26)	(18)
Contributions to investments	(7,045)	(6,396)
Proceeds from investments	4,632	3,596
Purchase of distribution rights		(6)
Net cash used by investing activities	(3,371)	(3,588)
Cash flows – financing activities:		
New borrowings	531	24
Debt repayments	(1,361)	(1,233)
Repayments of distribution rights financing	(139)	(72)
Stock options exercised, other	484	71
Excess tax benefits from share-based payment arrangements	47	39
Employee taxes on certain share-based payment arrangements	(57)	(68)
Common shares repurchased	(1,000)	
Dividends paid	(735)	(658)
Net cash used by financing activities	(2,230)	(1,897)
Effect of exchange rate changes on cash and cash equivalents	(37)	(4)
Net decrease in cash and cash equivalents	(1,647)	(3,744)
Cash and cash equivalents at beginning of year	10,341	10,049
Cash and cash equivalents at end of period	\$8,694	\$6,305

See Notes to the Condensed Consolidated Financial Statements.

The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Equity
(Unaudited)

	Boeing shareholders						
	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non- controlling Interest	Total
<i>(Dollars in millions, except per share data)</i>							
Balance January 1, 2012	\$5,061	\$4,033	(\$16,603)	\$27,524	(\$16,500)	\$93	\$3,608
Net earnings				1,890		1	1,891
Other comprehensive income, net of tax of (\$400)					684		684
Share-based compensation and related dividend equivalents		106		(10)			96
Excess tax pools		39					39
Treasury shares issued for stock options exercised, net		(31)	104				73
Treasury shares issued for other share-based plans, net		(166)	104				(62)
Treasury shares issued for 401(k) contribution		37	193				230
Cash dividends declared (\$0.88 per share)				(661)			(661)
Changes in non-controlling interest						(6)	(6)
Balance June 30, 2012	\$5,061	\$4,018	(\$16,202)	\$28,743	(\$15,816)	\$88	\$5,892
Balance January 1, 2013	\$5,061	\$4,122	(\$15,937)	\$30,037	(\$17,416)	\$100	\$5,967
Net earnings				2,194		21	2,215
Other comprehensive income, net of tax of (\$403)					622		622
Share-based compensation and related dividend equivalents		111		(7)			104
Excess tax pools		27					27
Treasury shares issued for stock options exercised, net		45	448				493
Treasury shares issued for other share-based plans, net		(124)	77				(47)
Common shares repurchased			(1,000)				(1,000)
Cash dividends declared (\$0.97 per share)				(734)			(734)
Changes in non-controlling interest						(15)	(15)
Balance June 30, 2013	\$5,061	\$4,181	(\$16,412)	\$31,490	(\$16,794)	\$106	\$7,632

See Notes to the Condensed Consolidated Financial Statements.

The Boeing Company and Subsidiaries
Notes to Condensed Consolidated Financial Statements
Summary of Business Segment Data
(Unaudited)

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues:				
Commercial Airplanes	\$24,314	\$22,780	\$13,624	\$11,843
Defense, Space & Security:				
Boeing Military Aircraft	7,998	8,272	3,889	4,050
Network & Space Systems	4,009	3,832	2,049	1,960
Global Services & Support	4,289	4,321	2,248	2,182
Total Defense, Space & Security	16,296	16,425	8,186	8,192
Boeing Capital	209	238	104	113
Other segment	54	52	27	28
Unallocated items and eliminations	(165)	(107)	(126)	(171)
Total revenues	\$40,708	\$39,388	\$21,815	\$20,005
Earnings from operations:				
Commercial Airplanes	\$2,672	\$2,292	\$1,453	\$1,211
Defense, Space & Security:				
Boeing Military Aircraft	803	752	373	353
Network & Space Systems	293	245	137	136
Global Services & Support	512	493	266	259
Total Defense, Space & Security	1,608	1,490	776	748
Boeing Capital	63	72	19	39
Other segment	(101)	(143)	(43)	(64)
Unallocated items and eliminations	(998)	(604)	(489)	(392)
Earnings from operations	3,244	3,107	1,716	1,542
Other income, net	22	22	13	10
Interest and debt expense	(195)	(220)	(96)	(106)
Earnings before income taxes	3,071	2,909	1,633	1,446
Income tax expense	(878)	(1,018)	(546)	(479)
Net earnings from continuing operations	2,193	1,891	1,087	967
Net gain/(loss) on disposal of discontinued operations, net of taxes of \$0, \$1, \$0 and \$0	1	(1)	1	
Net earnings	\$2,194	\$1,890	\$1,088	\$967

This information is an integral part of the Notes to the Condensed Consolidated Financial Statements. See Note 18 for further segment results.

The Boeing Company and Subsidiaries
Notes to the Condensed Consolidated Financial Statements
(Dollars in millions, except per share data)
(Unaudited)

Note 1 – Basis of Presentation

The condensed consolidated interim financial statements included in this report have been prepared by management of The Boeing Company (herein referred to as “Boeing”, the “Company”, “we”, “us”, or “our”). In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation are reflected in the interim financial statements. The results of operations for the period ended June 30, 2013 are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, included in our 2012 Annual Report on Form 10-K. Amounts reported in prior periods as Interest and debt expense have been reclassified to Boeing Capital Interest expense to conform to the current period's presentation.

Use of Estimates

Management makes assumptions and estimates to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Those assumptions and estimates directly affect the amounts reported in the Condensed Consolidated Financial Statements. Significant estimates for which changes in the near term are considered reasonably possible and that may have a material impact on the financial statements are disclosed in these Notes to the Condensed Consolidated Financial Statements.

Contract accounting is used for development and production activities predominantly by Defense, Space & Security (BDS). Contract accounting involves a judgmental process of estimating total sales and costs for each contract resulting in the development of estimated cost of sales percentages. Changes in estimated revenues, cost of sales and the related effect on operating income are recognized using a cumulative catch-up adjustment which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percent complete. For the six months ended June 30, 2013 and 2012, net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by \$164 and \$234 and diluted earnings per share by \$0.15 and \$0.20. For the three months ended June 30, 2013 and 2012, net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by \$59 and \$122 and diluted earnings per share by \$0.04 and \$0.11.

Note 2 – Earnings Per Share

Basic and diluted earnings per share are computed using the two-class method, which is an earnings allocation method that determines earnings per share for common shares and participating securities. The undistributed earnings are allocated between common shares and participating securities as if all earnings had been distributed during the period. Participating securities and common shares have equal rights to undistributed earnings.

Basic earnings per share is calculated by taking net earnings, less earnings available to participating securities, divided by the basic weighted average common shares outstanding.

Diluted earnings per share is calculated by taking net earnings, less earnings available to participating securities, divided by the diluted weighted average common shares outstanding.

The elements used in the computation of basic and diluted earnings per share were as follows:

<i>(In millions - except per share amounts)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Net earnings	\$2,194	\$1,890	\$1,088	\$967
Less: earnings available to participating securities	4	4	1	1
Net earnings available to common shareholders	\$2,190	\$1,886	\$1,087	\$966
Basic				
Basic weighted average shares outstanding	763.2	754.2	763.3	755.9
Less: participating securities	2.0	2.4	1.9	2.4
Basic weighted average common shares outstanding	761.2	751.8	761.4	753.5
Diluted				
Basic weighted average shares outstanding	763.2	754.2	763.3	755.9
Dilutive potential common shares ⁽¹⁾	6.9	6.5	8.5	6.1
Diluted weighted average shares outstanding	770.1	760.7	771.8	762.0
Less: participating securities	2.0	2.4	1.9	2.4
Diluted weighted average common shares outstanding	768.1	758.3	769.9	759.6
Net earnings per share:				
Basic	\$2.88	\$2.51	\$1.43	\$1.28
Diluted	2.85	2.49	1.41	1.27

⁽¹⁾ Diluted EPS includes any dilutive impact of stock options, restricted stock units and Performance Awards.

The shares included in the following table were not included in the computation of diluted earnings per share because the effect was antidilutive. However, these shares may be dilutive potential common shares in the future.

<i>(Shares in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Stock options	9.6	22.1		25.6
Performance Awards	5.2	4.5	4.5	4.5

Note 3 – Income Taxes

Our effective income tax rates were 28.6% and 33.4% for the six and three months ended June 30, 2013 and 35.0% and 33.1% for the same periods in the prior year. The effective tax rate for the six months ended June 30, 2013 is lower than the comparable prior year period primarily due to the inclusion of U.S. research and development tax credits in 2013 which were not available in 2012. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012 that retroactively renewed the research and development tax credit for 2012 and extended the credit through December 31, 2013. As tax law changes are recognized in the period in which new legislation is enacted, the 2012 R&D credit of \$145 was recorded in the first quarter of 2013.

Federal income tax audits have been settled for all years prior to 2007. The years 2009-2010 are currently being examined by the IRS, and we have filed appeals with the IRS for tax years 2007-2008. We are also subject to examination in major state and international jurisdictions for the 2001-2012 tax years. We believe appropriate provisions for all outstanding tax issues have been made for all jurisdictions and all open years.

Audit outcomes and the timing of audit settlements are subject to significant uncertainty. It is reasonably possible that within the next 12 months we will resolve the matters presently under consideration for the 2007-2008 tax years with the IRS. Depending on the timing and outcome of the audit settlement, unrecognized tax benefits that affect the effective tax rate could increase earnings by up to \$260 based on current estimates.

Note 4 – Accounts Receivable

Accounts receivable as of June 30, 2013 , includes \$112 of unbillable receivables on a long-term contract with LightSquared, LLC (LightSquared) related to the construction of two commercial satellites. One of the satellites has been delivered, and the other is substantially complete but remains in Boeing's possession. On May 14, 2012, LightSquared filed for Chapter 11 bankruptcy protection. We believe that our rights in the second satellite and related ground-segment assets are sufficient to protect the value of our receivables in the event LightSquared fails to make payments as contractually required or rejects its contract with us. Given the uncertainties inherent in bankruptcy proceedings it is reasonably possible that we could incur losses related to these receivables in connection with the LightSquared bankruptcy.

Note 5 – Inventories

Inventories consisted of the following:

	June 30 2013	December 31 2012
Long-term contracts in progress	\$14,983	\$15,130
Commercial aircraft programs	45,877	40,389
Commercial spare parts, used aircraft, general stock materials and other	7,206	7,206
Inventory before advances and progress billings	68,066	62,725
Less advances and progress billings	(27,832)	(24,974)
Total	\$40,234	\$37,751

Long-Term Contracts in Progress

Long-term contracts in progress included Delta launch program inventory that is being sold at cost to United Launch Alliance (ULA) under an inventory supply agreement that terminates on March 31, 2021. At June 30, 2013 and December 31, 2012 , the inventory balance, net of advances, was \$665 and \$725 . At June 30, 2013 , \$390 of this inventory related to unsold launches. See Note 10 .

Inventory balances included \$237 subject to claims or other uncertainties relating to the A-12 program at June 30, 2013 and December 31, 2012 . See Note 17 .

Capitalized precontract costs of \$358 and \$238 at June 30, 2013 and December 31, 2012 , are included in inventories.

Commercial Aircraft Programs

At June 30, 2013 and December 31, 2012 , commercial aircraft programs inventory included the following amounts related to the 787 program: \$25,697 and \$21,289 of work in process (including deferred production costs of \$18,733 and \$15,929), \$1,977 and \$1,908 of supplier advances, and \$2,620 and \$2,339 of unamortized tooling and other non-recurring costs. At June 30, 2013 , \$15,674 of 787 deferred production costs, unamortized tooling and other non-recurring costs are expected to be recovered from units included in the program accounting quantity that have firm orders and \$5,679 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

At June 30, 2013 and December 31, 2012 , commercial aircraft programs inventory included the following amounts related to the 747 program: \$1,374 and \$1,292 of deferred production costs, net of previously recorded reach-forward losses, and \$627 and \$683 of unamortized tooling costs. At June 30, 2013 , \$971 of

747 deferred production costs and unamortized tooling are expected to be recovered from units included in the program accounting quantity that have firm orders and \$1,030 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

Commercial aircraft programs inventory included amounts credited in cash or other consideration (early issue sales consideration) to airline customers totaling \$3,426 and \$2,989 at June 30, 2013 and December 31, 2012 .

Note 6 – Customer Financing

Customer financing primarily relates to the BCC segment and consisted of the following:

	June 30 2013	December 31 2012
Financing receivables:		
Investment in sales-type/finance leases	\$1,759	\$1,850
Notes	611	592
Operating lease equipment, at cost, less accumulated depreciation of \$574 and \$628	1,996	2,038
Gross customer financing	4,366	4,480
Less allowance for losses on receivables	(55)	(60)
Total	\$4,311	\$4,420

We determine a receivable is impaired when, based on current information and events, it is probable that we will be unable to collect amounts due according to the original contractual terms. At June 30, 2013 and December 31, 2012 , we individually evaluated for impairment customer financing receivables of \$563 and \$616 and determined that \$420 and \$446 were impaired. We recorded no allowance for losses on these impaired receivables as the collateral values exceed the carrying values of the receivables.

The adequacy of the allowance for losses is assessed quarterly. Three primary factors influencing the level of our allowance for losses on customer financing receivables are customer credit ratings, default rates and collateral values. We assign internal credit ratings for all customers and determine the creditworthiness of each customer based upon publicly available information and information obtained directly from our customers. Our rating categories are comparable to those used by the major credit rating agencies.

Our financing receivable balances by internal credit rating category are shown below.

Rating categories	June 30 2013	December 31 2012
BBB	\$1,137	\$1,201
BB	56	63
B	149	51
CCC	465	511
D	463	524
Other	100	92
Total carrying value of financing receivables	\$2,370	\$2,442

At June 30, 2013 , our allowance primarily related to receivables with ratings of CCC and we applied default rates that averaged 46% to the exposure associated with those receivables.

In the fourth quarter of 2011, American Airlines Inc. (American Airlines) filed for Chapter 11 bankruptcy protection. We believe that our customer financing receivables from American Airlines of \$463 are sufficiently collateralized such that we do not expect to incur losses related to those receivables and have not recorded an allowance for losses as of June 30, 2013 as a result of the bankruptcy.

Customer Financing Exposure Customer financing is collateralized by security in the related asset. The value of the collateral is closely tied to commercial airline performance and overall market conditions and may be subject to reduced valuation with market decline. Declines in collateral values are also a significant driver of our allowance for losses. Generally, out-of-production aircraft have experienced greater collateral value declines than in-production aircraft. Our customer financing portfolio is primarily collateralized by out-of-production aircraft. The majority of customer financing carrying values are concentrated in the following aircraft models:

	June 30 2013	December 31 2012
717 Aircraft (\$454 and \$465 accounted for as operating leases) ⁽¹⁾	\$1,728	\$1,781
757 Aircraft (\$415 and \$454 accounted for as operating leases) ⁽¹⁾	485	561
MD-80 Aircraft (Accounted for as sales-type finance leases) ⁽¹⁾	420	446
787 Aircraft (Accounted for as operating leases)	376	286
747 Aircraft (\$238 and \$221 accounted for as operating leases)	343	221
MD-11 Aircraft (Accounted for as operating leases) ⁽¹⁾	261	269
737 Aircraft (\$147 and \$193 accounted for as operating leases)	224	316
767 Aircraft (\$62 and \$63 accounted for as operating leases)	205	223

⁽¹⁾ Out-of-production aircraft.

Note 7 – Investments

Our investments, which are recorded in Short-term and other investments or Investments, consisted of the following:

	June 30 2013	December 31 2012
Time deposits	\$5,560	\$3,135
Pledged money market funds ⁽¹⁾	46	56
Available-for-sale investments	7	9
Equity method investments ⁽²⁾	1,126	1,137
Restricted cash ⁽³⁾	24	25
Other investments	34	35
Total	\$6,797	\$4,397

⁽¹⁾ Reflects amounts pledged in lieu of letters of credit as collateral in support of our workers' compensation programs. These funds can become available within 30 days notice upon issuance of replacement letters of credit.

⁽²⁾ Dividends received were \$103 and \$53 during the six and three months ended June 30, 2013, and \$121 and \$68 during the same periods in the prior year.

⁽³⁾ Restricted to pay life insurance premiums for certain employees and certain claims related to workers' compensation.

Note 8 – Other Assets**Sea Launch**

At June 30, 2013 and December 31, 2012, Other assets included \$356 of receivables related to our former investment in the Sea Launch venture which became payable by certain Sea Launch partners following Sea Launch's bankruptcy filing in June 2009. The \$356 includes \$147 related to a payment made by us under a bank guarantee on behalf of Sea Launch and \$209 related to loans (partner loans) we made to Sea Launch. The net amounts owed to Boeing by each of the partners are as follows: S.P. Koroley Rocket and Space Corporation Energia of Russia – \$223, PO Yuzhnoye Mashinostroitelny Zavod of Ukraine – \$89 and KB Yuzhnoye of Ukraine – \$44.

Although each partner is contractually obligated to reimburse us for its share of the bank guarantee, the Russian and Ukrainian partners have raised defenses to enforcement and contested our claims. On October 19, 2009, we filed a Notice of Arbitration with the Stockholm Chamber of Commerce seeking reimbursement from the other Sea Launch partners of the \$147 bank guarantee payment. On October 7, 2010, the arbitrator ruled that the Stockholm Chamber of Commerce lacked jurisdiction to hear the matter but did not resolve the merits of our claim. We filed a notice appealing the arbitrator's ruling on January 11, 2011. The Ukrainian partners responded to our appeal on June 30, 2012 and the Russian partner responded on July 3, 2012. We filed replies on September 20, 2012. On February 1, 2013, we filed an action in the United States District Court for the Central District of California seeking reimbursement from the other Sea Launch partners of the \$147 bank guarantee payment and the \$209 partner loan obligations. We believe the partners have the financial wherewithal to pay and intend to pursue vigorously all of our rights and remedies. In the event we are unable to secure reimbursement of \$147 related to our payment under the bank guarantee and \$209 related to partner loans made to Sea Launch, we could incur additional pre-tax charges of up to \$356.

Note 9 – Commitments and Contingencies**Environmental**

The following table summarizes environmental remediation activity during the six months ended June 30, 2013 and 2012.

	2013	2012
Beginning balance – January 1	\$710	\$758
Reductions for payments made	(37)	(33)
Changes in estimates	25	45
Ending balance – June 30	\$698	\$770

The liabilities recorded represent our best estimate or the low end of a range of reasonably possible costs expected to be incurred to remediate sites, including operation and maintenance over periods of up to 30 years. It is reasonably possible that we may incur charges that exceed these recorded amounts because of regulatory agency orders and directives, changes in laws and/or regulations, higher than expected costs and/or the discovery of new or additional contamination. As part of our estimating process, we develop a range of reasonably possible alternate scenarios which include the high end of a range of reasonably possible cost estimates for all remediation sites for which we have sufficient information based on our experience and existing laws and regulations. There are some potential remediation obligations where the costs of remediation cannot be reasonably estimated. At June 30, 2013 and December 31, 2012, the high end of the estimated range of reasonably possible remediation costs exceeded our recorded liabilities by \$886 and \$865.

Product Warranties

The following table summarizes product warranty activity recorded during the six months ended June 30, 2013 and 2012 .

	2013	2012
Beginning balance – January 1	\$1,572	\$1,046
Additions for current year deliveries	231	212
Reductions for payments made	(243)	(137)
Changes in estimates	(50)	86
Ending balance – June 30	\$1,510	\$1,207

Commercial Aircraft Commitments

In conjunction with signing definitive agreements for the sale of new aircraft (Sale Aircraft), we have entered into trade-in commitments with certain customers that give them the right to trade in used aircraft at a specified price upon the purchase of Sale Aircraft. The probability that trade-in commitments will be exercised is determined by using both quantitative information from valuation sources and qualitative information from other sources. The probability of exercise is assessed quarterly, or as events trigger a change, and takes into consideration the current economic and airline industry environments. Trade-in commitments, which can be terminated by mutual consent with the customer, may be exercised only during the period specified in the agreement, and require advance notice by the customer.

Trade-in commitment agreements at June 30, 2013 have expiration dates from 2013 through 2023 . At June 30, 2013 , and December 31, 2012 total contractual trade-in commitments were \$1,448 and \$1,535 . As of June 30, 2013 and December 31, 2012 , we estimated that it was probable we would be obligated to perform on certain of these commitments with net amounts payable to customers totaling \$133 and \$108 and the fair value of the related trade-in aircraft was \$133 and \$108 .

Financing Commitments

Financing commitments related to aircraft on order, including options and those proposed in sales campaigns, totaled \$17,815 and \$18,083 as of June 30, 2013 and December 31, 2012 . The estimated earliest potential funding dates for these commitments as of June 30, 2013 are as follows:

	Total
July through December 2013	\$486
2014	2,995
2015	3,724
2016	3,272
2017	3,105
Thereafter	4,233
	\$17,815

As of June 30, 2013 , \$16,622 of these financing commitments related to customers we believe have less than investment-grade credit. We have concluded that no reserve for future potential losses is required for these financing commitments based upon the terms, such as collateralization and interest rates, under which funding would be provided.

Standby Letters of Credit and Surety Bonds

We have entered into standby letters of credit and surety bonds with financial institutions primarily relating to the guarantee of our future performance on certain contracts. Contingent liabilities on outstanding letters of credit agreements and surety bonds aggregated approximately \$4,566 and \$4,545 as of June 30, 2013 and December 31, 2012 .

Commitments to ULA

We and Lockheed Martin Corporation have each committed to provide ULA with up to \$527 of additional capital contributions in the event ULA does not have sufficient funds to make a required payment to us under an inventory supply agreement. See Note 5 .

C-17

At June 30, 2013 , our backlog included 1 C-17 aircraft under contract with the U.S. Air Force (USAF) and an international order for 8 C-17 aircraft. We are currently producing C-17 aircraft at a rate of 10 per year. Should additional orders not materialize, it is reasonably possible that we will decide in 2013 to end production of the C-17 at a future date. We are still evaluating the full financial impact of a potential production shutdown, including pension curtailment charges, and any recovery that would be available from the U.S. government. Such recovery from the U.S. government would not include the costs incurred by us resulting from our direction to suppliers to begin working on aircraft beyond those currently under contract. At June 30, 2013 , we had approximately \$620 of inventory expenditures and potential termination liabilities to suppliers primarily associated with anticipated orders from international customers for 12 aircraft.

F-15

At June 30, 2013, we had approximately \$85 of potential termination liabilities to suppliers and inventory expenditures related to an anticipated international order. Should this order not materialize, we could incur losses to settle termination liabilities and write off inventory.

U.S. Government Defense Budget/Sequestration

In August 2011, the Budget Control Act (The Act) reduced the United States defense top line budget by approximately \$490 billion through 2021. The Act further reduced the defense top line budget by an additional \$500 billion through 2021 if Congress did not enact \$1.2 trillion in further budget reductions by January 15, 2012. Should Congress in future years provide funding above the yearly spending limits of The Act, sequestration will automatically take effect and cancel any excess amount above the limits. The annual spending limits of The Act will remain in place unless and until the current law is changed.

On March 1, 2013, sequestration was implemented for the U.S. government fiscal year 2013 (FY2013) and the Office of Management and Budget (OMB) issued a report to Congress listing illustrative cuts which equal a 7.8% reduction in FY2013 non-exempt defense discretionary funding and a 5.0% reduction in non-exempt nondefense discretionary funding. However, as noted in the OMB report, the effective reduction in funds would be approximately 13% for non-exempt defense programs and 9% for non-exempt nondefense programs if implemented over the seven-month period from March 1, 2013 to September 30, 2013.

On June 10, 2013, the United States Department of Defense (U.S. DoD) released its Report on the Joint Committee Sequestration for FY2013, which summarized the budgetary resources sequestered at the U.S. DoD ' s program, project and activity levels.

The OMB report, the U.S. DoD Report and other communications with the U.S. DoD indicate that there are likely to be reductions to our defense business. However, at this time we cannot determine how sequestration will impact specific programs and contracts at Boeing. Reductions, cancellations or delays impacting existing contracts or programs could have a material effect on our results of operations, financial position and/or

cash flows. While U.S. DoD would sustain the bulk of sequestration cuts affecting the Company, civil programs and agencies could be significantly impacted as well.

BDS Fixed-Price Development Contracts

Fixed-price development work is inherently uncertain and subject to significant variability in estimates of the cost and time required to complete the work. BDS fixed-price contracts with significant development work include Airborne Early Warning and Control, Family of Advanced Beyond Line-of-Sight Terminals , India P-8I, Saudi Arabia F-15, USAF KC-46A Tanker and commercial and military satellites. The operational and technical complexities of these contracts create financial risk, which could trigger termination provisions, order cancellations or other financially significant exposure. Changes to cost and revenue estimates could also result in lower margins or a material charge for reach-forward losses during the next 12 months.

Recoverable Costs on Government Contracts

Our final incurred costs for each year are subject to audit and review for allowability by the U.S. government, which can result in payment demands related to costs they believe should be disallowed. We work with the U.S government to assess the merits of claims and where appropriate reserve for amounts disputed. If we are unable to satisfactorily resolve disputed costs, we could be required to record an earnings charge and/or provide refunds to the U.S. government.

747 and 787 Commercial Airplane Programs

The development and initial production of new commercial airplanes and new commercial airplane derivatives, which include the 747 and 787, entail significant commitments to customers and suppliers as well as substantial investments in working capital, infrastructure and research and development. The 747 and 787 programs have gross margins that are breakeven or near breakeven at June 30, 2013 .

Continued weakness in the air cargo market and lower-than-expected demand for large commercial passenger aircraft have resulted in pricing pressures and fewer 747 orders than anticipated. We continue to have a number of unsold Freighter and Intercontinental production positions beyond 2013. If we are unable to obtain orders for multiple Freighter aircraft in 2013 consistent with our near-term production plans, we may be required to take actions including further reducing the production rate and/or building airplanes for which we have not received firm orders. If market and production risks cannot be mitigated, the program could face an additional reach-forward loss that may be material.

The cumulative impacts of production challenges, change incorporation, schedule delays and customer and supplier impacts have created significant pressure on 787 program profitability. If risks related to this program, including risks associated with planned production rate increases, or introducing the 787-9 and 787-10 derivatives as scheduled cannot be mitigated, the program could face additional customer claims and/or supplier assertions, as well as a reach-forward loss that may be material.

Note 10 – Arrangements with Off-Balance Sheet Risk

We enter into arrangements with off-balance sheet risk in the normal course of business, primarily in the form of guarantees.

The following table provides quantitative data regarding our third party guarantees. The maximum potential payments represent a “worst-case scenario,” and do not necessarily reflect amounts that we expect to pay. Estimated proceeds from collateral and recourse represent the anticipated values of assets we could liquidate or receive from other parties to offset our payments under guarantees. The carrying amount of liabilities represents the amount included in Accrued liabilities.

	Maximum Potential Payments		Estimated Proceeds from Collateral/Recourse		Carrying Amount of Liabilities	
	June 30 2013	December 31 2012	June 30 2013	December 31 2012	June 30 2013	December 31 2012
Contingent repurchase commitments	\$2,170	\$2,065	\$2,165	\$2,065	\$5	\$5
Indemnifications to ULA:						
Contributed Delta program launch inventory	135	137				
Contract pricing	261	261			7	7
Other Delta contracts	234	232			8	8
Other indemnifications	116	137			26	32

Contingent Repurchase Commitments The repurchase price specified in contingent repurchase commitments is generally lower than the expected fair value at the specified repurchase date. Estimated proceeds from collateral/recourse in the table above represent the lower of the contracted repurchase price or the expected fair value of each aircraft at the specified repurchase date.

Indemnifications to ULA In 2006, we agreed to indemnify ULA through December 31, 2020 against potential non-recoverability and non-allowability of \$1,360 of Boeing Delta launch program inventory included in contributed assets plus \$1,860 of inventory subject to an inventory supply agreement which ends on March 31, 2021. Since inception, ULA has consumed \$1,225 of the \$1,360 of inventory that was contributed by us and has yet to consume \$135. ULA has made advance payments of \$1,140 to us and we have recorded revenues and cost of sales of \$868 under the inventory supply agreement through June 30, 2013.

We agreed to indemnify ULA against potential losses that ULA may incur in the event ULA is unable to obtain certain additional contract pricing from the USAF for four satellite missions. We believe ULA is entitled to additional contract pricing. In December 2008, ULA submitted a claim to the USAF to re-price the contract value for two satellite missions. In March 2009, the USAF issued a denial of that claim. In June 2009, ULA filed a notice of appeal, and in October 2009, ULA filed a complaint before the Armed Services Board of Contract Appeals (ASBCA) for a contract adjustment for the price of the two satellite missions. In September 2009, the USAF exercised its option for a third satellite mission. During the third quarter of 2010, ULA submitted a claim to the USAF to re-price the contract value of the third mission. The USAF did not exercise an option for a fourth mission prior to the expiration. In March 2011, ULA filed a notice of appeal before the ASBCA, seeking to re-price the third mission. A hearing before the ASBCA has been scheduled for November 18, 2013. On March 1, 2013, the USAF filed two motions for summary judgment before the ASBCA. ULA's oppositions to these motions were filed on April 19, 2013 and USAF filed its replies to ULA's oppositions on May 10, 2013. There is no deadline for the ASBCA to rule on these motions. If ULA is unsuccessful in obtaining additional pricing, we may be responsible for a portion of the shortfall and may record up to \$278 in pre-tax losses associated with the three missions, representing up to \$261 for the indemnification payment and up to \$17 for our portion of additional contract losses incurred by ULA.

Potential payments for Other Delta contracts include \$85 related to deferred support costs. In June 2011, the Defense Contract Management Agency (DCMA) notified ULA that it had determined that \$271 of deferred support costs are not recoverable under government contracts. In December 2011, the DCMA notified ULA of the potential non-recoverability of an additional \$114 of deferred production costs. The DCMA has not yet issued a final decision related to the recoverability of the \$114. ULA and Boeing believe that all costs are

recoverable and in November 2011, ULA filed a certified claim with the USAF for collection of deferred support and production costs. The USAF issued a final decision denying ULA's certified claim in May 2012. On June 14, 2012, Boeing and ULA filed a suit in the Court of Federal Claims seeking recovery of the deferred support and production costs from the U.S. government. On November 9, 2012, the U.S. government filed an answer to our claim and asserted a counterclaim for credits that it alleges were offset by deferred support cost invoices. We believe that the U.S. government's counterclaim is without merit, and have filed an answer challenging it on multiple grounds. The litigation proceeds, with no trial date having yet been set. If, contrary to our belief, it is determined that some or all of the deferred support or production costs are not recoverable, we could be required to record pre-tax losses and make indemnification payments to ULA for up to \$317 of the costs questioned by the DCMA.

Other Indemnifications As part of the 2004 sale agreement with General Electric Capital Corporation related to the sale of Boeing Capital's (BCC) Commercial Financial Services business, BCC is involved in a loss sharing arrangement for losses on transferred portfolio assets, such as asset sales, provisions for loss or asset impairment charges offset by gains from asset sales. At June 30, 2013 and December 31, 2012, our maximum future cash exposure to losses associated with the loss sharing arrangement was \$116 and \$137 and our accrued liability under the loss sharing arrangement was \$26 and \$32.

In conjunction with our sales of the Electron Dynamic Devices, Inc. and Rocketdyne Propulsion and Power businesses and the sale of our Commercial Airplanes facilities in Wichita, Kansas and Tulsa and McAlester, Oklahoma in 2005, we agreed to indemnify, for an indefinite period, the buyers for costs relating to pre-closing environmental contamination and certain other items. As it is impossible to assess whether there will be damages in the future or the amounts thereof (if any), we cannot estimate the maximum potential amount of future payments under these indemnities. Therefore, no liability has been recorded. There have been no claims submitted to date.

Note 11 – Debt

On May 3, 2013, we issued \$350 of fixed rate senior notes due May 15, 2018 (Fixed Rate Senior Notes) and \$150 of floating rate senior notes due November 3, 2014 (Floating Rate Senior Notes). The Fixed Rate Senior Notes bear an annual interest rate of 0.95%, and may be redeemed at our option at any time for a redemption price equal to the full principal amount plus any accrued and unpaid interest and a make-whole premium. The Floating Rate Senior Notes bear an annual interest rate of three-month LIBOR plus one basis point, and are not redeemable prior to maturity. The notes are unsecured senior obligations and rank equally in right of payment with our existing and future unsecured and unsubordinated indebtedness. The net proceeds of the issuance totaling \$494, after deducting underwriting discounts, commissions and offering expenses, were used to fund Boeing Capital Corporation.

Note 12 – Postretirement Plans

The components of net periodic benefit cost were as follows:

	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Pension Plans				
Service cost	\$946	\$822	\$473	\$411
Interest cost	1,462	1,502	731	751
Expected return on plan assets	(1,938)	(1,916)	(969)	(958)
Amortization of prior service costs	98	112	49	56
Recognized net actuarial loss	1,138	968	569	484
Settlement and curtailment loss	20	10		3
Net periodic benefit cost	\$1,726	\$1,498	\$853	\$747
Net periodic benefit cost included in Earnings from operations	\$1,544	\$1,248	\$753	\$593

	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Other Postretirement Benefit Plans				
Service cost	\$74	\$72	\$37	\$36
Interest cost	133	158	66	79
Expected return on plan assets	(4)	(4)	(2)	(2)
Amortization of prior service costs	(90)	(98)	(45)	(49)
Recognized net actuarial loss	48	60	24	30
Settlement and curtailment gain		(2)		
Net periodic benefit cost	\$161	\$186	\$80	\$94
Net periodic benefit cost included in Earnings from operations	\$179	\$282	\$88	\$133

During the six months ended June 30, 2013 and 2012 , we made discretionary pension contributions of \$13 and \$763 .

Note 13 – Share-Based Compensation and Other Compensation Arrangements

Stock Options

On February 25, 2013 , we granted to our executives 6,591,968 options with an exercise price equal to the fair market value of our stock on the date of grant and which expire 10 years after the date of grant. The stock options vest over a period of three years, with 34% vesting after the first year, 33% vesting after the second year and the remaining 33% vesting after the third year. The grant-date fair value of each stock option was \$15.85 .

Restricted Stock Units

On February 25, 2013 , we granted to our executives 1,375,414 restricted stock units (RSUs) as part of our long-term incentive program with a grant date fair value of \$75.97 per share. The RSUs granted under this program will vest and settle in common stock (on a one-for-one basis) on the third anniversary of the grant date.

Performance Awards

On February 25, 2013, we granted to our executives Performance Awards with the payout based on the achievement of financial goals for the three -year period ending December 31, 2015. The minimum payout amount is \$0 and the maximum payout is \$278.

Note 14 – Shareholders' Equity

Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive loss (AOCI) by component for the six and three months ended June 30, 2013 were as follows:

	Currency Translation Adjustments	Unrealized Gains and Losses on Certain Investments	Unrealized Gains and Losses on Derivative Instruments	Defined Benefit Pension Plans & Other Postretirement Benefits	Total ⁽¹⁾
Balance January 1, 2013	\$214	(\$8)	\$86	(\$17,708)	(\$17,416)
OCI before reclassifications	(88)		(89)	33	(144)
Amounts reclassified from AOCI			(3)	769 ⁽²⁾	766
Net current period OCI	(88)		(92)	802	622
Balance June 30, 2013	\$126	(\$8)	(\$6)	(\$16,906)	(\$16,794)
Balance March 31, 2013	\$191	(\$8)	\$62	(\$17,286)	(\$17,041)
OCI before reclassifications	(65)		(63)	1	(127)
Amounts reclassified from AOCI			(5)	379 ⁽²⁾	374
Net current period OCI	(65)		(68)	380	247
Balance June 30, 2013	\$126	(\$8)	(\$6)	(\$16,906)	(\$16,794)

⁽¹⁾ Net of tax.

⁽²⁾ Primarily relates to amortization of actuarial gains/losses for the six and three months ended June 30, 2013 totaling \$755 and \$377 (net of tax of \$431 and \$216) which is included in the net periodic pension cost of which a portion is allocated to production as inventoried costs.

Note 15 – Derivative Financial Instruments

Cash Flow Hedges

Our cash flow hedges include foreign currency forward contracts, foreign currency option contracts, commodity swaps, and commodity purchase contracts. We use foreign currency forward and option contracts to manage currency risk associated with certain transactions, specifically forecasted sales and purchases made in foreign currencies. Our foreign currency contracts hedge forecasted transactions principally occurring within five years in the future, with certain contracts hedging transactions through 2023. We use commodity derivatives, such as swaps and fixed-price purchase commitments to hedge against potentially unfavorable price changes for items used in production. Our commodity contracts hedge forecasted transactions through 2016.

Fair Value Hedges

Interest rate swaps under which we agree to pay variable rates of interest are designated as fair value hedges of fixed-rate debt. The net change in fair value of the derivatives and the hedged items is reported in Boeing Capital interest expense.

Derivative Instruments Not Receiving Hedge Accounting Treatment

We also hold certain derivative instruments, primarily foreign currency forward contracts, for risk management purposes that are not receiving hedge accounting treatment.

Notional Amounts and Fair Values

The notional amounts and fair values of derivative instruments in the Condensed Consolidated Statements of Financial Position were as follows:

	Notional amounts ⁽¹⁾		Other assets		Accrued liabilities	
	June 30 2013	December 31 2012	June 30 2013	December 31 2012	June 30 2013	December 31 2012
Derivatives designated as hedging instruments:						
Foreign exchange contracts	\$2,388	\$2,310	\$111	\$202	(\$65)	(\$16)
Interest rate contracts	313	388	17	26		
Commodity contracts	92	99			(57)	(71)
Derivatives not receiving hedge accounting treatment:						
Foreign exchange contracts	323	412	18	3	(36)	(42)
Commodity contracts	15	15			(7)	(8)
Total derivatives	3,131	3,224	146	231	(165)	(137)
Netting arrangements			(53)	(53)	53	53
Net recorded balance			\$93	\$178	(\$112)	(\$84)

⁽¹⁾ Notional amounts represent the gross contract/notional amount of the derivatives outstanding.

Gains/(losses) associated with our cash flow and undesignated hedging transactions and their effect on Other comprehensive income/(loss) and Net earnings were as follows:

	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Effective portion recognized in Other comprehensive income/(loss), net of taxes:				
Foreign exchange contracts	(\$87)	(\$1)	(\$61)	(\$33)
Commodity contracts	(2)	(11)	(2)	3
Effective portion reclassified out of Accumulated other comprehensive loss into earnings, net of taxes:				
Foreign exchange contracts	14	10	11	3
Commodity contracts	(11)	(18)	(6)	(11)
Forward points recognized in Other income/(expense), net:				
Foreign exchange contracts	22	12	14	16
Undesignated derivatives recognized in Other income/(expense), net:				
Foreign exchange contracts	14	(10)	15	(14)

Based on our portfolio of cash flow hedges, we expect to reclassify losses of \$7 (pre-tax) out of Accumulated other comprehensive loss into earnings during the next 12 months. Ineffectiveness related to our hedges recognized in Other income/(expense) was insignificant for the six and three months ended June 30, 2013 and 2012 .

We have derivative instruments with credit-risk-related contingent features. For foreign exchange contracts with original maturities of at least five years, our derivative counterparties could require settlement if we default on our five-year credit facility. For commodity contracts, our counterparties could require collateral posted in an amount determined by our credit ratings. The fair value of foreign exchange and commodity contracts that have credit-risk-related contingent features that are in a net liability position at June 30, 2013 was \$12 . At June 30, 2013 , there was no collateral posted related to our derivatives.

Note 16 – Fair Value Measurements

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value. Level 1 refers to fair values determined based on quoted prices in active markets for identical assets. Level 2 refers to fair values estimated using significant other observable inputs and Level 3 includes fair values estimated using significant unobservable inputs.

	June 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Money market funds	\$3,411	\$3,411			\$4,534	\$4,534		
Available-for-sale investments	7	5		\$2	9	6		\$3
Derivatives	93		\$93		178		\$178	
Total assets	\$3,511	\$3,416	\$93	\$2	\$4,721	\$4,540	\$178	\$3
Liabilities								
Derivatives	(\$112)		(\$112)		(\$84)		(\$84)	
Total liabilities	(\$112)		(\$112)		(\$84)		(\$84)	

Money market funds and available-for-sale equity securities are valued using a market approach based on the quoted market prices of identical instruments. Available-for-sale debt investments are primarily valued using an income approach based on benchmark yields, reported trades and broker/dealer quotes.

Derivatives include foreign currency, commodity and interest rate contracts. Our foreign currency forward contracts are valued using an income approach based on the present value of the forward rate less the contract rate multiplied by the notional amount. Commodity derivatives are valued using an income approach based on the present value of the commodity index prices less the contract rate multiplied by the notional amount. The fair value of our interest rate swaps is derived from a discounted cash flow analysis based on the terms of the contract and the interest rate curve.

Certain assets have been measured at fair value on a nonrecurring basis using significant unobservable inputs (Level 3). The following table presents the nonrecurring losses recognized for the six months ended June 30 and the fair value and asset classification of the related assets as of the impairment date:

	2013		2012	
	Fair Value	Total Losses	Fair Value	Total Losses
Operating lease equipment	\$28	(\$21)	\$25	(\$31)
Property, plant and equipment	6	(5)	18	(5)
Total	\$34	(\$26)	\$43	(\$36)

The fair value of the impaired equipment under operating lease is derived by calculating a median collateral value from a consistent group of third party aircraft value publications. The values provided by the third party aircraft publications are derived from their knowledge of market trades and other market factors. Management reviews the publications quarterly to assess the continued appropriateness and consistency with market trends. Under certain circumstances, we adjust values based on the attributes and condition of the specific aircraft or equipment, usually when the features or use of the aircraft vary significantly from the more generic aircraft attributes covered by third party publications, or on the expected net sales price for the aircraft. Property, plant and equipment was primarily valued using an income approach based on the discounted cash flows associated with the underlying assets.

For Level 3 assets that were measured at fair value on a nonrecurring basis during the six months ended June 30, 2013, the following table presents the fair value of those assets as of the measurement date, valuation techniques and related unobservable inputs of those assets.

	Fair Value	Valuation Technique(s)	Unobservable Input	Range Median or Average
Operating lease equipment	\$28	Market approach	Aircraft value publications Aircraft condition adjustments	\$18 - \$34 ⁽¹⁾ Median \$30 (\$7) - \$5 ⁽²⁾ Net (\$2)

⁽¹⁾ The range represents the sum of the highest and lowest values for all aircraft subject to fair value measurement, according to the third party aircraft valuation publications that we use in our valuation process.

⁽²⁾ The negative amount represents the sum for all aircraft subject to fair value measurement, of all downward adjustments based on consideration of individual aircraft attributes and condition. The positive amount represents the sum of all such upward adjustments.

Fair Value Disclosures

The fair values and related carrying values of financial instruments that are not required to be remeasured at fair value on the Condensed Consolidated Statements of Financial Position were as follows:

June 30, 2013					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	\$6,406	\$6,383		\$6,383	
Notes receivable, net	592	645		645	
Liabilities					
Debt, excluding capital lease obligations	(9,436)	(10,946)		(10,899)	(\$47)
December 31, 2012					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	\$5,608	\$5,642		\$5,642	
Notes receivable, net	571	632		632	
Liabilities					
Debt, excluding capital lease obligations	(10,231)	(12,269)		(12,221)	(\$48)

The fair value of Accounts receivable is based on current market rates for loans of the same risk and maturities. The fair values of our variable rate notes receivable that reprice frequently approximate their carrying

amounts. The fair values of fixed rate notes receivable are estimated with discounted cash flow analysis using interest rates currently offered on loans with similar terms to borrowers of similar credit quality. The fair value of our debt that is traded in the secondary market is classified as Level 2 and is based on current market yields. For our debt that is not traded in the secondary market, the fair value is classified as Level 2 and is based on our indicative borrowing cost derived from dealer quotes or discounted cash flows. The fair value of our debt classified as Level 3 is based on the median of the underlying collateral value as described above. With regard to other financial instruments with off-balance sheet risk, it is not practicable to estimate the fair value of our indemnifications because the amount and timing of those arrangements are uncertain. Items not included in the above disclosures include cash, restricted cash, time deposits and other deposits, commercial paper, money market funds, Accounts payable and long-term payables. The carrying values of those items, as reflected in the Condensed Consolidated Statements of Financial Position, approximate their fair value at June 30, 2013 and December 31, 2012 . The fair value of assets and liabilities whose carrying value approximates fair value is determined using Level 2 inputs, with the exception of cash (Level 1).

Note 17 – Legal Proceedings

Various legal proceedings, claims and investigations related to products, contracts and other matters are pending against us. Potentially material contingencies including A-12 and Employment, Labor and Benefits litigation are discussed below.

We are subject to various U.S. government investigations, from which civil, criminal or administrative proceedings could result or have resulted. Such proceedings involve or could involve claims by the government for fines, penalties, compensatory and treble damages, restitution and/or forfeitures. Under government regulations, a company, or one or more of its operating divisions or subdivisions, can also be suspended or debarred from government contracts, or lose its export privileges, based on the results of investigations. We believe, based upon current information, that the outcome of any such government disputes and investigations will not have a material effect on our financial position, results of operations, or cash flows, except as set forth below. Where it is reasonably possible that we will incur losses in excess of recorded amounts in connection with any of the matters set forth below, we have disclosed either the amount or range of reasonably possible losses in excess of such amounts or, where no such amount or range can be reasonably estimated, the reasons why no such estimate can be made.

A-12 Litigation

In 1991, the Department of the Navy (the Navy) notified McDonnell Douglas Corporation (now merged into The Boeing Company) and General Dynamics Corporation (together, the Team) that it was terminating for default the Team's contract for development and initial production of the A-12 aircraft.

The Team had full responsibility for performance of the contract and both contractors are jointly and severally liable for any potential liabilities resulting from the termination. The Team filed a legal action to contest the Navy's default termination, to assert its rights to convert the termination to one for "the convenience of the government," and to obtain payment for work done and costs incurred on the A-12 contract but not paid to date. As of June 30, 2013 , inventories included approximately \$587 of recorded costs on the A-12 contract, against which we have established a loss provision of \$350 . The amount of the provision, which was established in 1990, was based on McDonnell Douglas Corporation's belief, supported by an opinion of outside counsel, that the termination for default would be converted to a termination for convenience, and that the best estimate of possible loss on termination for convenience was \$350 .

The U.S. Court of Federal Claims held that the default termination decision could not be sustained and on March 31, 1998, awarded the Team \$1,200 in unreimbursed costs. The Court of Appeals for the Federal Circuit reversed in July 1999 and remanded the case back to the trial court to determine whether the Team was in fact in default. On August 31, 2001, the U.S. Court of Federal Claims issued a decision after trial upholding the government's default termination of the A-12 contract. In 2003, the Court of Appeals for the Federal Circuit, finding that the trial court had applied the wrong legal standard, vacated the trial court's 2001 decision and ordered the case sent back to the trial court for further proceedings. On May 3, 2007, the U.S. Court of Federal Claims issued a decision upholding the government's default termination of the A-12 contract.

We filed a Notice of Appeal on May 4, 2007 with the Court of Appeals for the Federal Circuit. On June 2, 2009, the Court of Appeals rendered an opinion affirming the trial court's 2007 decision sustaining the government's default termination. On May 23, 2011, the U.S. Supreme Court vacated the decision of the Court of Appeals upholding the default termination, and remanded the case to the Court of Appeals. On July 7, 2011, the Court of Appeals remanded the case to the trial court for additional factual determinations and the trial court heard oral argument on May 7, 2013. On December 29, 2009, the Navy sent letters to the Team requesting payment of \$1,352 in unliquidated progress payments, plus applicable interest. On November 15, 2011, the Navy sent a letter confirming that it would not pursue payment from the Team pending all trial court and appellate proceedings adjudicating the issues remanded by the Supreme Court.

On May 17, 2013, the President's Fiscal 2014 Budget Request to Congress included a new Department of Defense General Provision that would authorize the Secretary of the Navy to receive and retain payment in-kind in settlement of the A-12 aircraft litigation. If this legislation is enacted and the litigation is settled, we could incur a pre-tax charge to write-off A-12 costs included in inventory in addition to costs associated with an in-kind settlement. We believe it is reasonably possible that the litigation could be settled.

We believe that the termination for default is contrary to law and fact and that the loss provision established by McDonnell Douglas Corporation in 1990, which was supported by an opinion from outside counsel, continues to provide adequately for the reasonably possible reduction in value of A-12 net contracts in process as of June 30, 2013. Final resolution of the A-12 litigation will depend on whether the litigation is settled or the outcome of further proceedings. If after all legal proceedings are concluded, the court determines, contrary to our belief, that a termination for default was appropriate, we could incur an additional loss of up to \$275, consisting principally of \$237 of remaining inventory costs. If the courts further hold that a money judgment should be entered against the Team, we could be required to pay the U.S. government up to one-half of the unliquidated progress payments of \$1,350 plus statutory interest from February 1991 (currently totaling up to \$1,595). In that event, our loss would total approximately \$1,745 in pre-tax charges. Should, however, the March 31, 1998 judgment of the U.S. Court of Federal Claims in favor of the Team be reinstated, we could be entitled to receive payment of approximately \$1,191, including interest from June 26, 1991.

Employment, Labor and Benefits Litigation

In connection with the 2005 sale of our former Wichita facility to Spirit AeroSystems, Inc. (Spirit), certain individuals not hired by Spirit alleged that Spirit's hiring decisions following the sale were tainted by age discrimination, violated ERISA, violated our collective bargaining agreements, and constituted retaliation. The case was brought in 2006 as a class action on behalf of individuals not hired by Spirit. In 2012, the Tenth Circuit Court of Appeals affirmed the district court's 2010 summary judgment in favor of Boeing and Spirit on all class action claims, but the parties were not precluded from making claims on an individual basis. As of June 30, 2013, eighty-nine individuals have asserted individual claims related to this matter. Spirit has agreed to indemnify Boeing for any and all losses.

Also related to the 2005 sale of the former Wichita facility, on February 16, 2007, an action entitled *Harkness et al. v. The Boeing Company et al.* was filed in the U.S. District Court for the District of Kansas, alleging collective bargaining agreement breaches and ERISA violations in connection with alleged failures to provide benefits to certain former employees of the Wichita facility. On December 11, 2012 the court denied plaintiffs' motion for summary judgment and granted Boeing's motion for summary judgment on plaintiffs' claim that amendment of The Boeing Company Employee Retirement Plan violated the IAM collective bargaining agreement, as well as individual ERISA § 510 claims for interference with benefits. The court denied Boeing's motion for all other claims. The parties are preparing to conduct additional discovery in anticipation of further court proceedings, which have not yet been scheduled. We believe that Spirit is obligated to indemnify Boeing for any and all losses in this matter, although to date Spirit has acknowledged a limited indemnification obligation. We currently estimate that the putative class includes 2,000 former Wichita employees. We cannot reasonably estimate the range of loss, if any, that may result from both these matters given the current procedural status of the litigation.

On October 13, 2006, we were named as a defendant in a lawsuit filed in the U.S. District Court for the Southern District of Illinois. Plaintiffs, seeking to represent a class of similarly situated participants and beneficiaries in The Boeing Company Voluntary Investment Plan (the VIP), alleged that fees and expenses incurred by the VIP were and are unreasonable and excessive, not incurred solely for the benefit of the VIP and its participants, and were undisclosed to participants. The plaintiffs further alleged that defendants breached their fiduciary duties in violation of §502(a)(2) of ERISA, and sought injunctive and equitable relief pursuant to §502(a)(3) of ERISA. During the first quarter of 2010, the Seventh Circuit Court of Appeals granted a stay of trial proceedings in the district court pending resolution of an appeal made by Boeing in 2008 to the case's class certification order. On January 21, 2011, the Seventh Circuit reversed the district court's class certification order and decertified the class. The Seventh Circuit remanded the case to the district court for further proceedings. On March 2, 2011, plaintiffs filed an amended motion for class certification and a supplemental motion on August 7, 2011. Boeing's opposition to class certification was filed on September 6, 2011. Plaintiffs' reply brief in support of class certification was filed on September 27, 2011. The court has stated its intent to issue rulings on the amended motion for class certification and the alternative motion to proceed as a direct action for breach of fiduciary duty and then stay the case until it is determined if an appeal of the class certification order is filed. As a result, on September 19, 2012 the district court issued an order denying Boeing's motions for summary judgment as premature pending class determination. We cannot reasonably estimate the range of loss, if any, that may result from this matter given the current procedural status of the litigation.

Note 18 – Segment Information

Effective January 1, 2013, certain programs were realigned among BDS segments. Business segment data for all periods presented have been adjusted to reflect the realignment. Effective January 1, 2013, BCC's accounting policies for certain leasing transactions were aligned with Boeing's consolidated accounting policies. Segment information previously reported has been adjusted to reflect this change. The resulting adjustments affected the BCC and Other segments as well as consolidated amounts reported for Boeing Capital interest expense, Earnings from operations, and Interest and debt expense.

Our primary profitability measurements to review a segment's operating results are Earnings from operations and operating margins. See page 6 for a Summary of Business Segment Data, which is an integral part of this note.

Intersegment revenues, eliminated in Unallocated items and eliminations, are shown in the following table.

	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Commercial Airplanes	\$563	\$344	\$368	\$216
Boeing Capital	17	27	8	15
Total	\$580	\$371	\$376	\$231

Other segment's Loss from operations related to support provided to BCC was \$30 and \$18 during the six and three months ended June 30, 2013 and \$62 and \$24 for the same periods in the prior year.

Unallocated items and eliminations includes costs not attributable to business segments as well as intercompany profit eliminations. We generally allocate costs to business segments based on the U.S. federal cost accounting standards. Unallocated pension and other postretirement expense represents the portion of pension and other postretirement costs that are not recognized by business segments for segment reporting purposes. The business segments have traditionally been allocated pension and other postretirement costs using U.S. Government Cost Accounting Standards (CAS), which employ different actuarial assumptions and accounting conventions than Generally Accepted Accounting Principles in the United States of America (GAAP). Beginning in 2013, pension costs, comprising GAAP service and prior service costs, are allocated to Commercial Airplanes. BDS continues to be allocated CAS pension costs which are allocable to government contracts. Other postretirement costs will continue to be allocated to business segments based

on CAS, which is generally based on benefits paid. Prior year allocations have not been adjusted. Components of Unallocated items and eliminations are shown in the following table.

	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Share-based plans	(\$53)	(\$41)	(\$22)	(\$19)
Deferred compensation	(102)	(34)	(46)	2
Capitalized interest	(34)	(37)	(17)	(16)
Eliminations and other	(158)	(39)	(92)	(114)
Sub-total	(347)	(151)	(177)	(147)
Pension	(689)	(404)	(331)	(215)
Postretirement	38	(49)	19	(30)
Pension and Postretirement	(651)	(453)	(312)	(245)
Total	(\$998)	(\$604)	(\$489)	(\$392)

Segment assets are summarized in the table below:

	June 30 2013	December 31 2012
Commercial Airplanes	\$45,593	\$41,769
Defense, Space & Security:		
Boeing Military Aircraft	6,363	6,582
Network & Space Systems	6,512	6,669
Global Services & Support	3,898	3,692
Total Defense, Space & Security	16,773	16,943
Boeing Capital	4,173	4,347
Other segment	1,116	1,043
Unallocated items and eliminations	24,436	24,794
Total	\$92,091	\$88,896

Assets included in Unallocated items and eliminations primarily consist of Cash and cash equivalents, Short-term and other investments, Deferred tax assets, capitalized interest and assets held by SSG as well as intercompany eliminations.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
The Boeing Company
Chicago, Illinois

We have reviewed the accompanying condensed consolidated statement of financial position of The Boeing Company and subsidiaries (the "Company") as of June 30, 2013 , the related condensed consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2013 and 2012, and the related condensed consolidated statements of cash flows and equity for the six -month periods ended June 30, 2013 and 2012 . These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of the Company as of December 31, 2012 , and the related consolidated statements of operations, comprehensive income, equity, and cash flows for the year then ended (not presented herein); and in our report dated February 11, 2013, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph relating to the Company's retrospective adoption during the year ended December 31, 2012 of new accounting guidance related to the presentation of comprehensive income. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2012 is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

/s/ D ELOITTE & T OUCHE LLP

Chicago, Illinois

July 24, 2013

FORWARD-LOOKING STATEMENTS

This report 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 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 the "Risk Factors" on pages 6 through 15 of our most recent Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 9, 10, and 17 to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q and Current Reports on Form 8-K. Any forward-looking information 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Consolidated Operating Results

Earnings From Operations and Core Operating Earnings (Non-GAAP)

The following table summarizes key indicators of consolidated results of operations:

<i>(Dollars in millions, except per share data)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$40,708	\$39,388	\$21,815	\$20,005
GAAP				
Earnings from operations	\$3,244	\$3,107	\$1,716	\$1,542
Operating margins	8.0%	7.9%	7.9%	7.7%
Effective income tax rate	28.6%	35.0%	33.4%	33.1%
Net earnings from continuing operations	\$2,193	\$1,891	\$1,087	\$967
Diluted earnings per share	\$2.85	\$2.49	\$1.41	\$1.27
Non-GAAP ⁽¹⁾				
Core operating earnings	\$3,895	\$3,560	\$2,028	\$1,787
Core operating margin	9.6%	9.0%	9.3%	8.9%
Core earnings per share	\$3.40	\$2.88	\$1.67	\$1.48

⁽¹⁾ These measures exclude certain components of pension and postretirement benefit expense. See pages 46 - 47 for important information about these non-GAAP measures and reconciliations to the most comparable GAAP measures.

Revenues

The following table summarizes revenues:

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Commercial Airplanes	\$24,314	\$22,780	\$13,624	\$11,843
Defense, Space & Security	16,296	16,425	8,186	8,192
Boeing Capital	209	238	104	113
Other segment	54	52	27	28
Unallocated items and eliminations	(165)	(107)	(126)	(171)
Total	\$40,708	\$39,388	\$21,815	\$20,005

Revenues for the six and three months ended June 30, 2013 increased by \$1,320 million and \$1,810 million , or 3% and 9% , compared with the same periods in 2012 . Commercial Airplanes revenues increased by \$1,534 million and \$1,781 million , or 7% and 15% , due to higher new airplane deliveries partially offset by lower commercial aviation services spares revenue. Defense, Space & Security (BDS) revenues for the six and three months ended June 30, 2013 decreased by \$129 million and \$6 million . The six-month decrease was due to lower revenues in the Boeing Military Aircraft (BMA) and Global Service & Support (GS&S) segments, partially offset by higher revenues in the Network & Space Systems (N&SS) segment. The three-month decrease was due to lower revenues in the BMA segment, offset by higher revenues in the N&SS and GS&S segments.

Earnings From Operations

The following table summarizes Earnings from operations:

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Commercial Airplanes	\$2,672	\$2,292	\$1,453	\$1,211
Defense, Space & Security	1,608	1,490	776	748
Boeing Capital	63	72	19	39
Other segment	(101)	(143)	(43)	(64)
Unallocated pension/postretirement expense	(651)	(453)	(312)	(245)
Other unallocated items and eliminations	(347)	(151)	(177)	(147)
Earnings from operations (GAAP)	\$3,244	\$3,107	\$1,716	\$1,542
Unallocated pension/postretirement expense	651	453	312	245
Core operating earnings (Non-GAAP)	\$3,895	\$3,560	\$2,028	\$1,787

Earnings from operations for the six and three months ended June 30, 2013 increased by \$137 million and \$174 million compared with the same periods in 2012 primarily reflecting higher earnings at Commercial Airplanes that more than offset higher pension costs in 2013. In addition, the increase in the six-month period was partially offset by a \$121 million benefit recorded in 2012 from a favorable litigation resolution.

Core operating earnings for the six and three months ended June 30, 2013 increased by \$335 million and \$241 million compared with the same periods in 2012 due to higher earnings at Commercial Airplanes. The increase in the six-month period was offset by the 2012 benefit related to a favorable litigation resolution.

For the six and three months ended June 30, 2013, Commercial Airplanes earnings increased by \$380 million and \$242 million compared to the same periods in 2012 reflecting higher airplane deliveries and lower research and development expense. BDS earnings increased by \$118 million and \$28 million reflecting higher earnings in all three BDS segments.

Research and Development The following table summarizes our research and development expense:

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Commercial Airplanes	\$865	\$1,104	\$446	\$560
Defense, Space & Security	579	562	307	281
Other	24	26	10	16
Research and development expense, net	\$1,468	\$1,692	\$763	\$857

Research and development expense for the six and three months ended June 30, 2013 decreased by \$224 million and \$94 million compared with the same periods in 2012 primarily due to lower spending at BCA on the 787 program partially offset by increased spending on the 737 program.

Unallocated Items and Eliminations The most significant items included in Unallocated items and eliminations are shown in the following table:

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Share-based plans	(\$53)	(\$41)	(\$22)	(\$19)
Deferred compensation	(102)	(34)	(46)	2
Eliminations and other	(192)	(76)	(109)	(130)
Sub-total (included in core operating earnings*)	(347)	(151)	(177)	(147)
Pension	(689)	(404)	(331)	(215)
Postretirement	38	(49)	19	(30)
Pension and Postretirement (excluded from core operating earnings*)	(651)	(453)	(312)	(245)
Total	(\$998)	(\$604)	(\$489)	(\$392)

* Core operating earnings is a Non-GAAP measure that excludes certain components of pension and postretirement benefit expense. See pages 46 - 47 .

Deferred compensation expense increased by \$68 million and \$48 million for the six and three months ended June 30, 2013 compared with the same periods in 2012 , primarily driven by changes in our stock price.

Eliminations and other unallocated items expense for the six months ended June 30, 2013 increased by \$116 million compared with the same period in 2012 primarily due to a \$121 million benefit related to a favorable court judgment on satellite litigation in the first quarter of 2012.

We recorded net periodic benefit cost related to pensions and other postretirement benefits of \$1,887 million and \$933 million for the six and three months ended June 30, 2013 and \$1,684 million and \$841 million for the same periods in 2012 . The increase in net periodic benefit costs related to pension plans is primarily due to higher amortization of actuarial losses driven by lower discount rates.

A portion of net periodic benefit cost is recognized as product costs in Earnings from operations in the period incurred and the remainder is included in inventory at the end of the reporting period and recorded in Earnings from operations in subsequent periods. Costs are allocated to the business segments as described in Note 18 .

Net periodic benefit costs included in Earnings from operations were as follows:

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Pension Plans				
Allocated to business segments	(\$855)	(\$844)	(\$422)	(\$378)
Other unallocated items and eliminations	(689)	(404)	(331)	(215)
Total	(\$1,544)	(\$1,248)	(\$753)	(\$593)

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Other Postretirement Plans				
Allocated to business segments	(\$217)	(\$233)	(\$107)	(\$103)
Other unallocated items and eliminations	38	(49)	19	(30)
Total	(\$179)	(\$282)	(\$88)	(\$133)

Other Earnings Items

(Dollars in millions)	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Earnings from operations	\$3,244	\$3,107	\$1,716	\$1,542
Other income, net	22	22	13	10
Interest and debt expense	(195)	(220)	(96)	(106)
Earnings before income taxes	3,071	2,909	1,633	1,446
Income tax expense	(878)	(1,018)	(546)	(479)
Net earnings from continuing operations	\$2,193	\$1,891	\$1,087	\$967

Interest and debt expense for the six months ended June 30, 2013 decreased by \$25 million when compared with the same period in 2012 due to a lower weighted average debt balance.

Our effective income tax rates were 28.6% and 35.0% for the six months ended June 30, 2013 and 2012 and largely unchanged for the three months ended June 30, 2013 compared to the same period in the prior year. The effective tax rate for the six months ended June 30, 2013 is lower than the comparable prior year period primarily due to the retroactive reinstatement of the 2012 U.S. research and development tax credit which reduced income tax expense by \$145 million for the six months ended June 30, 2013.

For additional discussion related to Income Taxes, see Note 3 to our Condensed Consolidated Financial Statements.

Backlog

(Dollars in millions)	June 30 2013	December 31 2012
Total contractual backlog	\$389,231	\$372,355
Unobligated backlog	21,116	17,873

Contractual backlog of unfilled orders excludes purchase options, announced orders for which definitive contracts have not been executed, and unobligated U.S. and non-U.S. government contract funding. The increase in contractual backlog during the six months ended June 30, 2013 compared with December 31, 2012 was primarily due to commercial airplane orders in excess of deliveries partially offset by cancellation of orders.

Unobligated backlog includes U.S. and non-U.S. government definitive contracts for which funding has not been authorized. The increase in unobligated backlog during the six months ended June 30, 2013 was primarily due to CH-47 Chinook and V-22 Osprey multi-year contract orders.

Additional Considerations

KC-46A Tanker In February 2011, we were awarded a contract from the USAF to design, develop, manufacture and deliver 4 next generation aerial refueling tankers. The KC-46A Tanker will be a derivative of our 767 commercial aircraft. This contract is a fixed-price incentive firm contract valued at \$4.9 billion and involves highly complex designs and systems integration. Changes to our estimated cost to perform the work could result in a material charge. This contract contains production options. If all options under the contract are exercised, we expect to deliver 179 aircraft for a total expected contract value of approximately \$30 billion. For segment reporting purposes, backlog, revenues and costs are recorded in the Commercial Airplanes and BMA segments.

Segment Results of Operations

Commercial Airplanes

Business Environment and Trends

Airline Industry Environment Net profits for the global airline industry are now forecast to total \$13 billion in 2013 compared to \$8 billion in 2012. Industry risk remains due to ongoing economic and political uncertainty.

Our 20-year forecast is for a long-term average growth rate of 5% per year for passenger and cargo traffic, based on a projected average annual worldwide real economic growth rate of 3%. We project a \$4.8 trillion market for over 35,000 new airplanes over the next 20 years based on long-term global economic growth projections, and factoring in increased utilization of the worldwide airplane fleet and requirements to replace older airplanes.

Operating Results

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$24,314	\$22,780	\$13,624	\$11,843
Earnings from operations	\$2,672	\$2,292	\$1,453	\$1,211
Operating margins	11.0%	10.1%	10.7%	10.2%

<i>(Dollars in millions)</i>	June 30 2013	December 31 2012
Contractual backlog	\$337,691	\$317,287
Unobligated backlog	1,187	1,466

Revenues

Revenues for the six and three months ended June 30, 2013 increased by \$1,534 million and \$1,781 million or 7% and 15% compared with the same periods of 2012 due to higher new airplane deliveries.

Commercial jet aircraft deliveries, including intercompany deliveries, were as follows:

	737	747	767	777	787	Total
Deliveries during the first six months of 2013	218	12	12	47	17 ⁽¹⁾	306
Deliveries during the first six months of 2012	208	13	13	42	11	287
Deliveries during the second quarter of 2013	116	6	8	23	16 ⁽¹⁾	169
Deliveries during the second quarter of 2012	109	7	6	22	6	150
Cumulative deliveries as of 6/30/2013	4,511	1,470	1,052	1,113	66	
Cumulative deliveries as of 12/31/2012	4,293	1,458	1,040	1,066	49	

⁽¹⁾ Includes one aircraft accounted for as revenue by BCA and as an operating lease in consolidation.

Earnings From Operations

Earnings from operations for the six months ended June 30, 2013 increased by \$380 million compared with the same period of 2012. Increased earnings of \$272 million were driven primarily by higher new airplane deliveries and lower research and development cost of \$239 million due to lower spending on the 787 program partially offset by increased spending on the 737 program. Earnings were reduced by \$131 million primarily driven by higher period costs reflecting 787 engineering support costs related to the battery system and other costs associated with business growth. Operating margins increased by 0.9 percentage points to 11.0% primarily due to lower research and development cost.

Earnings from operations for the three months ended June 30, 2013 increased by \$242 million compared with the same period of 2012. Increased earnings of \$128 million were driven primarily by higher new airplane deliveries and lower research and development cost of \$114 million due to lower spending on the 787 program partially offset by increased spending on the 737 program. Operating margins increased by 0.5 percentage points to 10.7% primarily due to lower research and development cost and higher deliveries partially offset by the dilutive impact of 787 deliveries.

Backlog

The increase in contractual backlog during the six months ended June 30, 2013 was due to orders in excess of deliveries partially reduced by cancellation of orders. A number of our customers may have contractual remedies that may be implicated by program delays. We continue to address customer claims and requests for other contractual relief as they arise. However, once orders are included in firm backlog they remain in backlog until canceled or fulfilled, although the value of orders is adjusted as changes to price and schedule are agreed to with customers.

Accounting Quantity

The following table provides details of the accounting quantities and firm orders by program. Cumulative firm orders represent the cumulative number of commercial jet aircraft deliveries plus undelivered firm orders.

	Program				
As of 6/30/2013	737	747	767	777	787
Program accounting quantities	6,800	1,574	1,103	1,450	1,100
Undelivered units under firm orders	3,445	53	56	339	864
Cumulative firm orders	7,956	1,523	1,108	1,452	930

	Program				
As of 12/31/2012	737	747	767	777	787
Program accounting quantities	6,600	1,574	1,103	1,450	1,100
Undelivered units under firm orders	3,074	67	68	365	799
Cumulative firm orders	7,367	1,525	1,108	1,431	848

737 Program The accounting quantity for the 737 program increased by 200 for the three months ended June 30, 2013 due to the program 's normal progress of obtaining additional orders and delivering airplanes. We increased our production rate from 35 to 38 per month in the first quarter of 2013 and a further increase to 42 per month is planned for 2014. First delivery of the 737 MAX is expected in 2017.

747 Program In April 2013, we announced that the production rate would be decreased from 2 to 1.75 per month in January 2014. Continued weakness in the air cargo market and lower-than-expected demand for large commercial passenger aircraft have resulted in pricing pressures and fewer orders than anticipated. We continue to have a number of unsold Freighter and Intercontinental production positions beyond 2013. If we are unable to obtain orders for multiple Freighter aircraft in 2013 consistent with our near-term production plans, we may be required to take actions including further reducing the production rate and/or building airplanes for which we have not received firm orders. We also remain focused on reducing out-of-sequence

work, improving supply chain efficiency and implementing cost-reduction efforts. If market and production risks cannot be mitigated, the program could face an additional reach-forward loss that may be material.

767 Program As we reconfigure the 767 assembly line to include a 767 derivative to support the Tanker program, we began the process of decreasing our production rate from 2 to 1 per month, with completion expected during the third quarter of 2013. We then expect to increase the rate to 1.5 per month in 2014 and back to 2 per month in 2016.

777 Program We increased our production rate from 7 to 8.3 per month in the first quarter of 2013.

787 Program During the second quarter, we installed a comprehensive set of battery system improvements on 50 previously-delivered 787 airplanes and resumed 787 deliveries to customers. These improvements addressed the battery-related incidents identified in January 2013 which resulted in the suspension of 787 deliveries in the first quarter.

In May 2013, we achieved a production rate of 7 aircraft per month in final assembly and the first 787-9 began final assembly. We continue to expect to increase the production rate of 787 aircraft to 10 per month in final assembly by the end of 2013 with first deliveries occurring at that rate in early 2014. Production of the 787-9 continues to be on schedule and we expect the first customer delivery to occur in mid-2014. In June 2013, we announced the launch of the 787-10 derivative aircraft with first delivery targeted for 2018.

We continue to incorporate engineering and other design changes identified during flight testing into already completed aircraft at our Everett modification center. We also remain focused on achieving planned increases in 787 production rates while continuing to satisfy customer mission and performance requirements. We continue to monitor and address challenges associated with aircraft production and assembly, including management of our manufacturing operations and extended global supply chain, completion and integration of traveled work, as well as introduction of the 787-9 derivative into the manufacturing process. In addition, we continue to work with our customers and suppliers to assess the specific impacts of schedule changes, including requests for contractual relief related to delivery delays and supplier assertions.

During 2009, we concluded that the first three flight-test 787 aircraft could not be sold as previously anticipated due to the inordinate amount of rework and unique and extensive modifications made to those aircraft. As a result, costs associated with these airplanes were included in research and development expense. During the fourth quarter of 2012 we finalized an order for one of the three remaining flight test aircraft. We continue to believe that the other two 787 flight-test aircraft are commercially saleable and we continue to include costs related to those airplanes in program inventory at June 30, 2013. If we determine that either of the remaining aircraft cannot be sold, we may incur additional charges.

The accounting quantity of 1,100 units remains unchanged and represents approximately 10 years of production at planned production rates. The launch of the 787-10 did not result in any adjustments to the accounting quantity, revenue or cost estimates during the second quarter, although we expect 787-10 aircraft to be incorporated in these estimates in future quarters. The cumulative impacts of production challenges, change incorporation, schedule delays and customer and supplier impacts have created significant pressure on program profitability. If risks related to this program, including risks associated with planned production rate increases, or introducing the 787-9 and 787-10 derivatives as scheduled cannot be mitigated, the program could face additional customer claims and/or supplier assertions, as well as further pressures on program profitability and/or a reach-forward loss. We continue to implement mitigation plans and cost-reduction efforts to improve program profitability and address program risks.

Additional Considerations

The development and ongoing production of commercial aircraft is extremely complex, involving extensive coordination and integration with suppliers and highly-skilled labor from thousands of employees and other partners. Meeting or exceeding our performance and reliability standards, as well as those of customers and regulators, can be costly and technologically challenging. In addition, the introduction of new aircraft derivatives, such as the 787-9, 787-10 and 737 MAX, involves increased risks associated with meeting development, production and certification schedules. As a result, our ability to deliver aircraft on time, satisfy

performance and reliability standards and achieve or maintain, as applicable, program profitability is subject to significant risks. Factors that could result in lower margins (or a material charge if an airplane program has or is determined to have reach-forward losses) include the following: changes to the program accounting quantity, customer and model mix, production costs and rates, changes to price escalation factors in aircraft purchase contracts, performance or reliability issues involving completed aircraft, capital expenditures and other costs associated with increasing or adding new production capacity, learning curve, additional change incorporation, anticipated cost reductions, flight test and certification schedules, costs, schedule and demand for derivative airplanes and status of customer claims, supplier assertions and other contractual negotiations. While we believe the cost and revenue estimates incorporated in the Condensed Consolidated Financial Statements are appropriate, the technical complexity of our airplane programs creates financial risk as additional completion costs may become necessary or scheduled delivery dates could be extended, which could trigger termination provisions, order cancellations or other financially significant exposure.

Defense, Space & Security

Business Environment and Trends

U.S. Government Defense Environment Overview In August 2011, the Budget Control Act (The Act) reduced the United States defense top line budget by approximately \$490 billion through 2021. The Act further reduced the defense top line budget by an additional \$500 billion through 2021 if Congress did not enact \$1.2 trillion in further budget reductions by January 15, 2012. Should Congress in future years provide funding above the yearly spending limits of The Act, sequestration will automatically take effect and cancel any excess amount above the limits. The annual spending limits of The Act will remain in place unless and until the current law is changed.

On March 1, 2013, sequestration was implemented for the U.S. government fiscal year 2013 (FY2013) and the Office of Management and Budget (OMB) issued a report to Congress listing illustrative cuts which equal a 7.8% reduction in FY2013 non-exempt defense discretionary funding and a 5.0% reduction in non-exempt nondefense discretionary funding. However, as noted in the OMB report, the effective reduction in funds would be approximately 13% for non-exempt defense programs and 9% for non-exempt nondefense programs if implemented over the seven-month period from March 1, 2013 to September 30, 2013.

On June 10, 2013, the United States Department of Defense (U.S. DoD) released its Report on the Joint Committee Sequestration for FY2013, which summarized the budgetary resources sequestered at the U.S. DoD's program, project and activity levels.

The OMB report, the U.S. DoD Report and other communications with the U.S. DoD indicate that there are likely to be reductions to our defense business. However, at this time we cannot determine how sequestration will impact specific programs and contracts at Boeing. Reductions, cancellations or delays impacting existing contracts or programs could have a material effect on our results of operations, financial position and/or cash flows. While U.S. DoD would sustain the bulk of sequestration cuts affecting the Company, civil programs and agencies could be significantly impacted as well.

BDS Realignment

Effective January 1, 2013, certain programs were realigned between BDS segments. Business segment data for 2012 has been adjusted to reflect the realignment. See Note 18 .

Operating Results

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$16,296	\$16,425	\$8,186	\$8,192
Earnings from operations	\$1,608	\$1,490	\$776	\$748
Operating margins	9.9%	9.1%	9.5%	9.1%

<i>(Dollars in millions)</i>	June 30 2013	December 31 2012
Contractual backlog	\$51,540	\$55,068
Unobligated backlog	19,929	16,407

Revenues

BDS revenues for the six months ended June 30, 2013 decreased by \$129 million compared with the same period in 2012 due to lower revenues of \$274 million in the BMA segment and \$32 million in the GS&S segment, partially offset by higher revenues of \$177 million in the N&SS segment.

BDS revenues for the three months ended June 30, 2013 decreased by \$6 million compared with the same period in 2012 due to lower revenues of \$161 million in the BMA segment, offset by higher revenues of \$89 million in the N&SS segment and \$66 million in the GS&S segment.

Earnings From Operations

BDS operating earnings for the six and three months ended June 30, 2013 increased by \$118 million and \$28 million compared with the same periods in 2012 reflecting higher earnings in all three BDS segments. Operating margins increased to 9.9% and 9.5% .

Backlog

BDS total backlog was \$71,469 million at June 30, 2013, largely unchanged from December 31, 2012, as CH-47 Chinook and V-22 Osprey multi-year contract orders and commercial satellite contract awards were offset by revenues recognized on contracts awarded in prior years. For further details on the changes between periods, refer to the discussions of the individual segments below.

Additional Considerations

Our BDS business includes a variety of development programs which have complex design and technical challenges. Many of these programs have cost-type contracting arrangements. In these cases, the associated financial risks are primarily in reduced fees, lower profit rates or program cancellation if cost, schedule or technical performance issues arise. Examples of these programs include Ground-based Midcourse Defense (GMD), Proprietary and Space Launch Systems programs.

Some of our development programs are contracted on a fixed-price basis. Many of these programs have highly complex designs. As technical or quality issues arise during development, we may experience schedule delays and cost impacts, which could increase our estimated cost to perform the work or reduce our estimated price, either of which could result in a material charge or otherwise adversely affect our financial condition. These programs are ongoing, and while we believe the cost and fee estimates incorporated in the financial statements are appropriate, the technical complexity of these programs creates financial risk as additional completion costs may become necessary or scheduled delivery dates could be extended, which could trigger termination provisions, the loss of satellite in-orbit incentive payments, or other financially significant exposure. These programs have risk for reach-forward losses if our estimated costs exceed our estimated contract revenues. Examples of significant fixed-price development programs include Airborne Early

Warning and Control , Family of Advanced Beyond Line-of-Sight Terminals , India P-8I, Saudi Arabia F-15, USAF KC-46A Tanker, and commercial and military satellites.

Revenue and cost estimates for all significant contracts are reviewed and reassessed quarterly. Changes in these estimates could result in recognition of cumulative catch-up adjustments to the contract's inception to date revenues, cost of sales and profit, in the period in which such changes are made. Changes in revenue and cost estimates could also result in a reach-forward loss or an adjustment to a reach-forward loss, which would be recorded immediately in earnings. For the six months ended June 30, 2013 and 2012 , net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by \$164 million and \$234 million . For the three months ended June 30, 2013 and 2012 , net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by \$59 million and \$122 million .

Boeing Military Aircraft

Operating Results

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$7,998	\$8,272	\$3,889	\$4,050
Earnings from operations	\$803	\$752	\$373	\$353
Operating margins	10.0%	9.1%	9.6%	8.7%

<i>(Dollars in millions)</i>	June 30 2013	December 31 2012
Contractual backlog	\$26,475	\$29,226
Unobligated backlog	12,597	9,270

Revenues

BMA revenues for the six and three months ended June 30, 2013 decreased by \$274 million and \$161 million when compared with the same periods in 2012 .

The decrease for the six -month period was primarily due to a reduction of \$1,078 million related to the F-15 program and fewer deliveries of AEW&C aircraft. This reduction was partially offset by an increase of \$843 million related to higher 2013 deliveries of P-8 aircraft and higher deliveries and milestone revenue related to rotorcraft programs.

The decrease for the three-month period was primarily due to a reduction of \$839 million due to fewer deliveries of F-15 and AEW&C aircraft, and a change in delivery mix related to the C-17 program. This decrease was partially offset by an increase of \$655 million due to higher deliveries of P-8 aircraft and higher deliveries and milestone revenue related to rotorcraft programs.

Deliveries of units for new-build production aircraft, excluding remanufactures and modifications, were as follows:

	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
F/A-18 Models	24	24	12	12
F-15E Eagle	3	8		3
C-17 Globemaster III	6	5	3	3
CH-47 Chinook	17	22	8	12
AH-64 Apache	20	3	5	3
P-8 Models	5	1	3	
AEW&C		2		2
Total new-build production aircraft	75	65	31	35

Earnings From Operations

BMA operating earnings for the six and three months ended June 30, 2013 increased by \$51 million and \$20 million , increases of 7% and 6% compared to the same periods in 2012 . The increases were primarily due to a second quarter 2012 inventory write-down related to the A160 unmanned program and higher earnings on the P-8 and rotorcraft programs reflecting higher revenues and performance. These increases were partially offset by lower earnings on the F-15 and AEW&C programs.

Backlog

BMA total backlog was \$39,072 million at June 30, 2013 , reflecting an increase of 1% from December 31, 2012 primarily due to CH-47 Chinook and V-22 Osprey multi-year contract orders, largely offset by revenues recognized on contracts awarded in prior years.

Additional Considerations

C-17 See the discussion of the C-17 program in Note 9 to our Condensed Consolidated Financial Statements.

KC-46A Tanker See the discussion of the KC-46A Tanker program on page 33 .

Network & Space Systems

Operating Results

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$4,009	\$3,832	\$2,049	\$1,960
Earnings from operations	\$293	\$245	\$137	\$136
Operating margins	7.3%	6.4%	6.7%	6.9%

<i>(Dollars in millions)</i>	June 30 2013	December 31 2012
Contractual backlog	\$10,232	\$10,078
Unobligated backlog	6,557	6,937

Revenues

N&SS revenues for the six and three months ended June 30, 2013 increased by \$177 million and \$89 million compared with the same periods in 2012 .

The increase for the six -month period was primarily attributable to higher revenue of \$256 million in our commercial satellite programs and higher revenues of \$192 million on the Space Launch System program awarded in the fourth quarter of 2012. These increases were partially offset by a reduction of \$132 million reflecting lower sales of Delta inventory primarily due to timing of United Launch Alliance (ULA) launches.

The increase for the three-month period was primarily attributable to higher revenue of \$202 million in our commercial satellite programs and higher revenue of \$97 million on the Space Launch System program, partially offset by lower revenue of \$98 million reflecting lower sales of Delta inventory.

Earnings From Operations

N&SS operating earnings for the six and three months ended June 30, 2013 increased compared with the same periods in 2012 primarily due to higher revenues and mix in our commercial and civil satellite programs partially offset by charges related to an Electronic and Information Solutions program.

Operating earnings include equity earnings from the ULA and USA joint ventures of \$73 million and \$34 million for the six and three months ended June 30, 2013 compared to \$52 million and \$24 million for the same period in 2012 .

Backlog

N&SS total backlog was \$16,789 million at June 30, 2013 , reflecting a decrease of 1% from December 31, 2012 primarily due to revenues recognized on contracts awarded in prior years, partially offset by commercial satellite contract awards.

Additional Considerations

United Launch Alliance See the discussion of Indemnifications to ULA and Financing Commitments in Notes 5 , 9 and 10 of our Condensed Consolidated Financial Statements.

LightSquared, LLC See the discussion of the LightSquared, LLC receivables in Note 4 to our Condensed Consolidated Financial Statements.

Sea Launch See the discussion of the Sea Launch receivables in Note 8 to our Condensed Consolidated Financial Statements.

Global Services & Support

Operating Results

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$4,289	\$4,321	\$2,248	\$2,182
Earnings from operations	\$512	\$493	\$266	\$259
Operating margins	11.9%	11.4%	11.8%	11.9%

<i>(Dollars in millions)</i>	June 30 2013	December 31 2012
Contractual backlog	\$14,833	\$15,764
Unobligated backlog	775	200

Revenues

GS&S revenues for the six months ended June 30, 2013 decreased by \$32 million compared with the same period in the prior year, primarily due to lower revenues on several Integrated Logistics (IL) programs partially offset by increases on several Maintenance, Modification and Upgrade (MM&U) programs, including the C-17 Globemaster III Integrated Sustainment Program.

GS&S revenues for three months ended June 30, 2013 increased by \$66 million compared with the same period in 2012 primarily due to higher revenues on several MM&U programs.

Earnings From Operations

GS&S operating earnings for the six and three months ended June 30, 2013 increased by \$19 million and \$7 million compared with the same periods in 2012 primarily due to higher earnings on several IL programs. The three-month period increase was partially offset by reductions in Training Systems and Government Services.

Backlog

GS&S total backlog was \$15,608 million at June 30, 2013, a decrease of 2% from December 31, 2012 primarily due to revenues recognized on contracts awarded in prior years, partially offset by current year contract awards.

Boeing Capital

On January 23, 2013, Boeing Capital (BCC) terminated its debt registration statement and on February 22, 2013 BCC suspended its separate U.S. Securities and Exchange Commission reporting obligations. This change does not affect operations or customer interactions. On January 23, 2013, Boeing issued full and unconditional guarantees of all of the outstanding publicly-issued debt securities of BCC. Funding requirements will be provided to BCC through intercompany loans from Boeing and we will continue to target a BCC debt-to-equity ratio of 5.0-to-1. As described in Note 11, on May 3, 2013, Boeing issued \$500 million of notes and entered into a concurrent intercompany loan with BCC on the same terms. Interest expense associated with these notes is included in Boeing Capital interest expense. Effective January 1, 2013, BCC's accounting for certain leasing transactions was aligned with Boeing. Segment information previously reported has been adjusted to reflect this change.

Operating Results

(Dollars in millions)

	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$209	\$238	\$104	\$113
Earnings from operations	\$63	\$72	\$19	\$39
Operating margins	30%	30%	18%	35%

Revenues

BCC segment revenues consist principally of lease income from equipment under operating lease, interest income from financing receivables and notes, and other income. BCC 's revenues for the six and three months ended June 30, 2013 decreased by \$29 million and \$9 million compared with the same periods in 2012 primarily due to lower operating lease income and lower other income.

Earnings From Operations

BCC 's operating earnings are presented net of interest expense, recovery of losses, asset impairment expense, depreciation on leased equipment and other operating expenses. Operating earnings for the six months ended June 30, 2013 decreased by \$ 9 million compared with the same period in 2012 primarily due to lower revenues partially offset by lower interest expense. Operating earnings for the three months ended June 30, 2013 decreased by \$20 million primarily due to higher asset impairment expense.

Financial Position

The condensed balance sheet for BCC is shown below.

(Dollars in millions)	June 30 2013	December 31 2012
Customer financing and investment portfolio, net	\$4,139	\$4,290
Other assets, primarily cash and short-term investments	282	402
Total assets	\$4,421	\$4,692
Other liabilities, primarily deferred income taxes	\$1,348	\$1,429
Debt, including intercompany loans	2,560	2,742
Equity	513	521
Total liabilities and equity	\$4,421	\$4,692
Debt-to-equity ratio	5.0-to-1	5.3-to-1

The Customer financing portfolio and debt balances presented above as of December 31, 2012 have been revised from balances previously reported in the BCC 2012 10-K filing to reflect the alignment of BCC's accounting to the consolidated Boeing accounting for certain leasing transactions within the portfolio.

BCC 's customer financing and investment portfolio at June 30, 2013 decreased from December 31, 2012 primarily due to normal portfolio run-off and asset sales, partially offset by the origination of notes receivable. At June 30, 2013 and December 31, 2012 , BCC had \$ 222 million and \$ 354 million of assets that were held for sale or re-lease, of which \$ 187 million and \$ 266 million had either executed term sheets with deposits or firm contracts to be sold or placed on lease. Additionally, aircraft subject to leases with a carrying value of approximately \$ 34 million are scheduled to be returned off lease in the next 12 months. These aircraft are being remarketed or the leases are being extended and \$11 million of these aircraft were committed at June 30, 2013.

Bankruptcies

In 2011, American Airlines, Inc. (American Airlines) filed for Chapter 11 bankruptcy protection. American Airlines retains certain rights by operating under Chapter 11 bankruptcy protection, including the right to reject executory contracts, such as aircraft leases. American Airlines has not rejected any of the leases related to our aircraft. At June 30, 2013, American Airlines accounted for \$463 million of our customer financing portfolio, of which \$377 million represents collateral for \$206 million of non-recourse debt. We believe that our customer financing receivables from American Airlines are sufficiently collateralized such that we do not expect to incur losses related to those receivables as a result of the bankruptcy. We continue to monitor the American Airlines bankruptcy for potential impacts on our business.

Restructurings and Restructuring Requests

From time to time, certain customers have requested a restructuring of their transactions with BCC. Since December 31, 2012, BCC has not reached agreement on any restructuring requests that would have a material effect on our earnings, cash flows and/or financial position.

Other Segment

<i>(Dollars in millions)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$54	\$52	\$27	\$28
Loss from operations	(101)	(143)	(43)	(64)

Other segment losses for the six and three months ended June 30, 2013 decreased by \$42 million and \$21 million compared with the same periods in 2012 primarily due to lower asset impairment expense and support provided to BCC.

Liquidity and Capital Resources

Cash Flow Summary

<i>(Dollars in millions)</i>	Six months ended June 30	
	2013	2012
Net earnings	\$2,194	\$1,890
Non-cash items	954	1,317
Changes in working capital	843	(1,462)
Net cash provided by operating activities	3,991	1,745
Net cash used by investing activities	(3,371)	(3,588)
Net cash used by financing activities	(2,230)	(1,897)
Effect of exchange rate changes on cash and cash equivalents	(37)	(4)
Net decrease in cash and cash equivalents	(1,647)	(3,744)
Cash and cash equivalents at beginning of year	10,341	10,049
Cash and cash equivalents at end of period	\$8,694	\$6,305

Operating Activities Net cash provided by operating activities was \$4 billion during the six months ended June 30, 2013, an increase of \$2.2 billion compared with the same period in 2012 primarily due to lower working capital growth in 2013. Our investment in gross inventories increased by \$5.3 billion in the period compared with a \$3.4 billion increase in the same period in 2012, driven by higher investments in commercial airplane program inventory. Inventory growth in 2013 was partially offset by advances and progress billings which increased by \$4.3 billion for the period compared with an increase of \$0.5 billion for the same period.

in 2012 due to payments from commercial airplane customers. Discretionary contributions to our pension plans totaled \$13 million during the six months ended June 30, 2013 compared with \$763 million in the same period last year.

Investing Activities Cash used by investing activities totaled \$3.4 billion during the six months ended June 30, 2013 compared with \$3.6 billion used during the same period in 2012 , largely due to lower net contributions to investments in time deposits in the prior year partially offset by increased capital expenditures. Net contributions to investments were \$2.4 billion in 2013 compared with net contributions to investments of \$2.8 billion for the comparable period in 2012 . In 2013 , capital expenditures totaled \$1 billion , compared with \$0.8 billion for the same period in the prior year. We expect capital expenditures to remain higher in 2013 due to continued investment to support growth.

Financing Activities Cash used by financing activities was \$2.2 billion during the six months ended June 30, 2013 , compared with \$1.9 billion in the same period in 2012 primarily due to share repurchases of \$1 billion in 2013 partially offset by new borrowings in the current year.

On May 3, 2013, we issued notes totaling \$0.5 billion to fund the BCC segment. During the six months ended June 30, 2013 , we repaid \$1.4 billion of debt, including repayments of \$0.6 billion of debt held at BCC. During the six months ended June 30, 2012 , we repaid \$1.2 billion of debt. At June 30, 2013 , the recorded balance of debt was \$9.6 billion of which \$0.9 billion was classified as short-term.

During the six months ended June 30, 2013 , we repurchased 10.2 million shares at an average price of \$97.82 through our open market share repurchase program. We expect repurchases to total between \$1.5 and \$2 billion in 2013. In addition, 0.7 million shares were transferred to us from employees for tax withholding.

Capital Resources We have substantial borrowing capacity. Any future borrowings may affect our credit ratings and are subject to various debt covenants as described below. We have a commercial paper program that continues to serve as a significant potential source of short-term liquidity. At June 30, 2013 , we had no commercial paper borrowings outstanding. Currently, we have \$4.6 billion of unused borrowing on revolving credit line agreements. We anticipate that these credit lines will primarily serve as backup liquidity to support our general corporate borrowing needs.

Financing commitments totaled \$17.8 billion and \$18.1 billion at June 30, 2013 and December 31, 2012 . We anticipate that we will not be required to fund a significant portion of our financing commitments as we continue to work with third party financiers to provide alternative financing to customers. Historically, we have not been required to fund significant amounts of outstanding commitments. However, there can be no assurances that we will not be required to fund greater amounts than historically required.

In the event we require additional funding to support strategic business opportunities, commercial aircraft financing commitments, unfavorable resolution of litigation or other loss contingencies, or other business requirements, we expect to meet increased funding requirements by issuing commercial paper or term debt. We believe our ability to access external capital resources should be sufficient to satisfy existing short-term and long-term commitments and plans, and also to provide adequate financial flexibility to take advantage of potential strategic business opportunities should they arise within the next year. However, there can be no assurance of the cost or availability of future borrowings.

At June 30, 2013 , we were in compliance with the covenants for our debt and credit facilities. The most restrictive covenants include a limitation on mortgage debt and sale and leaseback transactions as a percentage of consolidated net tangible assets (as defined in the credit agreements), and a limitation on consolidated debt as a percentage of total capital (as defined). When considering debt covenants, we continue to have substantial borrowing capacity.

Off-Balance Sheet Arrangements

We are a party to certain off-balance sheet arrangements including certain guarantees. For discussion of these arrangements, see Note 10 to our Condensed Consolidated Financial Statements.

Contingent Obligations

We have significant contingent obligations that arise in the ordinary course of business, which include the following:

Legal Various legal proceedings, claims and investigations are pending against us. Legal contingencies are discussed in Note 17 to our Condensed Consolidated Financial Statements, including our contesting the default termination of the contract for A-12 aircraft and certain employment, labor and benefits litigation.

Environmental Remediation We are involved with various environmental remediation activities and have recorded a liability of \$698 million at June 30, 2013. For additional information, see Note 9 to our Condensed Consolidated Financial Statements.

Income Taxes We have recorded a liability of \$ 1,181 million at June 30, 2013 for uncertain tax positions. For further discussion of income taxes, see Note 3 to our Condensed Consolidated Financial Statements.

Non-GAAP Measures

Core Operating Earnings, Core Operating Margin and Core Earnings Per Share

Our unaudited condensed consolidated interim financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP) which we supplement with certain non-GAAP financial information. These non-GAAP measures should not be considered in isolation or as a substitute for the related GAAP measures, and other companies may define such measures differently. We encourage investors to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Core operating earnings, core operating margin and core earnings per share exclude the impact of unallocated pension and postretirement expenses which represent costs not attributable to business segments - see Note 18 to our Condensed Consolidated Financial Statements. Management uses core operating earnings, core operating margin and core earnings per share for purposes of evaluating and forecasting underlying business performance. Management believes these core earnings measures provide investors additional insights into operational performance as unallocated pension and post-retirement costs, primarily represent costs driven by market factors and costs not allocable to U.S. government contracts.

Reconciliation of GAAP Measures to Non-GAAP Measures

The table below reconciles the non-GAAP financial measures of core operating earnings, core operating margin and core earnings per share with the most directly comparable GAAP financial measures of earnings from operations, operating margins and diluted earnings per share.

<i>(Dollars in millions, except per share data)</i>	Six months ended June 30		Three months ended June 30	
	2013	2012	2013	2012
Revenues	\$40,708	\$39,388	\$21,815	\$20,005
Earnings from operations, as reported	\$3,244	\$3,107	\$1,716	\$1,542
Operating margins	8.0%	7.9%	7.9%	7.7%
Unallocated pension/postretirement expense	\$651	\$453	\$312	\$245
Core operating earnings (non-GAAP)	\$3,895	\$3,560	\$2,028	\$1,787
Core operating margins (non-GAAP)	9.6%	9.0%	9.3%	8.9%
Diluted earnings per share, as reported	\$2.85	\$2.49	\$1.41	\$1.27
Unallocated pension/postretirement expense ⁽¹⁾	\$0.55	\$0.39	\$0.26	\$0.21
Core earnings per share (non-GAAP)	\$3.40	\$2.88	\$1.67	\$1.48
Weighted average diluted shares (in millions)	770.1	760.7	771.8	762.0

⁽¹⁾ Earnings per share impact is presented net of the federal statutory rate of 35.0%.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our market risk since December 31, 2012 .

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

Our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of June 30, 2013 and have concluded that these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting.

There were no changes that occurred during the second quarter of 2013 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Part II. Other Information**Item 1. Legal Proceedings**

Currently, we are involved in a number of legal proceedings. For a discussion of contingencies related to legal proceedings, see Note 17 to our Condensed Consolidated Financial Statements, which is hereby incorporated by reference.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012 .

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Issuer Purchases of Equity Securities**

The following table provides information about purchases we made during the quarter ended June 30, 2013 of equity securities that are registered by us pursuant to Section 12 of the Exchange Act:

(Dollars in millions, except per share data)

	(a)	(b)	(c)	(d)
	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs ⁽²⁾
4/1/2013 thru 4/30/2013	56,916	\$85.50		\$3,610
5/1/2013 thru 5/31/2013	6,872,647	96.88	6,868,263	2,945
6/1/2013 thru 6/30/2013	3,358,307	99.72	3,356,518	2,610
Total	10,287,870	\$97.74	10,224,781	

⁽¹⁾ We purchased an aggregate of 10,224,781 shares of our common stock in the open market pursuant to our repurchase program and 62,992 shares transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period. In addition, we purchased an aggregate of 97 shares in swap transactions.

⁽²⁾ On October 29, 2007, the Board approved the repurchase of up to \$7 billion of common stock (the Program). Unless terminated earlier by a Board resolution, the Program will expire when we have used all authorized funds for repurchase. In February 2009, repurchases were suspended and in May 2013 were resumed.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

10 (i)	Notice of Terms of Restricted Stock Units dated February 25, 2013.
10 (ii)	Supplemental Executive Retirement Plan for Employees of The Boeing Company, as Amended and Restated as of May 1, 2013.
12	Computation of Ratio of Earnings to Fixed Charges.
15	Letter from Independent Registered Public Accounting Firm regarding unaudited interim financial information.
31(i)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(ii)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(i)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(ii)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

In accordance with Item 601(b)(4)(iii)(A) of Regulation S-K, copies of certain instruments defining the rights of holders of long-term debt of the Company are not filed herewith. Pursuant to this regulation, we hereby agree to furnish a copy of any such instrument to the SEC upon request.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE BOEING COMPANY

(Registrant)

July 24, 2013

(Date)

/s/ D IANA L. S ANDS

Diana L. Sands
Vice President of Finance
& Corporate Controller

**SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
FOR EMPLOYEES OF THE BOEING COMPANY
(As Amended and Restated as of May 1, 2013)**

SECTION 1. PURPOSE OF THE PLAN

The Supplemental Executive Retirement Plan for Employees of The Boeing Company was originally effective January 1, 1999. Prior to 2008, the plan provided two separate benefits to participants, the Supplemental Benefit and the Excess Benefit. The purpose of the Supplemental Benefit is to provide retirement benefits to supplement the benefits provided by the Pension Value Plan, for a select group of management or highly compensated employees of The Boeing Company and its Affiliates or Subsidiaries who are participants in the Pension Value Plan. The purpose of the Excess Benefit component is to provide restoration and excess benefits to eligible employees of The Boeing Company and its Affiliates or Subsidiaries who are participants in the Pension Value Plan. Effective January 1, 2008, for ease of communications with participants, the plan was restated to merge both components into a single SERP Benefit. This change was not intended to have a substantive impact on participant benefits.

The adoption of the Plan is not intended to result in any duplication of benefits by awarding additional benefits for any period of service with the Company for which the participant is otherwise entitled to benefits under another non-qualified plan. The Committee will have sole and absolute discretion in determining whether an adjustment in benefits under this Plan is necessary to prevent a prohibited duplication of benefits.

The Plan was restated effective January 1, 2008 to comply with section 409A of the Internal Revenue Code of 1986, as amended. The Plan was restated effective January 1, 2009 to make additional clarifying changes. The Plan was restated effective as of May 1, 2013 to make Domestic Partners and Same Sex Spouses eligible for pre-commencement survivor benefits and optional forms of benefit with a survivor annuity under the Plan. The extension of the optional forms of benefit shall be effective for Participants with a Benefit Commencement Date on or after May 1, 2013.

SECTION 2. DEFINITIONS

Except as otherwise specified in this Section, capitalized terms have the same meaning as provided for those terms under the Pension Value Plan.

Actuarial Equivalent or Actuarially Equivalent – means an amount of equal value determined as follows:

- (a) For purposes of calculating a lump sum, the Actuarial Equivalent will be determined on the basis of the interest and mortality assumptions used to calculate lump sum benefits under the PVP, as it shall be amended from time to time.

(b) For purposes of calculating a Surviving Spouse Option or Domestic Partner Option, the Actuarial Equivalent will be determined on the basis of a 6% interest rate and the RP-2000 mortality table, mixed collar, projected to 2015 using Scale AA, with a 50/50 male/female blend.

Affiliate or Subsidiary – means a member of a controlled group of corporations (as defined in Code section 1563(a), determined without regard to Code sections 1563(a)(4) and (e)(3)(C)), a group of trades or businesses (whether incorporated or not) which are under common control within the meaning of Code section 414(c), or an affiliated service group (as defined in Code sections 414(m) or 414(o)) of which The Boeing Company is a part.

Benefit Service – means the Benefit Service recognized under the PVP, except as modified below.

If a Participant has commenced a benefit under this Plan following a deemed Separation from Service under Code section 409A due to an Authorized Period of Absence classified as Pre-Retirement Leave, additional Benefit Service will not be recognized during this Authorized Period of Absence. Nor will Benefit Service be recognized for a period of reduced services, where a Participant Separates from Service due to a reasonably anticipated permanent reduction in services of at least 50 percent (for reasons other than an Authorized Period of Absence).

Code – means the Internal Revenue Code of 1986, as amended.

Commencement Date – means the date as of which an Employee's payments commence under Section 6.A.2. of this Plan.

Committee – means the Employee Benefit Plans Committee.

Company – means The Boeing Company, its successors in interest, and its Affiliates and Subsidiaries.

Compensation – means annualized base rate of pay from the Company.

E-Series Payroll – means the executive designation of level E1 to E6 at the Company.

Employee – means any person who is employed as a common law employee of the Company.

Excess Benefit – means the benefits provided by Section 5 of this Plan.

Final Average Pay – means the greater of the following:

- (a) the highest five completed consecutive calendar years of Compensation divided by five, or
- (b) the daily Compensation received during the last 1,825 days before the Participant's Termination of Employment, divided by 1,825 and multiplied by 365 or, if a Participant has less than 1,825 days between his or her Employment Commencement Date and his or her

Termination of Employment, the Compensation received during that period divided by the number of days in that period and multiplied by 365. For purposes of this calculation, February 29 and March 1 of any leap year shall be treated as one day.

For purposes of computing Final Average Pay, periods during an Authorized Period of Absence generally will be included as if the Participant were compensated at the rate of pay he or she was receiving immediately before the Authorized Period of Absence. However, if a Participant has commenced a benefit under this Plan following a deemed Separation from Service under Code section 409A due to an Authorized Period of Absence classified as Pre-Retirement Leave, Compensation will not be counted during this Authorized Period of Absence.

Similarly, Compensation will not be counted toward Final Average Pay to the extent paid during a Participant's period of reduced services, where the Participant has Separated from Service due to a reasonably anticipated permanent reduction in services of at least 50 percent (for reasons other than an Authorized Period of Absence).

ULA and USA Pay. For purposes of determining Final Average Pay for a Participant who transfers employment directly from the Company to ULA or USA, the term Compensation generally includes the Participant's annualized base rate of pay with ULA or USA for the period of uninterrupted executive service at ULA or USA, as applicable, provided that the Participant transfers directly from the E-Series Payroll at the Company to executive status at ULA or USA. ULA and USA base pay will not be included under this Plan for any period following the Participant's removal from this executive status. In addition, ULA and USA base pay will not be included as Compensation under this Plan for any period after a Participant has commenced a benefit under this Plan.

Final Average Incentive Pay – means the five consecutive awards made under the Incentive Compensation Plan that produce the highest sum, divided by five. The term “awards” include amounts awarded instead of cash and amounts not yet vested, but it does not include any accrued awards not yet made or awards made after the month in which a Termination of Employment occurs. Where fewer than five awards have been made to a Participant under the Incentive Compensation Plan during the five-year averaging period, all awards during this period will be counted.

However, if a Participant has commenced a benefit under this Plan following a deemed Separation from Service under Code section 409A due to an Authorized Period of Absence classified as Pre-Retirement Leave, awards made during this Authorized Period of Absence will not be included. Similarly, incentive awards will not be counted toward Final Average Incentive Pay to the extent awarded during a Participant's period of reduced services, where the Participant has Separated from Service due to a reasonably anticipated permanent reduction in services of at least 50 percent (for reasons other than an Authorized Period of Absence).

In addition, Final Average Incentive Pay will not include any portion of an incentive award that the Company seeks to recover under the Clawback Policy provision of the Incentive Compensation Plan.

ULA and USA Incentive Pay . For purposes of determining Final Average Incentive Pay for a Participant who transfers employment directly from the Company to ULA or USA, the term Incentive Compensation Plan generally includes any applicable annual incentive plan at ULA or USA for the period of uninterrupted executive service at ULA or USA, as applicable, provided that the Participant transfers directly from the E-Series Payroll at the Company to executive status at ULA or USA. ULA and USA annual incentive plans will not be included under this Plan for any period following the Participant's removal from this executive status. Solely for the Plan Year in which the Participant transfers to ULA or USA, Final Average Incentive Pay will include awards made under both the Incentive Compensation Plan of the Company and the similar plan maintained by ULA or USA, as applicable. In addition, ULA and USA incentive pay will not be included as Compensation under this Plan for any period after a Participant has commenced a benefit under this Plan.

Frozen Benefit – has the meaning given in Section 4.F.3.

Heritage Boeing Participant – means a Participant who has a Heritage Benefit from The Boeing Company Employee Retirement Plan.

Heritage MDC Participant – means a Participant who has a Heritage Benefit from the Employee Retirement Income Plan of McDonnell Douglas Corporation, Salaried Plan.

Heritage BNA Participant – means a Participant who has a Heritage Benefit from the Boeing North American Retirement Plan.

Incentive Compensation Plan – means, as applicable, The Boeing Company Elected Officer Annual Incentive Plan, the Incentive Compensation Plan for Employees of The Boeing Company and Subsidiaries, or an authorization to make an award in lieu of an award under either of the foregoing plans.

MDC 50/30 Date – means the date on which a Participant with a Heritage MDC Benefit both attains age 50 and earns 30 years of Accumulated Benefit Service.

Offset Benefit – has the meaning given in Section 4.B.

Participant – means an Employee who satisfies the eligibility criteria in either Section 4.A. or Section 5.A.

PVP or Pension Value Plan – means The Pension Value Plan for Employees of The Boeing Company (formerly known as The Boeing Company Pension Value Plan for Heritage MDC Employees and The Boeing Company Pension Value Plan), as amended from time to time.

Plan – means the Supplemental Executive Retirement Plan for Employees of The Boeing Company as herein set forth, together with any amendments that may be adopted.

Plan Year – means the calendar year.

Separation from Service or Separates from Service – means an Employee’s death, retirement, or termination of employment from the Company within the meaning of Code section 409A. For purposes of determining whether a Separation from Service has occurred, Affiliates and Subsidiaries are defined by using the language “at least 80 percent” to define the controlled group under Code section 1563(a) in lieu of the 50 percent default rule stated in Treasury Regulation section 1.409A-1(h)(3).

A Separation from Service is deemed to include a reasonably anticipated permanent reduction in the level of services performed by an Employee, to less than 50 percent of the average level of services performed by the Employee during the immediately preceding 36-month period.

SERP Benefit – For a Participant whose most recent date of hire or rehire was before January 1, 2008, the SERP Benefit equals the greater of the Participant’s vested Supplemental Benefit, to the extent eligible, or the Participant’s vested Excess Benefit.

For a Participant hired or rehired on or after January 1, 2008, the SERP Benefit will equal the vested Excess Benefit for periods after this date. No Supplemental Benefit will accrue for periods after January 1, 2008. Solely for purposes of eligibility for the Supplemental Benefit, the term “rehire” will not include a Participant’s return directly from an Authorized Period of Absence or a Participant’s rehire during a Layoff Period.

The SERP Benefit will be calculated after the Supplemental Benefit (if eligible) and Excess Benefit are each reduced to reflect commencement before age 65, if applicable, in accordance with the actuarial factors described in Sections 4 and 5 herein. Supplemental Benefits or Excess Benefits that are not 100% vested will be disregarded for purposes of calculating the SERP Benefit.

Specified Employee – means an Employee who is a “specified employee” within the meaning of Code section 409A. Specified Employee status is determined on the last day of the prior Plan Year, to take effect as of April 1 of the Plan Year for a 12-month period. Notwithstanding the foregoing, Specified Employees shall be determined by including the employees whom the Company reasonably determines to be the 75 top-paid officers of the Company rather than the 50 top-paid officers as provided under Code section 416(i)(1)(A), to the extent permitted under Code section 409A.

Supplemental Benefit – means the benefits provided by Section 4 of this Plan.

Target Benefit – has the meaning given in Section 4.B.

Total Average Compensation – means Final Average Pay plus Final Average Incentive Pay, with the result divided by twelve. Total Average Compensation for a Participant who ceased to be on the E-Series Payroll before January 1, 1999 will be determined as of January 1, 1999. Total

Average Compensation for a Participant who ceases to be on the E-Series Payroll on or after January 1, 1999 will be determined as of the date the Participant first ceases to be on the E-Series Payroll.

ULA – means United Launch Alliance, LLC, a joint venture of The Boeing Company and Lockheed Martin Corporation. The term ULA includes its subsidiary United Launch Services, LLC.

USA – means United Space Alliance, LLC, a joint venture of The Boeing Company and Lockheed Martin Corporation.

SECTION 3. THE SERP BENEFIT

The SERP Benefit under this Plan generally is calculated as the greater of a Participant's vested Supplemental Benefit (to the extent eligible) or the Participant's vested Excess Benefit, each reduced to reflect commencement prior to age 65, if applicable. However, a Participant hired or rehired on or after January 1, 2008 will not be eligible to accrue a Supplemental Benefit for periods after this date. Solely for purposes of eligibility for the Supplemental Benefit, the term "rehire" will not include a Participant's return directly from an Authorized Period of Absence or a Participant's rehire during a Layoff Period.

Supplemental Benefits are described in Section 4. Excess Benefits are described in Section 5. Rules applicable to both Supplemental Benefits and Excess Benefits are provided under this Section 3.

Prior to 2008, the Supplemental Benefit and Excess Benefit were described herein and communicated to Participants as two separate benefits. For ease of communication, these dual components are restated as a single benefit effective as of January 1, 2008. In all cases, the restatement will provide the same total benefit as of December 31, 2007 as the formulas of the pre-2008 plan.

In no event will the SERP Benefit for any Participant who is transferred to ULA or USA duplicate any benefits provided under an individual agreement with the Company.

A. Special Bridging Rules for Early Retirement Benefits

Special bridging rules apply to a Participant who is described in both Sections 3.A.1. and 3.A.2. below. In this case, the Participant's SERP Benefit will be calculated as of the date on which he or she would satisfy the conditions for an Early Retirement Date under the PVP. The SERP Benefit will be reduced to reflect early commencement as follows. First, the separate components of the SERP Benefit will be reduced as of the Early Retirement Date, in accordance with the actuarial reduction described in Section 4.C.1. (Supplemental Benefit) or Section 5 (Excess Benefit), as applicable. Second, the SERP Benefit will be further reduced for each month that the Participant's Commencement Date under this Plan precedes the month in which the Participant would satisfy the conditions for an Early Retirement Date, in accordance with the Actuarial Equivalent factors for calculating lump sums under the PVP.

Benefits under this Section 3.A. remain payable in accordance with the timing rules of Section 6.A.2.

1. The Participant Separated from Service (including deemed Separations from Service) in a manner (such as layoff) that permits the accrual of additional vesting service credit toward early retirement eligibility following such separation.
2. The Participant is described in one of the following categories as of his or her Separation from Service:

- (a) The Participant has attained age 54 or older with 9 or more years of Vesting Service (but has not yet attained both age 55 and 10 years of Vesting Service), or
- (b) The Participant has a Heritage MDC Benefit and has attained age 54 or older with 29 or more years of Accumulated Benefit Service (but has not yet reached an MDC 50/30 Date).

B. Special Calculation for MDC 50/30 Date After Separation

Special calculation rules apply to a Participant described in both Sections 3.B.1. and 3.B.2.

- 1. The Participant Separated from Service (including deemed Separations from Service) in a manner (such as layoff) that permits the accrual of additional vesting service credit toward early retirement eligibility following such separation.
- 2. The Participant has a Heritage MDC Benefit and has attained age 49 or older (but not age 54) with 29 or more years of Accumulated Benefit Service as of his or her Separation from Service (but has not yet reached an MDC 50/30 Date).

In this case, the Participant's SERP Benefit will remain payable in accordance with the timing rules of Section 6.A.2.

In addition, upon the Participant's Early Retirement Date, a separate lump sum payment will be made to the Participant to represent any missed payments as a result of the delayed commencement beyond the Participant's MDC 50/30 Date. Specifically, this lump sum will equal the total of the monthly payments that would have been payable to the Participant, beginning on the first of the month following the Participant's MDC 50/30 Date and ending immediately prior to his or her Early Retirement Date, plus interest at the rate used to calculate lump sums under the PVP.

C. Forfeiture

The Committee may determine, in its sole discretion, that a Participant will forfeit any part or all of his or her SERP Benefit (whether or not vested) if any of the following circumstances occur while employed by the Company or within five (5) years after termination of such employment, provided that the provisions of paragraphs 3. and 4. shall apply only with respect to benefits accrued on or after January 1, 2008:

- 1. The Participant is convicted of a felony involving theft, fraud, embezzlement, or other similar unlawful acts against the Company or against the Company's interests. For purposes of this Plan, "other similar unlawful acts against the Company or against the Company's interests" shall include any other unlawful act (i) committed against the Company, or the interests of the Company, including, but not limited to, a governmental agency or instrumentality which conducts business with the Company, or a customer of the Company, or (ii) affecting the Company or the interests of the

Company, in such a manner that is determined to be detrimental to, prejudicial to or in conflict with the Company or the interests of the Company, as determined by the Committee in its sole discretion.

2. The Participant, directly or indirectly, engages in any activity, whether individually or as an employee, consultant or otherwise, which the Committee determines, in its sole discretion, to be an activity in which the Participant is “engaging in competition” with any significant aspect of Company business. For purposes of this Plan, “engaging in competition” shall include but is not limited to representing, providing services to, or being an employee of or associated in a business capacity, any person or entity that is engaged, directly or indirectly, in competition with any Company business or that takes a position adverse to any Company business, regardless of the position or duties the Participant takes, in such a manner that is determined to be detrimental to, prejudicial to or in conflict with the interests of the Company, all as determined by the Committee in its sole discretion.
3. The Participant, without the advance approval of the Company’s Senior Vice President, Human Resources and Administration, induces or attempts to induce, directly or indirectly, any of the Company’s employees, representatives or consultants to terminate, discontinue or cease working with or for the Company, or to breach any contract with the Company, in order to work with or for, or enter into a contract with, the Participant or any third party.
4. The Participant disparages or otherwise makes any statements about the Company, its products, or its employees that could be in any way viewed as negative or critical. Nothing in this paragraph will apply to legally protected statements to government agencies or statements made in the course of sworn testimony in administrative, judicial, or arbitral proceedings.

To the extent the Participant has already commenced payment of his or her SERP benefit, the Committee will be entitled to pursue any and all legal and equitable relief against the Participant to enforce the forfeiture of and recover such SERP benefit. The forfeiture provisions will continue to apply unless and to the extent modified by a court of competent jurisdiction. However, if any portion of these forfeiture provisions is held by such a court to be unenforceable, these provisions shall be deemed amended to limit their scope to the broadest scope that such authority determines is enforceable, and as so amended shall continue in effect.

In addition, the Committee will, in all appropriate circumstances, require reimbursement of any SERP Benefit attributable to an incentive award that the Company seeks to recover under the Clawback Policy provision of the Incentive Compensation Plan.

D. Participants Rehired After Commencement Date

The SERP Benefit of a Participant who is rehired (or who returns from an Authorized Period of Absence or a period of a reduced level of services that constitutes a deemed Separation from Service

under Code section 409A) after his or her Commencement Date will be determined under this Section 3.D.

1. Calculation and Payment of Old SERP Benefit

The portion of the Participant's SERP Benefit that accrued before the initial Commencement Date (or during an Authorized Period of Absence or a period of a reduced level of services that constitutes a deemed Separation from Service) will be referred to as the "Old SERP Benefit" for purposes of this Section 3.D.

A Participant's Old SERP Benefit will not be suspended by reason of the Participant's rehire or return from Authorized Period of Absence or a period of a reduced level of services. This portion of the SERP Benefit will continue to be paid following rehire or return, in the form originally elected by the Participant, without regard to the period following rehire or return.

2. Calculation and Payment of New SERP Benefit

(a) Rehires After 1/1/08 – Excess Benefit Only

In general, a Participant rehired on or after January 1, 2008 will not be eligible to accrue a Supplemental Benefit for periods after this date. (This exclusion does not apply to a Participant hired before January 1, 2008, who returns on or after this date directly from an Authorized Period of Absence or a period of a reduced level of services, or who is rehired on or after this date but during a Layoff Period). Following rehire, this Participant will be entitled to accrue only an Excess Benefit attributable to periods after the date of rehire ("New SERP Benefit"). The New SERP Benefit for this Participant will equal: (a) the Participant's benefits under the PVP for periods after rehire determined without regard to the limitations under Code sections 415 and 401(a)(17), reduced (but not below zero) by (b) any benefit payable to or on account of the Participant under the PVP for periods after rehire. The New SERP Benefit will be determined without regard to benefits, compensation, and Benefit Service accrued before rehire.

The Participant's New SERP Benefit will remain subject to the timing rules under Section 6.A.2., without regard to any Separation from Service that occurred prior to rehire. The Participant may elect the form of payment for the New SERP Benefit at the time of commencement, in accordance with Section 6.A.1.

(b) Returns from Leave, Reduced Services or Layoff After 1/1/08– Supplemental and Excess Benefit

A Supplemental Benefit can accrue (to the extent eligible) for a Participant hired before January 1, 2008, who returns on or after this date directly from an Authorized Period of Absence or a period of a reduced level of services, or who is rehired on or after this date but during a Layoff Period. For such Participant, the total SERP Benefit will be recalculated (as described below) as of the subsequent Commencement Date as if no prior Separation from Service had occurred, then reduced

by the payments previously received. This total SERP Benefit will be further reduced by the Old SERP, but to no less than zero, to produce the New SERP Benefit payable.

The total SERP Benefit equals the greater of (i) and (ii) below.

- (i) The total Supplemental Benefit (if eligible). For purposes of calculating the Participant's total Supplemental Benefit as of his or her subsequent Commencement Date, the total Target Benefit will equal the amount determined under Section 4.B. (taking account of Benefit Service and Total Average Compensation accrued before and after rehire), reduced for early commencement by the applicable reduction factors described in Section 4.C. The total Target Benefit will be reduced by the total Offset Benefit (accrued before and after rehire), which offset represents the PVP benefit as if no prior Separation had occurred.
- (ii) The total Excess Benefit, calculated as if no prior Separation from Service had occurred and reduced for early retirement as applicable.

The Participant's total SERP Benefit is further offset by the value of payments made prior to the subsequent Commencement Date from this Plan, or from any other non-qualified defined benefit-type pension plan or arrangement (including under an individual contract) sponsored or paid for by the Company. The value of these benefit payments will be determined by (i) increasing each benefit payment with interest from the time such benefit payment was made to the time of the subsequent Commencement Date in accordance with the Actuarial Equivalent factors for calculating lump sums under the PVP (the "Commencement Date Factors"), and then (ii) converting the sum of the interest-adjusted benefit payments from (i) above at the subsequent Commencement Date to a Single Life Annuity using the Commencement Date Factors. No reduction will be made for benefit payments payable under any tax-qualified pension plan (and its corresponding non-qualified plan) attributable to service not treated as Benefit Service taken into account under Section 4.B.1.(a).

For any Participant hired on or after January 1, 2008 who returns directly from an Authorized Period of Absence or a period of a reduced level of services, or who is rehired during a Layoff Period, the total SERP Benefit will be recalculated following the methodology described above (with regard to the Excess Benefit only). No Supplemental Benefit will be payable.

In no event will this Participant's recalculated total SERP Benefit be less than the Old SERP Benefit which is in pay status.

For purposes of this Section 3.D.2.(b), the New SERP Benefit will equal: (i) the recalculated total SERP Benefit described above, minus (ii) the Old SERP Benefit defined in Section 3.D.1.

The Participant's New SERP Benefit will remain subject to the timing rules under Section 6.A.2., without regard to any Separation from Service that occurred prior to rehire. The Participant may elect the form of payment for the New SERP Benefit at the time of commencement, in accordance with Section 6.A.1.

(c) Rehires Who Retired Prior to 2008

For a Participant who rehired and had a subsequent Commencement Date before January 1, 2008, the New SERP Benefit was comprised of a New Supplemental Benefit and a New Excess Benefit (both as defined below) which were calculated and paid separately, in accordance with the terms of the Plan at that time.

The New Supplemental Benefit was recalculated as if no prior retirement had occurred, and then offset for all payments previously made, as described in Section 3.D.2.(b) above.

The New Excess Benefit was recalculated solely with regard to new accruals under the PVP, as described in Section 3.D.2.(a) above.

E. Participants Rehired Before Commencement Date

The SERP Benefit of a Participant who is rehired before his or her Commencement Date will be determined under this Section 3.E.

1. Calculation and Payment of Old SERP Benefit

The Participant's Old SERP Benefit for purposes of this Section 3.E. is calculated as the amount that would have been payable to the Participant at age 55, attributable to the prior period of employment, if he or she had not rehired or returned. This amount will be the greater of (a) and (b) below:

- (a) The Supplemental Benefit accrued and vested before the prior Separation from Service (or as of the end of an Authorized Period of Absence or a period of a reduced level of services that constitutes a deemed Separation from Service), calculated as described further below.
- (b) The Excess Benefit accrued and vested as to the first period of employment, reduced for early retirement as applicable, in accordance with the applicable Vested Termination factors under the PVP.

For purposes of calculating the Participant's Supplemental Benefit, his or her Target Benefit will equal the amount determined under Section 4.B., taking account of the Participant's Benefit Service and Total Average Compensation as of the prior Separation from Service (or as of the end of an Authorized Period of Absence or a period of a reduced level of services that constitutes a deemed Separation from Service). The Target Benefit will be reduced for early commencement by the applicable terminated vested reduction factors described in Section 4.C.2. and further reduced by the Offset Benefit. The Participant's Offset Benefit will be calculated as the PVP benefit earned prior to the original Separation from Service and payable at age 55 (i.e., with interest credits projected to age 55), in accordance with the applicable reduction factors under the PVP for calculating a Vested Termination Benefit.

The Participant's Old SERP Benefit will remain subject to the timing rules under Section 6.A.2. With regard to the Participant's Old SERP Benefit, the Participant will be treated as having experienced a Separation from Service. Payment of the Old SERP Benefit will commence as of the first of the month following the Participant's attainment of age 55. Payment of the Old SERP Benefit will commence as of this date even if the Participant attains age 55 while on an Authorized Period of Absence, or after he or she rehires. The Participant may elect the form of payment for this Old SERP Benefit at the time of commencement, in accordance with Section 6.A.1.

2. Calculation and Payment of New SERP Benefit

In general, a Participant rehired on or after January 1, 2008 will not be eligible to accrue a Supplemental Benefit for periods after this date. (This exclusion does not apply to a Participant hired before January 1, 2008, who returns on or after this date directly from an Authorized Period of Absence or a period of a reduced level of services, or who is rehired on or after this date but during a Layoff Period). Following rehire, this Participant will be entitled to accrue only an Excess Benefit attributable to periods after the date of rehire ("New SERP Benefit"). The New SERP Benefit for this Participant will equal: (a) the Participant's benefits under the PVP for periods after rehire determined without regard to the limitations under Code sections 415 and 401(a)(17), reduced (but not below zero) by (b) any benefit payable to or on account of the Participant under the PVP for periods after rehire. The New SERP Benefit will be determined without regard to benefits, compensation, and service accrued before rehire.

A Supplemental Benefit can accrue (to the extent eligible) for a Participant hired before January 1, 2008, who returns on or after this date directly from an Authorized Period of Absence or a period of a reduced level of services, or who is rehired on or after this date but during a Layoff Period. For such Participant, the total SERP Benefit will be recalculated as of the subsequent Commencement Date as if no prior Separation from Service had occurred, following the methodology in Section 3.D.2.(b). For purposes of this Section 3.E.2., the New SERP Benefit will equal: (i) the recalculated total SERP Benefit described above, minus (ii) the Old SERP Benefit defined in Section 3.E.1.

For any Participant hired on or after January 1, 2008 who returns directly from an Authorized Period of Absence or a period of a reduced level of services , or who is rehired during a Layoff Period, the total SERP Benefit will be recalculated as of the subsequent Commencement Date as if no prior Separation from Service had occurred, subject to offset for the value of any non-qualified benefits previously paid , following the methodology in Section 3.D.2.(b) (with regard to the Excess Benefit only). For purposes of this Section 3.E.2., the New SERP Benefit will equal: (i) the recalculated total SERP Benefit described above, minus (ii) the Old SERP Benefit defined in Section 3.E.1. No Supplemental Benefit will be payable.

With regard to the timing of payment of the New SERP Benefit, the Participant will be treated as if no Separation from Service had occurred prior to rehire or return. The Participant may elect the form of payment for the New SERP Benefit at the time of commencement, in accordance with Section 6.A.1.

F. Pilot Early Leave

An annual recalculation will be made for a Participant who commences benefits under Section 6.A.2.(a) following a deemed Separation from Service under Code section 409A due to an Authorized Period of Absence classified as Pilot Early Leave.

For this Participant, the benefit payable under this Plan will be recalculated as of January 1 of each Plan Year following the year in which benefits commence following the methodology in Section 3.D.2.(b), as if no prior Separation from Service had occurred. For purposes of this calculation, the Participant's benefit will be reduced by early retirement reduction factors and further offset by the value of payments previously made, to compute additional accruals (if any) earned during the period of Pilot Early Leave in the prior Plan Year, calculated using the same methodology of Section 3.D.2.(b). Such additional accruals (if any) will be paid commencing February 1 of each year in which recalculation occurs, in the form originally elected by the Participant. In no event will this recalculation reduce a participant's benefit.

Recalculation will cease after the Plan Year following the end of the Pilot Early Leave.

SECTION 4. THE SUPPLEMENTAL BENEFIT

A. Eligibility and Participation

An Employee will be eligible for the Supplemental Benefit if the Employee either (1) is on the E-Series Payroll on or after January 1, 1999, or (2) was a participant in the Supplemental Retirement Plan for Executives of The Boeing Company as of December 31, 1998 and as of January 1, 1999 was (a) on an Authorized Period of Absence from the E-Series Payroll, (b) on a layoff (bridging period) from the E-Series Payroll that began on or after January 1, 1996, or (c) on the management payroll but had been on the E-Series Payroll for some period on or after January 1, 1989.

An Employee who retired on January 1, 1999 is not eligible to participate in the Plan.

An Employee eligible to participate in the Plan will become a Participant on the later of (1) the date the Employee satisfies the eligibility conditions or (2) the date the Employee becomes an Active Participant in the PVP. A rehired Employee who previously participated in the Plan will become a Participant again on the later of (1) the date the Employee satisfies the eligibility conditions again after rehire or (2) the date the Employee becomes an Active Participant in the PVP again after rehire.

If a Participant remains actively employed by the Company, but is no longer on the E-Series Payroll, the Target Benefit will remain frozen as of the later of January 1, 1999 or the date the Participant was removed from the E-Series Payroll.

B. Amount of Supplemental Benefit

Except as otherwise provided in Section F, the Supplemental Benefit payable to a Participant retiring at his or her Normal Retirement Date is a monthly amount equal to (1) minus (2) below, provided that the monthly Supplemental Benefit shall not be less than zero.

(1) The greater of the following:

(a) the Target Benefit – a monthly amount equal to 1.6% multiplied by the Participant's Benefit Service multiplied by the Participant's Total Average Compensation, or

(b) the Frozen Benefit, as described in Section 4.F.3., if applicable,

provided, however, that the amount determined under this Section 4.B.1. shall not exceed the Participant's Compensation at Termination of Employment divided by twelve.

(2) The Offset Benefit – a monthly amount equal to the benefits payable to or on account of the Participant under the PVP, adjusted to reflect payment at the Participant's Commencement Date as a Single Life Annuity according to the provisions of the PVP.

If the Participant retires after his or her Normal Retirement Date, calculation of the Target Benefit will include Compensation and Benefit Service attained before and after the Normal Retirement Date, and the Offset Benefit will be adjusted to reflect the late retirement according to the provisions of the PVP.

C. Early Retirement Benefits and Vested Terminated Retirement Benefits

Subject to the timing rules in Section 6 and the actuarial reductions described below, a Participant will be entitled to retire and commence benefits before his or her Normal Retirement Date in accordance with the provisions of the PVP governing early retirement benefits and vested retirement benefits. An unreduced benefit will not be available, even to a Heritage MDC Participant who has attained age 50 with 30 years of Accumulated Benefit Service.

1. Early Retirement Benefits

If the Participant retires directly from active employment with the Company and commences benefits before his or her Normal Retirement Date, the Target Benefit will be reduced by $\frac{1}{4}\%$ for each month that the Participant's Commencement Date precedes his or her sixty-second birthday. The Offset Benefit will be adjusted to reflect the early retirement according to the provisions of the PVP.

2. Vested Terminated Retirement Benefits

If a Participant terminates employment with a vested Supplemental Benefit and commences benefits before his or her Normal Retirement Date, the Target Benefit will be reduced by $\frac{1}{2}\%$ for each month that the Vested Terminated Participant's Commencement Date precedes his or her sixty-fifth birthday. The Offset Benefit will be adjusted to reflect the Vested Terminated Participant's early commencement of benefits according to the provisions of the PVP.

D. Disability Retirement Benefits

A Participant who was on an approved medical leave of absence on or before April 1, 2003 and who otherwise met the eligibility requirements for a Disability Retirement Date under the PVP on or before December 1, 2004 would be entitled to a disability retirement benefit equal to his unreduced Supplemental Benefit in accordance with the provisions of the PVP governing disability retirement benefits. Disability benefits were payable under this Plan only when and to the extent that the Participant received disability retirement benefits under the PVP. This Section 4.D. applies only to benefits that accrued and commenced payment before December 31, 2004, and it has no application after that date.

E. Vesting

No Supplemental Benefit shall be payable to a Participant until such Participant is vested in such Supplemental Benefit. A Participant will vest 100% in his Supplemental Benefit at the later of the following: (1) the date the Participant vests 100% in retirement benefits provided under the PVP,

or (2) the date the Participant has been on the E-Series Payroll for a period of 36 consecutive months. For these purposes, an Authorized Period of Absence from the E-Series Payroll will count as a period on the E-Series Payroll. If an Employee ceases to be on the E-Series Payroll for any reason other than an Authorized Period of Absence, and the Employee later returns to the E-Series Payroll, periods of service on E-Series Payroll will not be aggregated for purpose of determining whether the 36-consecutive month requirement has been met.

For purposes of computing vesting for a Participant who transfers employment directly from the Company to ULA or USA, uninterrupted service at ULA or USA as an executive will be credited toward the 36 consecutive months requirement described herein, provided that the Participant transfers directly from the E-Series Payroll at the Company to executive status at ULA or USA, as applicable. ULA and USA service will not be credited toward vesting under this Plan for any period following the Participant's removal from this executive status. For purposes of computing vesting for a participant who transfers employment directly from ULA or USA to the Company, uninterrupted service at ULA or USA as an executive will be credited toward the 36 consecutive months requirement described herein, provided that the Participant transfers directly from executive status at ULA or USA to the E-Series Payroll at the Company. ULA and USA service will not be credited toward vesting under this Plan for any period prior to the Participant's attainment of this executive status at ULA or USA, as applicable.

Any Participant who was on the E-Series Payroll on January 1, 1999 or was a Participant in the Supplemental Retirement Plan for Executives of The Boeing Company as of December 31, 1998, will be 100% vested in his or her Supplemental Benefit if he or she is vested in his or her benefits under the PVP. A Participant will also be 100% vested if he or she dies before benefits commence with a surviving spouse or becomes eligible for a disability retirement benefit, but only if he or she has vested in his or her benefits under the PVP.

If a Participant retires or Separates from Service (other than a deemed Separation from Service due to an Authorized Period of Absence) *before* vesting in the Supplemental Benefit, the Participant generally will forfeit all rights to the Supplemental Benefit. To the extent the benefit under this Plan becomes 100% vested during an Authorized Period of Absence that constitutes a deemed Separation from Service, it will remain subject to the payment timing rules under Section 6.A.2.

If a Participant Separates from Service *after* becoming vested in the Supplemental Benefit, and the Participant is subsequently rehired or returns from an Authorized Period of Absence, the Supplemental Benefit accrued after rehire and return will be 100% vested (even if the Participant fails to be on the E-Series Payroll for 36 consecutive months following rehire or return).

F. Transfers

Effective January 1, 1999, certain participants in certain of the qualified plans sponsored by the Company and its Affiliates or Subsidiaries were transferred from those qualified plans to the PVP. In addition, effective July 1, 1999, certain participants in the Boeing North American Retirement Plan were transferred from that plan to the PVP. In conjunction with the transfer to the PVP, those participants were also transferred from various non-qualified plans in which they participated into

this Plan. As of October 5, 2000, certain participants in The Times Mirror Pension Plan became participants in the PVP.

The following provisions are intended to insure that no benefits were lost as a result of transfers into this Plan or otherwise. These provisions are not intended to result in any duplication of benefits by awarding additional benefits for any period of service with the Company for which the Participant is otherwise entitled to benefits under another non-qualified plan.

1. Final Average Pay

For Heritage Boeing and Heritage MDC Participants, Final Average Pay will equal the greater of (1) Final Average Pay as defined in Section 2, or (2) the following amount as calculated solely for the period ending January 1, 1999:

- (a) For Heritage Boeing Participants, the portion of Final Average Monthly Total Earnings as defined in the Supplemental Retirement Plan for Executives of The Boeing Company, determined by reference to Final Average Monthly Earnings as defined in The Boeing Company Employee Retirement Plan, multiplied by twelve;
- (b) For Heritage MDC Participants, the portion of Average Monthly Salary as defined in the Employee Retirement Income Plan of McDonnell Douglas Corporation, Salaried Plan determined without inclusion of any payments of incentive compensation awards and without regard to any compensation limits under the Code, multiplied by twelve.

2. Final Average Incentive Pay

For Heritage Boeing and Heritage MDC Participants, Final Average Incentive Pay will equal the greater of (1) Final Average Incentive Pay as defined in Section 2, or (2) the following amount as calculated solely for the period ending January 1, 1999:

- (a) For Heritage Boeing Participants, the portion of Final Average Monthly Total Earnings as defined in the Supplemental Retirement Plan for Executives of The Boeing Company, determined by reference to awards under the Incentive Compensation Plan, multiplied by twelve;
- (b) For Heritage MDC Participants, the portion of Average Monthly Salary as defined in the Employee Retirement Income Plan of McDonnell Douglas Corporation, Salaried Plan determined by reference to incentive compensation awards of such Participants, multiplied by twelve.

For Heritage Boeing Participants retiring during February or March 1999, this section will be applicable through such Participant's Commencement Date, so that the Final Average Incentive Pay calculated under (a) above will include awards made in 1999 under the Incentive Compensation Plan.

3. Frozen Benefit

For a Heritage Boeing Participant, the Frozen Benefit will be the Participant's benefits under the Supplemental Retirement Plan for Executives of The Boeing Company determined as of January 1, 1999, adjusted according to the provisions of the PVP for commencement of benefits on the Participant's Commencement Date and for payment in the form of a Single Life Annuity.

For a Participant on the E-Series Payroll as of July 1, 1999 who was eligible to retire from the Boeing North American Retirement Plan as of June 30, 1999, that Participant's Frozen Benefit as of June 30, 1999 will equal the Target Benefit (as defined in Section 4.B.) as of June 30, 1999 plus the Participant's benefit under the Boeing North American Retirement Plan and Boeing North American non-qualified plans as of June 30, 1999, all adjusted according to the provisions of the PVP for commencement of benefits on June 30, 1999 and for payment in the form of a Single Life Annuity.

4. Times Mirror Indexing Benefit

As the result of the Company's acquisition of Jeppesen Sanderson, Inc., its two subsidiaries (Jeppesen DataPlan, Inc. and Nobeltec Corporation), and Airspace Safety Analysis Corporation ("ASAC"), certain participants in the PVP were provided a Jeppesen/ASAC Indexing Benefit, but no Benefit Service was provided for Periods of Service prior to October 5, 2000. Notwithstanding Section 4.B., the calculation of the Offset Benefit under this Plan shall not include the Jeppesen/ASAC Indexing Benefit.

SECTION 5. THE EXCESS BENEFITS

A. Eligibility

An Employee will be eligible for an Excess Benefit if the Employee is entitled to a benefit from the PVP and such benefit is limited by Code sections 415 and/or 401(a)(17).

B. Amount of Excess Benefits

A Participant's Excess Benefit is equal to the Participant's benefits under the PVP determined without regard to the limitations under Code sections 415 and 401(a)(17), reduced (but not below zero) by any benefit payable to or on account of the Participant under the PVP.

For Heritage BNA Participants, the Excess Benefit shall also include any benefit accrued as of June 30, 1999 under the Unfunded Supplemental Deferred Compensation Plan for Employees who are Participating in the Rockwell International Deferred Compensation Plan due to the failure to include deferred bonuses as compensation under the Boeing North American Retirement Plan, indexed after June 30, 1999 for increases in compensation in accordance with the provisions governing the Participant's Heritage Benefit under the PVP.

The Excess Benefit is not intended to duplicate any similarly determined benefit under any other non-qualified plan.

C. Adjustments for Commencement Dates other than the Normal Retirement Date

The Excess Benefit generally will be adjusted for a Participant's Commencement Date that is not his or her Normal Retirement Date according to the same rules governing such adjustments under the PVP.

However, where a Participant's Commencement Date occurs after January 1, 2008, and after April 1st of the Plan Year following the Plan Year in which he or she attains age 70½, his or her Excess Benefit will be calculated as if the Participant's benefit under the PVP had not previously commenced.

D. Vesting

The Excess Benefit will vest and be forfeited according to the same rules governing vesting and forfeitures under the PVP.

SECTION 6. PAYMENT OF BENEFITS

A. Payment of Benefits

1. Form of Payment

In general, a Participant who is eligible to receive a SERP Benefit will be paid in the form of a Single Life Annuity. An eligible Participant may elect prior to the Benefit Commencement Date to receive the SERP Benefit in the form of either (i) a Single Life Annuity, (ii) an Actuarially Equivalent Surviving Spouse Option (with a 50%, 75%, or 100% survivor benefit payable to the Spouse), or (iii) an Actuarially Equivalent Domestic Partner Option (with a 50%, 75% or 100% survivor benefit payable to the Same-Sex Spouse or Designated Domestic Partner). An election made under this Section will be irrevocable after the Benefit Commencement Date.

To the extent a Participant does not elect a Surviving Spouse Option or a Domestic Partner Option before the Benefit Commencement Date, the SERP Benefit will be paid in the form of a 50% Surviving Spouse Option (if married to a Spouse), or in the form of a Single Life Annuity (in all other cases). Marital status will be determined at the time of commencement of benefits. A Participant who fails to confirm his or her marital status will be presumed to be unmarried, and benefits will be paid in the form of a Single Life Annuity.

If the Participant receives his or her benefit in the form of a Surviving Spouse Option or Domestic Partner Option, and the Participant survives his or her Spouse, Same-Sex Spouse or Designated Domestic Partner, as applicable, the Participant's monthly payment will increase on a prospective basis, commencing as of the beneficiary's death, to equal the monthly payment the Participant would have received had he or she been paid in the form of a Single Life Annuity.

Notwithstanding the foregoing, the SERP Benefit will be paid in a single lump sum if the Actuarial Equivalent present value is \$15,000 or less as of the commencement date.

In the event that guidance issued by the IRS or Treasury Department under Code section 409A requires application of the aggregation rule provided under Treasury Regulation section 1.409A-3(j)(4)(v)(A) or successor regulation to a nondiscretionary cashout, the cashout described above will operate only to the extent that this aggregation rule is satisfied.

2. Timing of Payment

(a) General Rule

The SERP Benefit will be paid or commence as of the first day of the month following the later of the events described in (A) and (B) below.

(A) The Participant's attainment of age 55.

(B) The Participant's Separation from Service.

A special rule applies to a Heritage MDC Participant who Separates from Service after attaining age 50, and who has 30 years of Accumulated Benefit Service. For this Heritage MDC Participant, the SERP Benefit will be paid as of the first of the month following the Separation from Service.

See subsection (c) below for special timing rules applicable to Specified Employees.

(b) Participants Working Past Age 70½

Effective January 1, 2008, the SERP Benefit for a Participant who continues to work past age 70½ will be paid as of the first of the month following the Participant's Separation from Service. This rule does not apply to any Participant whose benefits commenced prior to January 1, 2008.

(c) Specified Employees

A Specified Employee will not receive any distribution under this Plan during the six-month period immediately following his or her Separation from Service.

The SERP Benefit of a Specified Employee will be calculated as of the first day of the month immediately following his or her Separation from Service (or age 55 if later). All payments missed during the six-month waiting period described above will be paid in a single sum after the completion of this six-month waiting period.

In the event of a Specified Employee's death during the six-month waiting period, the waiting period will cease to apply. The Specified Employee's benefits will be distributed in accordance with Section 6.B.2. (Death Benefits).

B. Death Benefits

1. Death Before Commencement of Benefits

If a Participant dies before benefit commencement under the Plan, a death benefit based upon the Participant's accrued SERP Benefit at the time of death will be payable to his or her surviving Spouse, as of the first of the month following the Participant's death.

If a Participant dies after commencing a portion of his or her benefit, but less than the entire benefit, the survivor benefit described herein will apply solely to the portion of the benefit that has not yet commenced.

In general, where a Participant dies after attaining age 55, death benefits under this subsection B.1. will be paid to the Spouse in the form of a 100% Surviving Spouse Option. Where a Participant dies before attaining age 55, except as provided below, these death benefits will be paid in the form of a 50% Surviving Spouse Option.

A special rule applies to a Heritage MDC Participant who dies after attaining age 50. For this Heritage MDC Participant, death benefits under this subsection B.1. will be paid to the Spouse in the form of a 100% Surviving Spouse Option rather than a 50% Surviving Spouse Option.

Benefits payable in the form of a Surviving Spouse Option generally will be reduced by the appropriate actuarial factors under this Plan, based on whether the Participant satisfied the requirements for an Early Retirement Benefit or Vested Terminated Benefit at the time of death. Benefits payable before a Participant's earliest commencement date under Section 6.A.2.(a) will be further reduced below this age based on the Actuarial Equivalent factors used to calculate lump sum benefits under the PVP.

Notwithstanding the foregoing, the SERP Benefit will be paid in a single lump sum if the Actuarial Equivalent present value is \$15,000 or less as of the commencement date. In the event that guidance issued by the IRS or Treasury Department under Code section 409A requires application of the aggregation rule provided under Treasury Regulation section 1.409A-3(j)(4)(v)(A) or successor regulation to a nondiscretionary cashout, the cashout described above will operate only to the extent that this aggregation rule is satisfied.

If a Participant dies on or after May 1, 2013 with no surviving Spouse, the Participant's Same-Sex Spouse, or if none, the Participant's Designated Domestic Partner, will be eligible for the death benefit otherwise payable to a Spouse under this Section. No benefit will be payable to a Same-Sex Spouse

or Designated Domestic Partner in the event that a Participant is married to a Spouse (as defined under the Plan) upon the Participant's death. For purposes of this subsection, a Participant's designation of a domestic partnership will remain in effect until terminated by the Participant, in accordance with procedures established by the Plan Administrator for the Plan.

2. Death After Commencement of Benefits

If the Participant dies after his or her benefits commence, benefits will be paid in accordance with the form of benefits elected under Section 6.A.1. above.

If a Participant dies after commencing a portion of his or her benefit, but less than the entire benefit, the survivor benefit described herein will apply solely to the portion of the benefit that has already commenced.

If the surviving Spouse, Same-Sex Spouse or Designated Domestic Partner dies while receiving benefit payments, no further payments will be made to the Spouse's, Same-Sex Spouse's or Designated Domestic Partner's estate or beneficiaries.

C. Delays in Payment

Payment of benefits under this Article may be delayed to the extent permitted under Code section 409A, as determined by the Committee.

D. Involuntary Inclusion in Income

If a determination is made by the Internal Revenue Service that the benefit of any Participant (or his or her beneficiary) is subject to current income taxation under Code section 409A, then the taxable portion of such benefit will be immediately distributed to the Participant (or his or her beneficiary), notwithstanding the general timing rule described in Section 6.A.2. above.

SECTION 7. NONASSIGNABILITY

Except as otherwise provided herein, the SERP Benefit shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, charge, execution, attachment, garnishment or any other legal process. Any attempt to take any such action shall be void and shall authorize the Committee, in its sole and absolute discretion, to forfeit all further right and interest in any benefit under this Plan. The Committee may, however, recognize domestic relations orders, generally subject to the same rules and procedures governing qualified domestic relations orders under the PVP, and provided that any benefits transferred due to such domestic relations order shall reduce any benefits to which the Participant would otherwise be entitled under this Plan. Notwithstanding the foregoing, a domestic relations order will be recognized under this Plan solely to the extent that benefits commence to the alternate payee or beneficiary at the same time as benefit payments commence to the Participant. In addition, the SERP Benefit may be reduced by the amount of any tax obligation paid by the Company, its Affiliates or Subsidiaries on behalf of a Participant or surviving spouse.

SECTION 8. UNFUNDED STATUS OF PLAN

No funds shall be segregated or earmarked for any current or former Participant, beneficiary or other person under the Plan. However, the Company may establish one or more trusts to assist in meeting its obligations under the Plan, the assets of which shall be subject to the claims of the Company's general creditors. No current or former Participant, beneficiary or other person, individually or as a member of a group, shall have any right, title or interest in any account, fund, grantor trust, or any asset that may be acquired by the Company or an Affiliate in respect of its obligations under the Plan (other than as a general creditor of the Company or such Affiliate with an unsecured claim against its general assets).

SECTION 9. ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall make such rules, interpretations, determinations of fact and computations as it may, in its sole and absolute discretion, deem appropriate. Any decision of the Committee with respect to the Plan, including (without limitation) any calculation of a benefit, shall be conclusive and binding on all persons.

SECTION 10. AMENDMENT AND TERMINATION

The Board of Directors of The Boeing Company shall have the authority to amend or terminate the Plan at any time. The Board of Directors of The Boeing Company may delegate the authority to amend the Plan at any time, in its sole discretion. Such amendment or termination shall not adversely affect or impair the benefit entitlements in course of payment to retired employees and surviving beneficiaries, the contingent rights to the continuance of benefit payments to the beneficiaries of retired employees named as joint annuitants, or the accrued benefit as defined in this Section of all eligible employees then in the employ of the Company.

For the purpose of this section, an accrued benefit will be determined for each eligible employee in accordance with the provisions of Sections 3 through 5 but based on Benefit Service, Total Average Compensation, Compensation and the accrued benefit provided by the PVP, all determined as of the effective date of the amendment or termination.

In general, upon the termination of the Plan with respect to any Participant, the affected Participants will not be entitled to receive a distribution until the time specified in Section 6. Notwithstanding the foregoing, the Company may, in its discretion, terminate the entire Plan and pay each Participant a single lump-sum distribution of his or her entire accrued benefit to the extent permitted under conditions set forth in Code section 409A and IRS or Treasury guidance thereunder.

SECTION 11. DISTINCT STATUS OF PLANS

For purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended, the Plan shall consist of the following three distinct employee benefit plans: (1) a plan granting the Supplemental Benefit; (2) a plan granting the portion of the Excess Benefit determined by disregarding the limitations imposed by section 415 of the Code; and (3) a plan granting the portion of the Excess Benefit determined by disregarding the limitations imposed by section 401(a)(17) of the Code.

SECTION 12. EMPLOYMENT RIGHTS

Nothing in the Plan shall be deemed to give any person any right to remain in the employ of the Company or affect any right of the Company to terminate a person's employment with or without cause.

SECTION 13. CLAIMS PROCEDURE

The procedures for making claims for benefits under the Plan and for having the denial of a benefits claim reviewed shall be the same as those procedures set forth in the PVP.

SECTION 14. COMPLIANCE WITH CODE SECTION 409A

It is intended that amounts deferred under this Plan will not be taxable under section 409A of the Code with respect to any individual. All provisions of this Plan shall be construed in a manner consistent with this intent.

SECTION 15. CONSTRUCTION

The validity of the Plan or any of its provisions will be determined under and will be construed according to federal law and, to the extent permissible, according to the internal laws of the state of Illinois. If any provision of the Plan is held illegal or invalid for any reason, such determination will not affect the remaining provisions of the Plan and the Plan will be construed and enforced as if said illegal or invalid provision had never been included.

SECTION 16. LEGAL ACTION

No legal action may be brought in court on a claim for benefits under the Plan after 180 days following the decision on appeal (or 180 days following the expiration of the time to make an appeal if no appeal is made).

Notice of Terms of Restricted Stock Units

[Grant Date]

To:

As part of the Executive Compensation Program, The Boeing Company (the “Company”) has awarded you a Restricted Stock Unit award. The terms and conditions of the award are as follows:

1. RSU Award. You have been awarded _____ Restricted Stock Units. Each Restricted Stock Unit (RSU) has the potential to become one share of Boeing stock. Your RSUs are awarded pursuant to “The Boeing Company 2003 Incentive Stock Plan for Employees” (the “Plan”) and the award is subject to the terms of the Plan. A summary of the Plan accompanies this notice.
2. RSU Account. The Company will maintain a record of the number of awarded RSUs in an account established in your name.
3. Vesting of RSUs. _____ of the RSUs along with the related Earnings Credit RSUs (as defined in paragraph 5.1) _____. The remainder of the RSUs along with the related earnings credit RSUs will vest on _____. You must be employed by the Company or one of its subsidiaries on the vesting date, in order for the RSUs to vest. Notwithstanding the foregoing, if your employment with the Company terminates before a vesting date because of involuntary layoff, disability, or death, all of the RSUs will vest.

"Disability" here means a disability entitling a participant to benefits under a long-term disability policy sponsored by the Company or one of its subsidiaries.

4. Stock Issuance at Vesting. At the time your RSUs vest, the Company will issue to you shares of Boeing stock equal in number to the vested number of whole RSUs in your account, after deduction of shares to cover appropriate taxes and other charges as described in paragraph 9.2.
5. Earnings Credit on Your RSUs.

5.1 While RSUs are in your account, they will earn dividend equivalents in the form of additional RSUs. Specifically, as of each dividend payment date for Boeing stock, your RSU account will be credited with additional RSUs (“Earnings Credit RSUs”) equal in number to the number of shares of Boeing stock that could be bought with the cash dividends that would be paid on the RSUs in your account if each RSU were a share of Boeing stock. The number of RSUs that results from the Earnings Credit calculation will be to two decimal places.

5.2 The number of shares of Boeing stock that could be bought with such cash dividends will be calculated based on the “Fair Market Value” of Boeing stock on the applicable dividend payment date. “Fair Market Value” here means the average of the high and the low per share trading prices for Boeing stock as reported in *The Wall Street Journal* for the specific dividend payment date, or in such other source as the Company deems reliable.

5.3 Earnings Credit RSUs will vest at the same time as the RSUs with which they are associated.

6. Adjustment in Number of RSUs. The number of RSUs in your account will be adjusted proportionately for any increase or decrease in the number of issued shares of Boeing stock resulting from any stock split, combination or exchange of shares, consolidation, spin-off or recapitalization of shares, or any similar capital adjustment or the payment of any stock dividend.
7. Termination due to Layoff, Disability, or Death. In the event your employment is terminated by reason of involuntary layoff, disability, or death, your RSU payout, including any Earnings Credit RSUs, will vest after termination of employment. Payment for such awards will be made as soon as administratively possible, but not later than 60 days after your termination of employment.
8. Forfeiture of Non-Vested RSUs. If your employment with the Company or a subsidiary of the Company terminates before a vesting date for the award for any reason other than involuntary layoff, disability (as defined in paragraph 3), or death, your nonvested RSUs will be forfeited and canceled. Earnings Credit RSUs will be forfeited and canceled along with the RSUs with which they are associated.
9. RSU Award Payable in Stock.

9.1 Distribution from your RSU account will be made as soon as reasonably possible after the vesting of your RSUs, but not later than 60 days after the applicable vesting date. Distribution will be in whole shares of Boeing stock. The number of shares distributed will be equal to the number of whole vested RSUs in your account, subject to deductions described in paragraph 9.2. Fractional share values will be applied to income tax withholding.

9.2 The Company will deduct from the distribution of your vested RSUs any withholding or other taxes required by law and may deduct any amounts due from you to the Company or to a subsidiary of the Company.

10. Transfer. RSUs are not transferable except by will or applicable laws of descent and distribution.

Computation of Ratio of Earnings to Fixed Charges
The Boeing Company and Subsidiaries
(Dollars in millions)

	Six months ended June 30, 2013	Years ended December 31,				
		2012	2011	2010	2009	2008
Earnings before income taxes	\$3,071	\$5,910	\$5,393	\$4,507	\$1,731	\$3,995
Fixed charges excluding capitalized interest	260	603	677	726	564	492
Amortization of previously capitalized interest	37	75	64	60	61	50
Net adjustment for earnings from affiliates	16	69	(38)	(11)	(10)	(10)
Earnings available for fixed charges	\$3,384	\$6,657	\$6,096	\$5,282	\$2,346	\$4,527
Fixed charges:						
Interest and debt expense ⁽¹⁾	\$232	\$551	\$626	\$676	\$514	\$425
Interest capitalized during the period	42	74	57	48	90	99
Rentals deemed representative of an interest factor	28	52	51	50	50	67
Total fixed charges	\$302	\$677	\$734	\$774	\$654	\$591
Ratio of earnings to fixed charges	11.2	9.8	8.3	6.8	3.6	7.7

⁽¹⁾ Amount does not include tax-related interest expense which is reported as a component of Income tax expense in our Condensed Consolidated Statements of Operations.

**Letter from Independent Registered Public Accounting Firm Regarding
Unaudited Interim Financial Information**

LETTER IN LIEU OF CONSENT FOR REVIEW REPORT

July 24, 2013

To the Board of Directors and Shareholders of
The Boeing Company
Chicago, Illinois

We have reviewed, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the unaudited interim financial information of The Boeing Company and subsidiaries for the periods ended June 30, 2013 and 2012 , as indicated in our report dated July 24, 2013 ; because we did not perform an audit, we expressed no opinion on that information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 , is incorporated by reference in Registration Statement Nos. 33-25332, 33-31434, 33-43854, 33-58798, 33-52773, 333-16363, 333-26867, 333-32461, 333-32491, 333-32499, 333-32567, 333-41920, 333-54234, 333-73252, 333-107677, 333-140837, 333-156403, 333-160752, and 333-163637 on Form S-8, and Registration Statement No. 333-179808 on Form S-3.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

/s/ D ELOITTE & T OUCHE LLP

Chicago, Illinois

**CERTIFICATION PURSUANT TO
RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, W. James McNerney, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boeing Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2013

/s/ W. J AMES M C N ERNEY , J R.

W. James McNerney, Jr.

Chairman, President and
Chief Executive Officer

**CERTIFICATION PURSUANT TO
RULE 13a-14 OF THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Gregory D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Boeing Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2013

/s/ GREGORY D. SMITH

Gregory D. Smith
Executive Vice President and

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Boeing Company (the "Company") on Form 10-Q for the period ending June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. James McNerney, Jr., Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. JAMES MCNERNEY, JR.

W. James McNerney, Jr.
Chairman, President and
Chief Executive Officer

July 24, 2013

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Boeing Company (the "Company") on Form 10-Q for the period ending June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gregory D. Smith, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ G R E G O R Y D. S M I T H

Gregory D. Smith
Executive Vice President and
Chief Financial Officer

July 24, 2013