

BOEING CO

FORM 10-Q (Quarterly Report)

Filed 10/22/14 for the Period Ending 09/30/14

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Telephone	312-544-2000
CIK	0000012927
Symbol	BA
SIC Code	3721 - Aircraft
Industry	Aerospace & Defense
Sector	Capital Goods
Fiscal Year	12/31



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 **September 30, 2014**

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 ☒

Accelerated filer ☐

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

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 October 15, 2014, there were 712,930,459 shares of common stock, \$5.00 par value, issued and outstanding.

THE BOEING COMPANY
FORM 10-Q
For the Quarter Ended September 30, 2014
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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>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Sales of products	\$58,920	\$55,310	\$21,378	\$19,754
Sales of services	7,374	7,528	2,406	2,376
Total revenues	66,294	62,838	23,784	22,130
Cost of products	(50,023)	(47,030)	(18,091)	(16,865)
Cost of services	(5,965)	(5,795)	(1,966)	(1,791)
Boeing Capital interest expense	(53)	(55)	(18)	(18)
Total costs and expenses	(56,041)	(52,880)	(20,075)	(18,674)
	10,253	9,958	3,709	3,456
Income from operating investments, net	212	147	92	59
General and administrative expense	(2,727)	(2,856)	(932)	(956)
Research and development expense, net	(2,292)	(2,223)	(750)	(755)
Gain/(loss) on dispositions, net	2	21		(1)
Earnings from operations	5,448	5,047	2,119	1,803
Other income/(loss), net	11	41	(9)	19
Interest and debt expense	(252)	(290)	(79)	(95)
Earnings before income taxes	5,207	4,798	2,031	1,727
Income tax expense	(1,227)	(1,445)	(669)	(567)
Net earnings from continuing operations	3,980	3,353	1,362	1,160
Net loss on disposal of discontinued operations, net of taxes of \$0, \$0, \$0 and \$0		(1)		(2)
Net earnings	\$3,980	\$3,352	\$1,362	\$1,158
Basic earnings per share from continuing operations	\$5.43	\$4.40	\$1.88	\$1.53
Net loss on disposal of discontinued operations, net of taxes				
Basic earnings per share	\$5.43	\$4.40	\$1.88	\$1.53
Diluted earnings per share from continuing operations	\$5.36	\$4.36	\$1.86	\$1.51
Net loss on disposal of discontinued operations, net of taxes				
Diluted earnings per share	\$5.36	\$4.36	\$1.86	\$1.51
Cash dividends paid per share	\$2.19	\$1.455	\$0.73	\$0.485
Weighted average diluted shares (millions)	742.3	769.8	731.9	769.1

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>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Net earnings	\$3,980	\$3,352	\$1,362	\$1,158
Other comprehensive income, net of tax:				
Currency translation adjustments	(34)	(46)	(72)	42
Unrealized gain/(loss) on certain investments, net of tax (\$1), \$0, \$1, \$0	2		(1)	
Unrealized (loss)/gain on derivative instruments:				
Unrealized (loss)/gain arising during period, net of tax of \$36, \$31, \$50 and (\$20)	(64)	(54)	(89)	35
Reclassification adjustment for (gains) included in net earnings, net of tax of \$1, \$8, \$1 and \$5	(2)	(13)	(3)	(10)
Total unrealized (loss)/gain on derivative instruments, net of tax	(66)	(67)	(92)	25
Defined benefit pension plans and other postretirement benefits:				
Amortization of prior service cost included in net periodic pension cost, net of tax of (\$9), (\$6), (\$3) and (\$3)	16	9	5	4
Net actuarial gain arising during the period, net of tax of (\$348), (\$72), (\$1) and (\$56)	623	131	1	101
Amortization of actuarial losses included in net periodic pension cost, net of tax of (\$275), (\$644), (\$90) and (\$213)	498	1,135	165	380
Settlements and curtailments included in net income, net of tax of (\$113), (\$35), \$0 and (\$30)	202	63		54
Pension and postretirement benefit related to our equity method investments, net of tax \$0 (\$2), \$0 and (\$1)		4		1
Total defined benefit pension plans and other postretirement benefits, net of tax	1,339	1,342	171	540
Other comprehensive income, net of tax	1,241	1,229	6	607
Comprehensive income/(loss) related to noncontrolling interests	9	3	3	(18)
Comprehensive income, net of tax	\$5,230	\$4,584	\$1,371	\$1,747

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>	September 30 2014	December 31 2013
Assets		
Cash and cash equivalents	\$6,655	\$9,088
Short-term and other investments	3,422	6,170
Accounts receivable, net	7,799	6,546
Current portion of customer financing, net	257	344
Deferred income taxes	27	14
Inventories, net of advances and progress billings	47,058	42,912
Total current assets	65,218	65,074
Customer financing, net	3,347	3,627
Property, plant and equipment, net of accumulated depreciation of \$15,645 and \$15,070	10,707	10,224
Goodwill	5,131	5,043
Acquired intangible assets, net	2,954	3,052
Deferred income taxes	2,546	2,939
Investments	1,203	1,204
Other assets, net of accumulated amortization of \$447 and \$448	1,547	1,500
Total assets	\$92,653	\$92,663
Liabilities and equity		
Accounts payable	\$11,136	\$9,498
Accrued liabilities	12,677	14,131
Advances and billings in excess of related costs	21,127	20,027
Deferred income taxes and income taxes payable	6,685	6,267
Short-term debt and current portion of long-term debt	1,579	1,563
Total current liabilities	53,204	51,486
Accrued retiree health care	6,494	6,528
Accrued pension plan liability, net	9,262	10,474
Non-current income taxes payable	709	156
Other long-term liabilities	1,046	950
Long-term debt	7,301	8,072
Shareholders' equity:		
Common stock, par value \$5.00 – 1,200,000,000 shares authorized; 1,012,261,159 and 1,012,261,159 shares issued	5,061	5,061
Additional paid-in capital	4,572	4,415
Treasury stock, at cost – 298,419,764 and 264,882,461 shares	(22,349)	(17,671)
Retained earnings	35,880	32,964
Accumulated other comprehensive loss	(8,653)	(9,894)
Total shareholders' equity	14,511	14,875
Noncontrolling interests	126	122
Total equity	14,637	14,997
Total liabilities and equity	\$92,653	\$92,663

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions)

Nine months ended
September 30

	2014	2013
Cash flows – operating activities:		
Net earnings	\$3,980	\$3,352
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash items –		
Share-based plans expense	152	156
Depreciation and amortization	1,378	1,323
Investment/asset impairment charges, net	140	38
Customer financing valuation benefit	(26)	(7)
Loss on disposal of discontinued operations		1
Gain on dispositions, net	(2)	(21)
Other charges and credits, net	145	48
Excess tax benefits from share-based payment arrangements	(104)	(86)
Changes in assets and liabilities –		
Accounts receivable	(1,385)	(1,006)
Inventories, net of advances and progress billings	(4,425)	(3,631)
Accounts payable	1,819	943
Accrued liabilities	(1,054)	(338)
Advances and billings in excess of related costs	1,100	3,543
Income taxes receivable, payable and deferred	887	1,336
Other long-term liabilities	(42)	(52)
Pension and other postretirement plans	746	954
Customer financing, net	494	223
Other	57	23
Net cash provided by operating activities	3,860	6,799
Cash flows – investing activities:		
Property, plant and equipment additions	(1,568)	(1,460)
Property, plant and equipment reductions	27	47
Acquisitions, net of cash acquired	(163)	(26)
Contributions to investments	(7,874)	(9,640)
Proceeds from investments	10,608	6,997
Receipt of economic development program funds	4	
Net cash provided/(used) by investing activities	1,034	(4,082)
Cash flows – financing activities:		
New borrowings	105	547
Debt repayments	(910)	(1,397)
Payments to noncontrolling interests	(12)	
Repayments of distribution rights and other asset financing	(184)	(139)
Stock options exercised, other	293	871
Excess tax benefits from share-based payment arrangements	104	86
Employee taxes on certain share-based payment arrangements	(94)	(60)
Common shares repurchased	(5,000)	(1,799)
Dividends paid	(1,596)	(1,102)
Net cash used by financing activities	(7,294)	(2,993)
Effect of exchange rate changes on cash and cash equivalents	(33)	(24)
Net decrease in cash and cash equivalents	(2,433)	(300)
Cash and cash equivalents at beginning of year	9,088	10,341
Cash and cash equivalents at end of period	\$6,655	\$10,041

See Notes to the Condensed Consolidated Financial Statements.

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

<i>(Dollars in millions, except per share data)</i>	Boeing shareholders					Non-controlling Interests	Total
	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss		
Balance at January 1, 2013	\$5,061	\$4,122	(\$15,937)	\$30,037	(\$17,416)	\$100	\$5,967
Net earnings				3,352		3	3,355
Other comprehensive income, net of tax of (\$720)					1,229		1,229
Share-based compensation and related dividend equivalents		161		(7)			154
Excess tax pools		60					60
Treasury shares issued for stock options exercised, net		80	793				873
Treasury shares issued for other share-based plans, net		(128)	78				(50)
Common shares repurchased			(1,799)				(1,799)
Cash dividends declared (\$0.97 per share)				(735)			(735)
Changes in noncontrolling interests						13	13
Balance at September 30, 2013	\$5,061	\$4,295	(\$16,865)	\$32,647	(\$16,187)	\$116	\$9,067
Balance at January 1, 2014	\$5,061	\$4,415	(\$17,671)	\$32,964	(\$9,894)	\$122	\$14,997
Net earnings				3,980		9	3,989
Other comprehensive income, net of tax of (\$709)					1,241		1,241
Share-based compensation and related dividend equivalents		159		(10)			149
Excess tax pools		104					104
Treasury shares issued for stock options exercised, net		18	276				294
Treasury shares issued for other share-based plans, net		(124)	46				(78)
Common shares repurchased			(5,000)				(5,000)
Cash dividends declared (\$1.46 per share)				(1,054)			(1,054)
Changes in noncontrolling interests						(5)	(5)
Balance at September 30, 2014	\$5,061	\$4,572	(\$22,349)	\$35,880	(\$8,653)	\$126	\$14,637

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>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues:				
Commercial Airplanes	\$43,151	\$38,301	\$16,110	\$13,987
Defense, Space & Security:				
Boeing Military Aircraft	10,518	11,059	3,537	3,438
Network & Space Systems	5,823	6,240	2,027	2,231
Global Services & Support	6,952	7,043	2,349	2,377
Total Defense, Space & Security	23,293	24,342	7,913	8,046
Boeing Capital	263	303	91	94
Unallocated items, eliminations and other	(413)	(108)	(330)	3
Total revenues	\$66,294	\$62,838	\$23,784	\$22,130
Earnings from operations:				
Commercial Airplanes	\$4,849	\$4,289	\$1,797	\$1,617
Defense, Space & Security:				
Boeing Military Aircraft	937	1,058	440	245
Network & Space Systems	507	486	189	193
Global Services & Support	772	737	227	235
Total Defense, Space & Security	2,216	2,281	856	673
Boeing Capital	66	98	(11)	35
Unallocated items, eliminations and other	(1,683)	(1,621)	(523)	(522)
Earnings from operations	5,448	5,047	2,119	1,803
Other income/(loss), net	11	41	(9)	19
Interest and debt expense	(252)	(290)	(79)	(95)
Earnings before income taxes	5,207	4,798	2,031	1,727
Income tax expense	(1,227)	(1,445)	(669)	(567)
Net earnings from continuing operations	3,980	3,353	1,362	1,160
Net loss on disposal of discontinued operations, net of taxes of \$0, \$0, \$0 and \$0		(1)		(2)
Net earnings	\$3,980	\$3,352	\$1,362	\$1,158

This information is an integral part of the Notes to the Condensed Consolidated Financial Statements. See Note 17 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 September 30, 2014 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 2013 Annual Report on Form 10-K. Effective during the first quarter of 2014, certain programs previously reported in the Boeing Military Aircraft (BMA) segment were realigned to the Global Services & Support (GS&S) segment. See Note 17 . Beginning in the third quarter of 2014, amounts previously reported separately as Other segment and Unallocated items and eliminations are now shown on a combined basis to provide a more meaningful presentation. Segment data for 2013 have been adjusted to reflect these changes.

Standards Issued and Not Yet Implemented

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* . The new standard is effective for reporting periods beginning after December 15, 2016 and early adoption is not permitted. The comprehensive new standard will supersede existing revenue recognition guidance and require revenue to be recognized when promised goods or services are transferred to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. Adoption of the new rules could affect the timing of revenue recognition for certain transactions. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. For Boeing the new standard will be effective January 1, 2017 and the Company is currently evaluating the impacts of adoption and the implementation approach to be used.

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. In the second quarter of 2014, higher estimated costs to complete the KC-46A Tanker contract for the U.S. Air Force resulted in a reach-forward loss of \$425 of which the Commercial Airplanes segment recorded \$238 and the BMA segment recorded \$187 . For the nine months ended September 30, 2014 , net unfavorable cumulative catch-up adjustments, including reach-forward losses, across all contracts decreased Earnings from operations by \$54 and diluted earnings per share by \$0.06 . For the three months ended September 30, 2014 , net favorable cumulative catch-up adjustments, including reach-forward losses, across all contracts increased Earnings from operations by \$91 and diluted earnings per share by \$0.08 . For the nine and three months ended September 30, 2013 ,

net favorable cumulative catch-up adjustments, including reach-forward losses, across all contracts increased Earnings from operations by \$184 and \$20 and diluted earnings per share by \$0.17 and \$0.02 .

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>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Net earnings	\$3,980	\$3,352	\$1,362	\$1,158
Less: earnings available to participating securities	5	6	2	2
Net earnings available to common shareholders	\$3,975	\$3,346	\$1,360	\$1,156
Basic				
Basic weighted average shares outstanding	733.3	762.0	722.8	759.4
Less: participating securities	1.3	1.9	1.3	1.8
Basic weighted average common shares outstanding	732.0	760.1	721.5	757.6
Diluted				
Basic weighted average shares outstanding	733.3	762.0	722.8	759.4
Dilutive potential common shares ⁽¹⁾	9.0	7.8	9.1	9.7
Diluted weighted average shares outstanding	742.3	769.8	731.9	769.1
Less: participating securities	1.3	1.9	1.3	1.8
Diluted weighted average common shares outstanding	741.0	767.9	730.6	767.3
Net earnings per share:				
Basic	\$5.43	\$4.40	\$1.88	\$1.53
Diluted	5.36	4.36	1.86	1.51

⁽¹⁾ Diluted earnings per share includes any dilutive impact of stock options, restricted stock units, performance-based restricted stock units and performance awards.

The following table includes the number of shares that may be dilutive potential common shares in the future. These shares were not included in the computation of diluted earnings per share because the effect was either antidilutive or the performance condition was not met.

<i>(Shares in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Stock options		6.4		
Performance awards	5.3	4.6	4.6	3.6
Performance-based restricted stock units	1.3		1.3	

Note 3 – Income Taxes

Our effective income tax rates were 23.6% and 32.9% for the nine and three months ended September 30, 2014 and 30.1% and 32.8% for the same periods in the prior year. The effective tax rate for the nine months ended September 30, 2014 is lower than the comparable prior year period primarily due to an incremental tax benefit of \$265 recorded in the second quarter of 2014 that related to the application of a 2012 Federal Court of Claims decision which held that the tax basis in certain assets could be increased and realized upon the assets' disposition (tax basis adjustment). In addition, during the second quarter of 2014, tax benefits of \$116 and \$143 were recorded as a result of the 2007-2008 and 2009-2010 federal tax audit settlements. These benefits are partially offset by the absence of the U.S. research and development tax credit (research tax credit). The research tax credit was effective for 2013, but due to the expiration at the end of 2013, no tax benefit has been recorded in 2014. Furthermore, in the first quarter of 2013, Congress retroactively reinstated the research tax credit for 2012, which reduced income tax expense by \$145 . If Congress extends the research tax credit for 2014, there will be a favorable impact on our effective income tax rate.

The total amount of unrecognized tax benefits increased from \$1,141 as of December 31, 2013 to \$1,526 as of September 30, 2014 primarily due to the tax basis adjustment, partially offset by the settlement of the 2007-2008 and 2009-2010 federal tax audits.

Federal income tax audits have been settled for all years prior to 2011. The years 2011-2012 are currently being examined by the IRS . We are also subject to examination in major state and international jurisdictions for the 2001-2013 tax years. We believe appropriate provisions for all outstanding tax issues have been made for all jurisdictions and all open years.

Note 4 – Accounts Receivable, net

Accounts receivable, net as of September 30, 2014 , includes \$112 of unbillable receivables on a long-term contract with LightSquared, LP (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:

	September 30 2014	December 31 2013
Long-term contracts in progress	\$12,824	\$12,608
Commercial aircraft programs	54,886	48,065
Commercial spare parts, used aircraft, general stock materials and other	7,757	7,793
Inventory before advances and progress billings	75,467	68,466
Less advances and progress billings	(28,409)	(25,554)
Total	\$47,058	\$42,912

Long-Term Contracts in Progress

Long-term contracts in progress includes 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 September 30, 2014, the inventory balance was \$261 (net of advances of \$307) and \$425 (net of advances of \$331) at December 31, 2013. At September 30, 2014, \$333 of this inventory related to unsold launches. See Note 10.

Capitalized precontract costs of \$1,478 and \$520 at September 30, 2014 and December 31, 2013, are included in inventories.

Commercial Aircraft Programs

At September 30, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 787 program: \$32,744 and \$27,576 of work in process (including deferred production costs of \$25,189 and \$21,620), \$2,216 and \$2,189 of supplier advances, and \$3,565 and \$3,377 of unamortized tooling and other non-recurring costs. At September 30, 2014, \$19,403 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 \$9,351 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

At September 30, 2014 and December 31, 2013, commercial aircraft programs inventory included the following amounts related to the 747 program: \$1,859 and \$1,554 of deferred production costs, net of previously recorded reach-forward losses, and \$518 and \$563 of unamortized tooling costs. At September 30, 2014, \$1,113 of 747 deferred production and unamortized tooling costs are expected to be recovered from units included in the program accounting quantity that have firm orders and \$1,264 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 \$3,213 and \$3,465 at September 30, 2014 and December 31, 2013.

Note 6 – Customer Financing

Customer financing primarily relates to the Boeing Capital (BCC) segment and consisted of the following:

	September 30 2014	December 31 2013
Financing receivables:		
Investment in sales-type/finance leases	\$1,575	\$1,699
Notes	436	587
Operating lease equipment, at cost, less accumulated depreciation of \$607 and \$564	1,616	1,734
Gross customer financing	3,627	4,020
Less allowance for losses on receivables	(23)	(49)
Total	\$3,604	\$3,971

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 September 30, 2014 and December 31, 2013 , we individually evaluated for impairment customer financing receivables of \$92 and \$95 and determined that none of these were impaired.

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	September 30 2014	December 31 2013
BBB	\$1,027	\$1,091
BB	51	58
B	671	585
CCC	170	457
Other	92	95
Total carrying value of financing receivables	\$2,011	\$2,286

At September 30, 2014 , our allowance related to receivables with ratings of B and BBB to which we applied default rates that averaged 16% and 2% to the exposure associated with those receivables.

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 717, 757 and MD-80 aircraft. The majority of customer financing carrying values are concentrated in the following aircraft models:

	September 30 2014	December 31 2013
717 Aircraft (\$426 and \$444 accounted for as operating leases)	\$1,591	\$1,674
747 Aircraft (\$461 and \$183 accounted for as operating leases)	461	286
757 Aircraft (\$355 and \$402 accounted for as operating leases)	386	453
MD-80 Aircraft (Accounted for as sales-type finance leases)	370	411
737 Aircraft (\$129 and \$138 accounted for as operating leases)	193	210
MD-11 Aircraft (Accounted for as operating leases)	183	220
767 Aircraft (\$47 and \$60 accounted for as operating leases)	173	207
787 Aircraft (Accounted for as operating leases)		273

Note 7 – Investments

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

	September 30 2014	December 31 2013
Time deposits	3,351	\$6,090
Pledged money market funds ⁽¹⁾	46	46
Available-for-sale investments	9	8
Equity method investments ⁽²⁾	1,161	1,164
Restricted cash ⁽³⁾	25	33
Other investments	33	33
Total	\$4,625	\$7,374

⁽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 letters of credit.

⁽²⁾ Dividends received were \$215 and \$81 for the nine and three months ended September 30, 2014 and \$163 and \$60 during the same periods in the prior year.

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

Note 8 – Other Assets

Sea Launch

At September 30, 2014 and December 31, 2013, 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. On April 11, 2014, the appellate court entered a ruling that the decision of the arbitrator is not appealable. On May 9, 2014, we filed a brief with the Supreme Court of Sweden appealing the appellate court's April 11, 2014 ruling. 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. A trial in the United States District Court for the Central District of California is scheduled to commence April 21, 2015. 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. Our current assessment as to the collectability of these receivables takes into account the political unrest involving Russia and Ukraine, although we will continue to monitor the situation.

Note 9 – Commitments and Contingencies

Environmental

The following table summarizes environmental remediation activity during the nine months ended September 30, 2014 and 2013.

	2014	2013
Beginning balance – January 1	\$649	\$710
Reductions for payments made	(36)	(69)
Changes in estimates	25	48
Ending balance – September 30	\$638	\$689

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 that includes 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 September 30, 2014 and December 31, 2013, the high end of the estimated range of reasonably possible remediation costs exceeded our recorded liabilities by \$884 and \$928.

Product Warranties

The following table summarizes product warranty activity recorded during the nine months ended September 30, 2014 and 2013 .

	2014	2013
Beginning balance – January 1	\$1,570	\$1,572
Additions for current year deliveries	416	427
Reductions for payments made	(336)	(326)
Changes in estimates	(167)	(110)
Ending balance - September 30	\$1,483	\$1,563

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 September 30, 2014 have expiration dates from 2014 through 2026 . At September 30, 2014 , and December 31, 2013 total contractual trade-in commitments were \$2,396 and \$1,605 . As of September 30, 2014 and December 31, 2013 , we estimated that it was probable we would be obligated to perform on certain of these commitments with net amounts payable to customers totaling \$490 and \$325 and the fair value of the related trade-in aircraft was \$490 and \$325 .

Financing Commitments

Financing commitments related to aircraft on order, including options and those proposed in sales campaigns, totaled \$16,662 and \$17,987 as of September 30, 2014 and December 31, 2013 . The estimated earliest potential funding dates for these commitments as of September 30, 2014 are as follows:

	Total
October through December 2014	\$506
2015	2,855
2016	3,412
2017	3,452
2018	2,066
Thereafter	4,371
	\$16,662

As of September 30, 2014 , all 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 \$4,073 and \$4,376 as of September 30, 2014 and December 31, 2013 .

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

In September 2013, we decided to end production of C-17 aircraft in late 2015. In April 2014, we announced that we anticipate ending production approximately three months earlier based on our decision to produce three fewer aircraft in 2015 than previously planned. As a result, during the first quarter of 2014, BDS recorded \$48 to write off inventory and accrue termination liabilities to suppliers. In October 2014, we received an order for two C-17 aircraft and we have active sales campaigns for the remaining eight unsold aircraft. We are currently incurring costs and have made commitments to suppliers related to these aircraft. We believe it is probable that we will recover costs related to the unsold aircraft from international customer orders. Should orders for the eight unsold aircraft not materialize or should we decide to discontinue production of unsold aircraft, we could incur further charges to write-down inventory and/or record termination liabilities. At September 30, 2014 , we had approximately \$1,297 of capitalized precontract costs and \$578 of potential termination liabilities to suppliers associated with unsold aircraft.

F/A-18

At September 30, 2014 , our backlog included 76 F/A-18 aircraft currently under contract with the U.S. Navy. The President's Fiscal Year 2015 budget request submitted in March 2014 did not include funding for additional F/A-18 aircraft. We are continuing to work with our U.S. customer as well as international customers to secure additional orders. The orders in backlog would complete production in 2016. Should additional orders not materialize, it is reasonably possible that we will decide in the next twelve months to end production of the F/A-18 at a future date. We are still evaluating the full financial impact of a potential production shutdown, including any recovery that may be available from the U.S. government.

United States Government Defense Environment Overview

U.S. government appropriation levels remain subject to significant uncertainty. In August 2011, the Budget Control Act (The Act) established limits on U.S. government discretionary spending, including a reduction of defense spending by approximately \$490 billion between the 2012 and 2021 U.S. government fiscal years. The Act also provided that the defense budget would face "sequestration" cuts of up to an additional \$500 billion during that same period to the extent that discretionary spending limits are exceeded. The impact of sequestration cuts was reduced with respect to FY2014 and FY2015 following the enactment of The Bipartisan Budget Act in December 2013. However, significant uncertainty remains with respect to overall levels of defense spending and it is likely that U.S. government discretionary spending levels for FY2016 and beyond will continue to be subject to significant pressure, including risk of future sequestration cuts.

Significant uncertainty also continues with respect to program-level appropriations for the U.S. Department of Defense (U.S. DoD) and other government agencies, including the National Aeronautics and Space Administration, within the overall budgetary framework described above. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorization and appropriations process could result in reductions, cancellations and/or delays of existing contracts or programs. Any of these impacts could have a material effect on the results of the Company's operations, financial position and/or cash flows.

In addition to the risks described above, if Congress is unable to pass appropriations bills in a timely manner, a government shutdown could result which could have impacts above and beyond those resulting from budget cuts or sequestration impacts. For example, requirements to furlough employees in the U.S. DoD or other government agencies could result in payment delays, impair our ability to perform work on existing contracts, and/or negatively impact future orders.

KC-46A Tanker and 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 , 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 result in lower margins or material charges for reach-forward losses. For example, during the second quarter of 2014, higher estimated costs to complete the KC-46A Tanker contract for the U.S. Air Force resulted in a reach-forward loss of \$425 of which the Commercial Airplanes segment recorded \$238 and the BMA segment recorded \$187 .

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.

Russia/Ukraine

We continue to monitor political unrest involving Russia and Ukraine, where we and some of our suppliers source titanium products and/or have operations. A number of our commercial customers also have operations in Russia and Ukraine. To date, we have not experienced any disruptions to production or deliveries. Should suppliers or customers experience disruption, our production and/or deliveries could be materially impacted.

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 had gross margins that were breakeven or near breakeven during the nine months ended September 30, 2014 .

Lower-than-expected demand for large commercial passenger and freighter aircraft have resulted in ongoing pricing pressures and fewer 747 orders than anticipated. We continue to have a number of unsold 747 production positions. If market and production risks cannot be mitigated, the program could face a reach-forward loss that may be material.

The combination of production challenges, change incorporation, schedule delays and customer and supplier impacts has created significant pressure on 787 program profitability. If risks related to this program, including risks associated with planned production rate increases or introducing and manufacturing 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	
	September 30 2014	December 31 2013	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Contingent repurchase commitments	\$1,641	\$1,872	\$1,629	\$1,871	\$5	\$5
Indemnifications to ULA:						
Contributed Delta program launch inventory	121	127				
Contract pricing	261	261			7	7
Other Delta contracts	150	227				8
Other indemnifications	85	106			28	28
Credit guarantees	30	35	27	27	2	2

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 \$1,239 of the \$1,360 of inventory that was contributed by us and has yet to consume \$121. ULA has made advance payments of \$1,560 to us and we have recorded revenues and cost of sales of \$1,230 under the inventory supply agreement through September 30, 2014.

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 U.S. Air Force (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 of the contract. In March 2011, ULA filed a notice of appeal before the ASBCA, seeking to re-price the third mission. On November 20, 2013, the ASBCA denied USAF motions for summary judgment against ULA in large part, leaving ULA's claims against the USAF substantially intact. The hearing before the ASBCA concluded on December 20, 2013. The parties filed their final post-hearing briefs in May 2014. The Board may now issue a ruling at any time, but there is no scheduled date or official deadline for its decision. If ULA is ultimately 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. 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 is in the discovery phase, and the Court has not yet set a trial date. 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 BCC 's 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 September 30, 2014 and December 31, 2013 , our maximum future cash exposure to losses associated with the loss sharing arrangement was \$85 and \$106 and our accrued liability under the loss sharing arrangement was \$28 .

In conjunction with our sales of Electron Dynamic Devices, Inc. and Rocketdyne Propulsion and Power businesses and our Commercial Airplanes facilities in Wichita, Kansas and Tulsa and McAlester, Oklahoma, we agreed to indemnify, for an indefinite period, the buyers for costs relating to pre-closing environmental conditions and certain other items. It is impossible to assess the potential number of future claims that may be asserted under these indemnifications, nor the amounts thereof (if any). As a result, we cannot estimate the maximum potential amount of future payments under these indemnities and therefore, no liability has been recorded. To the extent that claims have been made under these indemnities and/or are probable and reasonably estimable, liabilities associated with these indemnities are included in the environmental liability disclosure in Note 9 .

Credit Guarantees We have issued credit guarantees, principally to facilitate the sale and/or financing of commercial aircraft. Under these arrangements, we are obligated to make payments to a guaranteed party in the event that lease or loan payments are not made by the original lessee or debtor or certain specified services are not performed. A substantial portion of these guarantees has been extended on behalf of original lessees or debtors with less than investment-grade credit. Our commercial aircraft credit guarantees are collateralized by the underlying commercial aircraft and certain other assets. Current outstanding credit guarantees expire within the next seven years.

Note 11 – Postretirement Plans

The components of net periodic benefit cost were as follows:

	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Pension Plans				
Service cost	\$1,244	\$1,414	\$415	\$468
Interest cost	2,300	2,175	758	713
Expected return on plan assets	(3,125)	(2,907)	(1,042)	(969)
Amortization of prior service costs	133	150	44	52
Recognized net actuarial loss	768	1,668	254	530
Settlement/curtailment/other losses	372	104	35	84
Net periodic benefit cost	\$1,692	\$2,604	\$464	\$878
Net periodic benefit cost included in Earnings from operations	\$2,443	\$2,319	\$715	\$775

	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Other Postretirement Benefit Plans				
Service cost	\$97	\$111	\$33	\$37
Interest cost	216	198	72	65
Expected return on plan assets	(6)	(5)	(2)	(1)
Amortization of prior service costs	(108)	(135)	(36)	(45)
Recognized net actuarial loss	6	72	2	24
Net periodic benefit cost	\$205	\$241	\$69	\$80
Net periodic benefit cost included in Earnings from operations	\$214	\$269	\$71	\$90

In the first quarter of 2014, we announced changes to our nonunion and certain union retirement plans whereby approximately 100,000 employees will transition in 2016 to a company-funded defined contribution retirement savings plan in lieu of participation in defined benefit pension plans. The defined benefit pension plan changes resulted in charges of \$334 in the first quarter of 2014, primarily for pension curtailment costs. In addition, we remeasured pension assets and benefit obligations for the affected pension plans. These remeasurements resulted in a net actuarial gain of \$966 which is included in Other Comprehensive Income. The \$966 reflects a gain of \$1,988 resulting from benefit plan changes that was partially offset by net actuarial losses of \$1,022 primarily driven by a reduction in the discount rate from approximately 4.8% at December 31, 2013 to approximately 4.5% as of the remeasurement dates.

Note 12 – Share-Based Compensation and Other Compensation Arrangements

Restricted Stock Units

On February 24, 2014 , we granted to our executives 695,651 restricted stock units (RSU s) as part of our long-term incentive program with a grant date fair value of \$129.58 per share. The RSU s 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-Based Restricted Stock Units

On February 24, 2014 , we granted to our executives 662,215 performance-based restricted stock units (PBRSU s) as part of our long-term incentive program with a grant date fair value of \$136.12 per share. The PBRSU s 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 based on the Company's total shareholder return as compared to a group of peer companies. The award payout can range from 0% to 200% of the original PBRSU award amount. Compensation expense for the award is recognized over the three -year performance period based upon the fair value determined at grant date using a Monte-Carlo simulation model.

Performance Awards

On February 24, 2014 , we granted performance awards to our executives with the payout based on the achievement of financial goals for the three -year period ending December 31, 2016 . At September 30, 2014 , the minimum payout amount is \$0 and the maximum amount we could be required to pay out is \$343 .

Note 13 – Shareholders' Equity

Accumulated Other Comprehensive Loss

Changes in Accumulated other comprehensive income/(loss) (AOCI) by component for the nine and three months ended September 30, 2014 and 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 at January 1, 2013	\$214	(\$8)	\$86	(\$17,708)	(\$17,416)
Other comprehensive income/(loss) before reclassifications	(46)		(54)	135	35
Amounts reclassified from AOCI			(13)	1,207 ⁽²⁾	1,194
Net current period Other comprehensive income/(loss)	(46)		(67)	1,342	1,229
Balance at September 30, 2013	\$168	(\$8)	\$19	(\$16,366)	(\$16,187)
Balance at January 1, 2014	\$150	(\$8)	(\$6)	(\$10,030)	(\$9,894)
Other comprehensive income/(loss) before reclassifications	(34)	2	(64)	623	527
Amounts reclassified from AOCI			(2)	716 ⁽²⁾	714
Net current period Other comprehensive income/(loss)	(34)	2	(66)	1,339	1,241
Balance at September 30, 2014	\$116	(\$6)	(\$72)	(\$8,691)	(\$8,653)
Balance at June 30, 2013	\$126	(\$8)	(\$6)	(\$16,906)	(\$16,794)
Other comprehensive income/(loss) before reclassifications	42		35	102	179
Amounts reclassified from AOCI			(10)	438 ⁽²⁾	428
Net current period Other comprehensive income/(loss)	42		25	540	607
Balance at September 30, 2013	\$168	(\$8)	\$19	(\$16,366)	(\$16,187)
Balance at June 30, 2014	\$188	(\$5)	\$20	(\$8,862)	(\$8,659)
Other comprehensive income/(loss) before reclassifications	(72)	(1)	(89)	1	(161)
Amounts reclassified from AOCI			(3)	170 ⁽²⁾	167
Net current period Other comprehensive income/(loss)	(72)	(1)	(92)	171	6
Balance at September 30, 2014	\$116	(\$6)	(\$72)	(\$8,691)	(\$8,653)

⁽¹⁾ Net of tax.

⁽²⁾ Primarily relates to amortization of actuarial gains/losses for the nine and three months ended September 30, 2013 totaling \$1,135 and \$380 (net of tax of \$(644) and \$(213)) and to amortization of actuarial gains/losses, settlements and curtailments for the nine and three months ended September 30, 2014 totaling \$700 and \$165 (net of tax of \$(388) and \$(90)). These are included in the net periodic pension cost of which a portion is allocated to production as inventoried costs.

Note 14 – 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 through 2019 . 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 2017 .

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	
	September 30 2014	December 31 2013	September 30 2014	December 31 2013	September 30 2014	December 31 2013
Derivatives designated as hedging instruments:						
Foreign exchange contracts	\$2,830	\$2,524	\$22	\$122	(\$120)	(\$64)
Interest rate contracts	313	313	10	13		
Commodity contracts	39	72	1	2	(26)	(39)
Derivatives not receiving hedge accounting treatment:						
Foreign exchange contracts	470	259	28	12	(9)	(35)
Commodity contracts	4	9			(1)	(4)
Total derivatives	\$3,656	\$3,177	61	149	(156)	(142)
Netting arrangements			(23)	(63)	23	63
Net recorded balance			\$38	\$86	(\$133)	(\$79)

⁽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:

	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Effective portion recognized in Other comprehensive income/(loss), net of taxes:				
Foreign exchange contracts	(\$65)	(\$51)	(\$85)	\$36
Commodity contracts	1	(3)	(4)	(1)
Effective portion reclassified out of Accumulated other comprehensive loss into earnings, net of taxes:				
Foreign exchange contracts	14	28	7	14
Commodity contracts	(12)	(15)	(4)	(4)
Forward points recognized in Other income, net:				
Foreign exchange contracts	25	24	9	2
Undesignated derivatives recognized in Other income, net:				
Foreign exchange contracts	(5)	13	1	(1)

Based on our portfolio of cash flow hedges, we expect to reclassify losses of \$55 (pre-tax) out of Accumulated other comprehensive loss into earnings during the next 12 months. Ineffectiveness related to our hedges recognized in Other income was insignificant for the nine and three months ended September 30, 2014 and 2013 .

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 September 30, 2014 was \$13 . At September 30, 2014 , there was no collateral posted related to our derivatives.

Note 15 – 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.

	September 30, 2014				December 31, 2013			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Money market funds	\$1,904	\$1,904			\$3,783	\$3,783		
Available-for-sale investments	9	9			8	6		\$2
Derivatives	38		\$38		86		\$86	
Total assets	\$1,951	\$1,913	\$38		\$3,877	\$3,789	\$86	\$2
Liabilities								
Derivatives	(\$133)		(\$133)		(\$79)		(\$79)	
Total liabilities	(\$133)		(\$133)		(\$79)		(\$79)	

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 nine months ended September 30 due to long-lived asset impairment and the fair value and asset classification of the related assets as of the impairment date:

	2014		2013	
	Fair Value	Total Losses	Fair Value	Total Losses
Operating lease equipment	\$157	(\$92)	\$28	(\$21)
Property, plant and equipment	19	(14)	39	(12)
Total	\$176	(\$106)	\$67	(\$33)

The fair value of the impaired operating lease equipment 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 nine months ended September 30, 2014, 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	\$157	Market approach	Aircraft value publications Aircraft condition adjustments	\$102 - \$180 ⁽¹⁾ Median \$155 (\$31) - \$7 ⁽²⁾ Net (\$24)

⁽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:

September 30, 2014					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	\$7,799	\$7,836		\$7,836	
Notes receivable, net	432	461		461	
Liabilities					
Debt, excluding capital lease obligations	(8,724)	(10,367)		(10,152)	(215)
December 31, 2013					
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	\$6,546	\$6,525		\$6,525	
Notes receivable, net	572	622		622	
Liabilities					
Debt, excluding capital lease obligations	(9,483)	(10,897)		(10,897)	

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 values of our debt classified as Level 3 are based on discounted cash flow models using the implied yield from similar securities. With regard to other financial instruments with off-balance sheet risk, it is not practicable to estimate the fair value of our indemnifications and financing commitments 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 September 30, 2014 and December 31, 2013. 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 16 – Legal Proceedings

Various legal proceedings, claims and investigations related to products, contracts, employment and other matters are pending against us. Potentially material contingencies are discussed below.

We are subject to various U.S. government investigations, from which civil, criminal or administrative proceedings could result or have resulted in the past. 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 will disclose 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.

Employment, Labor and Benefits Litigation

In connection with the 2005 sale of the former Wichita facility to Spirit AeroSystems, Inc. (Spirit), 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. The plaintiffs and Boeing agreed on June 12, 2014 to a settlement of the matter, subject to a fairness hearing. The settlement would apply to approximately 2,000 employees who were subsequently employed by Spirit. Spirit is obligated to indemnify Boeing for settlement of this matter and we intend to pursue full indemnification from Spirit. We cannot reasonably estimate the range of loss, if any, that may result from this matter pending the outcome of the fairness hearing.

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. We moved for summary judgment and oral argument was held on August 4, 2014. Currently, there is no trial date, as the court considers the summary judgment motions and as the parties complete discovery. 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 17 – Segment Information

Effective during the first quarter of 2014, certain programs were realigned among BDS segments. The BMA aircraft programs Airborne Warning and Control Systems and Airborne Early Warning and Control and the F-22 Modernization program were realigned from BMA to GS&S. Beginning in the third quarter of 2014, amounts previously reported separately as Other segment and Unallocated items and eliminations are now presented on a combined basis to provide a more meaningful presentation. Segment data for 2013 have been adjusted to reflect the changes.

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, eliminations and other, are shown in the following table.

	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Commercial Airplanes	\$1,223	\$752	\$671	\$189
Boeing Capital	14	22	3	5
Total	\$1,237	\$774	\$674	\$194

Unallocated Items, Eliminations and other

Unallocated items, eliminations and other 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. Components of Unallocated items, eliminations and other are shown in the following table.

	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Share-based plans	(\$66)	(\$74)	(\$22)	(\$21)
Deferred compensation	(22)	(165)	(3)	(63)
Amortization of previously capitalized interest	(55)	(52)	(19)	(18)
Eliminations and other unallocated items	(472)	(339)	(168)	(80)
Sub-total	(615)	(630)	(212)	(182)
Pension	(1,135)	(1,045)	(331)	(356)
Postretirement	67	54	20	16
Pension and Postretirement	(1,068)	(991)	(311)	(340)
Total	(\$1,683)	(\$1,621)	(\$523)	(\$522)

Unallocated Pension and Other Postretirement Benefit Expense

Unallocated pension and other postretirement benefit expense represent the portion of pension and other postretirement benefit costs that are not recognized by business segments for segment reporting purposes. Pension costs, comprising GAAP service and prior service costs, are allocated to Commercial Airplanes. Pension costs are allocated to BDS 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). These costs are allocable to government contracts. Other postretirement benefit costs are allocated to business segments based on CAS , which is generally based on benefits paid.

Assets

Segment assets are summarized in the table below:

	September 30 2014	December 31 2013
Commercial Airplanes	\$54,946	\$49,520
Defense, Space & Security:		
Boeing Military Aircraft	7,379	5,872
Network & Space Systems	6,304	6,450
Global Services & Support	4,625	5,040
Total Defense, Space & Security	18,308	17,362
Boeing Capital	3,567	3,914
Unallocated items, eliminations and other	\$15,832	\$21,867
Total	\$92,653	\$92,663

Assets included in Unallocated items, eliminations and other 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 September 30, 2014 , and the related condensed consolidated statements of operations and comprehensive income for the three-month and nine -month periods ended September 30, 2014 and 2013 , and the related condensed consolidated statements of cash flows and equity for the nine -month periods ended September 30, 2014 and 2013 . 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, 2013 , 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 14, 2014, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated statement of financial position as of December 31, 2013 is fairly stated, in all material respects, in relation to the consolidated statement of financial position from which it has been derived.

/s/ Deloitte & Touche LLP

Chicago, Illinois

October 22, 2014

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 budget and appropriation levels and acquisition priorities of the U.S. government;
- (5) our dependence on U.S. government contracts;
- (6) our reliance on fixed-price contracts;
- (7) our reliance on cost-type contracts;
- (8) uncertainties concerning contracts that include in-orbit incentive payments;
- (9) our dependence on our subcontractors and suppliers as well as the availability of raw materials;
- (10) changes in accounting estimates;
- (11) changes in the competitive landscape in our markets;
- (12) our non-U.S. operations, including sales to non-U.S. customers;
- (13) potential adverse developments in new or pending litigation and/or government investigations;
- (14) customer and aircraft concentration in Boeing Capital's customer financing portfolio;
- (15) changes in our ability to obtain debt on commercially reasonable terms and at competitive rates in order to fund our operations and contractual commitments;
- (16) realizing the anticipated benefits of mergers, acquisitions, joint ventures, strategic alliances or divestitures;
- (17) the adequacy of our insurance coverage to cover significant risk exposures;

- (18) potential business disruptions, including those related to physical security threats, information technology or cyber attacks 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 16 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 Results of Operations and Financial Condition

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>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$66,294	\$62,838	\$23,784	\$22,130
GAAP				
Earnings from operations	\$5,448	\$5,047	\$2,119	\$1,803
Operating margins	8.2%	8.0%	8.9%	8.1%
Effective income tax rate	23.6%	30.1%	32.9%	32.8%
Net earnings	\$3,980	\$3,352	\$1,362	\$1,158
Diluted earnings per share	\$5.36	\$4.36	\$1.86	\$1.51
Non-GAAP ⁽¹⁾				
Core operating earnings	\$6,516	\$6,038	\$2,430	\$2,143
Core operating margin	9.8%	9.6%	10.2%	9.7%
Core earnings per share	\$6.30	\$5.20	\$2.14	\$1.80

⁽¹⁾ These measures exclude certain components of pension and other postretirement benefit expense. See page 48 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>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Commercial Airplanes	\$43,151	\$38,301	\$16,110	\$13,987
Defense, Space & Security	23,293	24,342	7,913	8,046
Boeing Capital	263	303	91	94
Unallocated items, eliminations and other	(413)	(108)	(330)	3
Total	\$66,294	\$62,838	\$23,784	\$22,130

Revenues for the nine and three months ended September 30, 2014 increased by \$3,456 million and \$1,654 million , or 5% and 7% compared with the same periods in 2013 . Commercial Airplanes revenues increased by \$4,850 million and \$2,123 million , or 13% and 15% due to higher airplane deliveries . Defense, Space & Security (BDS) revenues for the nine months ended September 30, 2014 decreased by \$1,049 million , or 4% compared with the same period in 2013 due to lower revenues in all three segments. BDS revenues for the three months ended September 30, 2014 decreased by \$133 million , or 2% compared with the same period in 2013 due to \$232 million of lower revenues in the Network & Space Systems (N&SS) and Global Services & Support (GS&S) segments, partially offset by higher revenues of \$99 million in the Boeing Military Aircraft (BMA) segment.

Earnings From Operations

The following table summarizes Earnings from operations:

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Commercial Airplanes	\$4,849	\$4,289	\$1,797	\$1,617
Defense, Space & Security	2,216	2,281	856	673
Boeing Capital	66	98	(11)	35
Unallocated pension and other postretirement benefit expense	(1,068)	(991)	(311)	(340)
Other unallocated items and eliminations	(615)	(630)	(212)	(182)
Earnings from operations (GAAP)	\$5,448	\$5,047	\$2,119	\$1,803
Unallocated pension and other postretirement benefit expense	1,068	991	311	340
Core operating earnings (Non-GAAP)	\$6,516	\$6,038	\$2,430	\$2,143

Earnings from operations for the nine months ended September 30, 2014 increased by \$401 million compared with the same period in 2013 primarily reflecting higher earnings at Commercial Airplanes of \$560 million , partially offset by higher unallocated pension and other postretirement benefit expense of \$77 million and lower BDS earnings of \$65 million .

Earnings from operations for the three months ended September 30, 2014 increased by \$316 million compared with the same period in 2013 primarily reflecting higher earnings of \$183 million at BDS and \$180 million at Commercial Airplanes.

Core operating earnings for the nine months ended September 30, 2014 increased by \$478 million primarily reflecting higher earnings at Commercial Airplanes. Core operating earnings for the three months ended September 30, 2014 increased by \$287 million compared with the same period in 2013 primarily reflecting higher earnings at BDS and Commercial Airplanes.

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

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Share-based plans	(\$66)	(\$74)	(\$22)	(\$21)
Deferred compensation	(22)	(165)	(3)	(63)
Eliminations and other	(527)	(391)	(187)	(98)
Sub-total (included in core operating earnings*)	(615)	(630)	(212)	(182)
Pension	(1,135)	(1,045)	(331)	(356)
Postretirement	67	54	20	16
Pension and other postretirement benefit expense (excluded from core operating earnings*)	(1,068)	(991)	(311)	(340)
Total	(\$1,683)	(\$1,621)	(\$523)	(\$522)

* Core operating earnings is a Non-GAAP measure that excludes certain components of pension and postretirement benefit expense. See page 48 .

Deferred compensation expense for the nine and three months ended September 30, 2014 decreased by \$143 million and \$60 million compared with the same periods in 2013 primarily driven by changes in our stock price and broad stock market conditions.

Eliminations and other unallocated loss for the nine and three months ended September 30, 2014 increased by \$136 million and \$89 million compared with the same periods in 2013 primarily due to the timing of elimination of profit on intercompany aircraft deliveries and expense allocations. In addition, the increase reflects operating lease equipment impairments of \$71 million recorded in the third quarter of 2014.

We recorded net periodic benefit cost related to pension and other postretirement benefits of \$1,897 million and \$533 million for the nine and three months ended September 30, 2014 compared with \$2,845 million and \$958 million for the same periods in 2013. The decrease in net periodic benefit cost related to pension is primarily due to lower amortization of actuarial losses. The decrease in the nine month period is partially offset by higher curtailment charges of \$334 million recorded in unallocated pension expense during the first quarter of 2014. See Note 11. 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 17.

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

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Pension Plans				
Allocated to business segments	(\$1,308)	(\$1,274)	(\$384)	(\$419)
Other unallocated items and eliminations	(1,135)	(1,045)	(331)	(356)
Total	(\$2,443)	(\$2,319)	(\$715)	(\$775)

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Other Postretirement Plans				
Allocated to business segments	(\$281)	(\$323)	(\$91)	(\$106)
Other unallocated items and eliminations	67	54	20	16
Total	(\$214)	(\$269)	(\$71)	(\$90)

Other Earnings Items

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Earnings from operations	\$5,448	\$5,047	\$2,119	\$1,803
Other income/(loss), net	11	41	(9)	19
Interest and debt expense	(252)	(290)	(79)	(95)
Earnings before income taxes	5,207	4,798	2,031	1,727
Income tax expense	(1,227)	(1,445)	(669)	(567)
Net earnings from continuing operations	\$3,980	\$3,353	\$1,362	\$1,160

Our effective income tax rates were 23.6% and 32.9% for the nine and three months ended September 30, 2014 and 30.1% and 32.8% for the same periods in the prior year. The effective tax rate for the nine months ended September 30, 2014 is lower than the comparable prior year period primarily due to tax benefits of \$265 million related to tax basis adjustments and \$259 million related to audit settlements, both recorded in

the second quarter of 2014, offset by the absence of the U.S. research and development tax credit (research tax credit). The research tax credit was effective for 2013, but due to the expiration at the end of 2013, no tax benefit has been recorded in 2014. Furthermore, in the first quarter of 2013, Congress retroactively reinstated the research tax credit for 2012, which reduced income tax expense by \$145 million. If Congress extends the research tax credit for 2014 there will be a favorable impact on our effective income tax rate.

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

Total Costs and Expenses ("Cost of Sales")

Cost of sales, for both products and services, consists primarily of raw materials, parts, sub-assemblies, labor, overhead and subcontracting costs. Our Commercial Airplanes segment predominantly uses program accounting to account for cost of sales and BDS predominantly uses contract accounting. Under program accounting, cost of sales for each commercial airplane program equals the product of (i) revenue recognized in connection with customer deliveries and (ii) the estimated cost of sales percentage applicable to the total remaining program. Under contract accounting, the amount reported as cost of sales is determined by applying the estimated cost of sales percentage to the amount of revenue recognized. The following table summarizes cost of sales:

(Dollars in millions)	Nine months ended September 30			Three months ended September 30		
	2014	2013	Change	2014	2013	Change
Cost of sales	\$56,039	\$52,882	\$3,157	\$20,073	\$18,676	\$1,397
Cost of sales as a % of Revenues	84.5%	84.2%	0.3%	84.4%	84.4%	0.0%

Cost of sales for the nine months ended September 30, 2014 increased by \$3,157 million, or 6% compared with the same period in 2013 primarily driven by the \$3,456 million, or 5%, increase in revenues. Cost of sales at Commercial Airplanes increased by \$4,109 million while cost of sales at BDS decreased by \$886 million. Cost of sales as a percentage of revenue was approximately 84.5% in the nine months ended September 30, 2014 compared with 84.2% in the same period in 2013 primarily driven by the KC-46A Tanker charge of \$425 million recorded in the second quarter of 2014 and higher unallocated pension expense due to pension curtailment charges of \$334 million recorded in the first quarter of 2014, partially offset by improved cost performance.

Cost of sales for the three months ended September 30, 2014 increased by \$1,397 million, or 7% compared with the same period in 2013 driven by a \$1,654 million increase in revenues. Cost of sales as a percentage of revenue was approximately 84.4% for each of the three month periods ended September 30, 2014 and 2013.

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

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Commercial Airplanes	\$1,422	\$1,297	\$452	\$432
Defense, Space & Security	866	892	289	313
Other	4	34	9	10
Total	\$2,292	\$2,223	\$750	\$755

Research and development expense for the nine months ended September 30, 2014 increased by \$69 million compared with the same period in 2013 primarily due to higher spending at Commercial Airplanes on the 777X and 737 MAX. Research and development expense for the three months ended September 30, 2014 was generally consistent with the same period in 2013 .

Backlog

<i>(Dollars in millions)</i>	September 30 2014	December 31 2013
Total contractual backlog	\$475,021	\$422,661
Unobligated backlog	14,873	18,267

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 nine months ended September 30, 2014 compared with December 31, 2013 was primarily due to commercial airplane orders and reclassifications from unobligated backlog related to incremental funding. The increase was partially offset by commercial airplane deliveries and revenues recognized on awarded contracts.

Unobligated backlog includes U.S. and non-U.S. government definitive contracts for which funding has not been authorized. The unobligated backlog of \$14,873 million at September 30, 2014 decreased from December 31, 2013 primarily due to reclassifications to contractual backlog related to incremental funding for BDS contracts, partially offset by contract awards.

Additional Considerations

KC-46A Tanker In 2011, we were awarded a contract from the U.S. Air Force (USAF) to design, develop, manufacture and deliver 4 next generation aerial refueling tankers. The KC-46A Tanker is a derivative of our 767 commercial aircraft. This contract is a fixed-price incentive fee contract valued at \$4.9 billion and involves highly complex designs and systems integration. During the second quarter of 2014, we recorded a reach-forward loss of \$425 million on this contract. \$238 million of this loss was recorded at our Commercial Airplanes segment and the remaining \$187 million was recorded in our BMA segment. The reach-forward loss was primarily due to initial engineering and design issues discovered during systems installation that are requiring rework and additional engineering and manufacturing labor to complete this contract. To date the program has met all customer contractual milestones.

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. The USAF is scheduled to authorize low rate initial production in 2015 subject to satisfactory progress being made on the development contract .

Russia/Ukraine We continue to monitor political unrest involving Russia and Ukraine, where we and some of our suppliers source titanium products and/or have operations. A number of our commercial customers also have operations in Russia and Ukraine. To date, we have not experienced any disruptions to production or deliveries. Should suppliers or customers experience disruption, our production and/or deliveries could be materially impacted.

Segment Results of Operations and Financial Condition

Commercial Airplanes

Business Environment and Trends

Many of our non-U.S. customers finance aircraft purchases through the Export-Import Bank of the United States. In September 2014, the bank's charter was extended and is now set to expire on June 30, 2015. If the bank's charter is not renewed or if the bank's existing or future funding authority is insufficient to meet our customers' needs, we may fund additional commitments and/or enter into new financing arrangements with customers. Certain of our non-U.S. customers also may seek to delay aircraft purchases if they cannot obtain financing at reasonable costs. We continue to work with our customers to mitigate risks to the timing of future deliveries and are assisting with alternative third party financing sources.

Results of Operations

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$43,151	\$38,301	\$16,110	\$13,987
Earnings from operations	\$4,849	\$4,289	\$1,797	\$1,617
Operating margins	11.2%	11.2%	11.2%	11.6%

(Dollars in millions)	September 30 2014	December 31 2013
Contractual backlog	\$429,568	\$372,980
Unobligated backlog	449	660

Revenues

Revenues for the nine and three months ended September 30, 2014 increased by \$4,850 million and \$2,123 million or 13% and 15% compared with the same periods in 2013 due to higher airplane deliveries .

Commercial airplane deliveries, including intercompany deliveries, were as follows:

	737	*	747	767	777	787	Total
Deliveries during the first nine months of 2014	359 ⁽¹⁰⁾		12 [†]	3	75	79	528
Deliveries during the first nine months of 2013	330 ⁽⁷⁾		16	17	73	40 [†]	476
Deliveries during the third quarter of 2014	120 ⁽⁴⁾		6 [†]	2	27	31	186
Deliveries during the third quarter of 2013	112 ⁽²⁾		4	5	26	23	170
Cumulative deliveries as of 9/30/2014	5,092		1,494	1,064	1,239	193	
Cumulative deliveries as of 12/31/2013	4,733		1,482	1,061	1,164	114	

* Intercompany deliveries identified by parentheses.

† Includes one 787 and two 747 aircraft accounted for as revenue by BCA and as an operating lease in consolidation.

Earnings From Operations

Earnings from operations for the nine months ended September 30, 2014 increased by \$560 million compared with the same period in 2013 . The increase in earnings reflects higher 737 airplane deliveries and commercial aviation services business of \$821 million and improved cost performance of \$102 million, partially offset by a reach-forward loss of \$238 million related to the KC-46A Tanker contract. Higher research and development expense of \$125 million in 2014 was due to increased spending on the 777X and 737 MAX.

Earnings from operations for the three months ended September 30, 2014 increased by \$180 million compared with the same period in 2013. The increase in earnings reflects higher 737 airplane deliveries and commercial aviation services business of \$226 million, partially offset by \$26 million of higher fleet support costs and other costs associated with business growth. Higher research and development expense of \$20 million was due to increased spending on the 777X and 737 MAX.

Backlog

The increase in contractual backlog during the nine months ended September 30, 2014 was due to orders in excess of deliveries partially reduced by cancellation of orders.

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 9/30/2014	737	747	767	777	787
Program accounting quantities	7,600	1,574	1,113	1,600	1,300
Undelivered units under firm orders	4,033	42	50	566	861
Cumulative firm orders	9,125	1,536	1,114	1,805	1,054

	Program				
As of 12/31/2013	737	747	767	777	787
Program accounting quantities	7,000	1,574	1,113	1,550	1,300
Undelivered units under firm orders	3,680	55	49	380	916
Cumulative firm orders	8,413	1,537	1,110	1,544	1,030

Program Highlights

737 Program The accounting quantity for the 737 program increased by 200 units during the three months ended September 30, 2014 and by 600 units during the nine months ended September 30, 2014 due to the program's normal progress of obtaining additional orders and delivering airplanes. The accounting quantity includes NG and MAX units. We increased our production rate from 38 to 42 per month in the second quarter of 2014 and plan an additional increase to 47 per month in 2017. On October 2, 2014 we announced our plan to further increase the rate to 52 per month in 2018. First delivery of the 737 MAX is expected in 2017.

747 Program Lower-than-expected demand for large commercial passenger and freighter aircraft have resulted in ongoing pricing pressures and fewer orders than anticipated. We continue to produce at a rate of 1.5 per month. We have a number of unsold 747 production positions and remain focused on obtaining additional orders, 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 a reach-forward loss that may be material.

767 Program We reconfigured the 767 assembly line in 2014 to include a 767 derivative to support the tanker program and decreased our combined tanker and commercial production rate from 2 to 1 per month. We plan to increase the production rate from 1 to 1.5 per month in the fourth quarter of 2014 and back to 2 per month in 2016.

777 Program The accounting quantity for the 777 program increased by 50 units during the three months ended September 30, 2014. We are currently producing at a rate of 8.3 airplanes per month. In the fourth quarter of 2013 we launched the 777X and first delivery is expected in 2020.

787 Program During the second quarter of 2014 we completed initial type certification for the 787-9 and received design and production certifications. We delivered the first 787-9 airplane in June 2014. First delivery of the 787-10 derivative aircraft is targeted for 2018.

We are operating at 10 per month and the first delivery at this rate occurred in March 2014. We remain focused on stabilizing 787 production rates at 10 per month while improving aircraft reliability and satisfying 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, incorporating changes identified during 787-8 flight testing to already completed aircraft, as well as the incorporation 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. Based on sales activity and market interest we continue to believe that the remaining 787 flight-test aircraft are commercially saleable and we continue to include costs related to these aircraft in program inventory. If we determine that any of the remaining flight test aircraft cannot be sold, we may incur additional charges related to the reclassification of costs associated with those aircraft to research and development expense.

The accounting quantity of 1,300 units remains unchanged and reflects the incorporation of revenue and cost estimates associated with the 787-10 and planned production rate increases to 12 and 14 airplanes per month in future years. The accounting quantity of 1,300 units continues to represent approximately 10 years of production at planned production rates. The combination of production challenges, change incorporation, schedule delays and customer and supplier impacts has 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 and derivatives, such as the 787-10, 737 MAX and 777X, 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 new airplanes and derivatives 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

United States Government Defense Environment Overview U.S. government appropriation levels remain subject to significant uncertainty. In August 2011, the Budget Control Act (The Act) established limits on U.S. government discretionary spending, including a reduction of defense spending by approximately \$490 billion between the 2012 and 2021 U.S. government fiscal years. The Act also provided that the defense budget would face “sequestration” cuts of up to an additional \$500 billion during that same period to the extent that discretionary spending limits are exceeded. The impact of sequestration cuts was reduced with respect to FY2014 and FY2015 following the enactment of The Bipartisan Budget Act in December 2013. However, significant uncertainty remains with respect to overall levels of defense spending and it is likely that U.S. government discretionary spending levels for FY2016 and beyond will continue to be subject to significant pressure, including risk of future sequestration cuts.

Significant uncertainty also continues with respect to program-level appropriations for the U.S. Department of Defense (U.S. DoD) and other government agencies, including the National Aeronautics and Space Administration, within the overall budgetary framework described above. Future budget cuts, including cuts mandated by sequestration, or future procurement decisions associated with the authorization and appropriations process could result in reductions, cancellations and/or delays of existing contracts or programs. Any of these impacts could have a material effect on the results of the Company's operations, financial position and/or cash flows.

In addition to the risks described above, if Congress is unable to pass appropriations bills in a timely manner, a government shutdown could result which could have impacts above and beyond those resulting from budget cuts or sequestration impacts. For example, requirements to furlough employees in the U.S. DoD or other government agencies could result in payment delays, impair our ability to perform work on existing contracts, and/or negatively impact future orders. On September 19, 2014 a “continuing resolution” was enacted to fund U.S. government programs at existing rates from October 1, 2014. Absent further legislation, this funding will expire on December 11, 2014.

BDS Realignment

Effective during the first quarter of 2014, certain programs were realigned between BDS segments. The realignments include certain BMA aircraft and modernization programs which were moved to GS&S . Business segment data for 2013 have been adjusted to reflect the realignment. See Note 17 .

Results of Operations

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$23,293	\$24,342	\$7,913	\$8,046
Earnings from operations	\$2,216	\$2,281	\$856	\$673
Operating margins	9.5%	9.4%	10.8%	8.4%

<i>(Dollars in millions)</i>	September 30 2014	December 31 2013
Contractual backlog	\$45,453	\$49,681
Unobligated backlog	14,424	17,607

Since our operating cycle is long-term and involves many different types of development and production contracts with varying delivery and milestone schedules, the operating results of a particular year, or year-to-year comparisons of revenues, earnings and backlog may not be indicative of future operating results. In addition, depending on the customer and their funding sources, our orders might be structured as annual

follow-on contracts, or as one large multi-year order or long-term award. As a result, period-to-period comparisons of backlog are not necessarily indicative of future workloads. The following discussions of comparative results among periods should be viewed in this context.

Revenues

BDS revenues for the nine months ended September 30, 2014 decreased by \$1,049 million compared with the same period in 2013 due to lower revenues in all three segments.

BDS revenues for the three months ended September 30, 2014 decreased by \$133 million compared with the same period in 2013 due to lower revenues of \$204 million and \$28 million in the N&SS and GS&S segments, partially offset by higher revenues of \$99 million in the BMA segment.

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

	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Boeing Military Aircraft				
F/A-18 Models	36	36	13	12
F-15E Eagle	10	3	2	
C-17 Globemaster III	7	8	2	2
CH-47 Chinook	46	32	14	15
AH-64 Apache	30	31	11	11
P-8 Models	6	7	4	2
Global Services & Support				
AEW&C	3		1	
Total new-build production aircraft	138	117	47	42

Earnings From Operations

BDS earnings from operations for the nine months ended September 30, 2014 decreased by \$65 million compared with the same period in 2013 due to lower earnings of \$121 million in the BMA segment, partially offset by higher earnings of \$35 million and \$21 million in the GS&S and N&SS segments.

BDS earnings from operations for the three months ended September 30, 2014 increased by \$183 million compared with the same period in 2013 due to higher earnings of \$195 million in the BMA segment, partially offset by lower earnings of \$8 million and \$4 million in the GS&S and N&SS segments.

Backlog

BDS total backlog was \$59,877 million at September 30, 2014, reflecting a decrease of 11% from December 31, 2013. 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 (AEW&C), 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 both of the nine months ended September 30, 2014 and 2013 , net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by \$184 million . For the three months ended September 30, 2014 and 2013 , net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by \$91 million and \$20 million .

Boeing Military Aircraft

Results of Operations

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$10,518	\$11,059	\$3,537	\$3,438
Earnings from operations	\$937	\$1,058	\$440	\$245
Operating margins	8.9%	9.6%	12.4%	7.1%

<i>(Dollars in millions)</i>	September 30 2014	December 31 2013
Contractual backlog	\$21,169	\$23,561
Unobligated backlog	8,901	10,063

Revenues

BMA revenues for the nine months ended September 30, 2014 decreased by \$541 million when compared with the same period in 2013 primarily due to decreased revenue of \$574 million related to lower KC-46A Tanker and F-15 milestones and fewer P-8 and C-17 aircraft deliveries. These decreases were partially offset by higher volume on proprietary programs.

BMA revenues for the three months ended September 30, 2014 increased by \$99 million when compared with the same period in 2013 primarily reflecting \$547 million related to higher P-8 and F-15 deliveries as well as higher volume on proprietary programs, partially offset by \$440 million due to lower KC-46A Tanker milestones and lower volume on the Chinook and Apache programs.

Earnings From Operations

BMA earnings from operations for the nine months ended September 30, 2014 decreased by \$121 million compared to the same period in 2013 , primarily due to 2014 charges of \$235 million partially offset by increased earnings of \$80 million related to higher F-15 deliveries and improved performance on the F/A-18 program. The charges recorded in 2014 included \$187 million related to the KC-46A Tanker contract and \$48 million to write-off inventory and accrue termination liabilities as a result of our 2014 decision to produce three fewer C-17 aircraft in 2015 than previously planned. See Note 9 . In addition, in 2013 we recorded a charge of \$64 million to write off inventory and accrue termination liabilities as a result of The Republic of Korea's announcement to restart its F-X fighter aircraft competition. Net favorable cumulative contract catch-up adjustments were \$115 million lower in the nine months ended September 30, 2014 than in the same period in 2013 primarily driven by the reach-forward loss on the KC-46A Tanker contract.

BMA earnings from operations for the three months ended September 30, 2014 increased by \$195 million compared to the same period in 2013 primarily due to higher deliveries on the P-8 and F-15 programs as well as higher volume on proprietary programs, improved performance on the F/A-18 and C-17 programs and the absence of the F-X fighter aircraft charge recorded in the third quarter of 2013. Net favorable cumulative contract catch-up adjustments were \$59 million higher in the three months ended September 30, 2014 than in the same period in 2013 .

Backlog

BMA total backlog of \$30,070 million at September 30, 2014 decreased by 11% from December 31, 2013 , reflecting revenue recognized on contracts awarded in prior years, partially offset by contract awards for the F-18, P-8 and Apache programs.

Additional Considerations

C-17 and F/A-18 See the discussions of the C-17 and F/A-18 programs in Note 9 to our Condensed Consolidated Financial Statements.

KC-46A Tanker See the discussion of the KC-46A Tanker program on page 35 .

Network & Space Systems

Results of Operations

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$5,823	\$6,240	\$2,027	\$2,231
Earnings from operations	\$507	\$486	\$189	\$193
Operating margins	8.7%	7.8%	9.3%	8.7%

<i>(Dollars in millions)</i>	September 30 2014	December 31 2013
Contractual backlog	\$8,774	\$9,832
Unobligated backlog	4,680	6,076

Revenues

N&SS revenues for the nine months ended September 30, 2014 decreased by \$417 million compared with the same period in 2013 primarily due to a reduction of \$576 million related to lower volume in several Electronic and Information Solutions (E&IS), government satellite and proprietary programs, partially offset by \$151 million related to higher volume on the Space Launch System (SLS) and GMD programs.

N&SS revenues for the three months ended September 30, 2014 decreased \$204 million compared with the same period in 2013 primarily due to a reduction of \$269 million related to lower volume on United Launch Alliance (ULA), lower government satellite program milestones and lower volume on several E&IS programs. These decreases were partially offset by an increase of \$112 million related to higher milestone volume on several commercial satellite programs.

Earnings From Operations

N&SS earnings from operations for the nine months ended September 30, 2014 increased by \$21 million compared with the same period in 2013 primarily due to increases of \$87 million related to higher earnings from our ULA joint venture and several government satellite programs as well as higher volume on the SLS program. These increases were partially offset by reductions of \$75 million due to lower milestone volume and program mix on several commercial satellite programs. Net favorable cumulative contract catch-up adjustments were \$41 million higher in the nine months ended September 30, 2014 than in the same period in 2013 .

N&SS earnings from operations for the three months ended September 30, 2014 decreased by \$4 million compared with the same period in 2013 primarily due to lower milestone volume and performance, partially offset by higher equity earnings of \$25 million. Net favorable cumulative contract catch-up adjustments were \$16 million lower in the three months ended September 30, 2014 than in the same period in 2013 .

N&SS earnings from operations include equity earnings of \$163 million and \$74 million for the nine and three months ended September 30, 2014 compared to \$122 million and \$49 million for the same periods in 2013 primarily from the ULA joint venture.

Backlog

N&SS total backlog was \$13,454 million at September 30, 2014 , reflecting a decrease of 15% from December 31, 2013 primarily due to revenue recognized on contracts awarded in prior years, partially offset by current year contract awards for missile defense system and commercial satellite programs.

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.

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

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

Global Services & Support

Results of Operations

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$6,952	\$7,043	\$2,349	\$2,377
Earnings from operations	\$772	\$737	\$227	\$235
Operating margins	11.1%	10.5%	9.7%	9.9%

<i>(Dollars in millions)</i>	September 30 2014	December 31 2013
Contractual backlog	\$15,510	\$16,288
Unobligated backlog	843	1,468

Revenues

GS&S revenues for the nine months ended September 30, 2014 decreased by \$91 million compared with the same period in 2013 primarily due to decreases of \$153 million related to lower volume in Integrated Logistics (IL) programs, partially offset by increases of \$64 million in Maintenance, Modification and Upgrades (MM&U) programs primarily related to AEW&C deliveries in 2014.

GS&S revenues for the three months ended September 30, 2014 decreased by \$28 million compared with the same period in 2013 primarily due to lower volume of \$81 million in IL programs, partially offset by an increase of \$48 million in MM&U programs primarily related to Airborne Warning and Control Systems and AEW&C deliveries in 2014.

Earnings From Operations

GS&S earnings from operations for the nine months ended September 30, 2014 increased by \$35 million compared with the same period in 2013 . Net favorable cumulative contract catch-up adjustments were \$74 million higher in the nine months ended September 30, 2014 than in the same period in 2013 primarily due to improved performance on the AEW&C program.

GS&S earnings from operations for the three months ended September 30, 2014 decreased by \$8 million compared with the same period in 2013 primarily due to decreases of \$25 million related to lower volume on several IL programs. Net favorable cumulative contract catch-up adjustments were \$28 million higher in the three months ended September 30, 2014 than in the same period in 2013 primarily due to improved performance on the AEW&C program.

Backlog

GS&S total backlog was \$16,353 million at September 30, 2014 , reflecting a decrease of 8% from December 31, 2013 primarily due to revenues recognized on contracts awarded in prior years, partially offset by current year contract awards for support on the C-17 and AEW&C programs.

Boeing Capital

Operating Results

<i>(Dollars in millions)</i>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$263	\$303	\$91	\$94
Earnings/(loss) from operations	\$66	\$98	(\$11)	\$35
Operating margins	25%	32%	(12)%	37%

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 nine months ended September 30, 2014 decreased by \$40 million compared with the same period in 2013 primarily due to a lower portfolio balance and adjustments to estimated residual values.

Earnings From Operations

BCC 's earnings from operations are presented net of interest expense, recovery of losses, asset impairment expense, depreciation on leased equipment and other operating expenses. Earnings from operations for the nine months ended September 30, 2014 decreased by \$32 million compared with the same period in 2013 due to lower revenues and higher asset impairment expense offset by a reduction of \$19 million in the allowance for losses on receivables driven by a change to a customer credit rating recorded in the first quarter of 2014. BCC 's earnings for the three months ended September 30, 2014 decreased by \$46 million compared with the same period in 2013 due to higher asset impairment expense.

Financial Position

The following table presents selected financial data for BCC :

<i>(Dollars in millions)</i>	September 30 2014	December 31 2013
Customer financing and investment portfolio, net	\$3,533	\$3,883
Other assets, primarily cash and short-term investments	747	505
Total assets	\$4,280	\$4,388
Other liabilities, primarily deferred income taxes	\$1,258	\$1,296
Debt, including intercompany loans	2,524	2,577
Equity	498	515
Total liabilities and equity	\$4,280	\$4,388
Debt-to-equity ratio	5.1-to-1	5.0-to-1

BCC 's customer financing and investment portfolio at September 30, 2014 decreased from December 31, 2013 primarily due to portfolio run-off, partially offset by \$335 million due to the origination of notes receivable. At September 30, 2014 and December 31, 2013 , BCC had \$26 million and \$83 million of assets that were held for sale or re-lease. In addition, aircraft subject to leases with a carrying value of approximately \$44 million are scheduled to be returned off lease in the next 12 months. We are seeking to remarket these aircraft or have the leases extended.

BCC enters into certain transactions with Boeing, reflected in the Unallocated items, eliminations and other, in the form of intercompany guarantees and other subsidies that mitigate the effects of certain credit quality or asset impairment issues on the BCC segment.

Restructurings and Restructuring Requests

From time to time, certain customers have requested a restructuring of their transactions with BCC . Since December 31, 2013 , BCC has not reached agreement on any restructuring requests that would have a material effect on our earnings, cash flows and/or financial position.

Liquidity and Capital Resources

Cash Flow Summary

<i>(Dollars in millions)</i>	Nine months ended September 30	
	2014	2013
Net earnings	\$3,980	\$3,352
Non-cash items	1,683	1,452
Changes in working capital	(1,803)	1,995
Net cash provided by operating activities	3,860	6,799
Net cash provided/(used) by investing activities	1,034	(4,082)
Net cash used by financing activities	(7,294)	(2,993)
Effect of exchange rate changes on cash and cash equivalents	(33)	(24)
Net decrease in cash and cash equivalents	(2,433)	(300)
Cash and cash equivalents at beginning of year	9,088	10,341
Cash and cash equivalents at end of period	\$6,655	\$10,041

Operating Activities Net cash provided by operating activities was \$3.9 billion during the nine months ended September 30, 2014 , a decrease of \$2.9 billion compared with the same period in 2013 primarily due to lower receipts of advances and progress billings and higher inventory growth. Our investment in gross inventories increased by \$7.0 billion and \$5.3 billion during the nine months ended September 30, 2014 and 2013 reflecting continued investment in commercial airplane program inventory, primarily 787 inventory. Discretionary contributions to our pension plans totaled \$0.75 billion and \$1.5 billion during the nine months ended September 30, 2014 and 2013 .

Investing Activities Cash provided by investing activities totaled \$1.0 billion during the nine months ended September 30, 2014 compared with \$4.1 billion used during the same period in 2013 , largely due to higher net proceeds from investments in time deposits. Net proceeds from investments were \$2.7 billion in 2014 compared with net contributions to investments of \$2.6 billion for the same period in 2013 . In 2014 , capital expenditures totaled \$1.6 billion , compared with \$1.5 billion for the same period in the prior year. We expect capital expenditures to be higher in 2014 than 2013 due to continued investment to support growth.

Financing Activities Cash used by financing activities was \$7.3 billion during the nine months ended September 30, 2014 compared with \$3.0 billion in the same period in 2013 , an increase primarily due to higher share repurchases of \$3.2 billion . During the nine months ended September 30, 2014 , we repurchased 38.8 million shares totaling \$5 billion through our open market share repurchase program. In addition, 0.7 million shares were transferred to us from employees for tax withholdings.

During the nine months ended September 30, 2014 , we repaid \$0.9 billion of debt. At September 30, 2014 , the recorded balance of debt was \$8.9 billion of which \$1.6 billion was classified as short-term. This includes \$2.5 billion of debt attributable to BCC , of which \$0.7 billion was classified as short-term.

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. Throughout the nine months ended September 30, 2014, we had no commercial paper borrowings outstanding. Currently, we have \$4.8 billion of unused borrowing capacity 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 \$16.7 billion and \$18 billion at September 30, 2014 and December 31, 2013. 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 addition, many of our non-U.S. customers finance aircraft purchases through the Export-Import Bank of the United States. In September 2014, the bank's charter was extended and is now set to expire on June 30, 2015. If the bank's charter is not renewed or if the bank's existing or future funding authority is insufficient to meet our customers' needs, we may fund additional commitments and/or enter into new financing arrangements with customers.

In the event we require additional funding to support strategic business opportunities, our 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, if any, under our commercial paper program, in the debt markets or our credit facilities.

At September 30, 2014, 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 16 to our Condensed Consolidated Financial Statements.

Environmental Remediation We are involved with various environmental remediation activities and have recorded a liability of \$638 million at September 30, 2014. For additional information, see Note 9 to our Condensed Consolidated Financial Statements.

Income Taxes We have recorded a liability of \$1,526 million at September 30, 2014 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 other postretirement benefit expenses which represent costs not attributable to business segments - see Note 17 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 other postretirement benefit cost, 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>	Nine months ended September 30		Three months ended September 30	
	2014	2013	2014	2013
Revenues	\$66,294	\$62,838	\$23,784	\$22,130
Earnings from operations, as reported	\$5,448	\$5,047	\$2,119	\$1,803
Operating margins	8.2%	8.0%	8.9%	8.1%
Unallocated pension and other postretirement benefit expense	\$1,068	\$991	\$311	\$340
Core operating earnings (non-GAAP)	\$6,516	\$6,038	\$2,430	\$2,143
Core operating margins (non-GAAP)	9.8%	9.6%	10.2%	9.7%
Diluted earnings per share, as reported	\$5.36	\$4.36	\$1.86	\$1.51
Unallocated pension and other postretirement benefit expense ⁽¹⁾	\$0.94	\$0.84	\$0.28	\$0.29
Core earnings per share (non-GAAP)	\$6.30	\$5.20	\$2.14	\$1.80
Weighted average diluted shares (in millions)	742.3	769.8	731.9	769.1

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

Other

Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 and Section 13(r) of the Securities Exchange Act of 1934, as amended (the “Act”), require disclosure of certain activities, transactions or dealings relating to Iran that occurred during the quarter covered by this report. Disclosure is required even if the activities, transactions or dealings were conducted in compliance with applicable law. During the third quarter of 2014, we sold aircraft manuals, drawings, and navigation charts and data to Iran Air. These sales were authorized by a license from the U.S. Office of Foreign Assets Control (“OFAC”). Boeing applied for the OFAC license consistent with guidance from the U.S. Government in connection with ongoing negotiations between the “P5+1” nations and Iran related to, among other things, the safety of Iran’s civil aviation industry. We generated approximately \$120 thousand in gross revenues and \$12 thousand net profits during the third quarter from these sales. We may engage in additional sales pursuant to this license, which sales may require additional disclosure pursuant to Section 13(r) of the Act.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our market risk since December 31, 2013 .

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 September 30, 2014 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 third quarter of 2014 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 16 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, 2013 .

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 September 30, 2014 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⁾
7/1/2014 thru 7/31/2014	1,993,732	\$127.07	1,967,975	\$6,563
8/1/2014 thru 8/31/2014	4,779,934	123.63	4,762,147	5,974
9/1/2014 thru 9/30/2014	1,299,699	126.50	1,291,261	5,811
Total	8,073,365	\$124.94	8,021,383	

⁽¹⁾ We purchased an aggregate of 8,021,383 shares of our common stock in the open market pursuant to our repurchase program and 51,982 shares transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period. We purchased no shares in swap transactions.

⁽²⁾ On December 16, 2013, the Board approved a new repurchase plan (the Program) for up to \$10 billion of common stock. Unless terminated earlier by a Board resolution, the Program will expire when we have used all authorized funds for repurchase.

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)	Summary of Non-Employee Director Compensation.
10(ii)	Supplemental Benefit Plan for Employees of The Boeing Company, as amended and restated on August 25, 2014, effective March 1, 2014.
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.

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)

October 22, 2014

(Date)

/s/ Robert E. Verbeck

Robert E. Verbeck – Vice President of Finance and Corporate
Controller

SUMMARY OF NON-EMPLOYEE DIRECTOR COMPENSATION

On August 25, 2014, the Board of Directors of The Boeing Company (the "Company") approved increases in the (a) annual cash retainer for non-employee directors from \$120,000 to \$130,000, (b) annual retainer in deferred stock units for non-employee directors from \$150,000 to \$165,000, (c) Lead Director annual retainer from \$25,000 to \$30,000, (d) Audit Committee chair annual retainer from \$20,000 to \$25,000 and (e) Compensation Committee chair annual retainer from \$15,000 to \$20,000. Each increase will be effective January 1, 2015. The remaining components of non-employee director compensation remain unchanged from the amounts described in the Company's proxy statement for its 2014 annual meeting of shareholders.

Non-Employee Director Compensation (Effective January 1, 2015)

Annual Cash Retainer	\$ 130,000
Annual Retainer in Deferred Stock Units	\$ 165,000
Lead Director Annual Retainer	\$ 30,000
Audit Committee Chair Annual Retainer	\$ 25,000
Compensation Committee Chair Annual Retainer	\$ 20,000
Governance, Organization and Nominating Committee Chair Annual Retainer	\$ 15,000
Finance Committee Chair Annual Retainer	\$ 15,000
Special Programs Committee Chair Annual Retainer	\$ 15,000

**SUPPLEMENTAL BENEFIT PLAN
FOR EMPLOYEES OF
THE BOEING COMPANY**

**AS AMENDED AND RESTATED
EFFECTIVE MARCH 1, 2014**

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ARTICLE I
Introduction

The Supplemental Benefit Plan for Employees of The Boeing Company (Plan) was originally established effective January 1, 1978 by The Boeing Company. The Plan was amended and restated effective January 1, 2008 to comply with section 409A of the Internal Revenue Code of 1986, as amended (Code). The Plan was subsequently amended and restated as of January 1, 2009 for the purpose of expanding the Restoration Benefit, and for the purpose of adding an Executive Company Contribution and a DC SERP benefit.

The Plan provides three separate benefits: (i) the Restoration Benefit, (ii) the Executive Company Contribution, and (iii) the DC SERP Benefit. The purpose of the Restoration Benefit is to restore the benefits of certain employees under The Boeing Company Voluntary Investment Plan, to the extent that these qualified plan benefits are limited by sections 415 and 401(a)(17) of the Code. The purpose of the Executive Company Contribution is to provide an additional contribution to this Plan, equal to a percentage of the annual incentive plan payments for a select group of management or highly compensated employees, in lieu of a portion of the Company Contribution under the VIP. The purpose of the DC SERP Benefit is to provide a supplemental retirement benefit for a select group of management or highly compensated employees at level E-1 through E-3 who are hired or rehired on or after January 1, 2009, and for certain management and highly compensated employees who are hired or rehired before January 1, 2009.

For periods prior to January 1, 1999, the Plan also restored participants' benefits under The Boeing Company Employee Retirement Plan and The Boeing Company Employee Financial Security Plan, to the extent these benefits were limited by sections 415 and 401(a)(17) of the Code. For the period January 1, 1987 through May 31, 1987, the Plan also restored benefits reduced by the limitation on elective deferrals imposed by section 402(g)(1) of the Code.

It is intended that the Plan shall be an excess benefit plan as defined in section 3(36) of the Employee Retirement Income Security Act of 1974 (ERISA) to the extent benefits are paid in excess of the limits imposed by section 415 of the Code. To the extent any part of the Plan is not an excess benefit plan, it is intended that the Plan is an unfunded plan maintained primarily for the purpose of providing deferred compensation to a select group of management or highly compensated employees under sections 201(2), 301(a)(3), and 401(a)(1) of ERISA.

ARTICLE II

Definitions

2.1 Account

“Account” means the recordkeeping account established for each Participant in the Plan, for purposes of accounting for Restoration Benefits (Deferral Contributions, Company Matching Contributions, and SBP Company Contributions), Executive Company Contributions, DC SERP Benefits, and the Earnings Credits thereon.

2.2 Affiliate or Subsidiary

“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.

2.3 Authorized Period of Absence

“Authorized Period of Absence” means a leave of absence approved by the Company.

2.4 Base Salary

“Base Salary” means an Employee’s annual base rate of pay from the Company.

2.5 Beneficiary

“Beneficiary” generally means the person or persons designated by a Participant under the VIP to receive any benefit payable from the VIP upon the death of the Participant. If no designation is filed under the VIP, or if the designated beneficiary does not survive the Participant, the default rules stated in the VIP will apply.

2.6 BCERP

“BCERP” means The Boeing Company Employee Retirement Plan, as amended.

2.7 Board of Directors

“Board of Directors” means the board of directors of The Boeing Company.

2.8 BSS Plan

“BSS Plan” means the BSS Retirement Plan, as amended.

2.9 Code

“Code” means the Internal Revenue Code of 1986, as amended.

2.10 Committee

“Committee” means the Employee Benefit Plans Committee.

2.11 Company

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

2.12 Company Matching Contribution

“Company Matching Contribution” means the amount credited to a Participant’s Account under Section 3.4.

2.13 Compensation

“Compensation” means a Participant’s Compensation as defined under the VIP, but determined without regard to the limitation on Compensation under Code section 401(a)(17). In no event will Compensation include payments under any incentive compensation plan, without regard to whether it is included in compensation under the VIP.

2.14 Contribution Credit

“Contribution Credit” means the applicable percentage used to compute an eligible Participant’s DC SERP Benefit under Article V.

2.15 DC SERP Benefit

“DC SERP Benefit” means the benefit provided under Article V, and Earnings Credits thereon.

2.16 Deferral Contribution

“Deferral Contribution” means the portion of a Participant’s Compensation, if any, that he or she elects to defer on a pre-tax basis under this Plan in accordance with Section 3.3.

2.17 Deferral Election

“Deferral Election” means the election made by an Eligible Employee to defer a portion of his or her Compensation in accordance with Section 3.3.

2.18 Deferred Compensation Plan

“Deferred Compensation Plan” means the Deferred Compensation Plan for Employees of The Boeing Company.

2.19 Earnings Credits

“Earnings Credits” means the adjustment to a Participant’s Account under Section 7.2.

2.20 Eligible Employee

“Eligible Employee” means, with respect to any Plan Year, an Employee of the Company who has satisfied the requirements of one or more of the following: Section 3.1 with regard to the Restoration Benefit, Section 4.1 with regard to the Executive Company Contribution, or Section 5.1 with regard to the DC SERP Benefit.

2.21 Employee

“Employee” means any person who is employed as a common law employee by any member of the Company.

2.22 Executive Company Contribution

“Executive Company Contribution” means the benefit provided under Article IV.

2.23 Executive Incentive Pay

“Executive Incentive Pay” means the amount awarded to the Participant under The Boeing Company Elected Officer Annual Incentive Plan or the Incentive Compensation Plan for Employees of The Boeing Company and Subsidiaries, or an award made in lieu of awards under either of the foregoing plans. Executive Incentive Pay will be counted solely to the extent attributable to performance periods beginning on or after January 1, 2009.

Executive Incentive Pay deferred by the Participant under the Deferred Compensation Plan will be deemed to have been paid as if those amounts had not been deferred, for purposes of this Plan.

2.24 FSP

“FSP” means The Boeing Company Employee Financial Security Plan, as amended.

2.25 Layoff Period

“Layoff Period” means the period beginning on the date a Participant is laid off from employment with the Company and ending on the sixth anniversary of such layoff.

2.26 Participant

“Participant” means an Eligible Employee who has elected to defer Compensation or receive SBP Company Contributions under the Plan in accordance with Article III, who is eligible to receive an Executive Company Contribution under Article IV, who is eligible to accrue benefits under the DC SERP under Article V, or an Employee or former Employee who has amounts credited to his or her Account.

2.27 Plan

“Plan” means this Supplemental Benefit Plan for Employees of The Boeing Company as herein set forth, together with any amendments that may be adopted.

2.28 Plan Year

“Plan Year” means the calendar year.

2.29 PVP

“PVP” means the Pension Value Plan for Employees of The Boeing Company, as amended.

2.30 Restoration Benefit

“Restoration Benefit” means the benefit provided under Article III, comprised of Deferral Contributions, Company Matching Contributions and SBP Company Contributions, as applicable, and Earnings Credits thereon.

2.31 SBP Company Contribution

“SBP Company Contribution” means the benefit provided under Section 3.5.

2.32 Separation from Service

“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.

2.33 SERP

“SERP” means the Supplemental Executive Retirement Plan for Employees of The Boeing Company, as amended.

2.34 Service

“Service” means the Participant’s years of service with the Company, determined in the same manner as the service time calculation under the Boeing Service Awards Program procedure, in completed whole years.

2.35 Specified Employee

“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.

2.36 Transition Benefit

“Transition Benefit” means the contribution made by the Company under the VIP that is identified as a Transition Benefit (or like term as used in the VIP) under Section 4.10 of the VIP.

2.37 Unforeseeable Emergency

“Unforeseeable Emergency” means “unforeseeable emergency” within the meaning of Code section 409A, as determined by the Committee.

2.38 VIP

“VIP” means The Boeing Company Voluntary Investment Plan, as amended.

ARTICLE III
Restoration Benefit
Eligibility and Benefits

3.1 Restoration Benefit Eligibility

An Employee is eligible to participate in the Restoration Benefit program for a Plan Year if he or she satisfies each of the conditions described in (A)-(C) below:

- (A) The Employee is eligible to participate in the VIP during the Plan Year.
- (B) The Employee is, during the Plan Year, a salaried Employee of the Company who is not represented by a collective bargaining agent (or represented by a collective bargaining agent where the terms of the collective bargaining agreement covering such Employee specifically provide for coverage under the Plan).
- (C) As of October 1st of the prior Plan Year, the Employee's Base Salary for the prior Plan Year equaled or exceeded the amount calculated as follows (rounded down to the nearest \$1,000 increment):

The dollar limit imposed by section 415(c) of the Code for the prior Plan Year, divided by the percentage equal to the sum of (i), (ii), (iii) and (iv), as applicable.

- (i) The maximum percentage that an Employee can elect to contribute on a pre-tax or after-tax basis under the VIP, for the prior Plan Year (or such other rate approved by the Committee by October 1st to take effect under the VIP as of the following January).
- (ii) The maximum percentage that an Employee can receive as an Employer Matching Contribution under the VIP, for the prior Plan Year (or such other rate approved by the Committee by October 1st to take effect under the VIP as of the following January).
- (iii) The maximum percentage that the Employee can receive as a Company Contribution or a Transition Benefit under the VIP, for the prior Plan Year (or such other rate approved by the Committee by October 1st to take effect under the VIP as of the following January), based on the Employee's anticipated age at the end of the Plan Year of participation.
- (iv) Solely with regard to an Employee who actively participates in the BSS Retirement Plan, as amended ("BSS Plan"), the percentage of

Participant Contributions made under Exhibit A of the BSS Plan, for the prior Plan Year.

Effective March 22, 2003, participants in the Boeing Satellite Systems Voluntary Savings Plan (the “BSS Voluntary Savings Plan”) became eligible to participate in the VIP. Consequently, a former participant in the BSS Voluntary Savings Plan who met the eligibility requirements of this Plan as of March 22, 2003 became eligible for benefits under this Plan based upon his or her participation in the VIP.

3.2 Restoration Benefit Participation

An Eligible Employee will become a Participant in the Restoration Benefit program when he or she elects to defer Compensation for a Plan Year, by executing and delivering a timely Deferral Election in accordance with subsections (A)-(C) below. Deferral Contributions and Company Matching Contributions are described in Sections 3.3 and 3.4 below.

An Eligible Employee who receives a Company Contribution or a Transition Benefit under the VIP will also, to the extent eligible, become a Participant in the Restoration Benefit program when he or she elects to receive an SBP Company Contribution for a Plan Year, by executing and delivering a timely SBP Company Contribution Election in accordance with subsections (A)-(C) below. SBP Company Contributions are described in section 3.5 below.

(A) Elections

A Participant’s Deferral Election or SBP Company Contribution Election must be executed and delivered to the Company in accordance with rules established by the Committee.

(B) Timing of Elections

In general, the Deferral Election or SBP Company Contribution Election must be filed during the election period established by the Committee. This election will become irrevocable as of the end of the election period, but in no event later than December 31 of the Plan Year in which the election is made. Each election will apply solely to the Compensation payable in the succeeding Plan Year. Participants must execute a new Deferral Election to defer Compensation payable in each succeeding Plan Year. Participants must execute a new SBP Company Contribution Election to receive an SBP Company Contribution payable in each succeeding Plan Year.

Elections generally may not be modified during the Plan Year. Likewise, an Employee eligible for any portion of the Restoration Benefit provided

under this Article III remains subject to restrictions on mid-year contribution election changes under the VIP, in accordance with the terms of the VIP.

See Section 3.7 for a limited exception to the general rule on the irrevocability of Deferral Elections, in the event of Unforeseeable Emergency.

(C) No Mid-Year Elections

An Employee who becomes an Eligible Employee during the Plan Year (as a new hire, rehire or due to raise or promotion) will not be eligible to make Deferral Contributions or to receive SBP Company Contributions under the Restoration Benefit program during such Plan Year.

3.3 Deferral Contributions

An Eligible Employee may elect to defer a percentage of his or her Compensation otherwise payable by the Company for a Plan Year by executing and delivering a Deferral Election, as described in Section 3.2 above. This percentage is limited to the maximum percentage described in Section 3.1(C)(i), as applicable to the Eligible Employee.

Deferrals will be made from the Participant's Compensation only to the extent that either: (i) Compensation for the applicable Plan Year exceeds the limitation under Code section 401(a)(17), as indexed, or (ii) the Participant's annual additions under the VIP for the applicable Plan Year reach the dollar limitation of Code section 415(c), as indexed.

Deferred Compensation will be credited to the Participant's Account on the date the Compensation would otherwise be payable, or as soon thereafter as administratively feasible.

3.4 Company Matching Contributions

A Participant in the Restoration Benefit program who defers Compensation for a Plan Year under Section 3.3 will be credited with a Company Matching Contribution from the Company. This Company Matching Contribution will equal a percentage of the Participant's Deferral Contributions for the Plan Year, subject to a limit on the Participant's Compensation from which Deferral Contributions are made under this Restoration Benefit program for the Plan Year. The relevant net percentage will be limited to the maximum rate described in Section 3.1(C)(ii), as applicable to each Participant.

Company Matching Contributions will be credited to the Participant's Account on the date that the underlying Deferral Contribution is credited to the Participant's Account.

3.5 SBP Company Contributions

An Eligible Employee who receives a Company Contribution or a Transition Benefit under Section 4.10 of the VIP may elect to receive an SBP Company Contribution for a Plan Year, if eligible, by executing and delivering an SBP Company Contribution Election, as described in Section 3.2 above.

The SBP Company Contribution became effective as of January 1, 2009. No SBP Company Contribution will be made before January 1, 2009.

An SBP Company Contribution will be credited to the Participant's Account on the date the underlying Compensation is payable, or as soon thereafter as administratively feasible. For purposes of computing the SBP Company Contribution, Compensation will not include payments under any incentive compensation plan, without regard to whether the incentive program is included in compensation under the VIP.

(A) SBP Company Contribution Based on VIP Company Contribution

The SBP Company Contribution is described in this subsection (A) for an individual who is eligible to receive a Company Contribution under Section 4.10 of the VIP. For periods beginning on or after January 1, 2009 and ending on or before December 31, 2018, the Company Contribution is limited to individuals who were "hired" on or after January 1, 2009, as defined in Section 4.10 of the VIP. Effective as of January 1, 2019, it is expected that the Company Contribution will be extended to all eligible non-union employees under the VIP.

The SBP Company Contribution will equal a percentage of the eligible Participant's Compensation during the applicable pay period, subject to the limitations described below. The applicable percentage is determined by the Participant's age at the end of the Plan Year. This SBP Company Contribution will be made by the Company on behalf of a Participant only to the extent that either: (i) the Participant's Compensation for the applicable Plan Year exceeds the limitation under Code section 401(a)(17), as indexed, or (ii) the Participant's annual additions under the VIP for the applicable Plan Year reach the dollar limitation of Code section 415(c), as indexed.

- (i) 3%, for each eligible Participant under age 40,

- (ii) 4%, for each eligible Participant age 40 to 49,
- (iii) 5%, for each eligible Participant age 50 and over.

(B) SBP Company Contribution Based on VIP Transition Benefit

The SBP Company Contribution is described in this subsection (B) for an individual who is eligible to receive a Transition Benefit under Section 4.10 of the VIP. For periods beginning on or after January 1, 2016 and ending on or before December 31, 2018, it is expected that a Transition Benefit will be payable under the VIP to eligible non-union employees who were “hired” before January 1, 2009, as defined in Section 4.10 of the VIP. It is expected that this Transition Benefit will cease as of December 31, 2018.

The SBP Company Contribution will equal a percentage of the eligible Participant’s Compensation during the applicable pay period, subject to the limitations described below. This SBP Company Contribution will be made by the Company on behalf of a Participant only to the extent that either: (i) the Participant’s Compensation for the applicable Plan Year exceeds the limitation under Code section 401(a)(17), as indexed, or (ii) the Participant’s annual additions under the VIP for the applicable Plan Year reach the dollar limitation of Code section 415(c), as indexed. The applicable percentage is determined by the Plan Year in which the Compensation is payable, as follows:

- (i) 9%, for Compensation payable in the 2016 Plan Year,
- (ii) 8%, for Compensation payable in the 2017 Plan Year,
- (iii) 7%, for Compensation payable in the 2018 Plan Year.

No SBP Company Contribution will be made under this subsection (B) before January 1, 2016. A Participant described in subsection (B) (i.e., receiving a Transition Benefit) will not be eligible to receive any SBP Company Contributions before January 1, 2016.

(C) Rules Applicable to Rehires

In the event that a Participant described in subsection (B) (i.e., eligible to receive a Transition Benefit under the VIP) subsequently terminates employment and is “hired” on or after January 1, 2016, as defined in Section 4.10 of the VIP, such Participant will become eligible thereafter for the SBP Company Contribution described in subsection (A), but only to the extent the Participant otherwise satisfies the eligibility requirements

for such benefit, and will no longer be eligible for the SBP Company Contribution under subsection (B).

(D) Non-Duplication Rules

In no event will a Participant receive an SBP Company Contribution under subsection (B) if an SBP Company Contribution is payable under subsection (A) for the same payroll period.

In no event will the SBP Company Contribution duplicate any Company Contribution or Transition Benefit made on a Participant's behalf under the VIP.

To the extent an Employee is eligible to accrue benefits as an active participant under the SERP based on increases in his or her salary and/or service during a Plan Year, he or she is ineligible to receive an SBP Company Contribution under this Plan for such Plan Year. This paragraph is not intended to preclude an SBP Company Contribution for an Employee whose SERP accruals are attributable solely to interest credits or indexing on the underlying PVP benefit.

3.6 Vesting

A Participant's interest in his or her Account attributable to Restoration Benefits generally will be 100% vested at all times.

See Section 7.4 regarding missing participants and improper credits and Section 10.3 regarding the unfunded nature of this Plan.

3.7 Cancellation of Deferral Election Due to Unforeseeable Emergency

Notwithstanding the election procedures described in Section 3.3, a Participant in the Restoration Benefit program will be permitted to cancel an existing Deferral Election with regard to a Plan Year during that Plan Year, where the Participant incurs an Unforeseeable Emergency, as determined by the Committee.

To the extent that a Participant has elected and received a distribution due to an Unforeseeable Emergency under Section 6.1(F), the Participant will be deemed to have elected to cancel his or her Deferral Election for the remainder of the applicable Plan Year.

ARTICLE IV
Executive Company Contribution
Eligibility and Benefits

4.1 Executive Company Contribution Eligibility

An Employee is eligible to receive Executive Company Contributions for a Plan Year if he or she satisfies each of the conditions described in (A)-(C) below:

- (A) The Employee is not eligible to accrue benefits under any defined benefit plan maintained by the Company.

For periods beginning on or after January 1, 2009 and ending on or before December 31, 2015, eligibility for the Executive Company Contribution is limited to individuals who were “hired” on or after January 1, 2009, as defined in Section 4.10 of the VIP. For periods beginning on or after January 1, 2016, eligibility for the Executive Company Contribution will be expanded to include individuals hired before January 1, 2009.

- (B) The Employee is eligible to receive a Company Contribution or a Transition Benefit under Section 4.10 of the VIP during the Plan Year.
- (C) The Employee is entitled to payment of Executive Incentive Pay during the Plan Year. Executive Incentive Pay is not counted for this purpose if paid following the Employee’s termination of employment from the Company.

To the extent an Employee is eligible to accrue benefits as an active participant under the SERP based on increases in his or her salary and/or service during a Plan Year, he or she is ineligible to receive an Executive Company Contribution under this Plan for such Plan Year. This paragraph is not intended to preclude an Executive Company Contribution for an Employee whose SERP accruals are attributable solely to interest credits or indexing on the underlying PVP benefit.

4.2 Executive Company Contribution Participation

An Eligible Employee will become a Participant eligible to receive Executive Company Contributions on the date the Employee satisfies the eligibility conditions in Section 4.1.

A rehired Employee who previously participated in the Plan will become a Participant again on the date the Employee satisfies the eligibility conditions again after rehire.

4.3 Executive Company Contribution Benefits

An Executive Company Contribution will be credited to the Participant's Account at the time the Executive Incentive Pay otherwise would be payable, or as soon thereafter as administratively feasible.

No Executive Company Contribution will be made before January 1, 2009.

(A) Executive Company Contribution Based on VIP Company Contribution

The Executive Company Contribution is described in this subsection (A) for an individual who is eligible to receive a Company Contribution under Section 4.10 of the VIP. For periods beginning on or after January 1, 2009 and ending on or before December 31, 2018, the Company Contribution is limited to individuals who were "hired" on or after January 1, 2009, as defined in Section 4.10 of the VIP. Effective as of January 1, 2019, it is expected that the Company Contribution will be extended to all eligible non-union employees under the VIP.

The Executive Company Contribution will equal the applicable percentage of the eligible Participant's Executive Incentive Pay payable during the Plan Year. Executive Incentive Pay is not counted if paid following the Employee's termination of employment from the Company. The applicable percentage is determined by the Participant's age at the end of the Plan Year as follows:

- (i) 3%, for each eligible Participant under age 40,
- (ii) 4%, for each eligible Participant age 40 to 49,
- (iii) 5%, for each eligible Participant age 50 and over.

(B) Executive Company Contribution Based on VIP Transition Benefit

The Executive Company Contribution is described in this subsection (B) for an individual who is eligible to receive a Transition Benefit under Section 4.10 of the VIP. For periods beginning on or after January 1, 2016 and ending on or before December 31, 2018, it is expected that a Transition Benefit will be payable to individuals who were "hired" before January 1, 2009 under the VIP, as defined in Section 4.10 of the VIP. It is expected that this Transition Benefit will cease as of December 31, 2018.

The Executive Company Contribution will equal the applicable percentage of the eligible Participant's Executive Incentive Pay payable during the Plan Year. Executive Incentive Pay is not counted if paid following the

Employee's termination of employment from the Company. The applicable percentage is determined by the Plan Year in which the Executive Incentive Pay is payable, as follows:

- (i) 9%, for Executive Incentive Pay payable in the 2016 Plan Year,
- (ii) 8%, for Executive Incentive Pay payable in the 2017 Plan Year,
- (iii) 7%, for Executive Incentive Pay payable in the 2018 Plan Year.

No Executive Company Contribution will be made under this subsection (B) before January 1, 2016. A Participant described in subsection (B) (i.e., receiving a Transition Benefit) will not be eligible to receive any Executive Company Contributions before January 1, 2016.

(C) Rules Applicable to Rehires

In the event that an eligible Participant described in subsection (B) (i.e., eligible to receive a Transition Benefit under the VIP) subsequently terminates employment and is "hired" on or after January 1, 2016, as defined in Section 4.10 of the VIP, such Participant will become eligible thereafter for the Executive Company Contribution described in subsection (A), but only to the extent the Participant otherwise satisfies the eligibility requirements for such benefit, and will no longer be eligible for the Executive Company Contribution under subsection (B).

(D) Non-Duplication Rules

In no event will a Participant receive an Executive Company Contribution under subsection (B) if an Executive Company Contribution is payable under subsection (A) for the same Plan Year.

To the extent an Employee is eligible to accrue benefits as an active participant under the SERP based on increases in his or her salary and/or service during a Plan Year, he or she is ineligible to receive an Executive Company Contribution under this Plan for such Plan Year. This paragraph is not intended to preclude an Executive Company Contribution for an Employee whose SERP accruals are attributable solely to interest credits or indexing on the underlying PVP benefit.

4.4 Executive Company Contribution Vesting

A Participant's interest in his or her Account attributable to Executive Company Contributions generally will be 100% vested at all times.

See Section 7.4 regarding missing participants and improper credits, and Section 10.3 regarding the unfunded nature of this Plan.

ARTICLE V
DC SERP
Eligibility and Benefits

5.1 DC SERP Eligibility

An Employee is eligible to participate in the DC SERP for a Plan Year if he or she is on the E-Series Payroll during the Plan Year, and satisfies the conditions in either (A) or (B) below:

For purposes of determining eligibility for the DC SERP, the term “hired” is defined in Section 4.10 of the VIP, regardless of the date on which the Employee joins the E-Series Payroll.

(A) Hired On or After 2009

An Employee satisfies the conditions in subsection (A) if:

- (i) The Employee is hired on or after January 1, 2009,
- (ii) The Employee is ineligible to accrue benefits under any defined benefit plan maintained by the Company, and
- (iii) The Employee was on the E-Series Payroll with a level of E-1 through E-3 during the Plan Year.

(B) Hired Before 2009

Effective January 1, 2016, an Employee satisfies the conditions in subsection (B) if the Employee was hired before January 1, 2009.

An Employee described in subsection (B) will not be eligible to participate in the DC SERP before January 1, 2016.

In the event that an Employee subsequently terminates employment and is “hired” on or after January 1, 2016, as defined in Section 4.10 of the VIP, such Participant will be reclassified as hired on or after January 1, 2009 under subsection (A) above.

To the extent an Employee is eligible to accrue benefits as an active participant under the SERP based on increases in his or her salary and/or service during a Plan Year, he or she is ineligible to receive a DC SERP Benefit under this Plan for such Plan Year. This paragraph is not intended to preclude a DC SERP Benefit for an Employee whose SERP accruals are attributable solely to interest credits or indexing on the underlying PVP benefit.

5.2 DC SERP Participation

An Eligible Employee will become a Participant in the DC SERP on the date the Employee satisfies the eligibility conditions in Section 5.1.

A rehired Employee who previously participated in the Plan will become a Participant again on the date the Employee satisfies the eligibility conditions again after rehire.

5.3 DC SERP Benefits

Each Participant in the DC SERP shall be entitled to benefits under this Plan as described below. No DC SERP benefit will accrue before January 1, 2009.

(A) Annual Contributions

Annual contributions will be credited on the date such Compensation and Executive Incentive Pay otherwise would be payable, or as soon thereafter as administratively feasible.

(i) Hired On or After 2009

A Participant described in Section 5.1(A) (Hired On or After 2009) will receive a DC SERP contribution equal to a Contribution Credit times the sum of the Participant's Compensation and Executive Incentive Pay, for each applicable pay period. The Contribution Credit for a pay period is determined by the Participant's level as of this pay period as follows:

- (a) 2%, for a Participant at level E-2 through E-3.
- (b) 4%, for a Participant at level E-1.

For purposes of calculating the DC SERP annual contribution, a Participant's Compensation and Executive Incentive Pay will be counted solely to the extent that the Participant is on the E-Series Payroll during the applicable pay period.

(ii) Hired Before 2009

A Participant described in Section 5.1(B) (Hired Before 2009) will receive a DC SERP contribution equal to a Contribution Credit times the sum of the Participant's Compensation and Executive Incentive Pay, for each applicable pay period. For purposes of

calculating the DC SERP contribution, a Participant's Compensation and Executive Incentive Pay will be counted solely to the extent that the Participant is on the E-Series Payroll during the applicable pay period.

The Contribution Credit will equal the sum of (a) and (b):

- (a) 5%
- (b) For a Participant who has attained age 55, 0.5% times the Participant's years of Benefit Service (as defined under the PVP and /or BSS Plan, as applicable, and determined as of January 1, 2016), subject to the limitation herein. The supplemental percentage credited under this subsection (b) will be payable for a period not to exceed seven years. This seven-year period will commence on January 1, 2016 (or following the Participant's attainment of age 55, or promotion to the E-Series Payroll, whichever is latest) and will be measured in the aggregate over a Participant's lifetime (i.e., regardless of whether the Participant has multiple periods of employment with the Company).

No DC SERP contribution will be made under this subsection (ii) before January 1, 2016. A Participant described in Section 5.1(B) (Hired Before 2009) will not be eligible to receive any DC SERP contributions before January 1, 2016.

(iii) Rules Applicable to Rehires

In the event that an eligible Participant described in subsection (A)(ii) (Hired Before 2009) subsequently terminates employment and is "hired" on or after January 1, 2016, as defined in Section 4.10 of the VIP, such Participant will become eligible thereafter for the DC SERP contribution described in subsection (A)(i), but only to the extent the Participant otherwise satisfies the eligibility requirements for such benefit, and will no longer be eligible for the DC SERP contribution under subsection (A)(ii).

(B) One-Time Contribution

An Employee who satisfies the requirements described in Section 5.1(A) (Hired On or After 2009), and who is first promoted to a level of E-1 through E-3 (from a position at the Company below a level of E-3) during the Plan Year, will receive a one-time additional contribution equal to the product of (i), (ii) and (iii) below.

- (i) 2%
- (ii) The sum of:
 - (a) the Participant's Base Salary in effect immediately following the promotion, and
 - (b) his or her Executive Incentive Pay target percentage multiplied by the Base Salary, both as in effect immediately following the promotion.
- (iii) The Participant's years of Service as of the date of first promotion to a level of E-1 through E-3 (from a position at the Company below a level of E-3); provided that, for such purpose, a Participant's years of Service will be limited to Service earned since his or her most recent hire date.

This amount will be credited as of the date of first promotion to a level of E-1 through E-3, or as soon thereafter as administratively feasible.

A Participant who has received a one-time contribution under this Section upon promotion to a level of E-1 through E-3 will be ineligible for any further contributions under this subsection (B).

A Participant described in Section 5.1(B) (Hired Before 2009) will not be eligible to receive a one-time DC SERP contribution under this subsection (B), unless and until reclassified upon rehire as described in Section 5.1(B).

5.4 DC SERP Vesting

No DC SERP Benefit shall be payable to a Participant or Beneficiary except to the extent such Participant is vested in the DC SERP Benefit.

(A) General DC SERP Vesting Rule for Participants Hired On or After 2009

A Participant described in Section 5.1(A) (Hired On or After 2009) will vest 100% in his or her DC SERP Benefit on the date the Participant satisfies the conditions in either (i), (ii) or (iii) below.

- (i) The Participant has been on the E-Series Payroll at a level of E-1 through E-3 for a period of 36 consecutive months. (For Participants with prior periods of employment, a period of consecutive months before January 1, 2009 on the E-Series Payroll

at a level of E-1 through E-3 will be counted for purposes of determining whether this 36 consecutive month requirement has been satisfied.)

- (ii) The Participant dies.
- (iii) The Participant is laid off from a position at level E-1 through E-3 and is eligible for benefits under The Boeing Company Executive Layoff Benefits Plan.

See Section 5.4(C) below for additional vesting rules for these Participants based on age and Service.

(B) General DC SERP Vesting Rule for Participants Hired Before 2009

A Participant described in Section 5.1(B) (Hired Before 2009) will vest 100% in his or her DC SERP Benefit on the date the Participant satisfies the conditions in either (i), (ii) or (iii) below.

- (i) The Participant has been on the E-Series Payroll for a period of 36 consecutive months. A period of consecutive months before January 1, 2016 on the E-Series Payroll will be counted for purposes of determining whether this 36 consecutive month requirement has been satisfied.
- (ii) The Participant is fully vested under the PVP and/or BSS Plan, as applicable, and dies before his or her DC SERP Benefit commences under this Plan.
- (iii) The Participant is laid off from an E-Series position and is eligible for benefits under The Boeing Company Executive Layoff Benefits Plan.

(C) Special Vesting Rules for Participants with 55/10 or 62/1

Special vesting rules apply for a Participant described in Section 5.1(A) (Hired On or After 2009) who has attained either (i) or (ii) while employed by the Company.

- (i) Age 55 with 10 years of Service
- (ii) Age 62 with one year of Service

This Participant will be 100% vested in the portion of his or her DC SERP Benefit described in Section 5.3(A) (Annual Contributions) after he or she has been on the E-Series Payroll for a period of 36 consecutive months.

This Participant will vest ratably in the portion of his or her DC SERP Benefit described in Section 5.3 (B) (One-Time Contribution), if any. Upon Separation from Service, or upon completion of 36 consecutive months on the E-Series Payroll at a level of E-1 through E-3 if earlier, the Participant's vesting will be determined at a rate of 1/36 for each consecutive month on the E-Series Payroll at a level of E-1 through E-3. This pro rata vesting rule is not intended to preclude the acceleration of vesting under subsections (A)(ii) (death) or (iii) (layoff) above, if applicable.

(D) Authorized Period of Absence

For purposes of this Section, an Authorized Period of Absence from the E-Series Payroll will count as a period on the E-Series Payroll, and an Authorized Period of Absence from a position at level E-1 through E-3 will count as a period at these levels.

If an Employee ceases to be at the applicable level for any reason other than an Authorized Period of Absence, and the Employee later returns to a position at the applicable level, these non-consecutive periods of service will not be aggregated for purposes of determining whether the 36-consecutive month requirement has been met.

(E) Transfers to and from ULA and USA

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 in a position at a comparable level will be credited toward the 36 consecutive months requirements described herein, provided that the Participant transfers directly from the E-Series Payroll (or a position at level E-1 through E-3 if applicable) at the Company to comparable 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 at a position comparable to the E-Series Payroll (or a position at level E-1 through E-3, if applicable) will be credited toward the 36 consecutive months requirements described herein, provided that the Participant transfers directly from this executive status at ULA or USA to a position at a comparable level 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.

(F) Impact of Separation from Service

Annual Contributions. If a Participant Separates from Service (other than a deemed Separation from Service due to an Authorized Period of Absence) *before* becoming 100% vested in the annual contribution portion of his or her DC SERP Benefit described in Section 5.3 (A)(i) and/or (A)(ii), as applicable, the Participant will forfeit all rights to the nonvested portion of his or her DC SERP Benefit attributable to the period prior to his or her Separation from Service. To the extent any benefit under this Plan becomes 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 6.1.

One-Time Contributions. If a Participant Separates from Service after becoming partially vested in the one-time contribution portion of the DC SERP Benefit, under subsection (C) above, and the Participant is subsequently rehired or returns from an Authorized Period of Absence, the DC SERP Benefit accrued after rehire or return will not be vested until the Participant satisfies the requirements of subsection (A) or (C) above following rehire or return.

Multiple DC SERP Benefits. Separate vesting requirements apply to each component of a Participant's DC SERP Benefit described in Sections 5.3(A)(i), (A)(ii), and (B). This means that a Participant who has accrued more than one DC SERP Benefit component (such as, due to a Separation from Service and subsequent rehire or return from Authorized Period of Absence) must satisfy the vesting requirements applicable to each such component. If a Participant Separates from Service *after* becoming 100% vested in a particular DC SERP Benefit component, the Participant will be fully vested in any additional accruals under the *same* DC SERP Benefit component following rehire or return (even if the Participant fails to be at the applicable pay level for 36 consecutive months following rehire or return). The Participant will not, however, be fully vested in any amounts accrued under a *different* DC SERP Benefit component described in Sections 5.3(A)(i), (A)(ii), and (B), unless and until the corresponding applicable vesting requirements under this Section 5.4 otherwise have been satisfied.

See Section 7.4 regarding missing participants and improper credits, and Section 10.3 regarding the unfunded nature of this Plan.

5.5 DC SERP Forfeiture Rules

The Committee may determine, in its sole discretion, that a Participant will forfeit any part or all of his or her DC 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:

- (A) 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.
- (B) 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.
- (C) 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.
- (D) 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 received or commenced payment of his or her DC 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 DC 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 DC SERP Benefit attributable to an incentive award that the Company seeks to recover under the Clawback Policy provision of any plan providing Executive Incentive Pay.

ARTICLE VI
Distributions

6.1 Form and Timing of Distribution

(A) General Rule

A Participant may elect the form and timing of distribution with regard to his or her Restoration Benefit (including future Deferral Contributions, Company Matching Contributions, SBP Company Contributions, and Earnings Credits thereon) as described below, subject to the cashout rule in subsection (B) below. This distribution election must be made at the same time the Participant makes his or her Deferral Election (or SBP Company Contribution Election, if earlier). Any election made as to the form and timing of distribution will apply to the Participant's entire Restoration Benefit (including Deferral Contributions, Company Matching Contributions, any SBP Company Contributions, and Earnings Credits thereon).

No elections are required with regard to a Participant's Executive Company Contribution or DC SERP Benefit. The form and timing of distribution with regard to these benefits is described in the deemed election rules below.

Distribution elections and deemed elections made with regard to a Participant's entire Account may be changed solely to the extent permitted under subsection (C) below.

(i) Lump Sum Distribution

The lump sum distribution option is a single lump sum payable in January of any Plan Year following the Participant's Separation from Service. The amount of such distribution will be based on the value of the Participant's Account determined as of the date of payment.

Payment of the Participant's Restoration Benefit in the form of a lump sum will be made the later of: (i) January of the first Plan Year following Separation from Service, or (ii) January of the first Plan Year following the Participant's attainment of a specified age (subject to (D) below), as elected by the Participant under this Section 6.1.

A Participant will be deemed to have elected to receive his or her Executive Company Contribution and DC SERP Benefit in a lump

sum, in January of the first Plan Year following Separation from Service, subject to any changes made by the Participant in Section 6.1(C).

(ii) Installment Payment

The installment payment option is a series of annual installment payments for a period between 2 and 15 years. The amount payable to the Participant each year generally shall be computed by multiplying the balance in the Account (or the applicable portion of the Account) by a fraction, the numerator of which is one and the denominator of which is the number of years remaining in the distribution period on the first day of January of such year. See Section 6.1(B) below for application of the cashout rule to installment payments.

Annual installment payments of the Restoration Benefit, if elected, will begin the later of: (i) January of the first Plan Year following Separation from Service, or (ii) January of the first Plan Year following the Participant's attainment of a specified age (subject to (D) below), as elected by the Participant under this Section 6.1. Payments will continue until the full balance of the Participant's Restoration Benefit has been paid.

The Plan will respect previous distribution elections made by certain Participants who are former participants in the Excess Benefit Plan for the BSS Retirement Plan, as amended ("BSS Excess Plan"). For these Participants, any distribution election made prior to April 4, 2003 under section 3(b)(5) of the BSS Excess Plan will apply, unless the Participant elects otherwise under this Article V.

In the event that no distribution option is elected with regard to the Restoration Benefit, the Participant will be deemed to have elected to receive a single lump sum payable in January of the first Plan Year following the Participant's Separation from Service.

(B) Cashouts

Notwithstanding the foregoing, the following rules shall apply, subject to the six-month delay in payment for Specified Employees under (E):

- (i) If the balance in the Participant's Account is \$10,000 or less in January of the first Plan Year following Separation from Service, the entire balance will be paid in the form of a single lump sum at that time.

- (ii) If a Participant has elected to receive installments and his or her remaining Account balance is \$10,000 or less upon any scheduled payment date, the entire remaining balance will be paid in the form of a single lump sum at that time. This paragraph (ii) will not apply to any Participant whose installment payments commenced prior to January 1, 2008.

(C) Changes to Distribution Election or Deemed Election

Effective January 1, 2008, a Participant may change a distribution election (or deemed election) with regard to his or her entire Restoration Benefit only once after the initial distribution election is made, in accordance with the conditions stated below. Effective January 1, 2009, a Participant also may change his or her deemed distribution election once with regard to his or her combined DC SERP Benefit and Executive Company Contributions (if any), in accordance with the conditions stated below. To the extent any such changes would defer commencement of any portion of the Participant's Account beyond both age 70½ and Separation from Service, the changes will not be effective with respect to such portion.

- (i) A new distribution election must be submitted to the Committee at least 12 months before the existing scheduled distribution date, and during the annual election period established by the Committee.
- (ii) The revised distribution election must not take effect for at least 12 months after it is made.
- (iii) The new distribution election must provide for an additional deferral period of at least 5 years beyond the original distribution date.

In no event can installment payments be revoked once they have begun.

Prior to January 1, 2008, a Participant may change a distribution election with regard to his or her entire Account, in accordance with procedures established by the Committee, without the restrictions stated in (i)-(iii) above. Any changes made under this paragraph will be invalid to the extent they affect distributions scheduled for the Plan Year in which the change is made.

Limited Exception for 2008. In allowable circumstances (as determined by the Company's Senior Vice President, Human Resources and Administration), a Participant will have a limited ability during the 2008 Plan Year to change his or her distribution election without the restrictions stated in (i)-(iii) above, subject to approval by the Company's Senior Vice

President, Human Resources and Administration, in his or her sole discretion. In no event will an election under this paragraph cause an amount to be paid during the 2008 Plan Year, if it would otherwise be payable in a later Plan Year. Nor will an election under this paragraph defer a payment beyond the 2008 Plan Year, if it would otherwise be payable during the 2008 Plan Year.

(D) Distributions At Age 70½

Payment of benefits under this Plan will begin not later than the first January following the calendar year in which the Participant both attains (or would have attained) age 70½ and is Separated from Service. Payment of benefits for Participants actively employed beyond age 70 ½ will begin no later than the first January following the calendar year in which the Participant Separates from Service. In the event that no distribution option is elected under (A) above, the Participant will be deemed to have elected to receive a single lump sum distribution.

(E) Specified Employees

Notwithstanding anything to the contrary under this Article VI, 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 Account of a Specified Employee will be distributed in the form elected under subsection (A) above. This distribution will commence as of the later of:

- (i) the time elected under subsection (A),
- (ii) the first day of the month following completion of the six-month waiting period (for Specified Employees who Separate from Service between July 1 and December 31), and
- (iii) January of the first Plan Year following Separation from Service (for Specified Employees who Separate from Service between January 1 and June 30).

If a Participant has elected installments under (A) above, subsequent installment payments will be made in January of each successive year until the Account is exhausted.

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 6.2 (Death Benefits) below.

(F) Distribution Due to Unforeseeable Emergency

A Participant or Beneficiary may elect to receive a distribution of all or a portion of his or her Restoration Benefit and his or her Executive Company Contribution benefit immediately, regardless of whether benefit payments have commenced, to the extent that the Participant or Beneficiary incurs an Unforeseeable Emergency. A Participant or Beneficiary may not receive a distribution of his or her DC SERP Benefit solely in the event of an Unforeseeable Emergency, even if fully vested.

The amount of the distribution will be limited to the amount reasonably necessary to satisfy the emergency need, including any taxes or penalties reasonably anticipated to result from the distribution, as determined by the Committee.

6.2 Death Benefits

If a Participant dies before his or her entire Restoration Benefit has been distributed, the remaining Restoration Benefit will be distributed to his or her Beneficiary in accordance with the Participant's election as to form and timing filed with the Committee with regard to the Restoration Benefit. Distributions to the Beneficiary will be made at the same time and in the same form as the payment that otherwise would have been made to the Participant. To the extent no distribution election has been filed with regard to the Restoration Benefit, the remaining Restoration Benefit will be paid to the Beneficiary in a single sum in January of the calendar year following the Participant's death.

If a Participant dies before his or her entire Executive Company Contribution benefit and his or her entire DC SERP Benefit have been distributed, the remaining benefits will be paid to his or her Beneficiary in accordance with any change to the form and timing of payment elected by the Participant under Section 6.1(C) with regard to the Executive Company Contribution and the DC SERP Benefit. If no change has been elected, the remaining benefits will be distributed to the Participant's Beneficiary in a single sum in January of the calendar year following the Participant's death.

6.3 Rehires

This Section 6.3 addresses the form and timing of payment for a Participant who rehires to the Company following a Separation from Service. For purposes of this Section 6.3, a rehire includes a Participant who returns to the Company following a Separation from Service that is deemed to occur under Code section 409A due to an Authorized Period of

Absence or a period of a reduced level of services.

In the event that a Participant forfeits a nonvested DC SERP Benefit upon a Separation from Service, this benefit will not be restored upon rehire. This rule applies regardless of whether the Participant satisfies the vesting criteria under Section 5.4 following rehire.

(A) Participants Rehired After Commencing Benefits

This subsection (A) applies to a rehired Participant who has received or begun receiving benefits under the Plan because he or she has experienced a Separation from Service and has attained the specified age (if applicable).

Old Benefits. Installment payments that commenced prior to the Participant's rehire with respect to Deferral Contributions made and contributions received before the Participant's Separation from Service ("Old Benefits") will not be suspended by reason of the Participant's rehire. These Old Benefits will continue to be paid until exhausted, without regard to the period of rehire.

Interim Benefits. To the extent a Participant made additional Deferral Contributions or received additional contributions while on an Authorized Period of Absence or during a period of a reduced level of services that constituted a deemed Separation from Service under Code section 409A, such Deferral Contributions made and contributions received (to the extent vested) will be distributed in January of the first Plan Year following the year in which they are made, in accordance with the Participant's earlier distribution election or deemed election. This is because the Participant has already satisfied the conditions for payment under Section 6.1(A); namely, he or she has attained the specified age and has experienced a Separation from Service attributable to such Deferral Contributions made and contributions received.

The same rule will apply where the portion of a Participant's DC SERP Benefit attributable to one-time contributions vests ratably during an Authorized Period of Absence, under Sections 5.4(C) and (D). Such newly vested benefits will be distributed in January of the first Plan Year following the year in which they vest, in accordance with the Participant's earlier distribution election or deemed election.

New Benefits. Deferral Contributions made and contributions received attributable to periods after the date of rehire ("New Benefits") will remain subject to the Participant's earlier distribution election or deemed election as to the timing and form of payment under Section 6.1(A)

(subject to the change rules in Section 6.1(C)), without regard to any Separation from Service that occurred prior to rehire. As a result, New Benefits (to the extent vested) will be distributed in January following the Participant's Separation from Service *after rehire* , in the form selected under the original distribution election or deemed election. This is because the Participant already has attained the specified age under Section 6.1(A) but has not yet experienced a Separation from Service attributable to the New Benefits.

(B) Participants Rehired Before Commencing Benefits

This subsection (B) applies to a rehired Participant who has not begun receiving benefits under the Plan because he or she has not attained the specified age under Section 6.1(A).

Old and Interim Benefits . The rehired Participant's Old Benefits (and any Deferral Contributions made or contributions received during an Authorized Period of Absence or a period of a reduced level of services, and any DC SERP one-time contributions vested during such period), to the extent vested, will be distributed in accordance with the Participant's earlier distribution election or deemed election as to the timing and form of payment under Section 6.1(A) (subject to the change rules in Section 6.1(C)). This means that, for example, if the Participant's original distribution election selected benefits in the form of a lump sum (or installments) payable in January following attainment of a specified age under Section 6.1(A), then the Participant's Old Benefits (and any Deferral Contributions made and contributions received during an Authorized Period of Absence or a period of a reduced level of services, and any DC SERP one-time contributions vested during such period), to the extent vested, will be payable as a lump sum (or installments, if so elected) in January following the year in which he or she attains the specified age, even if the Participant has not had a subsequent Separation from Service after rehire. This result will not change in the event that the Participant attains the specified age after the initial Separation from Service (or while on Authorized Period of Absence or during a period of a reduced level of services), but is rehired before benefits actually begin.

New Benefits . The Participant's New Benefits will remain subject to the Participant's earlier distribution election or deemed election as to the timing and form of payment under Section 6.1(A) (subject to the change rules in Section 6.1(C)), without regard to any Separation from Service that occurred prior to rehire, as described in Section 6.3(A) above. As a result, New Benefits (to the extent vested) will be distributed either (i) in January following the Participant's Separation from Service *after rehire* , or (ii) in January following both the Participant's Separation from Service

after rehire and after attainment of the specified age, in accordance with the original distribution election or deemed election. This is because the Participant has not yet experienced a Separation from Service attributable to the New Benefits.

ARTICLE VII

Accounts

7.1 Participant Accounts

The Committee will establish and maintain an Account for each Participant, for each period of employment. Solely for this purpose, a period of employment will be treated as commencing upon a Participant's eligibility for the Plan (following hire or rehire as applicable) and ending with his or her Separation from Service.

Each Account will be credited with Deferral Contributions and Company Matching Contributions, SBP Company Contributions, Executive Company Contributions, and DC SERP Benefits, as applicable for the relevant period of employment, as well as Earnings Credits described in Section 7.2 below. Each Account will be reduced as payments are made.

For Heritage BSS Participants, the Accounts shall also include any account as of April 3, 2003 under the BSS Excess Plan, as adjusted after April 3, 2003 for earnings, losses and expenses. As of April 4, 2003, all accounts of Heritage BSS Participants under the BSS Excess Plan were transferred to this Plan. For purposes of this Section, "Heritage BSS Participant" means any Participant in this Plan having a prior benefit under the BSS Excess Plan based on his or her participation in the BSS Voluntary Savings Plan.

7.2 Earnings Credits

For periods prior to January 1, 2009, a Participant's Accounts will be credited with earnings under the Interest Fund Method described in (A) below.

For periods on or after January 1, 2009, a Participant's Accounts will be credited, at the Participant's election, with earnings under either: (i) the Interest Fund Method, (ii) the Boeing Stock Fund method, or (iii) the Other Investment Funds method, each as described below. In the absence of an election the Interest Fund method will be used. A Participant may elect a different earnings method as to each Account.

(A) Interest Fund Method

Under the Interest Fund Method for periods prior to January 1, 2009, a Participant's Accounts will be adjusted each month in accordance with changes in the unit value of the Accounts to reflect interest, as of the first business day of that month. Interest will be calculated based on the value of the Accounts as of the last day of the preceding month.

For periods on or after January 1, 2009, a Participant's Accounts will be adjusted daily in accordance with changes in the unit value of the Accounts to reflect interest, based on the Participant's Account balance.

Interest will be calculated for each Plan Year as the mean between the high and low (during the first eleven months of the preceding Plan Year) of yields on AA-rated industrial bonds as reported by Moody's Investors Service, Inc., rounded to the nearest $\frac{1}{4}$ th of one percent. The Company will notify Participants annually of the established interest rate.

(B) Boeing Stock Fund Method

For periods on or after January 1, 2009, under the Boeing Stock Fund method, a Participant's Boeing Stock Fund Account shall be credited with the number of shares of the Company's common stock that could be purchased with the amount credited to such account, based on the Fair Market Value of the Company's common stock on the day the account is so credited (or on the next business day on which the New York Stock Exchange (the "Exchange") is open, if the Exchange is closed on the day the account is credited) excluding commissions, taxes, and other charges. Such number shall be recorded as stock units in the Participant's account, for bookkeeping purposes only. For purposes of the Plan, "Fair Market Value" means the mean of the high and low per share trading prices for the common stock of the Company as reported for the "New York Stock Exchange - Composite Transactions" for a single trading day. The number of stock units in an account shall be appropriately adjusted to reflect stock splits, stock dividends, and other like adjustments in the Company's common stock.

Each Participant's Boeing Stock Fund Account periodically shall be credited with the number of shares of the Company's common stock that could be purchased, as set forth in the preceding paragraph, with an amount equal to the cash dividends that would be payable on the number of shares of the Company's common stock that equals the number of stock units in a Participant's Boeing Stock Fund Account. The Company will notify Participants annually of the number of stock units, and the dividend equivalents, credited to their Boeing Stock Fund Account.

(C) Other Investment Funds Method

For periods on or after January 1, 2009, in addition to the Interest Fund method and Boeing Stock Fund method of allocating earnings, a Participant may choose to diversify each of his or her Accounts by electing that it be credited (or charged) with the expenses, income, gains and losses on investment funds similar to those offered under the VIP (excluding the Boeing Stock Fund and Stable Value Fund offered thereunder) as designated by the Committee from time to time, pursuant to an election by the Participant to have the Participant's Account credited as though the Participant had elected to invest in such funds in such increments as the Participant will direct in accordance with rules to be established by the Committee or its delegates; provided that the Committee may disregard such elections in its discretion.

7.3 Investment Election Changes and Restrictions

For periods on or after January 1, 2009, a Participant may change how future additions to his or her Accounts are invested anytime during the Plan Year. The Participant may also transfer any portion of his or her Accounts from one fund to another on a daily basis, provided that a Participant may not transfer funds from one investment fund to another and back on the same day.

In addition, transfers cannot be made into the Boeing Stock Fund for 30 calendar days after transferring funds out of the Boeing Stock Fund. This restriction applies regardless of the number of units or the dollar value of the transfer. However, the Participant may continue to direct future additions into the Boeing Stock Fund and make transfers out of this fund at any time, subject to insider trading rules.

7.4 Missing Participants and Improper Credits

A Participant's Account may be forfeited or reduced in the event of one of the following events, even if 100% vested:

- (A) The Committee is unable to locate a Participant or Beneficiary to distribute amounts from his or her Account (a "missing participant").
- (B) The Committee recaptures amounts improperly credited to a Participant's Account.

See Section 10.3 regarding the unfunded nature of this Plan.

ARTICLE VIII
Administration

8.1 Plan Administration

The Plan shall be administered by the Committee. The Committee shall make such rules, interpretations, determinations of fact and computations as it may deem appropriate. Any decision of the Committee with respect to the Plan, including (without limitation) any determination of eligibility to participate in the Plan and any calculation of plan benefits, shall be conclusive and binding on all persons. The Committee shall submit to the Compensation Committee of the Board of Directors periodic reports covering the operation of the Plan.

8.2 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 VIP.

ARTICLE IX
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 may delegate its authority to amend the Plan at any time, in its sole discretion. In the event of Plan amendment or termination, a Participant's benefits under the Plan shall not be less than the Plan benefits to which the Participant would be entitled if the Participant had terminated employment immediately prior to such amendment or termination of the Plan.

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 Article VI. Notwithstanding the foregoing, The Boeing 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 any IRS or Treasury guidance thereunder.

ARTICLE X
Miscellaneous

10.1 No 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.

10.2 Anti-Assignment

No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, execution, attachment, garnishment, or any other legal process. Any attempt to take 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. In addition, a Participant's Account may be reduced by the amount of any tax obligation paid by the Company on behalf of a Participant or surviving spouse, if the Participant or surviving spouse fails to reimburse the Company for such obligation.

10.3 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 in respect of its obligations under the Plan (other than as a general creditor of the Company with an unsecured claim against its general assets).

10.4 Delays in Payment

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

10.5 Involuntary Inclusion in Income

If a determination is made that the Account of any Participant (or his or her Beneficiary) is subject to current income taxation under Code section 409A, then the taxable portion of such Account will be immediately distributed to the Participant (or his or her Beneficiary), notwithstanding the general timing rules described in Article V above.

10.6 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.

10.7 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.

10.8 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).

APPENDIX A
Excess Benefit Plan
for the BSS Retirement Plan

I. PURPOSE.

In July 1998, Hughes Space and Communications Company, Hughes Electron Dynamics, Inc. and Spectrolab, Inc. (“Hughes”) adopted a special appendix (the “Hughes Appendix”) to the Hughes Excess Plan. Individuals affected by the Hughes Appendix are referred to in this Special Appendix as “Hughes Participants”.

That Hughes Appendix was adopted to provide certain Hughes Participants whose benefits from the Hughes Retirement Plan were initially miscalculated an election to receive alternative benefits. These benefits are referred to as the “Substitute Benefit”.

The initial miscalculation for these Hughes Participants was the subject of a filing with the Internal Revenue Service under the Voluntary Compliance Resolution (“VCR”) program on August 22, 1997. On January 28, 1998, the Internal Revenue Service issued a compliance statement concerning the VCR application. Under the compliance statement, Hughes corrected the miscalculation by reducing the benefits payable to the affected Hughes Participants under the Hughes Retirement Plan from the initially calculated amount. Under the correction approved by the IRS in the VCR application, payments under the Hughes Retirement Plan would continue at the monthly amount originally scheduled under the initial calculation. When the actuarial equivalent value of a Hughes Participant’s benefits paid under the Hughes Retirement Plan reaches the maximum limit imposed by section 415 of the Code, then the remaining payments to the Hughes Participant will be made under the Hughes Excess Plan. The benefits which were originally scheduled for payment under the Hughes Retirement Plan under the initial calculation, but which will instead be paid pursuant to the Hughes Excess Plan after the maximum limit of section 415 has been reached, are referred to in this Appendix as the “Reclassified Payments.” Benefits paid under the Hughes Retirement Plan are not considered Reclassified Payments, even if the payments exceeded the limits of section 415 of the Code and therefore are not afforded the tax treatment (including the ability to elect a rollover) afforded to qualified plan payments.

As a result of the initial miscalculation, some benefit payments from the Hughes Retirement Plan which Hughes Participants rolled over into their individual retirement accounts were withdrawn to avoid or minimize excise taxes (“Required IRA Withdrawals”). Hughes Participants who made Required IRA Withdrawals were entitled to elect the Substitute Benefit.

Furthermore, certain Hughes Participants received payments from the Hughes Retirement Plan in 1998 which were in excess of the maximum benefit allowed by Code section 415 under the method of calculating the maximum benefit as described in the VCR application (“1998 Excess Payments”). Such Hughes Participants were entitled to elect the Substitute Benefit.

In addition, under their original benefit elections, certain Hughes Participants were scheduled to have received Reclassified Payments which were not yet paid as of July 31, 1999. Such Hughes Participants were entitled to elect the Substitute Benefit.

Under the Hughes Appendix, each affected Hughes Participant was given an election to be paid the Substitute Benefit. In order to elect the Substitute Benefit, a Hughes Participant must have signed and delivered to Hughes a written release in the form and manner acceptable to Hughes. The Substitute Benefit was provided in consideration for the Hughes Participant’s agreement, made pursuant to the release, to forego legal action against Hughes and the other persons specified in the release.

This Special Appendix is intended to provide the unpaid balance of the Substitute Benefit to Hughes Participants who are Acquired Hughes Participants. Only Acquired Hughes Participants are affected by this Special Appendix to the Plan.

Effective as of April 4, 2003, this Appendix A was transferred in its entirety from the Excess Benefit Plan for the BSS Retirement Plan, as amended to the Plan.

II. ELECTION AND CALCULATION OF SUBSTITUTE BENEFIT.

A.2.1 Election of Substitute Benefit.

The following Hughes Participants were provided an opportunity to elect the Substitute Benefit: (1) Hughes Participants for whom Reclassified Payments were to be made on or after August 1, 1998, (2) Hughes Participants who received 1998 Excess Payments, and (3) Hughes Participants who made Required IRA Withdrawals. The election of the Substitute Benefit was made in the time and manner prescribed by Hughes. The election must have specified the date on which the Hughes Participant elected to commence payment of the Substitute Benefit, which must have been a date which was the first through fifteenth anniversary of the Hughes Participant’s “Deferral Start Date.” The Deferral Start Date for a Hughes Participant is the later of (x) August 1, 1998, or (y) the day as of which the initial Reclassified Payment would have been scheduled for payment to the Hughes Participant, but for the election to receive the Substitute Benefit. The election must have specified whether the Hughes Participant elected payment in a single installment, two substantially equal

annual installments, or five substantially equal annual installments. The election must have been accompanied by a properly executed release acceptable to Hughes. If a Hughes Participant did not effectively elect the Substitute Benefit, then the Hughes Participant's remaining Reclassified Payments (if any) would be made to the Hughes Participant pursuant to the general provisions in the Hughes Excess Plan applicable to payments attributable to the Hughes Retirement Plan, as contemplated in the VCR application.

Any election described above by an Acquired Hughes Participant will continue to apply under this Special Appendix. Any Acquired Hughes Participant who did not make an effective election will continue to have his or her remaining Reclassified Payments (if any) made pursuant to the general provisions in the Plan (as successor to the Hughes Excess Plan) applicable to payments attributable to the Retirement Plan (as successor to the Hughes Retirement Plan), as contemplated in the VCR application.

A.2.2 Calculation of Substitute Benefit.

If a Hughes Participant elected the Substitute Benefit, then in lieu of payment from the generally applicable provisions of the Hughes Excess Plan of the Hughes Participant's remaining Reclassified Payments (if any), the Substitute Benefit became payable. The Substitute Benefit was the amount credited to the Hughes Participant's Hughes Account, calculated as described in Section A.2.4(a) of this Appendix.

A.2.3 Definitions.

a. Suspended Payments.

Certain Hughes Participants elected a short-term deferral of Reclassified Payments which, but for such election, would have been paid between January 1, 1998 and July 1, 1998. Under this Appendix, the term "Suspended Payments" refers to the Reclassified Payments which were subject to the short-term deferral described in the preceding sentence.

b. Proximate Reclassified Payments.

The term "Proximate Reclassified Payments" refers to those Reclassified Payments (other than Suspended Payments) which, in the absence of an election of the Substitute Benefit, would have been scheduled for payment under the Hughes Excess Plan on or prior to July 1, 1999.

c. Distant Reclassified Payments.

The term “Distant Reclassified Payments” refers to Reclassified Payments which, in the absence of an election of the Substitute Benefit, would have been scheduled for payment under the Hughes Excess Plan after July 1, 1999. Distant Reclassified Payments may be recalculated to reflect how the Retirement Plan implemented the repeal of section 415(e) of the Code.

d. Settlement Credit.

The term “Settlement Credit” refers to an amount calculated for each Hughes Participant which is the greater of (i) or (ii) below:

- (i) The amount under this item (i) equals ten percent (10%) of the sum of (aa) the Hughes Participant’s Suspended Payments (if any), plus (bb) the Hughes Participant’s Proximate Reclassified Payments (if any).
- (ii) The amount under this item (ii) equals (aa) the sum of (x) the Hughes Participant’s Required IRA Withdrawals (if any) and (y) the Hughes Participant’s 1998 Excess Payments (if any), times (bb) a percentage not to exceed fifty-five percent (55%), determined according to the date elected by the Hughes Participant for payment of the Substitute Benefit. For each of the first five full years after August 1, 1998 that payment is deferred, the percentage will increase by five percent (5%), and for each of the next ten additional full years that payment is deferred, the percentage will increase by three percent (3%). Thus, for a Hughes Participant who elected payment of the Substitute Benefit on July 31, 2013 (a total deferral of 15 years), the percentage is fifty-five percent (55%).

e. Acquired Hughes Participant.

The term “Acquired Hughes Participant” means any person who became a Participant or a Former Participant under the terms of the Employee Matters Agreement between The Boeing Company and Hughes Electronics Corporation.

f. Hughes Retirement Plan.

The term “Hughes Retirement Plan” means the Hughes Non-Bargaining Retirement Plan.

A.2.4 BSS Account.

a. Hughes Account

Hughes established an account, for bookkeeping purposes only, for each Hughes Participant who elected the Substitute Benefit (the “Hughes Account”). The Hughes Account was to be credited as follows:

- (i) The Hughes Account of a Hughes Participant who elected the Substitute Benefit was initially credited, as of August 1, 1998, by (aa) the sum of the Hughes Participant’s Suspended Payments (if any), plus (bb) interest on the Hughes Participant’s Suspended Payments (if any) at the rate of one-half percent (0.5%) per month from the date each payment would have been made but for the suspension through July 31, 1998, plus (cc) the Hughes Participant’s Settlement Credit (if any).
- (ii) As of the date that each Proximate Reclassified Payment and Distant Reclassified Payment would have been made (but for the Hughes Participant’s election of the Substitute Benefit), commencing with the Reclassified Payment which would have been made August 1, 1998, the Hughes Account was credited with the amount of such Reclassified Payment. In addition, if Reclassified Payments were made to a Hughes Participant in January through March, 1998, then the Hughes Participant who elected the Substitute Benefit was allowed to elect that his regularly-scheduled payments from the Hughes Excess Plan be credited to the Hughes Account as of the date such payments would otherwise have been made. The amount of the regularly-scheduled payments to be credited to the Hughes Account must not exceed the amount by which such Reclassified Payments increased his taxable income for 1998, as determined by Hughes.
- (iii) As of the last day of each month, through the month specified below, the unpaid amount of the Hughes Account is increased by interest at a monthly rate of 0.7591% (approximately an equivalent annual rate of 9-1/2% compounded monthly). The duration of interest credits depends upon the payout election made by the Hughes Participant pursuant to Section A.2.1 of the Appendix.

Interest is credited though the last day of the month immediately preceding the month for which the final payment of the Substitute Benefit is made for any Hughes Participant who (aa) elected payment in a single sum, (bb) elected payment in two substantially equal installments, or (cc) elected payment in five installments commencing on or before the eleventh anniversary of the Hughes Participant's Deferral Start Date. Interest is to be credited through the last day of the month immediately preceding the month for which the initial installment payment of the Substitute Benefit is made for any Hughes Participant who elected payment in five installments commencing on or after the twelfth anniversary of the Hughes Participant's Deferral Start Date, and no interest may be credited for such Hughes Participant on or after the date installments commence.

b. Continuation as BSS Account

On the Closing Date, the Company shall establish an account, for bookkeeping purposes only, for each Acquired Hughes Participant who elected the Substitute Benefit (the "BSS Account"). The BSS Account shall be credited as follows:

- (i) The BSS Account shall be initially credited with the unpaid amount of the Acquired Hughes Participant's Hughes Account under the Hughes Excess Plan as of the Closing Date.
- (ii) As of the date that each Distant Reclassified Payment would have been made (but for the Hughes Participant's election of the Substitute Benefit), commencing with the first Distant Reclassified Payment payable after the Closing Date, the BSS Account will be credited with the amount of such Distant Reclassified Payment.
- (iii) As of the last day of each month, through the month specified below, the unpaid amount of the BSS Account is increased by interest at a monthly rate of 0.7591% (approximately an equivalent annual rate of 9-1/2% compounded monthly). (If the month specified below occurred prior to the Closing Date, then no interest credits will be made to the BSS Account). The duration of interest credits depends upon the payout election made by the Acquired Hughes Participant pursuant to Section A.2.1 of the Appendix. Interest is credited though the last day of the

month immediately preceding the month for which the final payment of the Substitute Benefit is made for any Acquired Hughes Participant who (aa) elected payment in a single sum, (bb) elected payment in two substantially equal installments, or (cc) elected payment in five installments commencing on or before the eleventh anniversary of the Hughes Participant's Deferral Start Date. Interest is to be credited through the last day of the month immediately preceding the month for which the initial installment payment of the Substitute Benefit is made for any Acquired Hughes Participant who elected payment in five installments commencing on or after the twelfth anniversary of the Acquired Hughes Participant's Deferral Start Date, and no interest may be credited for such Acquired Hughes Participant on or after the date installments commence.

III. PAYMENTS.

A.3.1 Payment During Hughes Participant's Life .

The BSS Account will be paid to the Acquired Hughes Participant as specified in the election described in Section A.2.1 of this Appendix.

A.3.2 Payment Following Hughes Participant's Death .

The unpaid balance of the BSS Account will be paid to the Acquired Hughes Participant's Beneficiary as follows.

Unless the Hughes Participant elected otherwise, one-half of the unpaid balance of the BSS Account shall be paid as soon as feasible following the Acquired Hughes Participant's death and the remaining one-half shall be paid in January of the following year.

Each Hughes Participant was entitled to elect, at the time of the Hughes Participant's election under Section A.2.1 of this Appendix, that the benefit payable to the Beneficiary following the death of the Hughes Participant shall be made at the time and in the manner payment would have been made to the Hughes Participant during the Hughes Participant's life. This election will continue to apply to Acquired Hughes Participants.

If Reclassified Payments remain unpaid following payment of the BSS Account to the Beneficiary, then the Reclassified Payments shall be paid to the Beneficiary at the time the Reclassified Payments would have been paid but for the election of the Substitute Benefit. Unless an Acquired

Hughes Participant elects otherwise, the Beneficiary for purposes of this Appendix shall be the Beneficiary otherwise designated under the Retirement Plan. The Acquired Hughes Participant shall be entitled to name a different Beneficiary for purposes of this Appendix.

IV. MISCELLANEOUS PROVISIONS.

A.4.1 General.

This Appendix is incorporated by reference into the Plan as if set forth fully therein. Any capitalized terms used in this Appendix which are not defined in this Appendix shall have the meanings specified in the Plan.

A.4.2 Elections Irrevocable.

Elections by a Hughes Participant under this Appendix are irrevocable.

A.4.3 Defense Retirees.

In 1997, the Hughes' defense businesses were acquired by Raytheon Company. As part of that transaction, the Hughes and Raytheon Company agreed that the liabilities of the Plan and the assets and liabilities of the Retirement Plan attributable to defense employees and retirees will be transferred to plans sponsored by Raytheon Company. Accordingly, the provisions of this Appendix apply only to non-defense retirees, and no benefit is created under this Appendix for defense retirees.

A.4.4 Section 415 Changes.

Code section 415(e) was repealed effective for limitation years beginning on or after January 1, 2000. The repeal may increase the limitation on benefits payable from the Retirement Plan to some or all Acquired Hughes Participants who elected the Substitute Benefit. The Company reserves the right to pay the Substitute Benefit from the Retirement Plan in lieu of the benefits payable hereunder to the extent permitted by law.

APPENDIX B
Plan Provisions Prior To January 1, 1999

B1.1 Eligibility and Benefits for BCERP Participants

Prior to January 1, 1999, this Plan offered certain benefits to participants in the BCERP whose benefits were affected by the limitations on benefits or contributions imposed by section 415 and 401(a)(17) of the Code. Effective January 1, 1999, certain of those participants were transferred to the SERP and ceased to be eligible for benefits under this Plan based upon their participation in the BCERP. To the extent any participant eligible for benefits under this Plan based upon his or her participation in the BCERP was not transferred to the SERP, such participant shall remain eligible to participate in this Plan and to receive such benefits. Effective January 1, 2008, all such benefits remaining under this Plan have commenced and are not subject to the deferral and distribution rules under Articles IV & V of the 2008 restatement.

With respect to the BCERP, the benefits under this Plan represent the difference between the actual benefits of a Participant under the BCERP and the benefits that would have been payable under that plan except for the limitations on benefits imposed by sections 415 and 401(a)(17) of the Code. The benefits payable under this Plan with respect to the BCERP were payable to the Participant or to any other person who is receiving or entitled to receive benefits with respect to the Participant under the BCERP, and were paid in the same form, at the same times and for the same period as benefits were paid with respect to the Participant under the BCERP.

Notwithstanding the foregoing, if the Actuarial Equivalent of the benefit payable under this Plan with respect to the BCERP was \$10,000 or less, the Actuarial Equivalent value of the benefit was paid in the form of an automatic lump sum at the same time as benefits began or were paid under the BCERP. Actuarial Equivalent is defined in the BCERP. This paragraph applies to Participants who retire or begin receiving termination benefits under the BCERP on or after February 1, 1997, and for this purpose the Actuarial Equivalent shall be determined as of the Participant's Retirement Date under the Employee Retirement Plan. This paragraph shall also apply to Participants who are receiving benefits under this Plan as of February 1, 1997, and for this purpose the Actuarial Equivalent shall be determined with respect to each participant's remaining benefits payable under this Plan determined as of February 1, 1997.

Effective January 1, 1999, any Employee who is eligible to participate in the SERP shall no longer be entitled to any benefit under this Appendix B1.1. To the extent any such Employee is determined to be entitled to a benefit under this Appendix B1.1 of the Plan, such benefit shall be offset by any benefits received under the SERP. Any Employee who was a Participant in this Plan as of December 31, 1998 and eligible for a benefit under this Appendix B1.1 shall remain eligible for such benefit unless and until such Employee

becomes eligible to participate in the SERP. The Plan will respect beneficiary designations made by a Participant at the time of commencement of the benefit under this Section B.1.1, notwithstanding any contrary definition of Beneficiary under the Plan.

B1.2 Eligibility and Benefits for FSP Participants

Prior to January 1, 1999, salaried employees who were not represented by a collective bargaining agent were eligible to participate in the FSP. Accordingly, participants in the FSP were eligible to participate in this Plan prior to that date, to the extent that their FSP benefits were limited by Code sections 415 and 401(a)(17).

The benefits under this Plan with respect to a particular year were the additional benefits that would have been payable under the FSP if the reduction on contributions and other additions had not been made. All amounts deferred under this Plan were credited to the Accounts of Participants at the time such amounts would otherwise have been credited to their accounts under the FSP.

For periods before January 1, 2009, a Participant's Account is credited with interest in accordance with the Interest Fund method under Section 7.2 (Earnings Credits).

For periods on or after January 1, 2009, a Participant's Account is credited with earnings in accordance with the method elected by the Participant under Section 7.2 (Earnings Credits).

The benefits payable under this Plan with respect to the FSP will be payable to the Participant in accordance with the distribution rules under Article VI.

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

	Nine months ended September 30, 2014	Years ended December 31,				
		2013	2012	2011	2010	2009
Earnings before income taxes	\$5,207	\$6,232	\$5,910	\$5,393	\$4,507	\$1,731
Fixed charges excluding capitalized interest	346	514	603	677	726	564
Amortization of previously capitalized interest	55	74	75	64	60	61
Net adjustment for earnings from affiliates	5	13	69	(38)	(11)	(10)
Earnings available for fixed charges	\$5,613	\$6,833	\$6,657	\$6,096	\$5,282	\$2,346
Fixed charges:						
Interest and debt expense ⁽¹⁾	\$305	\$461	\$551	\$626	\$676	\$514
Interest capitalized during the period	75	87	74	57	48	90
Rentals deemed representative of an interest factor	41	53	52	51	50	50
Total fixed charges	\$421	\$601	\$677	\$734	\$774	\$654
Ratio of earnings to fixed charges	13.3	11.4	9.8	8.3	6.8	3.6

⁽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

October 22, 2014

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 September 30, 2014 and 2013 , as indicated in our report dated October 22, 2014 ; 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 September 30, 2014 , 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, 333-163637, and 333-195777 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/ Deloitte & Touche 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: October 22, 2014

/s/ W. James McNerney, Jr.

W. James McNerney, Jr. – Chairman and Chief

**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: October 22, 2014

/s/ Gregory D. Smith

Gregory D. Smith – Executive Vice President and Chief
Financial Officer

**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 September 30, 2014 , as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W. James McNerney, Jr. , Chairman 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 and Chief
Executive Officer

October 22, 2014

**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 September 30, 2014 , 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/ Gregory D. Smith

Gregory D. Smith – Executive Vice President and Chief
Financial Officer

October 22, 2014