BOEING CO
Form 10-Q
October 23, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2013
or

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

For the transition period from to
Commission file number 1-442

THE BOEING COMPANY
(Exact name of registrant as specified in its charter)

Delaware	91-0425694
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 N. Riverside Plaza, Chicago, IL	60606-1596
(Address of principal executive offices)	(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 ý 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 ý 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	ý	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 ý
As of October 16, 2013, there were 751,453,447 shares of common stock, $5.00 par value, issued and outstanding.

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THE BOEING COMPANY
FORM 10-Q
For the Quarter Ended September 30, 2013
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Part I. Financial Information
Item 1. Financial Statements
The Boeing Company and Subsidiaries
Condensed Consolidated Statements of Operations
(Unaudited)

(Dollars in millions, except per share data)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Sales of products	$55,310	$51,441	$19,754	$17,415
Sales of services	7,528	7,955	2,376	2,593
Total revenues	62,838	59,396	22,130	20,008
Cost of products	(47,030)	(43,103)	(16,865)	(14,683)
Cost of services	(5,795)	(6,431)	(1,791)	(2,089)
Boeing Capital interest expense	(55)	(85)	(18)	(27)
Total costs and expenses	(52,880)	(49,619)	(18,674)	(16,799)
	9,958	9,777	3,456	3,209
Income from operating investments, net	147	211	59	120
General and administrative expense	(2,856)	(2,774)	(956)	(916)
Research and development expense, net	(2,223)	(2,545)	(755)	(853)
Gain/(loss) on dispositions, net	21	(3)	(1)	(1)
Earnings from operations	5,047	4,666	1,803	1,559
Other income, net	41	39	19	17
Interest and debt expense	(290)	(330)	(95)	(110)
Earnings before income taxes	4,798	4,375	1,727	1,466
Income tax expense	(1,445)	(1,450)	(567)	(432)
Net earnings from continuing operations	3,353	2,925	1,160	1,034
Net loss on disposal of discontinued operations, net of taxes of $0, $2, $0 and $1	(1)	(3)	(2)	(2)
Net earnings	$3,352	$2,922	$1,158	$1,032
Basic earnings per share from continuing operations	$4.40	$3.86	$1.53	$1.36
Net loss on disposal of discontinued operations, net of taxes				
Basic earnings per share	$4.40	$3.86	$1.53	$1.36
Diluted earnings per share from continuing operations	$4.36	$3.84	$1.51	$1.35
Net loss on disposal of discontinued operations, net of taxes				
Diluted earnings per share	$4.36	$3.84	$1.51	$1.35
Cash dividends paid per share	$1.455	$1.32	$0.485	$0.44
Weighted average diluted shares (millions)	769.8	762.3	769.1	765.2

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Net earnings	$3,352	$2,922	$1,158	$1,032
Other comprehensive income, net of tax:				
Currency translation adjustments	(46)	26	42	36
Unrealized (loss)/gain on derivative instruments:				
Unrealized (loss)/gain arising during period, net of tax of $31, ($14), ($20) and ($21)	(54)	25	35	37
Reclassification adjustment for (gain)/loss included in net earnings, net of tax of $8, ($5), $5 and $0	(13)	8	(10)	
Total unrealized (loss)/gain on derivative instruments, net of tax	(67)	33	25	37
Defined benefit pension plans & other postretirement benefits:				
Amortization of prior service cost included in net periodic pension cost, net of tax of ($6), ($9), ($3) and ($3)	9	12	4	4
Net actuarial gain arising during the period, net of tax of ($72), ($29), ($56) and ($5)	131	52	101	9
Amortization of actuarial losses included in net periodic pension cost, net of tax of ($644), ($563), ($213) and ($188)	1,135	979	380	326
Settlements and curtailments included in net income, net of tax of ($35), ($3), ($30) and $0	63	5	54	
Pension and post retirement benefits related to our equity method investments, net of tax ($2), ($75), ($1) and ($81)	4	132	1	143
Total defined benefit pension plans & other postretirement benefits, net of tax	1,342	1,180	540	482
Other comprehensive income, net of tax	1,229	1,239	607	555
Comprehensive income/(loss) related to noncontrolling interest	3	4	(18)	3
Comprehensive income, net of tax	$4,584	$4,165	$1,747	$1,590

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions, except per share data)	September 30 2013	December 31 2012
Assets		
Cash and cash equivalents	$10,041	$10,341
Short-term and other investments	5,870	3,217
Accounts receivable, net	6,652	5,608
Current portion of customer financing, net	316	364
Deferred income taxes	43	28
Inventories, net of advances and progress billings	41,240	37,751
Total current assets	64,162	57,309
Customer financing, net	3,903	4,056
Property, plant and equipment, net of accumulated depreciation of $14,938 and $14,645	9,987	9,660
Goodwill	5,047	5,035
Acquired intangible assets, net	2,962	3,111
Deferred income taxes	5,957	6,753
Investments	1,168	1,180
Other assets, net of accumulated amortization of $493 and $504	1,447	1,792
Total assets	$94,633	$88,896
Liabilities and equity		
Accounts payable	$10,657	$9,394
Accrued liabilities	12,384	12,995
Advances and billings in excess of related costs	20,216	16,672
Deferred income taxes and income taxes payable	5,504	4,485
Short-term debt and current portion of long-term debt	919	1,436
Total current liabilities	49,680	44,982
Accrued retiree health care	7,415	7,528
Accrued pension plan liability, net	18,559	19,651
Non-current income taxes payable	299	366
Other long-term liabilities	936	1,429
Long-term debt	8,677	8,973
Shareholders' equity:		
Common stock, par value $5.00 – 1,200,000,000 shares authorized; 1,012,261,159 shares issued	5,061	5,061
Additional paid-in capital	4,295	4,122
Treasury stock, at cost - 260,351,104 and 256,630,628 shares	(16,865)	(15,937)
Retained earnings	32,647	30,037
Accumulated other comprehensive loss	(16,187)	(17,416)
Total shareholders' equity	8,951	5,867
Noncontrolling interest	116	100
Total equity	9,067	5,967
Total liabilities and equity	$94,633	$88,896

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions)	Nine months ended September 30	
	2013	2012
Cash flows – operating activities:		
Net earnings	$3,352	$2,922
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Non-cash items –		
Share-based plans expense	156	148
Depreciation and amortization	1,323	1,313
Investment/asset impairment charges, net	38	59
Customer financing valuation benefit	(7)	(4)
Loss on disposal of discontinued operations	1	5
(Gain)/loss on dispositions, net	(21)	3
Other charges and credits, net	48	559
Excess tax benefits from share-based payment arrangements	(86)	(43)
Changes in assets and liabilities –		
Accounts receivable	(1,006)	150
Inventories, net of advances and progress billings	(3,631)	(4,588)
Accounts payable	943	857
Accrued liabilities	(338)	(123)
Advances and billings in excess of related costs	3,543	123
Income taxes receivable, payable and deferred	1,336	1,085
Other long-term liabilities	(52)	22
Pension and other postretirement plans	954	571
Customer financing, net	223	254
Other	23	28
Net cash provided by operating activities	6,799	3,341
Cash flows – investing activities:		
Property, plant and equipment additions	(1,460)	(1,208)
Property, plant and equipment reductions	47	29
Acquisitions, net of cash acquired	(26)	(18)
Contributions to investments	(9,640)	(10,331)
Proceeds from investments	6,997	6,941
Purchase of distribution rights		(6)
Net cash used by investing activities	(4,082)	(4,593)
Cash flows – financing activities:		
New borrowings	547	34
Debt repayments	(1,397)	(1,273)
Repayments of distribution rights financing	(139)	(72)
Stock options exercised, other	871	96
Excess tax benefits from share-based payment arrangements	86	43
Employee taxes on certain share-based payment arrangements	(60)	(72)
Common shares repurchased	(1,799)	
Dividends paid	(1,102)	(990)
Net cash used by financing activities	(2,993)	(2,234)
Effect of exchange rate changes on cash and cash equivalents	(24)	19

Net decrease in cash and cash equivalents	(300)	(3,467)
Cash and cash equivalents at beginning of year	10,341	10,049
Cash and cash equivalents at end of period	$10,041	$6,582

See Notes to the Condensed Consolidated Financial Statements.

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

	Boeing shareholders						
(Dollars in millions, except per share data)	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Non-controlling Interest	Total
Balance January 1, 2012	$5,061	$4,033	($16,603)	$27,524	($16,500)	$93	$3,608
Net earnings				2,922		4	2,926
Other comprehensive income, net of tax of ($698)					1,239		1,239
Share-based compensation and related dividend equivalents		155		(10)			145
Excess tax pools		43					43
Treasury shares issued for stock options exercised, net		(43)	138				95
Treasury shares issued for other share-based plans, net		(174)	110				(64)
Treasury shares issued for 401(k) contribution		54	300				354
Cash dividends declared ($0.88 per share)				(661)			(661)
Changes in non-controlling interest						(3)	(3)
Balance September 30, 2012	$5,061	$4,068	($16,055)	$29,775	($15,261)	$94	$7,682
Balance 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 non-controlling interest						13	13
Balance September 30, 2013	$5,061	$4,295	($16,865)	$32,647	($16,187)	$116	$9,067

See Notes to the Condensed Consolidated Financial Statements.

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

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues:				
Commercial Airplanes	$38,301	$34,966	$13,987	$12,186
Defense, Space & Security:				
Boeing Military Aircraft	11,541	11,982	3,543	3,710
Network & Space Systems	6,240	5,887	2,231	2,055
Global Services & Support	6,561	6,395	2,272	2,074
Total Defense, Space & Security	24,342	24,264	8,046	7,839
Boeing Capital	303	339	94	101
Other segment	80	79	26	27
Unallocated items and eliminations	(188)	(252)	(23)	(145)
Total revenues	$62,838	$59,396	$22,130	$20,008
Earnings from operations:				
Commercial Airplanes	$4,289	$3,445	$1,617	$1,153
Defense, Space & Security:				
Boeing Military Aircraft	1,024	1,176	221	424
Network & Space Systems	486	424	193	179
Global Services & Support	771	717	259	224
Total Defense, Space & Security	2,281	2,317	673	827
Boeing Capital	98	100	35	28
Other segment	(57)	(217)	44	(74)
Unallocated items and eliminations	(1,564)	(979)	(566)	(375)
Earnings from operations	5,047	4,666	1,803	1,559
Other income, net	41	39	19	17
Interest and debt expense	(290)	(330)	(95)	(110)
Earnings before income taxes	4,798	4,375	1,727	1,466
Income tax expense	(1,445)	(1,450)	(567)	(432)
Net earnings from continuing operations	3,353	2,925	1,160	1,034
Net loss on disposal of discontinued operations, net of taxes of $0, $2, $0 and $1	(1)	(3)	(2)	(2)
Net earnings	$3,352	$2,922	$1,158	$1,032

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

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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, al 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, 2013 are not necessarily indicative of the operating results for the full year. The interim financial statements should be read in conjunction with the audited Consolidated Financial Statements, including the notes thereto, included in our 2012 Annual Report on Form 10-K. Amounts reported in prior periods as Interest and debt expense have been reclassified to Boeing Capital interest expense to conform to the current period's presentation.

Use of Estimates

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

Contract accounting is used for development and production activities predominantly by Defense, Space & Security (BDS). Contract accounting involves a judgmental process of estimating total sales and costs for each contract resulting in the development of estimated cost of sales percentages. Changes in estimated revenues, cost of sales and the related effect on operating income are recognized using a cumulative catch-up adjustment which recognizes in the current period the cumulative effect of the changes on current and prior periods based on a contract's percent complete. For the nine months ended September 30, 2013 and 2012, net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by $184 and $308 and diluted earnings per share by $0.17 and $0.27. For the three months ended September 30, 2013 and 2012, net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by $20 and $74 and diluted earnings per share by $0.02 and $0.07.

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.

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

(In millions - except per share amounts)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Net earnings	$3,352	$2,922	$1,158	$1,032
Less: earnings available to participating securities	6	7	2	3
Net earnings available to common shareholders	$3,346	$2,915	$1,156	$1,029
Basic				
Basic weighted average shares outstanding	762.0	756.6	759.4	759.5
Less: participating securities	1.9	2.3	1.8	2.4
Basic weighted average common shares outstanding	760.1	754.3	757.6	757.1
Diluted				
Basic weighted average shares outstanding	762.0	756.6	759.4	759.5
Dilutive potential common shares[(1)]	7.8	5.7	9.7	5.7
Diluted weighted average shares outstanding	769.8	762.3	769.1	765.2
Less: participating securities	1.9	2.3	1.8	2.4
Diluted weighted average common shares outstanding	767.9	760.0	767.3	762.8
Net earnings per share:				
Basic	$4.40	$3.86	$1.53	$1.36
Diluted	4.36	3.84	1.51	1.35

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

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

(Shares in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Stock options	6.4	23.2		25.4
Performance Awards	4.6	4.7	3.6	5.0

Note 3 – Income Taxes

Our effective income tax rate was 30.1% and 33.1% for the nine months ended September 30, 2013 and 2012 and 32.8% and 29.5% for the three months ended September 30, 2013 and 2012. The effective tax rate for the nine months ended September 30, 2013 is lower than the comparable prior year period primarily due to the inclusion of U.S. research and development (R&D) tax credits in 2013 which were not available in 2012. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012 that retroactively renewed the research and development tax credit for 2012 and extended the credit through December 31, 2013. As tax law changes are recognized in the period in which new legislation is enacted, the 2012 R&D credit of $145 was recorded in the first quarter of 2013. The effective tax rate for the three months ended September 30, 2013 is higher than the comparable prior year period primarily due to discrete tax adjustments, including settlement of non-US audits, during the three months ended September 30, 2012 partially offset by research and development tax credits in 2013, which were not available in 2012.

Federal income tax audits have been settled for all years prior to 2007. The years 2009-2010 are currently being examined by the IRS, and we have filed appeals with the IRS for tax years 2007-2008. We are also

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subject to examination in major state and international jurisdictions for the 2001-2012 tax years. We believe appropriate provisions for all outstanding tax issues have been made for all jurisdictions and all open years.
Audit outcomes and the timing of audit settlements are subject to significant uncertainty. It is reasonably possible that within the next 12 months we will resolve the matters presently under consideration for the 2007-2010 tax years with the IRS. Depending on the timing and outcome of the audit settlements, unrecognized tax benefits that affect the effective tax rate could increase earnings by up to $420 based on current estimates.
On September 5, 2013, the IRS issued proposed regulations that amend the definition of research and experimental (R&E) expenditures. The regulations are generally taxpayer favorable and provide clarity for the categories of expense that can be considered when computing the research credit. Upon issuance of the regulations we commenced an analysis to determine the impact to the Company's financial statements. Such analysis is expected to be completed in the fourth quarter of 2013, as effort to apply the regulations to the Company's R&E expenditures will be extensive. Upon completion of the analysis, we expect to record certain previously unrecognized tax benefits related to research tax credits including portions of the $420 of unrecognized tax benefits related to the 2007-2010 audit settlements described above.

Note 4 – Accounts Receivable

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

Note 5 – Inventories

Inventories consisted of the following:

	September 30 2013	December 31 2012
Long-term contracts in progress	$13,872	$15,130
Commercial aircraft programs	47,063	40,389
Commercial spare parts, used aircraft, general stock materials and other	7,115	7,206
Inventory before advances and progress billings	68,050	62,725
Less advances and progress billings	(26,810)	(24,974)
Total	$41,240	$37,751

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, 2013 and December 31, 2012, the inventory balance, net of advances, was $425 and $725. At September 30, 2013, $390 of this inventory related to unsold launches. See Note 10.
Inventory balances included $237 subject to claims or other uncertainties relating to the A-12 program at September 30, 2013 and December 31, 2012. See Note 17.
Capitalized precontract costs of $374 and $238 at September 30, 2013 and December 31, 2012, are included in inventories.

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Commercial Aircraft Programs

At September 30, 2013 and December 31, 2012, commercial aircraft programs inventory included the following amounts related to the 787 program: $26,453 and $21,289 of work in process (including deferred production costs of $20,189 and $15,929), $2,143 and $1,908 of supplier advances, and $2,862 and $2,339 of unamortized tooling and other non-recurring costs. At September 30, 2013, $14,657 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 $8,394 is expected to be recovered from units included in the program accounting quantity that represent expected future orders.

At September 30, 2013 and December 31, 2012, commercial aircraft programs inventory included the following amounts related to the 747 program: $1,237 and $1,292 of deferred production costs, net of previously recorded reach-forward losses, and $611 and $683 of unamortized tooling costs. At September 30, 2013, $859 of 747 deferred production costs and unamortized tooling are expected to be recovered from units included in the program accounting quantity that have firm orders and $989 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 $3,502 and $2,989 at September 30, 2013 and December 31, 2012.

Note 6 – Customer Financing

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

	September 30 2013	December 31 2012
Financing receivables:		
Investment in sales-type/finance leases	$1,736	$1,850
Notes	600	592
Operating lease equipment, at cost, less accumulated depreciation of $550 and $628	1,936	2,038
Gross customer financing	4,272	4,480
Less allowance for losses on receivables	(53)	(60)
Total	$4,219	$4,420

We determine a receivable is impaired when, based on current information and events, it is probable that we will be unable to collect amounts due according to the original contractual terms. At September 30, 2013 and December 31, 2012, we individually evaluated for impairment customer financing receivables of $555 and $616 and determined that $418 and $446 were impaired. We recorded no allowance for losses on these impaired receivables as the collateral values exceed the carrying values of the receivables.

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

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

Rating categories	September 30 2013	December 31 2012
BBB	$1,118	$1,201
BB	57	63
B	146	51
CCC	460	511
D	454	524
Other	101	92
Total carrying value of financing receivables	$2,336	$2,442

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

In the fourth quarter of 2011, American Airlines Inc. (American Airlines) filed for Chapter 11 bankruptcy protection. We believe that our customer financing receivables from American Airlines of $454 are sufficiently collateralized such that we do not expect to incur losses related to those receivables and have not recorded an allowance for losses as of September 30, 2013 as a result of the bankruptcy.

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

	September 30 2013	December 31 2012
717 Aircraft ($449 and $465 accounted for as operating leases) [1]	$1,701	$1,781
757 Aircraft ($408 and $454 accounted for as operating leases) [1]	473	561
MD-80 Aircraft (Accounted for as sales-type finance leases) [1]	418	446
787 Aircraft (Accounted for as operating leases)	370	286
747 Aircraft ($230 and $221 accounted for as operating leases)	336	221
MD-11 Aircraft (Accounted for as operating leases) [1]	257	269
737 Aircraft ($144 and $193 accounted for as operating leases)	218	316
767 Aircraft ($62 and $63 accounted for as operating leases)	204	223

[1] Out-of-production aircraft.

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Note 7 – Investments

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

	September 30 2013	December 31 2012
Time deposits	$5,790	$3,135
Pledged money market funds [1]	46	56
Available-for-sale investments	8	9
Equity method investments [2]	1,127	1,137
Restricted cash [3]	33	25
Other investments	34	35
Total	$7,038	$4,397

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

(2) Dividends received were $163 and $60 during the nine and three months ended September 30, 2013, and $276 and $155 during the same periods in the prior year.

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

Note 8 – Other Assets

Sea Launch

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

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

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Note 9 – Commitments and Contingencies

Environmental

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

	2013	2012
Beginning balance – January 1	$710	$758
Reductions for payments made	(69)	(61)
Changes in estimates	48	65
Ending balance – September 30	$689	$762

The liabilities recorded represent our best estimate or the low end of a range of reasonably possible costs expected to be incurred to remediate sites, including operation and maintenance over periods of up to 30 years. It is reasonably possible that we may incur charges that exceed these recorded amounts because of regulatory agency orders and directives, changes in laws and/or regulations, higher than expected costs and/or the discovery of new or additional contamination. As part of our estimating process, we develop a range of reasonably possible alternate scenarios which include the high end of a range of reasonably possible cost estimates for all remediation sites for which we have sufficient information based on our experience and existing laws and regulations. There are some potential remediation obligations where the costs of remediation cannot be reasonably estimated. At September 30, 2013 and December 31, 2012, the high end of the estimated range of reasonably possible remediation costs exceeded our recorded liabilities by $905 and $865.

Product Warranties

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

	2013	2012
Beginning balance – January 1	$1,572	$1,046
Additions for current year deliveries	427	367
Reductions for payments made	(326)	(244)
Changes in estimates	(110)	212
Ending balance – September 30	$1,563	$1,381

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, 2013 have expiration dates from 2013 through 2023. At September 30, 2013, and December 31, 2012 total contractual trade-in commitments were $1,500 and $1,535. As of September 30, 2013 and December 31, 2012, we estimated that it was probable we would be obligated to perform on certain of these commitments with net amounts payable to customers totaling $227 and $108 and the fair value of the related trade-in aircraft was $227 and $108.

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Financing Commitments

Financing commitments related to aircraft on order, including options and those proposed in sales campaigns, totaled $19,095 and $18,083 as of September 30, 2013 and December 31, 2012. The estimated earliest potential funding dates for these commitments as of September 30, 2013 are as follows:

	Total
October through December 2013	$264
2014	2,774
2015	3,608
2016	3,791
2017	3,062
Thereafter	5,596
	$19,095

As of September 30, 2013, 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 $4,318 and $4,545 as of September 30, 2013 and December 31, 2012.

Commitments to ULA

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

C-17

In September 2013, we decided to end production of C-17 aircraft in 2015 and recorded charges of $92, primarily for pension curtailment costs. We are currently producing C-17 aircraft at a rate of 10 per year and plan to continue producing at that rate through 2015. At September 30, 2013, our backlog included 8 international orders for C-17 aircraft that are scheduled for delivery through mid-2014. In addition, we believe it is probable that we will receive orders from international customers for 14 unsold aircraft that we are planning to produce in 2014 and 2015. We are currently incurring costs and have made commitments to suppliers related to the unsold aircraft. Should orders for the 14 unsold aircraft not materialize or no longer be considered probable we could incur charges to write-down inventory and/or record termination liabilities. At September 30, 2013, we had approximately $256 of capitalized precontract costs and $436 of potential termination liabilities to suppliers associated with the unsold aircraft.

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U.S. Government Defense Budget/Sequestration

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

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

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

On August 20, 2013, OMB issued a Sequestration Update Report for FY2014 identifying enforcement of The Act's discretionary spending caps. Under these caps the U.S. DoD will be subject to approximately $52 billion in reductions from the totals contained in the President's FY2014 budget proposal.

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

BDS Fixed-Price Development Contracts

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

Recoverable Costs on Government Contracts

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

747 and 787 Commercial Airplane Programs

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

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

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

Note 10 – Arrangements with Off-Balance Sheet Risk

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

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

	Maximum Potential Payments		Estimated Proceeds from Collateral/Recourse		Carrying Amount of Liabilities	
	September 30 2013	December 31 2012	September 30 2013	December 31 2012	September 30 2013	December 31 2012
Contingent repurchase commitments	$1,909	$2,065	$1,906	$2,065	$5	$5
Indemnifications to ULA:						
Contributed Delta program launch inventory	127	137				
Contract pricing	261	261			7	7
Other Delta contracts	227	232			8	8
Other indemnifications	111	137			28	32

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

Indemnifications to ULA In 2006, we agreed to indemnify ULA through December 31, 2020 against potential non-recoverability and non-allowability of $1,360 of Boeing Delta launch program inventory included in contributed assets plus $1,860 of inventory subject to an inventory supply agreement which ends on March 31, 2021. Since inception, ULA has consumed $1,233 of the $1,360 of inventory that was contributed by us and has yet to consume $127. ULA has made advance payments of $1,380 to us and we have recorded revenues and cost of sales of $1,037 under the inventory supply agreement through September 30, 2013.

We agreed to indemnify ULA against potential losses that ULA may incur in the event ULA is unable to obtain certain additional contract pricing from the 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. In March 2011, ULA filed a notice of appeal before the ASBCA, seeking to re-price the third mission. A hearing before the ASBCA has been scheduled

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for November 18, 2013. On March 1, 2013, the USAF filed two motions for summary judgment before the ASBCA. ULA's oppositions to these motions were filed on April 19, 2013 and USAF filed its replies to ULA's oppositions on May 10, 2013. There is no deadline for the ASBCA to rule on these motions. If ULA is unsuccessful in obtaining additional pricing, we may be responsible for a portion of the shortfall and may record up to $278 in pre-tax losses associated with the three missions, representing up to $261 for the indemnification payment and up to $17 for our portion of additional contract losses incurred by ULA.

Potential payments for Other Delta contracts include $85 related to deferred support costs. In June 2011, the Defense Contract Management Agency (DCMA) notified ULA that it had determined that $271 of deferred support costs are not recoverable under government contracts. In December 2011, the DCMA notified ULA of the potential non-recoverability of an additional $114 of deferred production costs. The DCMA has not yet issued a final decision related to the recoverability of the $114. ULA and Boeing believe that all costs are recoverable and in November 2011, ULA filed a certified claim with the USAF for collection of deferred support and production costs. The USAF issued a final decision denying ULA’s certified claim in May 2012. On June 14, 2012, Boeing and ULA filed a suit in the Court of Federal Claims seeking recovery of the deferred support and production costs from the U.S. government. On November 9, 2012, the U.S. government filed an answer to our claim and asserted a counterclaim for credits that it alleges were offset by deferred support cost invoices. We believe that the U.S. government’s counterclaim is without merit, and have filed an answer challenging it on multiple grounds. The litigation proceeds, with no trial date having yet been set. If, contrary to our belief, it is determined that some or all of the deferred support or production costs are not recoverable, we could be required to record pre-tax losses and make indemnification payments to ULA for up to $317 of the costs questioned by the DCMA.

Other Indemnifications As part of the 2004 sale agreement with General Electric Capital Corporation related to the sale of Boeing Capital’s (BCC) Commercial Financial Services business, BCC is involved in a loss sharing arrangement for losses on transferred portfolio assets, such as asset sales, provisions for loss or asset impairment charges offset by gains from asset sales. At September 30, 2013 and December 31, 2012, our maximum future cash exposure to losses associated with the loss sharing arrangement was $111 and $137 and our accrued liability under the loss sharing arrangement was $28 and $32.

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.

Note 11 – Debt

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

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Note 12 – Postretirement Plans

The components of net periodic benefit cost were as follows:

	Nine months ended September 30		Three months ended September 30	
Pension Plans	2013	2012	2013	2012
Service cost	$1,414	$1,233	$468	$411
Interest cost	2,175	2,253	713	751
Expected return on plan assets	(2,907)	(2,874)	(969)	(958)
Amortization of prior service costs	150	168	52	56
Recognized net actuarial loss	1,668	1,452	530	484
Settlement and curtailment loss	104	10	84	
Net periodic benefit cost	$2,604	$2,242	$878	$744
Net periodic benefit cost included in Earnings from operations	$2,319	$1,831	$775	$583

	Nine months ended September 30		Three months ended September 30	
Other Postretirement Benefit Plans	2013	2012	2013	2012
Service cost	$111	$108	$37	$36
Interest cost	198	237	65	79
Expected return on plan assets	(5)	(6)	(1)	(2)
Amortization of prior service costs	(135)	(147)	(45)	(49)
Recognized net actuarial loss	72	90	24	30
Settlement and curtailment gain		(2)		
Net periodic benefit cost	$241	$280	$80	$94
Net periodic benefit cost included in Earnings from operations	$269	$414	$90	$132

During each of the nine-month periods ended September 30, 2013 and 2012, we made discretionary pension contributions of $1,513.

Note 13 – Share-Based Compensation and Other Compensation Arrangements

Stock Options

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

Restricted Stock Units

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

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Performance Awards

On February 25, 2013, we granted to our executives Performance Awards with the payout based on the achievement of financial goals for the three-year period ending December 31, 2015. The minimum payout amount is $0 and the maximum payout is $276.

Note 14 – Shareholders' Equity

Accumulated Other Comprehensive Loss

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

	Currency Translation Adjustments	Unrealized Gains and Losses on Certain Investments	Unrealized Gains and Losses on Derivative Instruments	Defined Benefit Pension Plans & Other Postretirement Benefits	Total [1]
Balance January 1, 2013	$214	($8)	$86	($17,708)	($17,416)
OCI before reclassifications	(46)		(54)	135	35
Amounts reclassified from AOCI			(13)	1,207 [2]	1,194
Net current period OCI	(46)		(67)	1,342	1,229
Balance September 30, 2013	$168	($8)	$19	($16,366)	($16,187)
Balance June 30, 2013	$126	($8)	($6)	($16,906)	($16,794)
OCI before reclassifications	42		35	102	179
Amounts reclassified from AOCI			(10)	438 [2]	428
Net current period OCI	42		25	540	607
Balance September 30, 2013	$168	($8)	$19	($16,366)	($16,187)

[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) which is included in the net periodic pension cost of which a portion is allocated to production as inventoried costs.

Note 15 – Derivative Financial Instruments

Cash Flow Hedges

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

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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 2013	December 31 2012	September 30 2013	December 31 2012	September 30 2013	December 31 2012
Derivatives designated as hedging instruments:						
Foreign exchange contracts	$2,309	$2,310	$134	$202	($41)	($16)
Interest rate contracts	313	388	16	26		
Commodity contracts	59	99			(52)	(71)
Derivatives not receiving hedge accounting treatment:						
Foreign exchange contracts	342	412	21	3	(35)	(42)
Commodity contracts	10	15			(6)	(8)
Total derivatives	3,033	3,224	171	231	(134)	(137)
Netting arrangements			(51)	(53)	51	53
Net recorded balance			$120	$178	($83)	($84)

[1] Notional amounts represent the gross contract/notional amount of the derivatives outstanding.

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

	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Effective portion recognized in Other comprehensive income/(loss), net of taxes:				
Foreign exchange contracts	($51)	$35	$36	$36
Commodity contracts	(3)	(10)	(1)	1
Effective portion reclassified out of Accumulated other comprehensive loss into earnings, net of taxes:				
Foreign exchange contracts	28	18	14	8
Commodity contracts	(15)	(26)	(4)	(8)
Forward points recognized in Other income/(expense), net:				
Foreign exchange contracts	24	16	2	4
Undesignated derivatives recognized in Other income/(expense), net:				
Foreign exchange contracts	13	(11)	(1)	(1)

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Based on our portfolio of cash flow hedges, we expect to reclassify gains of $4 (pre-tax) out of Accumulated other comprehensive loss into earnings during the next 12 months. Ineffectiveness related to our hedges recognized in Other income/(expense) was insignificant for the nine and three months ended September 30, 2013 and 2012.

We have derivative instruments with credit-risk-related contingent features. For foreign exchange contracts with original maturities of at least five years, our derivative counterparties could require settlement if we default on our five-year credit facility. For commodity contracts, our counterparties could require collateral posted in an amount determined by our credit ratings. The fair value of foreign exchange and commodity contracts that have credit-risk-related contingent features that are in a net liability position at September 30, 2013 was $10. At September 30, 2013, there was no collateral posted related to our derivatives.

Note 16 – Fair Value Measurements

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

	September 30, 2013				December 31, 2012			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Assets								
Money market funds	$4,744	$4,744			$4,534	$4,534		
Available-for-sale investments	8	6		$2	9	6		$3
Derivatives	120		$120		178		$178	
Total assets	$4,872	$4,750	$120	$2	$4,721	$4,540	$178	$3
Liabilities								
Derivatives	($83)		($83)		($84)		($84)	
Total liabilities	($83)		($83)		($84)		($84)	

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

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

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

	2013		2012	
	Fair Value	Total Losses	Fair Value	Total Losses
Operating lease equipment	$28	($21)	$25	($31)
Property, plant and equipment	39	(12)	19	(21)
Total	$67	($33)	$44	($52)

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

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

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

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

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

Fair Value Disclosures

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

	September 30, 2013				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	$6,652	$6,633		$6,633	
Notes receivable, net	582	633		633	
Liabilities					
Debt, excluding capital lease obligations	(9,448)	(10,855)		(10,811)	($44)
	December 31, 2012				
	Carrying Amount	Total Fair Value	Level 1	Level 2	Level 3
Assets					
Accounts receivable, net	$5,608	$5,642		$5,642	
Notes receivable, net	571	632		632	
Liabilities					
Debt, excluding capital lease obligations	(10,231)	(12,269)		(12,221)	($48)

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

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

Note 17 – Legal Proceedings

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

We are subject to various U.S. government investigations, from which civil, criminal or administrative proceedings could result or have resulted 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 have disclosed either the amount or range of reasonably possible losses in excess of such amounts or, where no such amount or range can be reasonably estimated, the reasons why no such estimate can be made.

A-12 Litigation

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

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

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

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Court of Federal Claims issued a decision upholding the government's default termination of the A-12 contract. We filed a Notice of Appeal on May 4, 2007 with the Court of Appeals for the Federal Circuit. On June 2, 2009, the Court of Appeals rendered an opinion affirming the trial court's 2007 decision sustaining the government's default termination. On May 23, 2011, the U.S. Supreme Court vacated the decision of the Court of Appeals upholding the default termination, and remanded the case to the Court of Appeals. On July 7, 2011, the Court of Appeals remanded the case to the trial court for additional factual determinations and the trial court heard oral argument on May 7, 2013. On December 29, 2009, the Navy sent letters to the Team requesting payment of $1,352 in unliquidated progress payments, plus applicable interest. On November 15, 2011, the Navy sent a letter confirming that it would not pursue payment from the Team pending all trial court and appellate proceedings adjudicating the issues remanded by the Supreme Court.

On May 17, 2013, the President's Fiscal 2014 Budget Request to Congress included a new Department of Defense General Provision that would authorize the Secretary of the Navy to receive and retain payment in-kind in settlement of the A-12 aircraft litigation. On July 30, 2013, the Team and the Navy executed a settlement agreement that would take effect if the authorizing legislation is enacted on or prior to May 31, 2014. If this legislation is enacted and the litigation is settled pursuant to the terms of the settlement agreement, we would incur a pre-tax charge to write-off A-12 costs included in inventory in addition to costs associated with an in-kind settlement. We believe it is reasonably possible that the litigation could be settled.

We believe that the termination for default is contrary to law and fact and that the loss provision established by McDonnell Douglas Corporation in 1990, which was supported by an opinion from outside counsel, continues to provide adequately for the reasonably possible reduction in value of A-12 net contracts in process as of September 30, 2013. Final resolution of the A-12 litigation will depend on whether the litigation is settled or the outcome of further proceedings. If after all legal proceedings are concluded, the court determines, contrary to our belief, that a termination for default was appropriate, we could incur an additional loss of up to $275, consisting principally of $237 of remaining inventory costs. If the courts further hold that a money judgment should be entered against the Team, we could be required to pay the U.S. government up to one-half of the unliquidated progress payments of $1,350 plus statutory interest from February 1991 (currently totaling up to $1,600). In that event, our loss would total approximately $1,748 in pre-tax charges. Should, however, the March 31, 1998 judgment of the U.S. Court of Federal Claims in favor of the Team be reinstated, we could be entitled to receive payment of approximately $1,193, including interest from June 26, 1991.

Employment, Labor and Benefits Litigation

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

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

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estimate the range of loss, if any, that may result from both these matters given the current procedural status of the litigation.

On October 13, 2006, we were named as a defendant in a lawsuit filed in the U.S. District Court for the Southern District of Illinois. Plaintiffs, seeking to represent a class of similarly situated participants and beneficiaries in The Boeing Company Voluntary Investment Plan (the VIP), alleged that fees and expenses incurred by the VIP were and are unreasonable and excessive, not incurred solely for the benefit of the VIP and its participants, and were undisclosed to participants. The plaintiffs further alleged that defendants breached their fiduciary duties in violation of §502(a)(2) of ERISA, and sought injunctive and equitable relief pursuant to §502(a)(3) of ERISA. During the first quarter of 2010, the Seventh Circuit Court of Appeals granted a stay of trial proceedings in the district court pending resolution of an appeal made by Boeing in 2008 to the case's class certification order. On January 21, 2011, the Seventh Circuit reversed the district court's class certification order and decertified the class. The Seventh Circuit remanded the case to the district court for further proceedings. On March 2, 2011, plaintiffs filed an amended motion for class certification and a supplemental motion on August 7, 2011. Boeing's opposition to class certification was filed on September 6, 2011. Plaintiffs' reply brief in support of class certification was filed on September 27, 2011. The court has stated its intent to issue rulings on the amended motion for class certification and the alternative motion to proceed as a direct action for breach of fiduciary duty and then stay the case until it is determined if an appeal of the class certification order is filed. As a result, on September 19, 2012 the district court issued an order denying Boeing's motions for summary judgment as premature pending class determination. On September 19, 2013, the district court granted plaintiffs' motion for class certification. On October 3, 2013, Boeing filed a petition for review of the class certification order with the Seventh Circuit Court of Appeals. We cannot reasonably estimate the range of loss, if any, that may result from this matter given the current procedural status of the litigation.

Note 18 – Segment Information

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

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

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

	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Commercial Airplanes	$752	$624	$189	$280
Boeing Capital	22	38	5	11
Total	$774	$662	$194	$291

Other segment's Loss from operations related to support provided to BCC was $40 and $10 during the nine and three months ended September 30, 2013 and $77 and $15 for the same periods in the prior year.

Unallocated items and eliminations includes costs not attributable to business segments as well as intercompany profit eliminations. We generally allocate costs to business segments based on the U.S. federal cost accounting standards. Unallocated pension and other postretirement expense represents the portion of pension and other postretirement costs that are not recognized by business segments for segment reporting purposes. The business segments have traditionally been allocated pension and other postretirement costs using U.S. Government Cost Accounting Standards (CAS), which employ different actuarial assumptions

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and accounting conventions than Generally Accepted Accounting Principles in the United States of America (GAAP). Beginning in 2013, pension costs, comprising GAAP service and prior service costs, are allocated to Commercial Airplanes. BDS continues to be allocated CAS pension costs which are allocable to government contracts. Other postretirement costs will continue to be allocated to business segments based on CAS, which is generally based on benefits paid. Prior year allocations have not been adjusted. Components of Unallocated items and eliminations are shown in the following table.

	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Share-based plans	($74)	($64)	($21)	($23)
Deferred compensation	(165)	(49)	(63)	(15)
Capitalized interest	(52)	(53)	(18)	(16)
Eliminations and other	(282)	(126)	(124)	(87)
Sub-total	(573)	(292)	(226)	(141)
Pension	(1,045)	(608)	(356)	(204)
Postretirement	54	(79)	16	(30)
Pension and Postretirement	(991)	(687)	(340)	(234)
Total	($1,564)	($979)	($566)	($375)

Segment assets are summarized in the table below:

	September 30 2013	December 31 2012
Commercial Airplanes	$47,851	$41,769
Defense, Space & Security:		
Boeing Military Aircraft	6,637	6,582
Network & Space Systems	6,220	6,669
Global Services & Support	3,951	3,692
Total Defense, Space & Security	16,808	16,943
Boeing Capital	4,113	4,347
Other segment	1,331	1,043
Unallocated items and eliminations	24,530	24,794
Total	$94,633	$88,896

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

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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, 2013, the related condensed consolidated statements of operations and comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, and the related condensed consolidated statements of cash flows and equity for the nine-month periods ended September 30, 2013 and 2012. These interim financial statements are the responsibility of the Company’s management.

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

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

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

/s/ Deloitte & Touche LLP

Chicago, Illinois
October 23, 2013

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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 expressions are used to identify these forward-looking statements. Examples of forward-looking statements include statements relating to our future financial condition and operating results, as well as any other statement that does not directly relate to any historical or current fact.

Forward-looking statements are based on our current expectations and assumptions, which may not prove to be accurate. These statements are not guarantees and are subject to risks, uncertainties and changes in circumstances that are difficult to predict. Many factors could cause actual results to differ materially and adversely from these forward-looking statements. Among these factors are risks related to:

(1) general conditions in the economy and our industry, including those due to regulatory changes;

(2) our reliance on our commercial airline customers;

(3) the overall health of our aircraft production system, planned production rate increases across multiple commercial airline programs, our commercial development and derivative aircraft programs, and our aircraft being subject to stringent performance and reliability standards;

(4) changing acquisition priorities of the U.S. government;

(5) our dependence on U.S. government contracts;

(6) our reliance on fixed-price contracts;

(7) our reliance on cost-type contracts;

(8) uncertainties concerning contracts that include in-orbit incentive payments;

(9) our dependence on our subcontractors and suppliers as well as the availability of raw materials;

(10) changes in accounting estimates;

(11) changes in the competitive landscape in our markets;

(12) our non-U.S. operations, including sales to non-U.S. customers;

(13) potential adverse developments in new or pending litigation and/or government investigations;

(14) customer and aircraft concentration in Boeing Capital's customer financing portfolio;

(15) changes in our ability to obtain debt on commercially reasonable terms and at competitive rates in order to fund our operations and contractual commitments;

(16) realizing the anticipated benefits of mergers, acquisitions, joint ventures, strategic alliances or divestitures;

(17) the adequacy of our insurance coverage to cover significant risk exposures;

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(18) potential business disruptions, including those related to physical security threats, information technology or cyber attacks or natural disasters;

(19) work stoppages or other labor disruptions;

(20) significant changes in discount rates and actual investment return on pension assets;

(21) potential environmental liabilities; and

(22) threats to the security of our or our customers' information.

Additional information concerning these and other factors can be found in our filings with the Securities and Exchange Commission, including the "Risk Factors" on pages 6 through 15 of our most recent Annual Report on Form 10-K, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Notes 9, 10, and 17 to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q and Current Reports on Form 8-K. Any forward-looking information speaks only as of the date on which it is made, and we assume no obligation to update or revise any forward-looking statement whether as a result of new information, future events or otherwise, except as required by law.

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

Consolidated Operating Results

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

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

(Dollars in millions, except per share data)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$62,838	$59,396	$22,130	$20,008
GAAP				
Earnings from operations	$5,047	$4,666	$1,803	$1,559
Operating margins	8.0 %	7.9 %	8.1 %	7.8 %
Effective income tax rate	30.1 %	33.1 %	32.8 %	29.5 %
Net earnings from continuing operations	$3,353	$2,925	$1,160	$1,034
Diluted earnings per share	$4.36	$3.84	$1.51	$1.35
Non-GAAP [1]				
Core operating earnings	$6,038	$5,353	$2,143	$1,793
Core operating margin	9.6 %	9.0 %	9.7 %	9.0 %
Core earnings per share	$5.20	$4.43	$1.80	$1.55

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

Revenues

The following table summarizes revenues:

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Commercial Airplanes	$38,301	$34,966	$13,987	$12,186
Defense, Space & Security	24,342	24,264	8,046	7,839
Boeing Capital	303	339	94	101
Other segment	80	79	26	27
Unallocated items and eliminations	(188)	(252)	(23)	(145)
Total	$62,838	$59,396	$22,130	$20,008

Revenues for the nine and three months ended September 30, 2013 increased by $3,442 million and $2,122 million, or 6% and 11%, compared with the same periods in 2012. Commercial Airplanes revenues increased by $3,335 million and $1,801 million, or 10% and 15%, due to higher new airplane deliveries. Defense, Space & Security (BDS) revenues increased by $78 million and $207 million, due to higher revenues in the Network & Space Systems (N&SS) and Global Service & Support (GS&S) segments, offset by lower revenues in the Boeing Military Aircraft (BMA) segment.

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Earnings From Operations

The following table summarizes Earnings from operations:

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Commercial Airplanes	$4,289	$3,445	$1,617	$1,153
Defense, Space & Security	2,281	2,317	673	827
Boeing Capital	98	100	35	28
Other segment	(57)	(217)	44	(74)
Unallocated pension/postretirement expense	(991)	(687)	(340)	(234)
Other unallocated items and eliminations	(573)	(292)	(226)	(141)
Earnings from operations (GAAP)	$5,047	$4,666	$1,803	$1,559
Unallocated pension/postretirement expense	991	687	340	234
Core operating earnings (Non-GAAP)	$6,038	$5,353	$2,143	$1,793

Earnings from operations for the nine months ended September 30, 2013 increased by $381 million compared with the same period in 2012 primarily reflecting $844 million of higher earnings at Commercial Airplanes, partially offset by higher pension costs and higher other unallocated items in 2013 as well as the benefit of a favorable litigation resolution of $121 million recorded in 2012. Earnings from operations for the three months ended September 30, 2013 increased by $244 million compared with the same period in 2012 primarily reflecting higher earnings of $464 million at Commercial Airplanes and $118 million in Other segment, offset by higher pension costs and lower BDS earnings.

Core operating earnings for the nine months ended September 30, 2013 increased by $685 million compared with the same period in 2012 primarily reflecting higher earnings at Commercial Airplanes, offset by higher other unallocated items in 2013 and the benefit of the favorable litigation resolution recorded in 2012. Core operating earnings for the three months ended September 30, 2013 increased by $350 million compared with the same period in 2012 primarily reflecting higher earnings at Commercial Airplanes and in Other segment offset by lower BDS earnings.

For the nine and three months ended September 30, 2013, Commercial Airplanes earnings increased by $844 million and $464 million compared to the same periods in 2012 reflecting higher airplane deliveries and lower research and development expense. In addition, the increase in earnings in the nine-month period was offset by higher period costs reflecting 787 support costs related to the battery system improvements in the first quarter of 2013. BDS earnings for the nine months ended September 30, 2013 decreased by $36 million due to lower earnings in the BMA segment partially offset by higher earnings in the N&SS and GS&S segments. For the three months ended September 30, 2013, BDS earnings decreased by $154 million due to lower earnings in the BMA segment partially offset by higher earnings in the GS&S and N&SS segments.

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	
	2013	2012	2013	2012
Commercial Airplanes	$1,297	$1,638	$432	$534
Defense, Space & Security	892	868	313	306
Other	34	39	10	13
Research and development expense, net	$2,223	$2,545	$755	$853

Research and development expense for the nine and three months ended September 30, 2013 decreased by $322 million and $98 million compared with the same periods in 2012 primarily due to lower spending at Commercial Airplanes on the 787 program partially offset by increased spending on the 737 program.

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

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Share-based plans	($74)	($64)	($21)	($23)
Deferred compensation	(165)	(49)	(63)	(15)
Eliminations and other	(334)	(179)	(142)	(103)
Sub-total (included in core operating earnings*)	(573)	(292)	(226)	(141)
Pension	(1,045)	(608)	(356)	(204)
Postretirement	54	(79)	16	(30)
Pension and Postretirement (excluded from core operating earnings*)	(991)	(687)	(340)	(234)
Total	($1,564)	($979)	($566)	($375)

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

Deferred compensation expense increased by $116 million and $48 million for the nine and three months ended September 30, 2013 compared with the same periods in 2012, primarily driven by changes in our stock price.

Eliminations and other unallocated items expense for the nine months ended September 30, 2013 increased by $155 million compared with the same period in 2012, primarily reflecting the benefit of a favorable litigation resolution of $121 million recorded in 2012.

We recorded net periodic benefit cost related to pensions and other postretirement benefits of $2,845 million and $958 million for the nine and three months ended September 30, 2013 and $2,522 million and $838 million for the same periods in 2012. The increase in net periodic benefit costs related to pension plans is primarily due to higher amortization of actuarial losses driven by lower discount rates. In addition, unallocated pensions and other postretirement expense reflects the pension curtailment charge of $73 million related to the decision in September 2013 to end production of the C-17 aircraft in 2015. See Note 9. During the third quarter of 2013 we also determined that the pension expense in prior years was overstated. As a result, we recorded a reduction in pension expense of $63 million during the three months ended September 30, 2013.

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

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

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
Pension Plans	2013	2012	2013	2012
Allocated to business segments	($1,274)	($1,223)	($419)	($379)
Other unallocated items and eliminations	(1,045)	(608)	(356)	(204)
Total	($2,319)	($1,831)	($775)	($583)

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
Other Postretirement Plans	2013	2012	2013	2012
Allocated to business segments	($323)	($335)	($106)	($102)
Other unallocated items and eliminations	54	(79)	16	(30)
Total	($269)	($414)	($90)	($132)

Other Earnings Items

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Earnings from operations	$5,047	$4,666	$1,803	$1,559
Other income, net	41	39	19	17
Interest and debt expense	(290)	(330)	(95)	(110)
Earnings before income taxes	4,798	4,375	1,727	1,466
Income tax expense	(1,445)	(1,450)	(567)	(432)
Net earnings from continuing operations	$3,353	$2,925	$1,160	$1,034

Interest and debt expense for the nine and three months ended September 30, 2013 decreased by $40 million and $15 million when compared with the same period in 2012 due to a lower weighted average debt balance.

Our effective income tax rates were 30.1% and 33.1% for the nine months ended September 30, 2013 and 2012 and 32.8% and 29.5% for the three months ended September 30, 2013 and 2012. The effective tax rate for the nine months ended September 30, 2013 is lower than the comparable prior year period primarily due to the retroactive reinstatement in the first quarter of 2013 of the 2012 U.S. research and development tax credit which reduced income tax expense by $145 million. The effective tax rate for the three months ended September 30, 2013 is higher than the comparable prior year period primarily due to discrete tax adjustments, including settlement of non-US audits, recorded during the three months ended September 30, 2012 partially offset by research and development tax credits in 2013 that were not available in 2012.

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

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Backlog

(Dollars in millions)	September 30 2013	December 31 2012
Total contractual backlog	$395,188	$372,355
Unobligated backlog	19,920	17,873

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

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

Additional Considerations

KC-46A Tanker In February 2011, we were awarded a contract from the U.S.Air Force 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 firm contract valued at $4.9 billion and involves highly complex designs and systems integration. Changes to our estimated cost to perform the work could result in a material charge. This contract contains production options. If all options under the contract are exercised, we expect to deliver 179 aircraft for a total expected contract value of approximately $30 billion. For segment reporting purposes, backlog, revenues and costs are recorded in the Commercial Airplanes and BMA segments.

Segment Results of Operations

Commercial Airplanes

Business Environment and Trends

Airline Industry Environment Net profits for the global airline industry are forecast to total $12 billion in 2013 and $16 billion in 2014 compared to $7 billion in 2012. While industry risk remains due to ongoing economic and political uncertainty, passenger traffic continues to grow at or above long-term trend rates. However, weak global economic conditions have continued to impact near-term demand for new freighter aircraft and freighter conversions.

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

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Operating Results

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$38,301	$34,966	$13,987	$12,186
Earnings from operations	$4,289	$3,445	$1,617	$1,153
Operating margins	11.2 %	9.9 %	11.6 %	9.5 %

(Dollars in millions)	September 30 2013	December 31 2012
Contractual backlog	$344,283	$317,287
Unobligated backlog	894	1,466

Revenues

Revenues for the nine and three months ended September 30, 2013 increased by $3,335 million and $1,801 million or 10% and 15% compared with the same periods of 2012 due to higher new airplane deliveries.

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

	737	747	767	777	787		Total
Deliveries during the first nine months of 2013	330	16	17	73	40	(1)	476
Deliveries during the first nine months of 2012	310	21	20	62	23		436
Deliveries during the third quarter of 2013	112	4	5	26	23		170
Deliveries during the third quarter of 2012	102	8	7	20	12		149
Cumulative deliveries as of 9/30/2013	4,623	1,474	1,057	1,139	89		
Cumulative deliveries as of 12/31/2012	4,293	1,458	1,040	1,066	49		

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

Earnings From Operations

Earnings from operations for the nine months ended September 30, 2013 increased by $844 million compared with the same period of 2012. Increased earnings were driven primarily by higher new airplane deliveries of $595 million and lower research and development cost of $341 million due to lower spending on the 787 program partially offset by increased spending on the 737 program. Earnings were reduced by $92 million primarily driven by higher period costs reflecting 787 support costs related to the battery system improvements. Operating margins increased by 1.3 percentage points to 11.2% primarily due to higher deliveries and lower research and development cost partially offset by the dilutive impact of 787 deliveries.

Earnings from operations for the three months ended September 30, 2013 increased by $464 million compared with the same period of 2012. Increased earnings were driven primarily by higher new airplane deliveries of $323 million and lower research and development cost of $102 million due to lower spending on the 787 program partially offset by increased spending on the 737 program. In addition, earnings increased by $39 million primarily driven by higher earnings from commercial aviation services and lower period costs. Operating margins increased by 2.1 percentage points to 11.6% primarily due to higher deliveries and lower research and development cost partially offset by the dilutive impact of 787 deliveries.

Backlog

The increase in contractual backlog during the nine months ended September 30, 2013 was due to orders in excess of deliveries partially reduced by cancellation of orders. A number of our customers may have contractual remedies that may be implicated by program delays. We continue to address customer claims

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and requests for other contractual relief as they arise. However, once orders are included in firm backlog they remain in backlog until canceled or fulfilled, although the value of orders is adjusted as changes to price and schedule are agreed to with customers.

Accounting Quantity

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

	Program				
As of 9/30/2013	737	747	767	777	787
Program accounting quantities	7,000	1,574	1,103	1,550	1,300
Undelivered units under firm orders	3,467	51	51	328	890
Cumulative firm orders	8,090	1,525	1,108	1,467	979
	Program				
As of 12/31/2012	737	747	767	777	787
Program accounting quantities	6,600	1,574	1,103	1,450	1,100
Undelivered units under firm orders	3,074	67	68	365	799
Cumulative firm orders	7,367	1,525	1,108	1,431	848

737 Program The accounting quantity for the 737 program increased by 200 and 400 for the three and nine months ended September 30, 2013 due to the program's normal progress of obtaining additional orders and delivering airplanes. We increased our production rate from 35 to 38 per month in the first quarter of 2013 and a further increase to 42 per month is planned for 2014. First delivery of the 737 MAX is expected in 2017.

747 Program Continued weakness in the air cargo market and lower-than-expected demand for large commercial passenger aircraft have resulted in pricing pressures and fewer orders than anticipated. In April 2013, we announced that the production rate would be decreased from 2 to 1.75 per month in January 2014. In October 2013, we announced we will further reduce the production rate to 1.5 per month starting in February 2014 through the end of 2015. We continue to 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 During the third quarter of 2013 we reconfigured the 767 assembly line to include a 767 derivative to support the Tanker program and decreased our commercial production rate from 2 to 1 per month. We expect to increase the commercial rate to 1.5 per month in 2014 and back to 2 per month in 2016.

777 Program The accounting quantity for the 777 program increased by 100 in the third quarter of 2013 due to the program's normal progress of obtaining additional orders and delivering airplanes. We increased our production rate from 7 to 8.3 per month in the first quarter of 2013.

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

In May 2013, we achieved a production rate of 7 aircraft per month in final assembly. We continue to expect to increase the production rate of 787 aircraft to 10 per month in final assembly by the end of 2013 with first deliveries occurring at that rate in early 2014. The first 787-9 began final assembly in May 2013 and completed first flight on September 17, 2013. Production and flight testing of the 787-9 continues to be on schedule

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and we expect the first customer delivery to occur in mid-2014. In June 2013, we announced the launch of the 787-10 derivative aircraft with first delivery targeted for 2018.

We continue to incorporate engineering and other design changes identified during flight testing into already completed aircraft at our Everett modification center. We also remain focused on achieving planned increases in 787 production rates while continuing to satisfy customer mission and performance requirements. We continue to monitor and address challenges associated with aircraft production and assembly, including management of our manufacturing operations and extended global supply chain, completion and integration of traveled work, as well as 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. During the fourth quarter of 2012 we finalized an order for one of the three remaining flight test aircraft. We continue to believe that the other two 787 flight-test aircraft are commercially saleable and we continue to include costs related to those airplanes in program inventory at September 30, 2013. If we determine that either of the remaining aircraft cannot be sold, we may incur additional charges.

During the third quarter of 2013 we increased the accounting quantity to 1,300 units from 1,100 units to reflect incorporation of revenue and cost estimates associated with the 787-10 and plans to increase production rates to 12 and 14 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 cumulative impacts of production challenges, change incorporation, schedule delays and customer and supplier impacts have created significant pressure on program profitability. If risks related to this program, including risks associated with planned production rate increases, or introducing the 787-9 and 787-10 derivatives as scheduled cannot be mitigated, the program could face additional customer claims and/or supplier assertions, as well as further pressures on program profitability and/or a reach-forward loss. We continue to implement mitigation plans and cost-reduction efforts to improve program profitability and address program risks.

Additional Considerations

The development and ongoing production of commercial aircraft is extremely complex, involving extensive coordination and integration with suppliers and highly-skilled labor from thousands of employees and other partners. Meeting or exceeding our performance and reliability standards, as well as those of customers and regulators, can be costly and technologically challenging. In addition, the introduction of new aircraft derivatives, such as the 787-9, 787-10 and 737 MAX, involves increased risks associated with meeting development, production and certification schedules. As a result, our ability to deliver aircraft on time, satisfy performance and reliability standards and achieve or maintain, as applicable, program profitability is subject to significant risks. Factors that could result in lower margins (or a material charge if an airplane program has or is determined to have reach-forward losses) include the following: changes to the program accounting quantity, customer and model mix, production costs and rates, changes to price escalation factors in aircraft purchase contracts, performance or reliability issues involving completed aircraft, capital expenditures and other costs associated with increasing or adding new production capacity, learning curve, additional change incorporation, anticipated cost reductions, flight test and certification schedules, costs, schedule and demand for derivative airplanes and status of customer claims, supplier assertions and other contractual negotiations. While we believe the cost and revenue estimates incorporated in the Condensed Consolidated Financial Statements are appropriate, the technical complexity of our airplane programs creates financial risk as additional completion costs may become necessary or scheduled delivery dates could be extended, which could trigger termination provisions, order cancellations or other financially significant exposure.

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Defense, Space & Security

Business Environment and Trends

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

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

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

On August 20, 2013, OMB issued a Sequestration Update Report for FY2014 identifying enforcement of The Act's discretionary spending caps. Under these caps the U.S. DoD will be subject to approximately $52 billion in reductions from the totals contained in the President's FY2014 budget proposal.

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

BDS Realignment

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

Operating Results

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$24,342	$24,264	$8,046	$7,839
Earnings from operations	$2,281	$2,317	$673	$827
Operating margins	9.4 %	9.5 %	8.4 %	10.5 %

(Dollars in millions)	September 30 2013	December 31 2012
Contractual backlog	$50,905	$55,068
Unobligated backlog	19,026	16,407

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Revenues

BDS revenues for the nine months ended September 30, 2013 increased by $78 million compared with the same period in 2012 due to higher revenues of $353 million and $166 million in the N&SS and GS&S segments, partially offset by lower revenues of $441 million in the BMA segment.

BDS revenues for the three months ended September 30, 2013 increased by $207 million compared with the same period in 2012 primarily due to higher revenues of $198 million and $176 million in the GS&S and N&SS segments, partially offset by lower revenues of $167 million in the BMA segment.

Earnings From Operations

BDS operating earnings for the nine months ended September 30, 2013 decreased by $36 million compared with the same period in 2012 due to lower earnings of $152 million in the BMA segment partially offset by higher earnings of $62 million and $54 million in the N&SS and GS&S segments.

BDS operating earnings for the three months ended September 30, 2013 decreased by $154 million compared with the same period in 2012 and operating margins decreased to 8.4% primarily due to lower earnings of $203 million and operating margins in the BMA segment.

Backlog

BDS total backlog was $69,931 million at September 30, 2013, reflecting a decrease of 2% from December 31, 2012, as CH-47 Chinook and V-22 Osprey multi-year contract orders and satellite contract awards were more than offset by revenues recognized on contracts awarded in prior years. For further details on the changes between periods, refer to the discussions of the individual segments below.

Additional Considerations

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

Some of our development programs are contracted on a fixed-price basis. Many of these programs have highly complex designs. As technical or quality issues arise during development, we may experience schedule delays and cost impacts, which could increase our estimated cost to perform the work or reduce our estimated price, either of which could result in a material charge or otherwise adversely affect our financial condition. These programs are ongoing, and while we believe the cost and fee estimates incorporated in the financial statements are appropriate, the technical complexity of these programs creates financial risk as additional completion costs may become necessary or scheduled delivery dates could be extended, which could trigger termination provisions, the loss of satellite in-orbit incentive payments, or other financially significant exposure. These programs have risk for reach-forward losses if our estimated costs exceed our estimated contract revenues. Examples of significant fixed-price development programs include Airborne Early Warning and Control, Family of Advanced Beyond Line-of-Sight Terminals, India P-8I, Saudi Arabia F-15, USAF KC-46A Tanker, and commercial and military satellites.

Revenue and cost estimates for all significant contracts are reviewed and reassessed quarterly. Changes in these estimates could result in recognition of cumulative catch-up adjustments to the contract’s inception to date revenues, cost of sales and profit, in the period in which such changes are made. Changes in revenue and cost estimates could also result in a reach-forward loss or an adjustment to a reach-forward loss, which would be recorded immediately in earnings. For the nine months ended September 30, 2013 and 2012, net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by $184 million and $308 million. For the three months ended September

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30, 2013 and 2012, net favorable cumulative catch-up adjustments, including reach-forward losses, across all BDS contracts increased Earnings from operations by $20 million and $74 million.

Boeing Military Aircraft

Operating Results

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$11,541	$11,982	$3,543	$3,710
Earnings from operations	$1,024	$1,176	$221	$424
Operating margins	8.9 %	9.8 %	6.2 %	11.4 %

(Dollars in millions)	September 30 2013	December 31 2012
Contractual backlog	$26,427	$29,226
Unobligated backlog	12,560	9,270

Revenues

BMA revenues for the nine and three months ended September 30, 2013 decreased by $441 million and $167 million when compared with the same periods in 2012.

The decrease for the nine-month period was primarily due to a reduction of $1,191 million related to the F-15 program and fewer deliveries of Airborne Early Warning and Control (AEW&C) aircraft. This reduction was partially offset by an increase of $719 million related to higher 2013 deliveries of P-8 aircraft and Apache rotorcraft.

The decrease for the three-month period was primarily due to $331 million of lower milestone revenue on the F-15 program and fewer deliveries of C-17 aircraft. These decreases were partially offset by an increase of $239 million due to higher milestone revenue related to the KC-46A Tanker program.

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	
	2013	2012	2013	2012
F/A-18 Models	36	36	12	12
F-15E Eagle	3	8		
C-17 Globemaster III	8	8	2	3
CH-47 Chinook	32	40	15	18
AH-64 Apache	31	13	11	10
P-8 Models	7	3	2	2
AEW&C		2		
Total new-build production aircraft	117	110	42	45

Earnings From Operations

BMA operating earnings for the nine and three months ended September 30, 2013 decreased by $152 million and $203 million, decreases of 13% and 48% compared to the same periods in 2012. The decrease for the nine-month period was primarily due to lower earnings on the F-15 and AEW&C programs, partially offset

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by higher earnings on the P-8 and rotorcraft programs due to higher revenues. The decrease for the three months was primarily due to lower earnings on C-17 and F-15 programs. In September 2013, we decided to end production of C-17 aircraft in 2015. See Note 9. Also in September 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 that it will restart its F-X fighter aircraft competition.

Backlog

BMA total backlog was $38,987 million at September 30, 2013, reflecting an increase of 1% from December 31, 2012 primarily due to CH-47 Chinook and V-22 Osprey multi-year contract awards, largely offset by revenues recognized on contracts awarded in prior years.

Additional Considerations

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

KC-46A Tanker See the discussion of the KC-46A Tanker program on page 34.

Network & Space Systems

Operating Results

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$6,240	$5,887	$2,231	$2,055
Earnings from operations	$486	$424	$193	$179
Operating margins	7.8 %	7.2 %	8.7 %	8.7 %

(Dollars in millions)	September 30 2013	December 31 2012
Contractual backlog	$9,852	$10,078
Unobligated backlog	5,638	6,937

Revenues

N&SS revenues for the nine and three months ended September 30, 2013 increased by $353 million and $176 million compared with the same periods in 2012.

The increase for the nine-month period was primarily attributable to higher revenue of $257 million in our commercial satellite programs and higher revenues of $295 million on the Space Launch System program awarded in the fourth quarter of 2012. This increase was partially offset by lower revenues of $189 million on our electronic and information solution programs. The increase for the three-month period was primarily due to higher revenue of $169 million from sales of Delta inventory to United Launch Alliance (ULA) and higher revenue of $103 million on the Space Launch System program. These increases were partly offset by lower revenues of $51 million on our electronic and information solution programs.

Earnings From Operations

N&SS operating earnings for the nine and three months ended September 30, 2013 increased by $62 million and $14 million compared with the same periods in 2012. The increase for the nine-month period was primarily due to higher revenues and mix in our commercial and civil satellite programs and the Space Launch Systems program. These increases were partially offset by lower earnings from our United Space Alliance (USA) joint venture reflecting a gain of $39 million recorded in the third quarter of 2012, related to the termination and settlement of USA's defined benefit pension plans.

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The increase for the three-month period was largely due to higher revenues related to the Space Launch System program. In addition, earnings in the third quarter of the prior year included a charge of $42 million related to the restructure of an electronic and mission system contract which was largely offset by the gain related to USA's defined benefit pension plans.

Operating earnings include equity earnings from the ULA and USA joint ventures of $122 million and $49 million for the nine and three months ended September 30, 2013 compared to $150 million and $98 million for the same periods in 2012.

Backlog

N&SS total backlog was $15,490 million at September 30, 2013, reflecting a decrease of 9% from December 31, 2012 primarily due to revenues recognized on contracts awarded in prior years, partially offset by government and commercial satellite contract awards.

Additional Considerations

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

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

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

Global Services & Support

Operating Results

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$6,561	$6,395	$2,272	$2,074
Earnings from operations	$771	$717	$259	$224
Operating margins	11.8 %	11.2 %	11.4 %	10.8 %

(Dollars in millions)	September 30 2013	December 31 2012
Contractual backlog	$14,626	$15,764
Unobligated backlog	828	200

Revenues

GS&S revenues for the nine and three months ended September 30, 2013 increased by $166 million and $198 million compared with the same periods in the prior year, primarily due to higher revenues on several Maintenance, Modification and Upgrade (MM&U) programs. The three-month period increase was also due to higher revenues on several Training Systems and Government Services (TSGS) programs.

Earnings From Operations

GS&S operating earnings for the nine and three months ended September 30, 2013 increased by $54 million and $35 million compared with the same periods in 2012 primarily due to improved performance on several Integrated Logistics programs and higher revenues on several MM&U programs. The three-month period increase was also due to higher earnings on several TSGS programs.

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Backlog

GS&S total backlog was $15,454 million at September 30, 2013, a decrease of 3% from December 31, 2012 primarily due to revenues recognized on contracts awarded in prior years, partially offset by current year contract awards.

Boeing Capital

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

Operating Results

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$303	$339	$94	$101
Earnings from operations	$98	$100	$35	$28
Operating margins	32 %	29 %	37 %	28 %

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, 2013 decreased by $36 million compared with the same period in 2012 primarily due to lower operating lease income and lower other income. BCC’s revenues for the three months ended September 30, 2013 decreased by $7 million compared with the same period in 2012 primarily due to lower operating lease income.

Earnings From Operations

BCC’s operating earnings are presented net of interest expense, recovery of losses, asset impairment expense, depreciation on leased equipment and other operating expenses. Operating earnings for the nine months ended September 30, 2013 decreased by $2 million compared with the same period in 2012 primarily due to lower revenues and higher asset impairment expense offset by lower interest expense and depreciation expense. Operating earnings for the three months ended September 30, 2013 increased by $7 million primarily due to lower interest and depreciation expense offset by lower revenues.

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Financial Position

The condensed balance sheet for BCC is shown below.

(Dollars in millions)	September 30 2013	December 31 2012
Customer financing and investment portfolio, net	$4,073	$4,290
Other assets, primarily cash and short-term investments	337	402
Total assets	$4,410	$4,692
Other liabilities, primarily deferred income taxes	$1,344	$1,429
Debt, including intercompany loans	2,556	2,742
Equity	510	521
Total liabilities and equity	$4,410	$4,692
Debt-to-equity ratio	5.0-to-1	5.3-to-1

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

BCC’s customer financing and investment portfolio at September 30, 2013 decreased from December 31, 2012 primarily due to normal portfolio run-off and asset sales, partially offset by the origination of notes receivable. At September 30, 2013 and December 31, 2012, BCC had $115 million and $354 million of assets that were held for sale or re-lease, of which $89 million and $266 million had either executed term sheets with deposits or firm contracts to be sold or placed on lease. Additionally, aircraft subject to leases with a carrying value of approximately $42 million are scheduled to be returned off lease in the next 12 months. These aircraft are being remarketed or the leases are being extended and $11 million of these aircraft were committed at September 30, 2013.

Bankruptcies

In 2011, American Airlines, Inc. (American Airlines) filed for Chapter 11 bankruptcy protection. American Airlines retains certain rights by operating under Chapter 11 bankruptcy protection, including the right to reject executory contracts, such as aircraft leases. American Airlines has not rejected any of the leases related to our aircraft. At September 30, 2013, American Airlines accounted for $454 million of our customer financing portfolio, of which $377 million represents collateral for $206 million of non-recourse debt. We believe that our customer financing receivables from American Airlines are sufficiently collateralized such that we do not expect to incur losses related to those receivables as a result of the bankruptcy. We continue to monitor the American Airlines bankruptcy proceedings for potential impacts on our business.

Restructurings and Restructuring Requests

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

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Other Segment

(Dollars in millions)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$80	$79	$26	$27
(Loss)/Earnings from operations	(57)	(217)	44	(74)

Other segment losses decreased by $160 million for the nine months ended September 30, 2013 and other segment earnings increased by $118 million for the three months ended September 30, 2013 compared with the same periods in 2012 primarily related to the insurance recoveries in the third quarter of 2013. Other segment losses include costs related to support provided to BCC totaling $40 million and $10 million during the nine and three months ended September 30, 2013 and $77 million and $15 million for the same periods in the prior year.

Liquidity and Capital Resources

Cash Flow Summary

(Dollars in millions)	Nine months ended September 30	
	2013	2012
Net earnings	$3,352	$2,922
Non-cash items	1,452	2,040
Changes in working capital	1,995	(1,621)
Net cash provided by operating activities	6,799	3,341
Net cash used by investing activities	(4,082)	(4,593)
Net cash used by financing activities	(2,993)	(2,234)
Effect of exchange rate changes on cash and cash equivalents	(24)	19
Net decrease in cash and cash equivalents	(300)	(3,467)
Cash and cash equivalents at beginning of year	10,341	10,049
Cash and cash equivalents at end of period	$10,041	$6,582

Operating Activities Net cash provided by operating activities was $6.8 billion during the nine months ended September 30, 2013, an increase of $3.5 billion compared with the same period in 2012 primarily due to increased receipts of advances and progress billings in 2013. Advances and progress billings increased by $5.4 billion for the period compared with an increase of $0.9 billion for the same period in 2012 primarily due to payments from commercial airplane customers. Discretionary contributions to our pension plans totaled $1.5 billion during each of the nine month periods ended September 30, 2013 and 2012.

Investing Activities Cash used by investing activities totaled $4.1 billion during the nine months ended September 30, 2013 compared with $4.6 billion used during the same period in 2012, largely due to lower net contributions to investments in time deposits in the prior year partially offset by increased capital expenditures. Net contributions to investments were $2.6 billion in 2013 compared with net contributions to investments of $3.4 billion for the comparable period in 2012. In 2013, capital expenditures totaled $1.5 billion, compared with $1.2 billion for the same period in the prior year. We expect capital expenditures to remain higher through the remainder of 2013 due to continued investment to support growth.

Financing Activities Cash used by financing activities was $3 billion during the nine months ended September 30, 2013, compared with $2.2 billion in the same period in 2012 primarily due to share repurchases of $1.8 billion in 2013 partially offset by new borrowings in the current year and an increase in stock options exercised of $0.8 billion.

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In the second quarter of 2013, we issued notes totaling $0.5 billion to fund the BCC segment. During the nine months ended September 30, 2013, we repaid $1.4 billion of debt, including repayments of $0.6 billion of debt held at BCC. During the nine months ended September 30, 2012, we repaid $1.3 billion of debt. At September 30, 2013, the recorded balance of debt was $9.6 billion of which $0.9 billion was classified as short-term.

During the nine months ended September 30, 2013, we repurchased 17.8 million shares at an average price of $101.12 through our open market share repurchase program. We currently expect total repurchases during 2013 to exceed our prior estimate of between $1.5 and $2 billion. In addition, 0.8 million shares were transferred to us from employees for tax withholding.

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

Financing commitments totaled $19.1 billion and $18.1 billion at September 30, 2013 and December 31, 2012. We anticipate that we will not be required to fund a significant portion of our financing commitments as we continue to work with third party financiers to provide alternative financing to customers. Historically, we have not been required to fund significant amounts of outstanding commitments. However, there can be no assurances that we will not be required to fund greater amounts than historically required.

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

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

Off-Balance Sheet Arrangements

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

Contingent Obligations

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

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

Environmental Remediation We are involved with various environmental remediation activities and have recorded a liability of $689 million at September 30, 2013. For additional information, see Note 9 to our Condensed Consolidated Financial Statements.

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Income Taxes We have recorded a liability of $1,277 million at September 30, 2013 for uncertain tax positions. For further discussion of income taxes, see Note 3 to our Condensed Consolidated Financial Statements.

Non-GAAP Measures

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

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

Reconciliation of GAAP Measures to Non-GAAP Measures

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

(Dollars in millions, except per share data)	Nine months ended September 30		Three months ended September 30	
	2013	2012	2013	2012
Revenues	$62,838	$59,396	$22,130	$20,008
Earnings from operations, as reported	$5,047	$4,666	$1,803	$1,559
Operating margins	8.0 %	7.9 %	8.1 %	7.8 %
Unallocated pension/postretirement expense	$991	$687	$340	$234
Core operating earnings (non-GAAP)	$6,038	$5,353	$2,143	$1,793
Core operating margins (non-GAAP)	9.6 %	9.0 %	9.7 %	9.0 %
Diluted earnings per share, as reported	$4.36	$3.84	$1.51	$1.35
Unallocated pension/postretirement expense [(1)]	$0.84	$0.59	$0.29	$0.20
Core earnings per share (non-GAAP)	$5.20	$4.43	$1.80	$1.55
Weighted average diluted shares (in millions)	769.8	762.3	769.1	765.2

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

(b)Changes in Internal Control Over Financial Reporting.

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

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Part II. Other Information

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

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

(Dollars in millions, except per share data)

	(a) Total Number of Shares Purchased [1]	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares That May Yet be Purchased Under the Plans or Programs [2]
7/1/2013 thru 7/31/2013	63,243	$99.68	53,018	$2,605
8/1/2013 thru 8/31/2013	6,629,329	105.56	6,620,728	1,906
9/1/2013 thru 9/30/2013	900,085	106.20	895,000	1,811
Total	7,592,657	$105.59	7,568,746	

(1) We purchased an aggregate of 7,568,746 shares of our common stock in the open market pursuant to our repurchase program and 22,500 shares transferred to us from employees in satisfaction of minimum tax withholding obligations associated with the vesting of restricted stock units during the period. In addition, we purchased an aggregate of 1,411 shares in swap transactions.

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

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

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Item 6. Exhibits

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.

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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 23, 2013
(Date)

/s/ Diana L. Sands
Diana L. Sands
Vice President of Finance
& Corporate Controller